ANNUAL REPORT 2020

MCB

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 2020.

The Annual Report was approved by the Board of Directors on 25 September 2020.

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive Officer

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 continuously strengthen our balance sheet and revenue base.

We are intent on diversifying our markets in the region and beyond. In tune with our brand promise and as a responsible entity, we are committed to executing an ambitious sustainability agenda to embed long-term value for our stakeholders.

We relentlessly sharpen our capabilities for growth, while striving to make banking simpler, faster and more convenient to our customers. We actively monitor and assess the operating environment and ensure that we rise up to challenges and opportunities that we are exposed to.

Our reporting suite

The contents of this **Annual Report** are complemented by our **Sustainability 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 and 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.

Responding to the COVID-19 crisis and upholding our resilience

An unprecedented context

In 2020, we witnessed the unprecedented impact of the COVID-19 pandemic on economies, businesses, societies, individuals and families as infections stemming from the virus rocketed around the world. Notwithstanding wide-ranging measures taken by the authorities to mitigate the socio-economic crisis, markets in Mauritius as well as on the regional and global scales have not been spared. In Mauritius, following the detection of the first positive cases, the authorities have imposed a lockdown, starting 20 March 2020. A strict curfew order was imposed as from 23 March to break the circuit of transmission of the virus and was ended on 30 May, after which socio-economic activities have gradually resumed across the country. Since 15 June, all business and activity lockdowns have been lifted, but with the wearing of masks compulsory and our international borders remaining closed, while certain sectors of the economy such as those linked to tourism, are still operating at sub optimal level.

The Bank responded to the changing operating landscape in a prompt and orderly manner. With the support of our employees, we took pragmatic steps to ensure continuity of service and have, since, reviewed business development priorities in terms of scope and magnitude to focus on the more immediate needs of our markets.

Our operations and business continuity measures

Guided by our set protocols and the dedication of both our Management teams and employees, business continuity was ensured as regard client transactions processing, while we notably attended to payment of salaries and social welfare allowances. Prior to the lockdown period in Mauritius, we had finalised our Pandemic Preparedness Plan, which, after discussion with the Mauritius Bankers Association and the Bank of Mauritius, has been aligned across the banking industry. We set up a Crisis Management Team (CMT), which provided guidance and direction to oversee an effective and coordinated management of action plans and initiatives aimed to cope with the pandemic and consistently ensure minimal service delivery. The responsible members of each stream (Staff, Operations, Business, Communication, Risk, Liquidity/Funding, Retail, Regulatory, Overseas and Local Subsidiaries) within the CMT have worked towards ensuring the smooth running of their respective activities. The CMT met virtually on a daily basis to coordinate and manage the activities of the organisation, with regular updates from the Pandemic Operations Team, which was established to ensure a seamless coordination between different departments of the organisation during the lockdown period.

As soon as the lockdown was announced, Work From Home (WFH) practices and split teams were put into place to maintain continuity of business operations and delivery of service to the community (albeit to minimal levels) as well as reduce risks of contamination and contagion. Our contingency plan facilitated the execution of WFH on a large scale, while maintaining to the minimum possible on-site employees during the peak of the pandemic. The modus operandi was promptly put in place and, despite the very short notice, most of our arrangements worked as planned. With the end of lockdown period, we resumed work onsite in a phased manner, in accordance with internal protocols, with WFH practices still being exercised to the extent feasible. As for our branches, they reviewed their functioning in the wake of the virus spread. We planned, at the outset and after consultation with the Central Bank, to cater for customer needs through 14 strategically-positioned branches out of 40 branches and we reviewed their operating hours to help mitigate the virus spread. With the end of the lockdown, all our branches are open as per normal working hours, with robust sanitary measures in place.

Responding to the COVID-19 crisis and upholding our resilience

Safeguarding the health and safety of our employees and clients

The well-being of our stakeholders being a topmost priority, we implemented strict sanitary and hygiene protocols to uphold sound physical environments across our working premises. We put in place a controlled entry system and used calibrated non-contact thermometers for body temperature screenings for all visitors and employees admitted in our premises. We set up social distancing markings at entrances and service counters for better queue management and to mitigate contagion risks. We installed protective glass screens separating customers from tellers to ensure maximum protection. We ensure that staff members as well as customers wear masks. Hydro-alcoholic solutions are dispensed to customers upon entry in our premises. We conduct regular cleansing and disinfection of our premises and equipment, notably across frontline spaces and common areas. Essentially, the Bank adheres to best practice sanitary and health measures and protocols, with the recommendations of the World Health Organisation and local authorities strictly followed, backed by necessary supportive mechanisms.

Helping our customers ride through difficult times

We are conscious that our valued clients have been facing extraordinary and uncertain times. Against this backdrop, the Bank has deployed timely efforts and measures to stand by and accompany its individual and corporate customers, while offering appropriate work-around solutions for service delivery and attending to requests for dedicated facilities, notably with regard to servicing of debt obligations and provision of working capital facilities, loan restructuring and credit relief. We closely collaborated with the authorities to help in implementing a number of support measures, to assist all our customers and help them recover.

Bearing in mind the mode of transmission of the COVID-19 virus, we intensified communication and awareness campaigns on social media to encourage our customers and the general public to opt for digital and contactless channels, while sensitising them on phishing and scamming attempts. Our mobile banking platform 'JuiceByMCB' and Internet Banking solutions offer a secure and convenient round-the-clock alternative to our customers for their everyday banking needs from their home. To further promote its digital channels, MCB deployed additional POS machines and increased its repertoire of 'Juice' merchants, alongside assisting stand-alone e-commerce merchants and online market place operators in their endeavours. We also promoted the use of our recently-developed payment solution 'Scan to pay' (QR code), which is available on 'JuiceByMCB', to effect transactions. We have increased the limit for contactless payments from Rs 500 to Rs 2,500 since the beginning of the imposed lockdown period, with the number of related transactions more than doubling during the period spanning January to June 2020.

Read more in the 'Fostering our stakeholder engagement' section on pages 51 to 61

Preserving our status as a sound and resilient organisation

Alongside supporting its stakeholders, the Bank strengthened its risk management set-up to tackle and mitigate pressures exerted on business activities by the pandemic. It took prompt and proactive steps with the aim to preserve the stability and soundness of its exposures across market segments. Notably, the Bank set up a cross-functional and dedicated Portfolio Assessment Team aimed at evaluating the economic and financial situation of systemic client Groups and SMEs. This enabled it to carry out a vulnerability assessment of its exposures across the most affected economic sectors, thus helping to (i) undertake an informed appraisal of credit needs for relevant remedial actions; and (ii) uphold a generally healthy market positioning across segments. Moreover, the Bank implemented adapted measures to ensure an adequate liquidity position and preserve sufficient funding resources in local and foreign currencies.

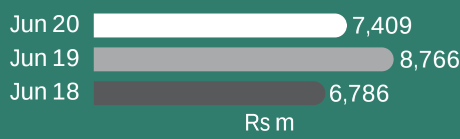
In FY 2019/20, whereas our business activities and results have been impacted by the challenging circumstances engendered by the COVID-19 pandemic, the Bank upheld healthy financial indicators, thanks to its robust fundamentals and its ability to adapt to the constantly and rapidly changing operating landscape.

Read more in the 'Risk and Capital Management Report' section on pages 117 to 160 and 'Deliver on our growth pillars' section on pages 62 to 67

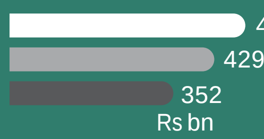
Financial highlights

Financial performance

Net profit
Rs 7,409 m
-15.5%



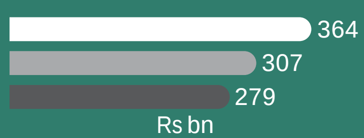
Total assets
Rs 486 bn
+13.4%



Market positioning

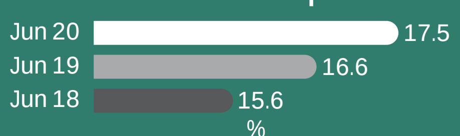
Customer loans
Rs 237 bn
+7.6%

Customer deposits
Rs 364 bn
+18.6%



Capital & return ratios

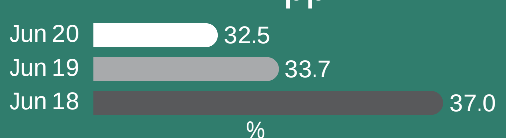
Capital adequacy ratio
17.5%
+95 bp



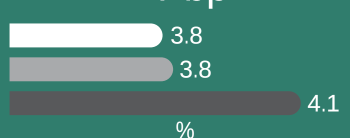
Return on equity
14.6%
-4.4 pp

Efficiency & asset quality

Cost to income ratio
32.5%
-1.2 pp



Gross NPL ratio
3.8%
-7 bp



Board of Directors

Chairperson

Jean-François DESVAUX DE MARIGNY

Independent Non-Executive Directors

Jonathan CRICHTON

Uday GUJADHUR

Philippe LEDESMA

Su Lin ONG *(as from November 2019)*

Simon Pierre REY *(until December 2019)*

Simon WALKER *(as from June 2020)*

Non-Executive Director

Jean Michel NG TSEUNG

Executive Directors

Alain LAW MIN

Raoul GUFFLET

Secretary to the Board

MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Committees of the Board

Audit Committee

Uday GUJADHUR *(Chairperson)*

Philippe LEDESMA

Su Lin ONG *(as from November 2019)*

Simon Pierre REY *(until December 2019)*

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

Conduct Review Committee

Su Lin ONG *(Chairperson as from December 2019)*
(Member as from November 2019)

Simon Pierre REY *(Chairperson) (until December 2019)*

Uday GUJADHUR

Philippe LEDESMA

Secretary: Frederic PAPOCCHIA

Nomination and Remuneration Committee

Jean-François DESVAUX DE MARIGNY
(Chairperson) (also acts as Secretary)

Alain LAW MIN

Philippe LEDESMA

Simon Pierre REY *(also acts as Secretary) (until December 2019)*

Simon WALKER *(as from June 2020)*

Supervisory and Monitoring Committee

Jean-François DESVAUX DE MARIGNY *(Chairperson)*

Raoul GUFFLET *(also acts as Secretary)*

Alain LAW MIN

Risk Monitoring Committee

Simon WALKER *(Chairperson as from July 2020)*
(Member as from June 2020)

Jonathan CRICHTON *(Chairperson until June 2020)*

Jean-François DESVAUX DE MARIGNY

Alain LAW MIN

Philippe LEDESMA

Jean Michel NG TSEUNG

Secretary: Frederic PAPOCCHIA

Leadership team

Business Executives

Alain LAW MIN	**Chief Executive Officer**
Raoul GUFFLET	**Deputy Chief Executive Officer**
Vincent CHATARD	Chief Operating Officer
Thierry HEBRAUD	Head – Corporate and Institutional Banking (CIB) *(as from October 2019)*
Bhavish NAECK	Head – Finance
Frederic PAPOCCHIA	Chief Risk Officer
Mike SOPHIE	Head – Human Resources

Business Leaders

Stephanie AH TOW	Head – Compliance *(as from May 2020)*
Christophe AYNAUD	Head – Permanent Control *(until July 2020)*
Xavier BATHFIELD	Head – Mauritian & Regional Corporate (CIB) *(as from May 2020)*
Matthieu BENOIT	Head – Marketing
Hema CEDERHAGE	Head – Securities Services
Paul CORSON	Deputy Head – Corporate and Institutional Banking (CIB)
Robin CUNDASAWMY	Head – Internal Audit
Koomaren CUNNOOSAMY	Head – Credit Analysis and Structuring (CIB)
Ashvin DEENA	Head – Global and International Corporate (CIB) *(as from May 2020)*

François DESVAUX DE MARIGNY	Deputy Head – Private Banking and Wealth Management
Vanessa DOGER DE SPEVILLE	Head – Communication and Corporate Sustainability
Marc HAREL	Head – Business Development (CIB)
Hemandra Kumar HAZAREESING	Head – Global Transactional Banking (CIB)
Jean-François HENRI	Head – Facilities Management and Procurement
Patrice HERVE	Head – Technology
Vicky HURYNAG	Head – Strategy, Research and Development
Anbar JOWAHEER	Head – Financial Institutions and Syndication (CIB) *(as from May 2020)*
Joel LAMBERT	Head – Legal
Steve LEUNG SOCK PING	Head – Quality Assurance *(until July 2020)*
Vikash NATHOO	Head – Permanent Supervision, Operational and Information Risk
Stephanie NG TSEUNG - YUE	Head – Cards
Lindley PERRINE	Head – Global Markets and Treasury Management
Dominic PROVENCAL	Head – Business Banking
Neekeea RAMEN	Head – Credit Management
Abraham RAWAT	Head – Retail
Zaahir SULLIMAN	Head – Specialised Finance (CIB) *(as from May 2020)*
Anju UMROWSING-RAMTOHUL	Head – Banking Operations

"I am immensely proud of the way the Bank has risen up to the complex and demanding challenges prompted by the pandemic ..."

Jean-François
DESVAUX DE MARIGNY

Reflections from the Chairman

Introduction

Mauritius, like almost every other nation worldwide, has been exposed to the sanitary and economic crisis triggered by the COVID-19 pandemic. Whilst the authorities adopted various support measures, the banking sector has been confronted by restrained business activities amidst economic downturns and dampened investor confidence. There were pressures on availability of foreign currency in the wake of border closures and considering the tough economic climate. Furthermore, interest margins were squeezed and asset quality was impacted. MCB has not been spared, with profit after tax dropping by 15.5% to reach Rs 7,409 million, mainly due to a substantial increase in impairment charges in line with the COVID-19 crisis and the high level of uncertainty that it has engendered.

That said, reflecting our sound and resilient business model and disciplined market diversification strategy, I am comforted to observe that MCB continues, in the face of the hostile operating context, to preserve its healthy fundamentals, thanks also to the support of our dedicated employees and the trust of our stakeholders. Encouragingly, our operating income posted a resilient growth of 9.6% to reach Rs 19,272 million, while we have upheld the soundness of our key financial metrics. We have kept adequate capital resources as buffer against potential shocks and to underpin our growth initiatives, with our overall capital adequacy ratio and the Tier 1 ratio improving by a notable margin over last year to reach 17.5% and 16.5% respectively. In the current exceptional circumstances and in line with directives issued by the Bank of Mauritius, the Bank has not declared any dividend to its shareholder for the period under review. Furthermore, we have stayed well-funded and adequately liquid, notably in foreign currencies and our asset quality was relatively stable in spite of market turbulences. Notwithstanding sustained capacity-building initiatives, our cost to income ratio was brought down to an even more comfortable level.

"MCB upheld its brand image and franchise, while making a sustainable contribution to the economy, society and environment..."

Key moves to address immediate imperatives and underpin underlying growth strategies

As the COVID-19 pandemic hit our shores and started to affect almost all economic sectors, MCB took prompt and robust measures to adapt to the changing operating landscape, alongside living up to its promise of being a responsible bank. As a key priority and while putting into place clear guidelines and protocols, we took prompt steps to protect the health and safety of our employees and cater for their well-being. Albeit operating at reduced levels, but with banking being an essential service, we ensured the continuity of our services, backed by strong operational platforms, a coherent governance set-up and adapted technological infrastructures. It is important to note that MCB has, throughout its history, accompanied its valued customers in good and bad times. The current situation is no different. Conscious of the financial stresses faced by our individual and corporate clients, we tried to design adapted solutions, notably in terms of credit relief and working capital facilities, to assist them in confronting the harsh market conditions, while remaining afloat and progressively regaining their growth momentum. In parallel, we worked closely with the Central Bank, other authorities and private sector organisations with a view to coming up with the optimal solutions to help our clients during the crisis.

On the business development front, we reviewed our objectives and targets after making allowance for the current exceptional times. Nonetheless, the Bank has, during the course of the last financial year, further progressed towards achieving its growth objectives. While serving more than 1 million customers, we have implemented dedicated initiatives to extend our frontiers, deliver a world-class customer service through digital initiatives as well as nurture our values and live up to our brand promise.

The Bank preserved its leadership market position in Mauritius, while supporting the country's sustained socio-economic development. As at 30 June 2020, we accounted for 47% of local currency deposits, while around one in every two cards issued in Mauritius is MCB-branded. Our 'JuiceByMCB' mobile banking service boasts more than 330,000 subscribers, including some 73,000 issued over the past year, thus firmly strengthening our local leadership position in this segment. MCB further deployed its contactless payments solutions, backed by the highest level of security to users. Today, more than 3,300 retail outlets operate with our contactless terminals, with around a million transactions effected by customers in FY 2019/20. We held a market share of around 39% in respect of total domestic credit to the economy, with dominant positions in respect of housing loans and credit extended to most economic sectors. On this note, I take great pride in our continued efforts to assist in the advancement of individuals and businesses. For instance, reflecting its pledge to help entrepreneurs, the Bank has maintained its market leadership position in serving SMEs. Testifying to its

Reflections from the Chairman

endeavour to support the education of the country's youth, MCB has the largest market share of student loans approved under normal banking terms and the Government Guarantee Scheme, with 66% of total credit disbursed between April 2013 and August 2020.

We pursued our regional market diversification agenda and positioned ourselves as an increasingly prominent financial services player on the African continent. Reflecting the significance of our foreign-sourced activities, the latter accounted for more than 50% of our operating profit before impairment in FY 2019/20. We broadened and deepened our involvement in Energy and Commodities financing, with inroads made in the upstream business as well as the oil and gas structured debt market. Progress was made in widening our international structured finance activities across carefully selected sectors and geographies. We continued to harness mutually-beneficial relationships with foreign counterparts in the context of the organisation's 'Bank of Banks' initiative to, in close connection with the Group, provide our clients access to our outsourcing services to underpin their capacity-building and growth endeavours.

To support its growth ambitions, the Bank continues to build sustainable capabilities. The period under review was, notably, marked by the further execution of our Digital Transformation and HR Transformation Programmes. While fostering the engagement, proficiency, advancement and well-being of our employees, key initiatives put into place helped the Bank further improve the quality of customer experiences, using technology to enhance the richness of our value proposition and bolster our competitive edge. Furthermore, the Bank took several business transformation and realignment initiatives to nurture a solid footing for the future. Key moves were undertaken to further refine our operating models and platforms, aiming to: (i) enhance client-centricity and formulate more appealing value propositions to better meet client needs; (ii) tap into market potential across targeted segments; (iii) foster new ways of working that are anchored on agile, innovative and collaborative principles; and (iv) reinforce processes and policies underpinning our risk management and internal control framework, in tune with the operating context and regulatory stipulations.

"Capitalising on our integrated business model and digital transformation, we will pursue our strategic goals in a disciplined way ..."

MCB upheld its brand image and franchise, while making a sustainable contribution to the economy, society and environment towards fulfilling its engagement as a caring entity. In line with its 'Success Beyond Numbers' agenda and as it shores up its capabilities, the Bank took several initiatives in the context of its Corporate Sustainability Programme. On another note, the Bank's achievements and credentials have earned it numerous awards. MCB was, for the eighth time in 11 years, named the 'Bank of the Year for Mauritius' by The Banker/FT Magazine. The Bank was recognised as the 'Best Bank in Mauritius' by Euromoney for the seventh time in a row. Furthermore, we have been named as the 'Best Private Bank in Mauritius' for the fourth consecutive year by PWM/The Banker.

Envisioning a sound future for the Bank in a context marked by notable challenges

The business environment is being overshadowed by the significant challenges triggered by the COVID-19 pandemic, which should have a notable bearing on our activities in the foreseeable future. Besides, we are conscious that disruptive forces, particularly technological shifts, are changing the way banking is undertaken, while regulatory and compliance requirements are getting increasingly stringent, with the Mauritian jurisdiction becoming under constant international scrutiny. Against this backdrop, MCB remains fully committed to preserving its franchise and achieving long-term value creation for the benefit of its multiple stakeholders. In the immediate term, the Bank will tackle concerns associated with the lingering sanitary and economic crisis and further accompany its customers in testing times. Beyond, we will ensure that we have the necessary means to (i) simplify and streamline the way we operate and function to more effectively meet the needs of our customers; (ii) bolster the resilience, diversity and sustainability of our balance sheet; and (iii) broaden our revenue streams. Capitalising on our integrated business model and digital transformation, we will pursue our strategic goals in a disciplined way, alongside standing ready to tap into opportunities that come our way. As a result, in addition to consolidating our footprint in Mauritius, we will further entrench our regional market diversification initiatives. We will ensure that sustainability remains an integral part of our strategy and is assertively embedded in our actions. When moving forward, we will be attentive to new shifts, dynamics and realities engendered by the changing operating environment. After making allowance for the passage of the COVID-19 pandemic and the 'new normals' that are anticipated to emerge once the crisis gradually abates, the Bank will stand ready to adapt its working practices and business development targets, while also bolstering recourse to digital technology as a key feature of its internal operations and business development agenda.

Above all, adherence to the highest standards of corporate governance and endorsement of effective risk management principles will remain the backbone of our operations and will guide our stakeholder interactions. We will do all our best to ensure that the Bank is well run and managed, aided by sound capital and funding positions.

Concluding remarks

On behalf of the Board, I would like to extend my sincere appreciation to the whole team of MCB who rallied on the vision to serve the needs of clients and society at large, especially during the current challenging times. I would also like to thank our esteemed customers who continued to trust the Bank. I wish to assure them that servicing their needs remains our topmost priority.

To my fellow Directors of the Board, I thank you for your unremitting support. I extend a word of appreciation to Simon Pierre Rey who left the Board in December 2019. His guidance and experience have been well appreciated. The Board looks forward to benefiting from the wide-ranging experience and expertise of Simon Walker who was appointed as Director to the Board in June 2020.

I would like to thank Alain Law Min, Raoul Gufflet and the Leadership Team for their dedication and guidance in skillfully steering MCB amidst such unprecedented times. I am immensely proud of the way the Bank has risen up to the complex and demanding challenges prompted by the pandemic and how it has stood by its customers and the whole country during this period of crisis.

Looking ahead, whilst we are aware of the risks inherent to the operating environment, the dedication of our people and our resilient business model reaffirms my confidence in our ability to further transform MCB as a sounder and more successful Bank.

Jean-François DESVAUX DE MARIGNY
Chairperson

About this report

Philosophy of the annual report

As our primary report, this annual report provides a holistic and transparent overview and assessment of our ability to create value in the short, medium and long term. The report demonstrates our commitment to sustain sound and diversified business growth and cater for the well-being of our numerous stakeholders. During the year, we continued to make progress towards comprehensively adhering to the key principles of the International Integrated Reporting Framework of the International Integrated Reporting Council.

Scope and boundary of reporting

Reporting period

The report is published annually. It covers the period spanning 1 July 2019 to 30 June 2020. Material events taking place after this date and until approval of the report by the Board of Directors of MCB Ltd on 25 September 2020 have also been communicated.

Financial and non-financial reporting

While extending beyond financial reporting, the report provides insights on the Bank's non-financial performance and positioning in relation to its multiple stakeholders, insofar as they, in several ways, influence our ability to create value.

Specific areas of reporting

The report contains insights on the overall strategic progress achieved by the Bank during the period under review, while delving on our operating environment, business model and strategy, business performance, support to stakeholders, management of risk and adherence to corporate governance principles.

Operating business

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.

How to go through and read this report

Contents

Insights on our business model, value proposition, performance and strategic positioning are elicited across the following sections:

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. on our website))*

Value creation

Our capitals

Our relevance as a financial services provider today and in the future depends on our ability to apply forms of capital as inputs to achieve desired outputs and outcomes, e.g. delivery of financial performance and sustainable value creation for our stakeholders.

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 stocks of natural assets or renewable and non-renewable environmental resources, which are, directly or indirectly, impacted by the operations and business activities of our organisation

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

Our key stakeholders

We engage with our internal and external stakeholders in a systematic, coherent and meaningful manner, with a view to promptly responding to their needs/requirements.

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

Materiality and material matters

We apply the concept of materiality to evaluate and determine information reported in this report. The latter lays emphasis on opportunities, challenges and strategic intents that are material in impacting our ability to create value, our commercial viability, brand image, corporate culture and our inherent relevance in the societies and communities in which we operate. Our material matters are continuously assessed and, if need be, reviewed in light of the changing operating environment. In recent times, managing the implications associated with the COVID-19 pandemic has been a key focus area for the organisation, while, in some ways, influencing the scale and depth of our priorities.

- Supporting our stakeholders amidst challenging times and fostering resilient business activities
- Upholding ethical and good governance standards in our operations
- Proactively appraising risks, challenges and opportunities to underpin our endeavours
- 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 general 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.

Our philosophy and brand image

Our aspirations

Driven by the commitment to our core values and principles, we set forward in a conscientious way to deliver on our strategy with a view to building resilient, profitable and sound businesses. Aided by strong partnerships and interactions with our numerous stakeholders, we help businesses to prosper and enable people to fulfil their dreams and ambitions, alongside doing our best to foster the sustained success and wellbeing of societies and economies.

Our expertise

Our solid and sustainable business model is anchored on a proven client-centric approach, robust risk management and compliance framework as well as the adoption of cutting-edge channels, tools and practices. Helped by our adaptive mindset, we embrace innovation and excellence in what we do and what we offer to our various clients.

Our credit ratings

Reflecting our sound growth agenda, we are investment-grade rated. MCB Ltd is the best-rated commercial bank in Africa as per Moody's Investors Service, with a long-term deposit rating of Baa2. Domestically, CARE Ratings (Africa) Private Limited assigns a AAA rating to MCB Ltd with regard to the servicing of financial obligations.

Our functioning, channels and digital platforms

> 1 million Customers

> 2,900 Employees | **49%** Female

> 750 Correspondent banks

40 Branches/Kiosks

178 ATMs

> 9,300 POS terminals

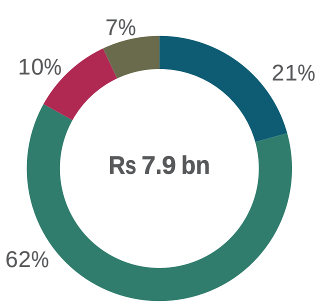
> 240,000 Internet Banking subscribers

> 330,000 'JuiceByMCB' subscribers

Our credentials and recognition

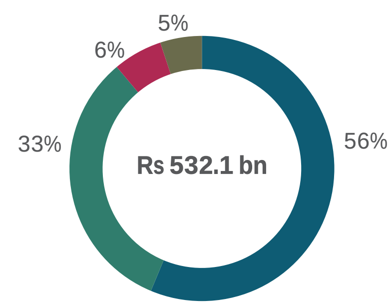
Contribution to Group performance

Net profit



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

Assets



Domestic market shares of MCB Ltd

Credit to the economy	39%
Local currency deposits	47%

Accolades

Mauritius

Bank of the Year for Mauritius
The Banker Bank of the Year Awards 2019

Best Bank in Mauritius
Euromoney Awards for Excellence 2020

Best Commercial Bank of the Year Mauritius
International Banker 2020

Best Private Bank in Mauritius
PWM/The Banker 2019

Africa

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

Leading Regional Bank
in terms of operating income and profitability
L'Eco Austral, Top 500 Regional, Edition 2020

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

Note: Figures above are as at 30 June 2020

Our corporate profile

How we operate

Our Group structure

MCB Group Ltd

Banking*

MCB Investment Holding Ltd (100%)

- 100% MCB Ltd
  - 49.99% Banque Française Commerciale Océan Indien (Associate)
  - 35% Société Générale Moçambique (Associate)
  - 80% MCB Madagascar SA
- 10% (MCB Madagascar SA)
- 100% MCB Seychelles Ltd
- 100% MCB (Maldives) Private Ltd

Non-Banking Financial*

- 100% MCB Capital Markets Ltd
- 100% MCB Equity Fund Ltd
- MCB Leasing Ltd (*formely Finlease*) 100% (held by Fincorp Investment Ltd)
- 100% MCB Factors Ltd
- 100% MCB Microfinance Ltd
- 40% Credit Guarantee Insurance Co. Ltd (Associate)
- 100% MCB Real Assets Ltd

Other Investments*

- 57.73% Fincorp Investment Ltd
- 100% MCB Properties Ltd
- 80% International Card Processing Services Ltd
- 100% MCB Consulting Services Ltd
- 80% MCB Institute of Finance Ltd
- 100% MCB Group Corporate Services Ltd
- 100% Mascareignes Properties Ltd
- 100% MCB International Services Ltd
- 100% MCB Forward Foundation
- 99.63% Blue Penny Museum — 0.37% (held by Fincorp Investment Ltd)

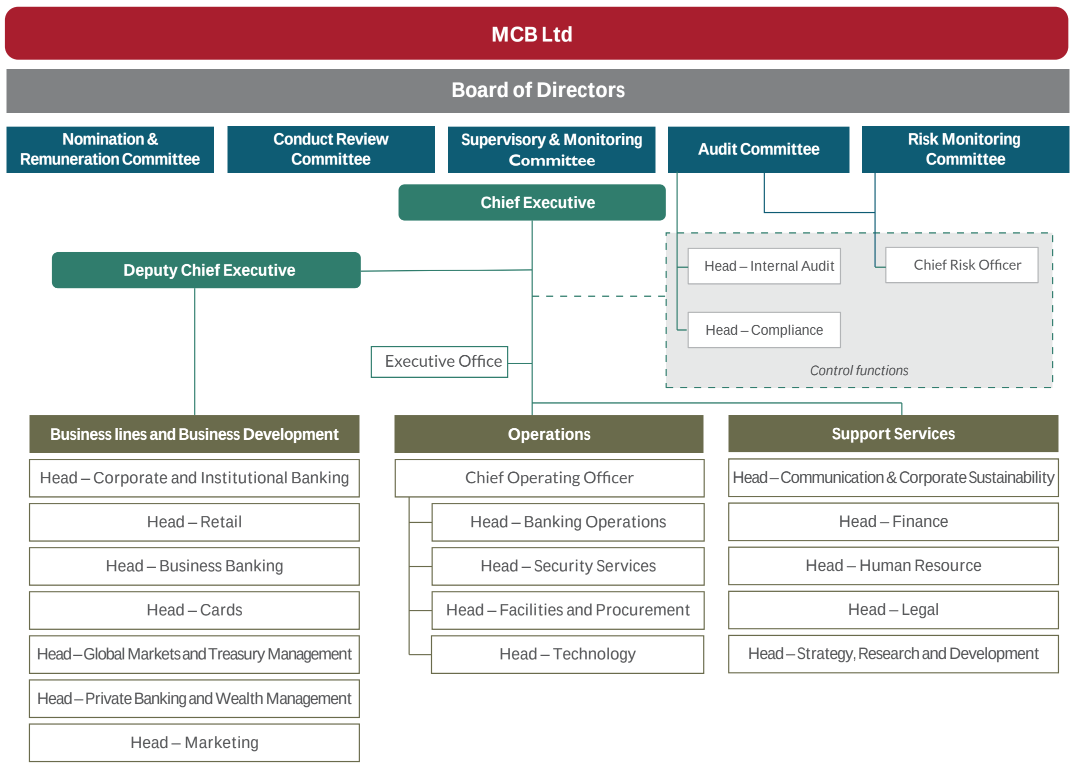
** Relate to clusters*

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 reports to the Audit Committee on risk matters relating to Permanent Supervision, Operational and Information Risk and to the Risk Monitoring Committee on matters relating to the monitoring and management of other risk areas

In alignment with its strategic orientations and advocated practices, the Bank conducted business transformation and realignment initiatives in recent periods, with the functioning and operating models of several business segments being reviewed.

- Anchored on a reviewed customer segmentation model and strengthened business development capabilities, a new organisation structure is being put in place for the Corporate and Institutional Banking Strategic Business Unit (SBU). It provides for added capabilities and synergies to cope with the increasing challenges and opportunities arising in the context of MCB's international expansion and the positioning of Mauritius as an International Financial Centre of repute and substance.
- Given its growing importance and complexity, the Compliance function – which formerly sat within the Permanent Control function – has been reorganised as a stand-alone SBU. With regard to the Permanent Control SBU, it has been integrated within the Risk SBU. The latter, henceforth, also caters for permanent supervision, operational and information risks. This follows the requirement from the Bank of Mauritius that the Risk SBU should have oversight on all risk areas across the Bank.
- The Quality Assurance function has been split, with activities related to (i) management and monitoring of complaints transferred to Compliance SBU, in line with the latter's reinforced framework; and (ii) measuring and enhancing customer experience transferred to Marketing and Communication SBU to underpin more focused and impactful outcomes.

Our corporate profile

Our market operations

To further their business growth, our business segments capitalise on their competent workforce, cutting-edge technology and innovative channels and solutions. The Bank also capitalises on its Representative Offices in Johannesburg, Nairobi, Paris and Dubai.

In addition, MCB leverages synergies among business lines and with Group entities as well as partnerships with external parties, while also tapping into a network of correspondent banks worldwide, including around 175 in Africa.

Our main business lines

Corporate and Institutional Banking

Key clients

- Large corporates based in Mauritius; corporates operating in the Group's presence countries
- Foreign clients with structured finance needs; entities within Energy and Commodities field, notably traders, refineries, etc.
- 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
- 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 country's economic landscape 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 sectors. While capitalising on the status of Mauritius as an International Financial Centre of 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 in sub-Saharan Africa and beyond, duly supported by specialised finance solutions. MCB is involved across the downstream, midstream and upstream segments of Energy and Commodities financing. We offer structured 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 solutions via bilateral lending, club deals and syndicated facilities to enable clients fulfil their strategic objectives. To reinforce its status as a strong partner in Africa, MCB set out to shift from being mainly a participating bank to positioning itself as the lead arranger for dedicated deals. Via our syndication initiatives and undertakings, we aim to bridge the gap between the growing need for financing on the continent and institutions willing to contribute to its development. As part of our Global Transactional Banking value proposition, we offer receivables and supply chain financing, cash and business solutions, correspondent banking services, etc.
- 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.

Business Banking

Key clients

- Small and Medium Enterprises (SMEs) (turnover below Rs 50 million)
- Mid-Market Enterprises (MMEs) (turnover between Rs 50 million and Rs 250 million)

Our approach

- Recognising the significance of SMEs as well as MMEs 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.
- We offer them cash flow facilities and tailor-made business banking products and services that are adapted to their needs.

Retail Banking

Key clients

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

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.
- We offer digital and innovative payments solutions to help our clients manage their money on the go with convenience. Our customers 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

- Resident affluent and high net worth individuals (e.g. professionals, executives, entrepreneurs and businessmen)
- Non-resident 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 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 and financial solutions as well as a range of wealth management services 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 46 to 48

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

Savings & Investment

- Education plan/ Retirement plan
- Investment funds
- Portfolio & wealth management
- Custodian services
- Fixed deposits
- Distribution of life insurance plans, treasury bills & government bonds

Banking Channels

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

Payment Services

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

Financing Solutions

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

- The Bank works closely with 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

Payments & Cash Management Solutions

- Electronic points of sale & cards acquiring services
- Corporate credit cards
- E-commerce
- International transfers
- SWIFT services
- Transfers & remittances
- Cash management solutions, Internet Banking and SmartApprove Application
- QR Payment

Financing Solutions

- Short & long term loans
- Green loans
- Syndicated loans
- Bridging loans
- Structured finance
- Asset-Based lending
- Lokal is beautiful Scheme

Transactional Banking

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

International Trade Finance

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

Investment Related Services

- Securities & custodian services
- Dual currency deposits

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

More information on our financial solutions is available on our website

Our corporate profile

What we deliver

Our value-creating business model

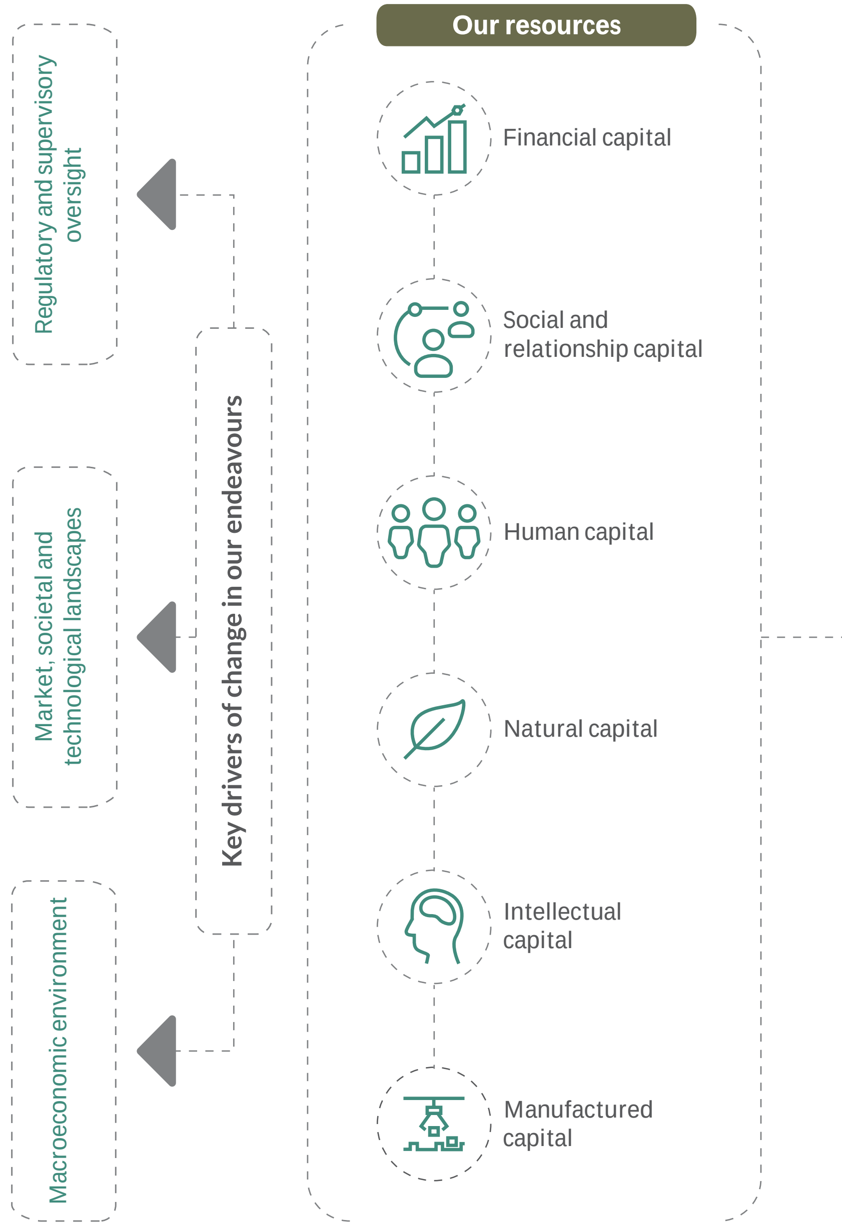
Our business model defines who we are and what we do. We believe in building resilient businesses and creating opportunities for our stakeholders to thrive, while harnessing positive outcomes for the sustained benefit of the societies and communities in which we live and operate.

Our key strategic orientations

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

- Build up inherent and sustainable capabilities for diversified and balanced business growth

- Further enrich our value proposition, while capitalising on partnerships, alliances and proximities



Delivering financial outcomes for the Bank

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

Our business activities

Our core roles

- Financial intermediation
- Maturity transformation

- 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

Value created

Shareholders and investors

We achieve sustainable growth in our revenue, which helps 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 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.

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

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

Read more in the 'Creating value in a sustainable way for the benefit of our stakeholders' section on pages 49 to 50

Read more in the Sustainability Report on our website

Our corporate profile

Our main areas of strength and differentiation

Our distinctive culture

Responsibility

Guided by a deep sense of responsibility towards our stakeholders, we aim to achieve disciplined, balanced and diversified growth.

Franchise

We nurture a strong brand image and reputation that reinforces our appeal across markets.

Mindset

We are committed to endorsing an innovative and collaborative mindset that thrives on change and adds value in what we do.

Ambitions

We aim to deepen our involvement in existing markets and tap into new markets and segments across geographies.

Passion

We endorse an enthusiastic and dynamic approach to develop our market activities.

Integrity

We adhere to proven integrity and ethical principles when conducting our activities and promote behaviours that inspire trust.

Our flexible and robust functioning

Strategic focus

Our endeavours are backed by our breadth and scale of solutions, tried-and-tested decision-taking models and robust strategic partnerships.

Client centricity

We place clients at the heart of everything we do. We offer them tailored and convenient solutions and experiences that help them realise their ambitions.

Sustainability agenda

Backed by solid frameworks and committed initiatives, we contribute to the welfare of the economies, societies and communities in which we live and operate.

Technology and innovation

We harness cutting-edge digital channels and platforms to improve operational efficiencies, deliver seamless client solutions and strengthen our competitive edge across markets.

Human capital

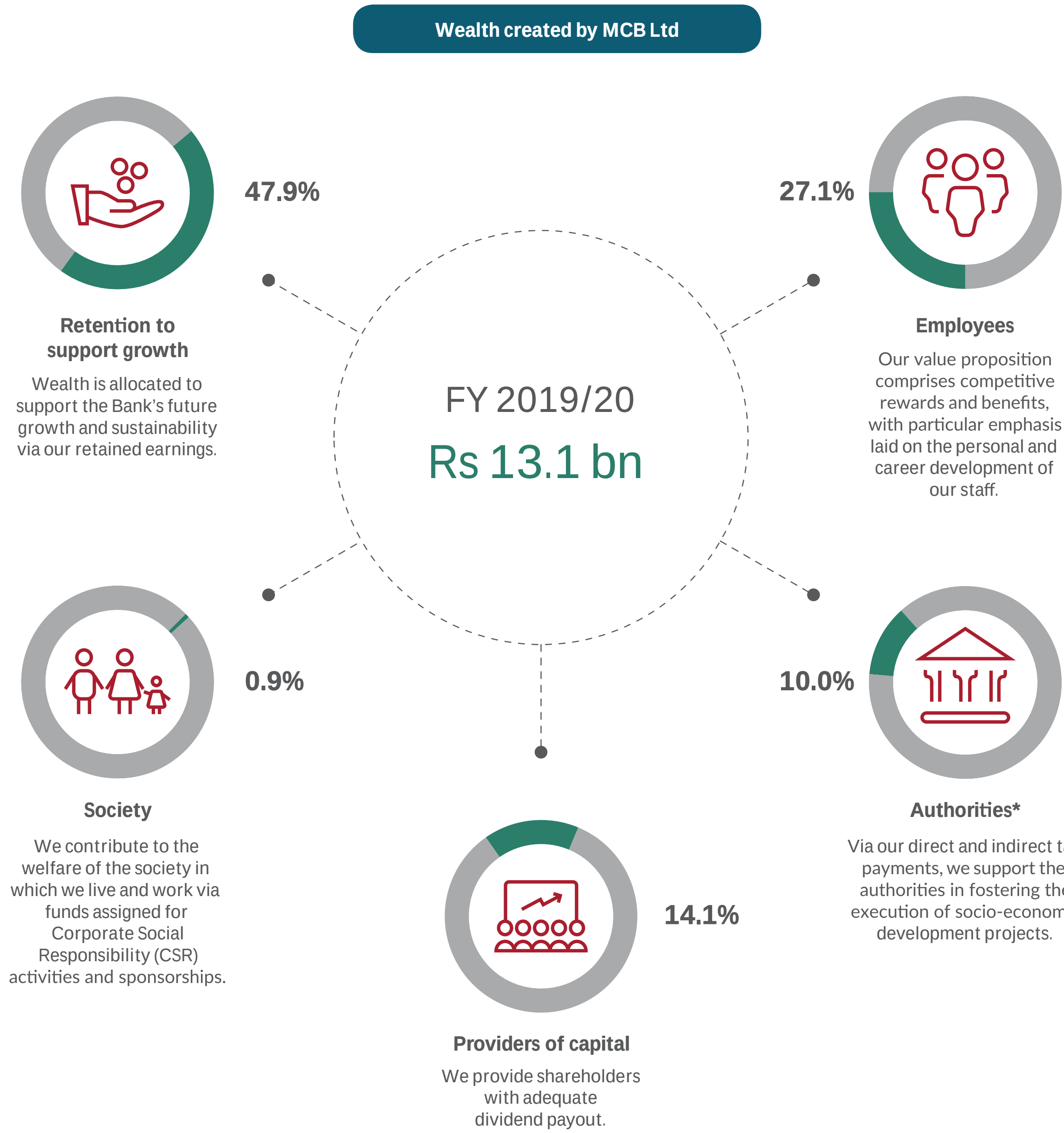
We maintain a competent, engaged and diverse workforce. We ensure that everyone can realise their full potential and make a positive contribution to our organisation.

Risk management

We exercise strong governance and risk management oversight to foster sound financial ratios, while prudently balancing the risk-return profile of our portfolios.

How we distributed value created

During the last financial year, the Bank continued to provide relevant and meaningful ways with a view to promoting the interests of its stakeholders and help them prosper, supported by its resilient financial results.



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

Read more in the 'Our strategic achievements and initiatives' section on pages 51 to 61

Read more in the Sustainability Report on our website

Delivering on our Strategic Objectives

Message from the Chief Executive

"I am delighted at how our people have reacted to challenges faced, while demonstrating their resolve, commitment and professionalism"

Confronting an unprecedented context and underpinning our sound positioning

As we all know, the spread of the COVID-19 pandemic has, in the space of a few months, affected almost every segment and corner of the world and led to a worsening of economic and financial conditions across markets and geographies. Mauritius has not been spared. Reflecting the profound human, social and economic consequences of such developments, the authorities have been implementing fiscal, financial, monetary and regulatory measures to protect businesses, individuals and livelihoods.

I think that we can take pride in how MCB has confronted the sanitary and economic crisis so far. Today, I must – with some sense of comfort – highlight that the pandemic has put into perspective the agility of our operations, the resilience of our business model and the judiciousness of our decision taking. Above all, I am delighted at how our people have reacted to challenges faced, while demonstrating their resolve, commitment and professionalism. We observed the unity of our employees who worked together as a single and supportive MCB family, living fully our corporate values and making things happen. Alongside preserving the stability and resilience of our activities, we set forward to promote the greater good of the economy, customers and society, conscious of our responsibilities as the leading banking and financial services player in Mauritius.

Safeguarding the stability of our operations and helping stakeholders rise through the crisis

As from early 2020, the ramifications of the pandemic on the Bank taken centre-stage. After the detection of the first positive cases in Mauritius on 18th March 2020, a strict curfew order was imposed and the population went under lockdown within 48 hours. Socio-economic activities gradually resumed as from 15 June, whilst the country's international borders are being reopened in a staggered way as from 1 October. The Bank responded quickly to unfolding challenges and implemented dedicated initiatives with a view to preserving stakeholder interests. Concomitantly, we geared up our efforts in our bid to safeguard the stability and resilience of our operations and activities amidst crisis times.

Reflecting on our proactive approach, we had, before the sanitary and economic crisis hit us, already finalised our Pandemic Preparedness Plan (PPP), after discussion with the Mauritius Bankers Association and Bank of Mauritius. As the Bank faced up to the spread of the virus and the sudden confinement of the population, we immediately set up an organisation and governance structure to oversee the implementation of the PPP. We established a Pandemic Operations Team to coordinate and manage the Bank's operations and the flexible working arrangements put in place, while our Crisis Management Team (CMT) met virtually on a daily basis to coordinate and manage the activities of the Bank and the Group. With our priority remaining the health and safety of our employees, we ensured that strict hygiene protocols and social distancing practices are in place across our premises. As key achievements, our Work From Home and Split teams were set up at very short notice, and most of our arrangements worked as planned. Backed by our strong operational and technological infrastructures, a large proportion of our employees worked remotely, without interruption towards serving our customers.

Since the start of the crisis, we spared no effort to assist and engage with our customers, from the individual customer with moratorium on mortgage payments to the small business operator and large corporate with their loan repayments and working capital requirements. We closely collaborated with the Bank of Mauritius and the authorities to implement a number of support measures and bring relief to individuals and businesses during and after the lockdown period. We intensified our communication and awareness campaigns on social media to encourage customers and the general public to opt for digital and contactless channels. Thanks to our capabilities built up in our Digital Transformation Programme, we managed to implement, with agility, new services, work-around solutions for service delivery, process improvements, etc. within days, which would normally have taken weeks.

Demonstrating our financial resilience amidst testing times

Whereas the Bank started off the year on a sound footing as testified by the strong growth in earnings during the first semester, it is worth noting that results posted for FY 2019/20 were impacted by the significant increase in net impairment of financial assets following the outbreak of the COVID-19 pandemic. This outcome can be explained by the significant rise in Expected Credit Losses on our performing assets, as per IFRS 9 requirements, because of an inherent increase in credit risks and our revised forward-looking assumptions to reflect the impact of the pandemic, amidst significant uncertainties on how future developments will unfold. As a result, our net profit for the year fell by 15.5% to reach Rs 7,409 million.

Thanks to our sound business model and market diversification strategy, notably on the regional scene, we continued to grow our core earnings, as demonstrated by operating income increasing by 9.6% during the year. This performance resulted from a rise of 9.9% in net interest income, on the back of our expanding loan book and increased investment in Government securities. Although net fee and commission income remained relatively unchanged, non-interest income rose by 9.0%, driven by increases in profit on exchange and net gain from financial instruments carried at fair value. Operating expenses increased moderately by 5.6%, mainly due

Alain LAW MIN

"We can take pride in how MCB has confronted the sanitary and economic crisis so far"

Message from the Chief Executive

to initiatives to strengthen human and technological capabilities, hence resulting in a drop of the cost to income ratio by more than one percentage point to 32.5%. This low point reached in our cost to income ratio is a good indicator of the soundness and efficiency of our business model.

Despite the challenging environment, we have consolidated our financial soundness. Our non-performing loan to gross loan ratio stood at 3.8%. Our BIS and Tier 1 capital adequacy ratios edged up by almost one percentage point to reach 17.5% and 16.5% respectively, well above the minimum regulatory requirements. We maintained comfortable liquidity and funding positions, with our foreign currency loans representing 64% of the funding base as at 30 June 2020, while our USD denominated Liquidity Coverage Ratio (LCR) stood at 190%, i.e. well above the prescribed Basel levels. It is interesting to note that MCB successfully drew upon a USD 100 million Facility arranged by MUFG Securities EMEA Plc. to allow the Bank deliver on its strategic and financial ambitions, notably in Africa. It reflects our strong fundamentals, franchise, resilience and well-managed risk profile. It also shows that we continue to attract the support of international banks and highlights MCB's capacity to deliver on complex cross-border transaction in spite of the challenging market conditions.

Against this backdrop, we are pleased to note that our investment-grade credit ratings have been maintained by international credit agencies. Even though the Bank's rating outlooks have moved from stable to negative on the heels of the difficult operating conditions locally and internationally, the agencies have underlined the Bank's healthy fundamentals, solid franchise and adequate risk management framework.

In spite of being pressurised by dampened economic activities, our operating results have, during the year, been underpinned by our clear and coherent business development agenda, with dedicated initiatives executed across our three strategic pillars, namely to (i) extend our frontiers; (ii) deliver a world-class customer experience through digital; and (iii) nurture our values and deliver on our brand promise. We have further deepened and diversified our regional market footprint, essentially, within our Energy and Commodities financing, in serving upstream and structured debt segments. We widened our portfolio of international structured finance deals, with the Bank financing major development projects across selected sectors and countries in Africa.

"Thanks to our sound business model and market diversification strategy, notably on the regional scene, we continued to grow our core earnings ..."

To support our growth endeavours, we enriched our value proposition and boosted our market competitiveness levels. As a key enabler, we pursued our Digital Transformation Programme, which started in 2018. On this front, we implemented new Customer Journeys and geared up dedicated platforms to assist us in tapping into advanced analytics and undertaking the systematic assessments of customer experiences. At the end of the day, the Bank continues to press forward with the objective to make banking quicker, simpler and more convenient and accessible. With a view to delivering on its three pronged strategies, an underlying priority area of the Bank is to bolster the skills and engagement of its employees and cater for their well-being amidst a changing and increasingly complex world environment. On this front, we have, during the period under review, made further inroads in implementing our HR Transformation Programme. This can, notably, be testified by our refined performance management system and talent management framework. Furthermore, faithful to our values and pledges, we continued to implement our Corporate Sustainability Programme 'Success Beyond Numbers', launched in 2018. We have – with the assistance and engagement of our employees, strategic partners and NGOs – adopted ambitious and committed actions in three key areas, namely (i) development of a vibrant and sustainable local economy; (ii) protection and valorisation of our cultural and environmental heritage; and (iii) promotion of individual and collective well-being. Of note, whereas some projects were put on hold due to the sanitary crisis, we continued to invest in capabilities and operating platforms that should enable us to support our societies and communities in an even more impactful and wholesome way.

Our strategic priorities looking ahead

As the situation stands, the operating environment remains highly challenging, with little visibility on how much time it will take for the sanitary and economic crisis engendered by the pandemic to meaningfully heal. Besides, 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 addition to that, the demanding regulatory and compliance landscape calls for our close scrutiny.

We will further consolidate and deepen our involvement in existing markets and broaden our frontiers, with the African continent a key target. With the crisis, it is just as important that we anchor our activities on our proven business model, with a key focus relating to our deep customer knowledge, technical expertise and differentiated value propositions in niche markets, which will continue to guide our business development thrusts. As a key focus area, we will capitalise on the business opportunities resulting from the positioning of Mauritius as a competitive and credible International Financial Centre. In this regard, the inclusion of Mauritius into the list of 'jurisdictions under increased monitoring' by the Financial Action Task Force (FATF) and its categorisation in the European Commission's new list of High Risk Third Countries is, in various respects, a wake-up call for both public and private stakeholders. It is reassuring that measures have been taken promptly for the effective and timely implementation of the recommendations formulated under the FATF Action Plan.

Moreover, pursuing on initiatives put in place during the past few years, the Bank will accelerate the use of cutting-edge technologies towards making banking much more convenient and accessible to its valued customers. The crisis has favoured the rapid adoption of electronic channels, digital payments and e-commerce platforms, which has been an opportunity to accelerate the development and implementation of our digitally-enabled products and services. In order to deliver world-class customer services, we will further accomplish our Digital Transformation Programme, alongside championing cross-functional, agile and collaborative ways of working amongst our employees and promoting the use of advanced analytics. Along the way, with the aim to support and enable our business growth initiatives in Mauritius and the region, we will stay on our journey to build sustainable capabilities for future growth. In addition to further implementing our HR Transformation Programme for a more proficient and engaged workforce, we will continue to pursue business realignment and transformation initiatives and improve our systems and processes. In order to support balanced business growth, we will further strengthen our robust risk and compliance frameworks, policies and processes.

At the same time, towards building a sustainable future and upholding our strong brand image and franchise, we will implement our 'Success Beyond Numbers' agenda. With the disruption in supply and consumption chains, we are committed as ever to sustain and support our Small and Medium Enterprises thanks to a dedicated team delivering, in line with our 'Lokal is Beautiful' concept. The crisis has also created greater awareness and opportunities to pursue our strategies to preserve our environment and cultural heritage and foster the well-being of our staff and community at large.

"While the environment in which we operate remains highly uncertain, I am confident that MCB is duly prepared to effectively cope with the short-term imperatives and the future challenges"

Concluding remarks

Our people are at the heart of what we do and the value that we deliver to our customers. I would like to extend my sincere thanks to all our employees for continuing to spearhead the Bank ahead. I am particularly appreciative of their remarkable hard work and support in helping our organisation cope with the exceptional operating environment triggered by the pandemic. We have faced up to difficult times that tested our limits, but I am reassured by our capacity, both individually and collectively, to rise up to the occasion and preserve the interests of the organisation, while upholding the ideals and principles that we cherish. These are the very core fundamentals that position MCB as an instrumental contributor to the sustained progress and well-being of the nation.

I would like to thank my deputy, Raoul Gufflet, and members of the Leadership Team for their unflinching support in managing through the challenging context. I greatly value the solidarity and togetherness that assisted the Bank in doing what it takes to move forward. On another note, I am delighted to welcome Anbar Jowaheer, Stephanie Ah Tow, Xavier Bathfield and Ashvin Deena, who have been appointed as Business Leaders during the year. I look forward to collaborating with them towards strengthening the foundations for the continued progress of the Bank. I also take this opportunity to thank Steve Leung Sock Ping, who retired during the year, for his contribution in upholding the MCB brand throughout his career and in his capacity as Head of Quality Assurance. In the same vein, I would like to thank Christophe Aynaud for his contribution as Head of Permanent Control during his two-year tenure and wish him good luck in his future endeavours.

My sincere gratitude also goes to our esteemed customers for their confidence in our ability to meet their changing and complex needs, the more so in the context of the COVID-19 pandemic. I also extend my appreciation to the Board of MCB Ltd and that of our ultimate shareholder, MCB Group Ltd, for their invaluable guidance and stewardship in driving the Bank forward.

While the environment in which we operate remains highly uncertain, I am confident that MCB is duly prepared to effectively cope with the short-term imperatives and the future challenges. We will do what it takes to safeguard the resilience and soundness of the Bank and create favourable conditions that will support sustained and diversified growth. Throughout its long history, MCB always stood by its customers and other stakeholders, while supporting the local economy and promoting its sustained advancement. Amidst the unfolding crisis, we will work closely with all stakeholders and help the nation and its people face this unprecedented challenge in an effective way.

Alain LAW MIN
Chief Executive Officer

Delivering on our strategic objectives

Review of the operating context

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

Managing the impact of the COVID-19 pandemic

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

Our approach

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

Macroeconomic environment

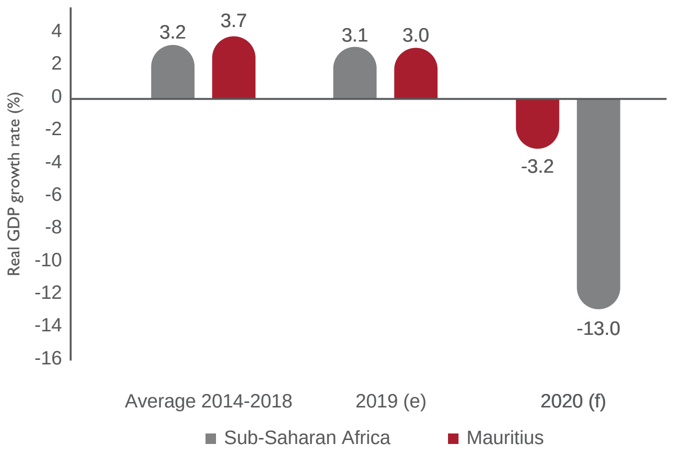
Recent trends and developments

- After slowing down to an estimated 3.0% last year, the Mauritian economy is set to witness a significant downturn in 2020. In the wake of the COVID-19 outbreak, the nationwide lockdown, closing of our borders and the challenging global context, real GDP growth is projected to contract by around 13% as per the authorities, with the actual outcome to hinge on the unfolding of the economic and sanitary crisis globally, the effectiveness of support measures adopted by authorities locally as well as conditions underpinning the progressive re-opening of the country's borders. The crisis is having a notable bearing on almost all economic sectors. In particular, the tourism and hospitality sector should bear the brunt of the slackened economic environment, high uncertainty levels and the scheduled slow-moving reopening of national borders. Likewise, the pandemic should trigger a major slowdown in export-oriented manufacturing as well as construction and property development, with significant consequences on SMEs. As for financial and business services industry, operators are witnessing headwinds linked to the difficult economic conditions, even though the sound buffers accumulated over the years should assist in partly cushioning the repercussions on value added. Heightened economic uncertainties would dampen nationwide investment, alongside engendering a worsening of unemployment levels in vulnerable sectors. As for headline inflation, it remained at low levels to stand at 1.8% in August 2020, in spite of a relative uptrend lately, partly linked to the depreciation of the rupee.

- The economic outlook for sub-Saharan Africa is set to deteriorate markedly in 2020 on account of the weaker external environment and measures taken to contain the pandemic. Average GDP growth would contract by some 3.2% this year as per the latest IMF estimates, compared to an expansion of 3.1% in 2019. Output should decline by a notable margin in major tourism-dependent and resource-intensive countries, while per capita income, in USD terms, in the region would come close to levels seen nearly a decade ago, as per the IMF. Oil prices have plunged sharply during the first quarter of 2020 and reached a historic low in April. Whereas they remain below pre-pandemic levels, oil prices have somewhat recovered since, on the back of the progressive rebound in demand following the easing of lockdown measures and the cut in oil production by OPEC and its partners.

Key economic indicators

Real GDP growth (%)



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

	Value as at		Annual average	
	30-Jun-19	30-Jun-20	FY 2018/19	FY 2019/20
USD	36.0	40.4	35.2	37.9
GBP	45.6	49.8	45.4	47.7
EUR	40.9	45.5	40.1	41.9

(e) estimate (f) forecast

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

Delivering on our strategic objectives

Challenges to be tackled

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

Opportunities capturing our attention

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

Market, societal and technological landscapes

Recent trends and developments

- Operators faced up to notable strains on their market activities in the wake of the deteriorating economic context linked to the pandemic. Against this backdrop, the authorities took rapid and pragmatic measures to uphold the resilience of operations, alongside pursuing moves to preserve the stability of banking and financial industries.
- The banking sector was exposed to pressures on the level and quality of credit demand, whereas the call for working capital facilities stepped up amidst turbulences faced by several sectors and cash flow difficulties faced by businesses. The curtailed availability of foreign currencies following the closing of frontiers and reduced activities by export sectors also warranted attention. On another note, the average weighted yields on short-term securities posted a generally marked downtrend during the last financial year. This reflected the rise in excess liquidity levels in the banking system, notably in rupee terms, amidst the challenging economic conditions and lockdown measures, which contributed to dampen nationwide investment levels and reduce activities by households and businesses. The Key Repo Rate was cut by a cumulative 165 basis points during the financial year, while the Bank of Mauritius (BoM) has halted issuance of its own short-term securities from end-March to mid-August with the aim to maintain sufficient rupee liquidity buffer in the banking system so as to support the flow of credit to the economy.
- While the pandemic entailed increased risks to operators, the BoM stressed that banks have generally adequate cushions to weather the storm and highlighted that operators did not witness any major changes to their funding structure or liquidity situation during the lockdown. Comfortingly, banks already enjoyed relatively high capital and liquidity buffers prior to the pandemic and non-performing loans in affected sectors such as tourism were viewed as being low and well covered. To help contain the impact of the pandemic, the BoM has, other than the review of the regulatory and supervisory framework, launched dedicated programmes and targeted measures to help businesses withstand the crisis and remain afloat, accompany individuals amidst pressures on revenue generation, prevent real sector shocks from permeating to the financial sector and safeguard banks' ability to meet customer needs.
- As regard the banking and financial services industry in general, an adverse development relates to the inclusion of Mauritius into the list of 'jurisdictions under increased monitoring' by the Financial Action Task Force (FATF) and its categorisation in the European Commission's new list of High Risk Third Countries (i.e. those with deemed strategic deficiencies in their AML/CFT regimes). Encouragingly, the authorities

demonstrated their high-level political commitment to remove Mauritius from those lists and preserve the competitive positioning of the country's International Financial Centre. A key step in this direction relates to the passing of the Anti-Money Laundering and Combatting the Financing of Terrorism (Miscellaneous Provisions) Act 2020, whose aim is to bring further fundamental reforms in the financial sector and ensure closer compliance with advocated international norms. The authorities continued to provide reassurances to parties at the FATF and the EU on the constant progress made by the jurisdiction as regard the implementation of the five remaining recommendations under the FATF Action Plan, with a progress report lately submitted as per the agreed timeframe.

- Competitive pressures remained high in some segments, as operators continuously upgraded their solutions, especially in the wake of the challenging economic climate. In the same light, operators set forward to be attuned to the changing lifestyles, behaviours, attitudes and aspirations of customers (further, especially, to the rise of the millennials), who are laying increasing emphasis on personalised solutions and instantly accessible services. This new landscape is closely interrelated to the advent of new technologies and innovative operating platforms, as gauged by the increasing popularity of Artificial Intelligence, Big Data Analytics and Blockchain platforms. In the same light, operators in the banking and financial services industry have been actively investing in digital channels and platforms, which are garnering increasing attention in the context of new realities engendered by the COVID-19 pandemic.

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

In the wake of the COVID-19 pandemic, the authorities deployed several measures:

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

Delivering on our strategic objectives

Key banking sector metrics

Loans and advances

	Jun-18	Jun-19	Jun-20
Year-on-year growth (%)	5.8	7.6	7.0

Financial soundness indicators

As at June (%)	2018	2019	2020
Capital-based			
Regulatory capital to risk-weighted assets	18.0	19.9	20.5
Asset quality and liquidity			
Non-performing loans to total gross loans	6.9	6.0	5.9
Liquid assets to total assets	25.4	21.0	26.4
Profitability			
Return on assets	1.5	2.1	1.2
Return on equity	14.6	17.4	10.1

Note: Ratios refer to banks and non-bank deposit-taking institutions

Source: Bank of Mauritius

Weighted average yields on Government of Mauritius Treasury Bills/Bank of Mauritius Bills

2019		2020	
Month	Yield (%)	Month	Yield (%)
April	3.28	January	2.26
May	2.95	February	2.19
June	2.77	March	1.42
July	3.17	April	0.43
August	3.09	May	0.19
September	2.70	June	0.78
October	2.63	July	-
November	2.78	August	1.30
December	2.72	September	1.38

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

Challenges to be tackled

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

Opportunities capturing our attention

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

Regulatory and supervisory oversight

Recent trends and developments

- The regulatory and supervisory framework faced by the Bank continued to evolve as the authorities attempt to preserve the soundness and stability of the banking sector, alongside protecting customers and modernising the set-up on which the delivery of products and services is anchored. Lately, due emphasis was laid on underpinning operations, integrity and resilience of the industry in response to the crisis instigated by the COVID-19 pandemic, with close monitoring of risk indicators by supervisory authorities.

- New guidelines were issued by the Bank of Mauritius. The Guideline on Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation, which supersedes the Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism for Financial Institutions, seeks to assist financial institutions in understanding and effectively performing their statutory obligations, while setting out factors to be considered when identifying, assessing and mitigating risks of money laundering and the financing of terrorism and proliferation. The Bank of Mauritius, lately, issued a Guideline on Cross-Border Exposure, which provides a set of additional minimum standards that would need to be followed by banks in respect of their cross-border exposure, while, at the same time, formulating a risk-based management framework to assist operators in mitigating risks faced. On another note, the Guidelines on Complaints Handling Policy and Procedures applicable to Banks and Non-Bank Deposit Taking Institutions licensed by the Bank of Mauritius, as issued by the Ombudsperson for Financial Services, sets out the minimum standards and criteria to be observed when dealing with complaints made by consumers of financial services against financial institutions, so as to give them better protection. On the fiscal front, the Contribution Sociale Généralisée (CSG) Regulations 2020 have been enacted to allow for the creation of a new contributory, participative and collective system to replace the National Pension Fund. Every employer and every participant of the private sector are liable to pay CSG to the Mauritius Revenue Authority on the participant's remuneration and as per prescribed rates.

- To respond to the challenges posed by the COVID-19 pandemic and bolster the ability of banking operators to support the real economy, the BoM took several measures in concertation with relevant stakeholders. Alongside relaxing stipulations relating to the computation of Debt-to-Income Ratio for residential property loans in respect of individuals impacted by the pandemic, additional flexibility was provided to banks by (i) reviewing the allocation of risk weights to certain categories of exposures; (ii) temporarily putting on hold the Guideline on Credit Impairment Measurement and Income Recognition; and (iii) deferring the implementation of the last tranche of the regulatory Capital Conservation Buffer amounting to 0.625% to 1 January 2021 instead of 1 January 2020. While releasing more capital to banks, specific objectives of those initiatives are to increase the latter's leeway in terms of funding capacity and to boost their support to customers facing cash flow and working capital difficulties. Banks were also encouraged to be flexible in the approach guiding the application of IFRS 9, while being called upon to provide moratoriums to existing borrowers to offer them a breather pursuant to pressures exerted on their capacity to honour their obligations. In the same light, it is worth noting that the Banking Act 2004 was amended to strengthen the supervisory and regulatory powers of the Central Bank, with a key development being the empowerment of the latter to vary the mandatory capital adequacy ratio requirements applicable to banking players to a lower level should the need arise or in the wake of exceptional circumstances.

Delivering on our strategic objectives

Challenges to be tackled
• Increasingly pressing need for banking and financial services operators to acclimatise with the demanding regulatory/supervisory landscape, alongside ascertaining attendant implications for the nature, depth and competitiveness of their business activities • Necessity for operators to pragmatically and strategically cope with forbearances and regulatory relaxations allowed for by the authorities, while continuously preserving the soundness of their assets and strengthening their risk management set-up
Opportunities capturing our attention
• Reinforced regulatory and supervisory set-up enabling banks to benefit from ring-fenced and more predictable operating conditions in support of resilient and sound business activities, notwithstanding the testing economic climate • Increased leeway and flexibility delivered by the authorities to banks with a view to assisting them in adequately dealing with the economic crisis, accompanying customers in their undertakings, sustaining credit supply and upholding revenue generation

Positioning ourselves for growth and success

Overview

Underlying philosophy and approach

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

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

Adapting to the context

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

Our main strategic orientations

Our long-term destination

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

General thrusts

Become more international, digital and sustainable in our approach

Create a positive impact on people, societies and the environment

Our key objectives and strategic focus areas

- Consolidate the Bank's leadership position domestically
- Further increase the Bank's share of foreign-sourced income, with focus on pursuing its 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 intents

- Position MCB Ltd as an Energy and Commodities Hub and widen our reach in the African oil and gas structured debt market
- Develop and offer structured financing solutions to entities investing and doing business across key sectors in Africa
- Transform MCB Ltd as a lead arranger for dedicated deals, while boosting syndication with financial institutions
- Deepen relationships with corporates expanding abroad and with entities within the Global Business sector
- Offer dedicated transactional and outsourcing solutions to banks in Africa, in collaboration with Group entities
- Expand private banking and wealth management activities on the African continent

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	• MCB Ltd 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. • The strategy-setting exercise remains flexible to consequential disruptions in the operating context, as recently observed with the COVID-19 situation, whereby a more pragmatic and focused approach has been adopted. Building on prior consultations held internally with specific stakeholders, shorter term bank-wide priority areas and projects (spanning over a one-year horizon) has been assessed centrally by the Executive Management Team and thereafter, communicated to all business units as they reflect on their respective strategic intents while ensuring alignment with the organisation's strategic focus areas. • Alongside being subject to relevant regulatory and compliance requirements, the 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 their 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 it with competent tools and guidance in order to sustain its thinking and decision-taking process. Of note, amidst challenging times, the focus is mainly oriented around maintaining resilience. Key priorities and performance indicators are formulated with a view to providing clarity and direction towards supporting the smooth deployment of envisioned initiatives.

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 2019, MCB Ltd is one of the founding signatories of the Principles for Responsible Banking of the United Nations Environment Programme – Finance Initiative. The Principles provide the banking industry with a single framework that embeds sustainability at the strategic, portfolio and transactional levels across business areas, thus assisting operators in playing a leading role in achieving society's goals.

Our Corporate Sustainability Programme

Our approach and philosophy

Our mandate and aspiration

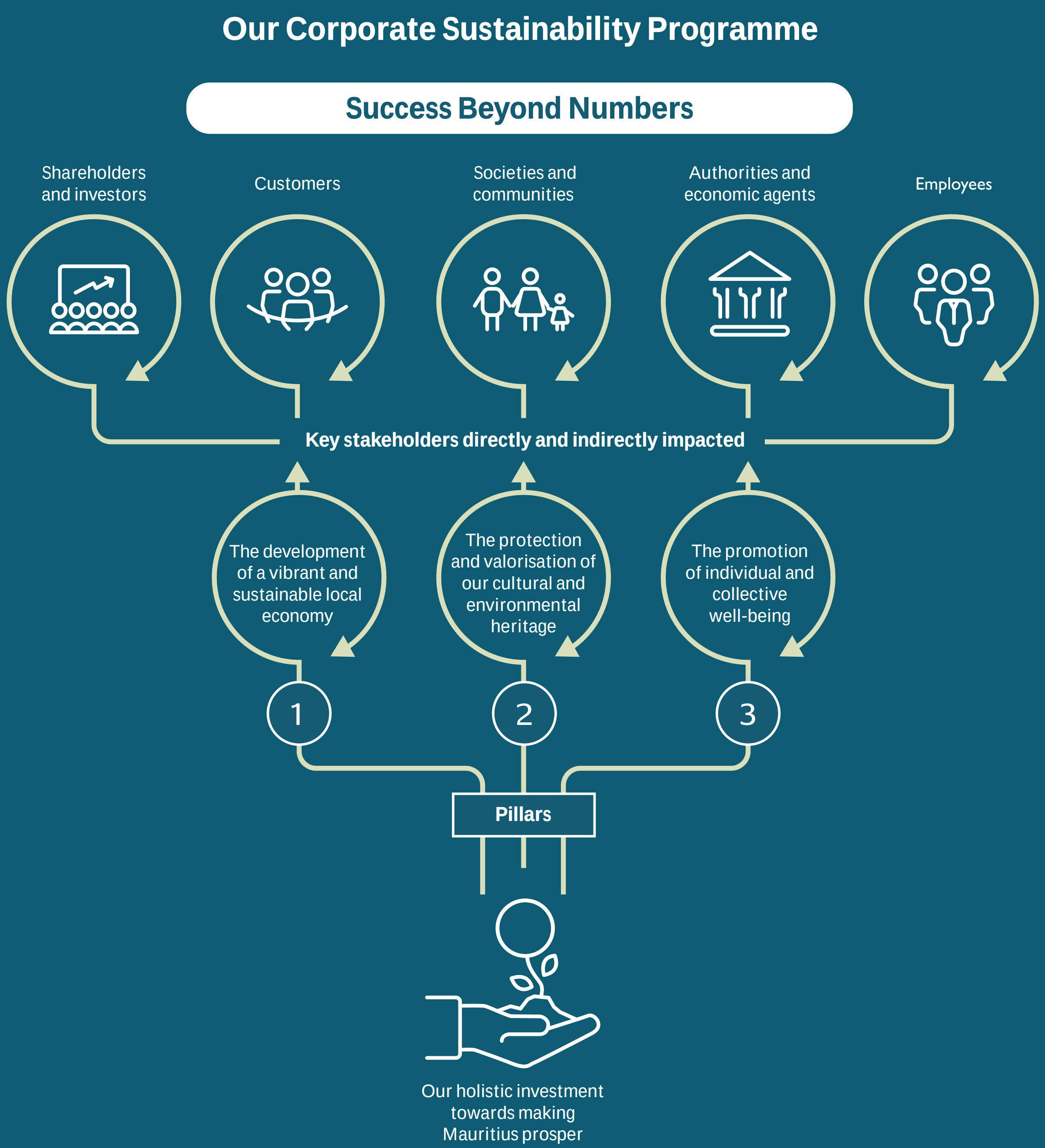
Our Corporate Sustainability Programme, titled 'Success Beyond Numbers', was launched in November 2018, with the mandate thereof being to integrate our sustainability vision and principles into our strategy and operations.

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

Key pillars and underpinnings

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

Delivering on our strategic objectives



Key enablers supporting the operationalisation of the programme

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

Our strategic achievements and initiatives

General overview

During FY 2019/20, the Bank pursued its business development thrusts and strengthened its stakeholder engagement. The Bank delivered on its strategic focus areas by consolidating its leading banking position on the local scene and pursuing its regional diversification endeavours across key growth pillars. Nonetheless, business activities were impacted by the increasingly challenging operating context prevailing in the closing months of the financial year owing to the ramifications of the pandemic.

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

Fostering our stakeholder engagement

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

Read more in the 'Delivering on our growth pillars' section on pages 62 to 67

Read more in the Sustainability Report on our website

Shareholders and investors

How we have engaged with and served our stakeholders

- We upheld the image and reputation of the Bank as a strategically important player. In FY 2019/20, MCB posted a resilient financial performance, backed by its robust business model. As a key principle, the Bank aims to generate comfortable earnings to reward its shareholder and investors. For the period under review, however, the Bank did not declare any dividend as prescribed by the Bank of Mauritius amidst the current exceptional circumstances.
- 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. During the period under review, the Bank encouragingly preserved its investment-grade credit ratings. However, reflecting the highly challenging environment, the Bank's rating outlooks have been changed from stable to negative. That said, such developments reflect a wide-ranging global phenomenon, whereby many banks across jurisdictions are, almost inevitably, being adversely evaluated by rating agencies due to the detrimental spillover impacts of the coronavirus pandemic on economic and market conditions. Comfortingly, credit agencies have highlighted the Bank's solid franchise and business model, as well as management quality and adequate risk management, in addition to pinpointing its resilient financial metrics heading into the crisis.

Delivering on our strategic objectives

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

Read more in the 'Financial Performance' section on pages 69 to 77

Responding to COVID-19...

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

Customers

How we have engaged with and served our stakeholders

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

Responding to COVID-19...

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

Individuals

- Provision of moratorium/repayment holiday offered in respect of capital repayment and, if necessary, interest payment; Launch of a 'COVID-19 Household Support Scheme': Developed in a rapid iterative manner during the lockdown period, the scheme allows customers facing difficult times to apply for relief on their loan repayments (rupee facilities other than overdrafts, credit cards and leasing facilities). Customers can apply on the MCB website for such assistance, with requests being processed digitally from the start of the application to the set-up of the moratorium, backed by unified and scalable business intelligence platforms

- Temporarily waiving of fees to alleviate customers' financial burden, mainly card-related fees and other fees (failed standing instruction and failed direct debit fees, fees on funds transfer between MCB accounts and to another local bank)

- Setting up of a dedicated help desk, which is operational on a 24/7 mode, in order to attend to queries and banking needs of clients who are stranded abroad following the closing of borders

SMEs

- Provision of a working capital facilities with flexible repayment and pricing terms, in order to help companies support critical payments (e.g. maintain payrolls) and honour obligations towards suppliers

- Provision of flexible loan repayment solutions: (i) moratorium/repayment holiday on both capital and interest payments; (ii) rescheduling of existing facilities over a longer period of time to assist clients in withstanding cash flow difficulties

- Offer of a Free Business Deposit Card for the convenience of customers regularly queuing up outside branches during the confinement period, thus allowing them to safely deposit funds at more than 70 ATMs and to save on waiting time

- Establishment of clear processes and mechanisms to quickly handle and respond to client requests

Large corporates

- Provision of MUR working capital facilities with convenient repayment terms and collateral requirements with the aim of assisting clients – deemed to have the ability to steer their way through the crisis, while displaying resilient business models, financial fundamentals and risk management processes – in undertaking critical operating expenses

- Deferment of capital repayments and potentially interest payments to help clients that are exposed to cash flow difficulties

- Provision of treasury services, with the prioritisation of sales of FCY against MUR to clients transacting for the following: imports of pharmaceutical products, payments for medical and educational expenses and urgent salary transfers, etc.

Delivering on our strategic objectives

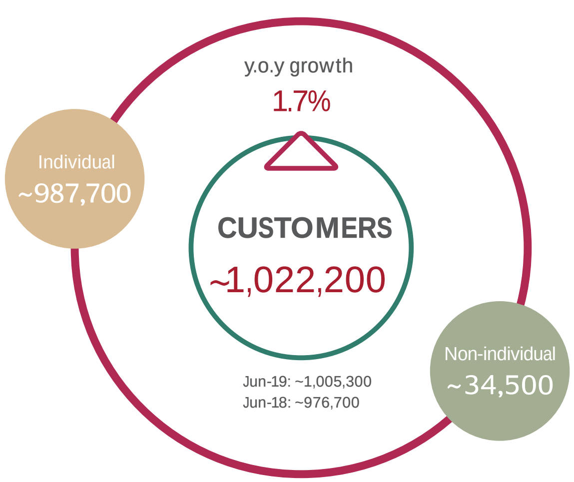
Promoting digital channels and payment solutions

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

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

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

Customer base as at 30 June 2020



Deploying digital platforms

~334,000
subscribers to our 'JuiceByMCB' mobile banking platform

+28% y.o.y growth

+39% 3-year annualised growth

~244,200
Internet Banking subscribers

+11% y.o.y growth

+15% 3-year annualised growth

Note: Figures above are as at 30 June 2020

Societies and communities

How we have engaged with and served our stakeholders

- 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 social welfare. We provided support in key focus areas, notably absolute poverty and community empowerment, preservation of the natural environment, arts and culture, youth development and sports as well as health and education. In respect of the latter, it can be noted that our organisation has, so far, awarded 32 scholarships to Mauritian students ranked next in line with those eligible for the State of Mauritius scholarships on the Economics side at the Higher School Certificate examinations, while 36 students from Rodrigues have been awarded scholarships under the MCB Rodrigues Scholarship, thus enabling them to pursue tertiary studies at the University of Mauritius.
- Our corporate social responsibility activities are channeled via the MCB Forward Foundation (MCBFF), which is the dedicated vehicle for the efficient and effective design, implementation and management of initiatives meant to embed the Bank's engagement with the community. In FY 2019/20, consistent with the authorities' requirement for companies to set up an annual Corporate Social Responsibility (CSR) Fund representing 2% of their chargeable income derived during the preceding year, an aggregate amount of around Rs 86 million was accordingly earmarked by MCB Ltd to the MCBFF. As per the standard Government policy, 75% of companies' CSR contributions for projects are to be channelled to the Mauritius Revenue Authority. However, in alignment with the provisions of the recently amended Income Tax Act 1995, the organisation was, for the period under review, authorised by the National Social Inclusion Foundation to retain an additional 25% of its earmarked CSR fund to cater for the implementation of programmes initiated prior to 1 January 2019. Accordingly, after making allowance for planned projects that were put on hold in the wake of the confinement and border closures, an amount of some Rs 40.9 million was spent by the MCB Forward Foundation on 19 projects, of which 10 are ongoing. The entity remained actively engaged in undertaking initiatives aimed at meeting a multiple range of nationwide socio-economic development imperatives, aided by mobilisation of necessary logistics and execution of pedagogical programmes. In the same vein, reflecting the endeavour to foster the engagement of employees in carrying out CSR activities, the MCBFF oversaw the implementation of the organisation's 'Social Leave' programme. The latter gives the opportunity to each employee of the Bank to, via a one-day paid leave, carry out social work by helping NGOs in their day-to-day activities. In FY 2019/20, 385 employees dedicated 136 hours to 6 NGOs, namely Ebony Forest, Mauritius Wildlife Foundation, Plankton Recycling, SOS Children's Village, Leonard Cheshire Home and Union Park Women Association. On another note, we donated Rs 3 million to the Mauritian Wildlife Foundation to help protect the flora and fauna of Ile aux Aigrettes and the South-East area in the wake of the MV Wakashio oil spill.
- It is worth highlighting that no political donations were made during the year under review.
- By means of our personalised solutions and thoughtful channel distribution, we promoted financial inclusion in Mauritius, thus enabling our low-income customers to get access to credit and improve their conditions. We helped individual clients achieve their ambitions, including buying a home/car or paying for personal expenses. With regard specifically to the tailored financial solutions of 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 Ltd customers, is often sought by low-income customers to cover for education and housing purposes. We provided innovative and customised solutions to SMEs as well as micro-enterprises and self-employed individuals.
- We made further inroads in preserving our cultural heritage, while promoting the dissemination of arts. We took the leading role in sponsoring and/or spearheading the materialisation of key projects aiming to promote local talents at various levels, including music, singing/dance, art and writing, photography, painting and sculpting, as well as theatre and performing arts.
- We encouraged the adoption of environment-friendly and energy-saving practices in our operations. We worked towards effectively managing our carbon footprint, amidst endeavours to continuously monitor and assess our direct environment footprint in order to minimise the impact of our activities on the environment. In this respect, the Bank is committed to compensate for its annual emissions on a retroactive basis and has accordingly achieved carbon neutrality in its operations for the year 2018. Indeed, CO2 emissions generated from the operations of the Bank in 2018 have been fully offset through afforestation and cookstoves projects in Kenya, Mozambique and Uganda. Of note, the organisation has also successfully offset the CO2 emissions generated by the speakers who travelled by air for the Klima conference organised.
- As a key achievement, we progressively reduced energy and water usage in line with objectives and targets set, backed by a systematic monitoring of consumption patterns which helped us in identifying saving opportunities and detecting avenues for the installation of efficient

equipment. Furthermore, the organisation remained committed to raising awareness amongst its employees and external stakeholders, while engaging with them to stimulate the adoption of sustainable habits and work towards environmental protection. For instance, towards contributing to efforts for greening the supply chain, the Bank seeks to ensure that all suppliers comply with sustainable procurement standards. Worth noting also, the organisation actively promotes the use of e-statements by customers. The total number of customers subscribing thereto increased by 8% during the financial year.

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

Read more in the Sustainability Report on our website

Responding to COVID-19...

- The organisation remained committed to helping societies and vulnerable families amidst such difficult times. Notably, the Bank donated Rs 1.7 million to the crowdfunding platform, 'Small Steps Matter', for the distribution of 1,470 food packs to households outside the national Social Register.
- The Bank also supported actions undertaken by the MCB Forward Foundation. The latter made available some 110 food packs to families as part of schemes falling under the aegis of the MCB Football Academy (MCBFA). Furthermore, Rs 10 million was contributed to the COVID-19 Solidarity Fund, put in place by the authorities to support the population in view of the pandemic. In order to help children of the MCBFA cope with the lockdown, a personal development programme as well as therapeutic workshops for those with psychological and psychiatric issues were set up. Additionally, 10 children with special needs received tablets to help them stay connected with their school, while face shields and infrared thermometers were given to 'Association des Parents Deficients Auditifs' (APDA).

Authorities and economic agents

How we have engaged with and served our stakeholders

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

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

Contribution to value added

~ 4.5%
of the total value added generated by the economy

~ 55%
of the total value added by the banking sector

Paying taxes in support of Government revenue mobilisation

~ 10%
of total corporate tax paid across the economy

~ 50%
of special levy paid by banks

Creating jobs on the nationwide scale

~ 20%
of total employment in the financial and insurance activities

39%
of the employment in the banking sector

Notes:

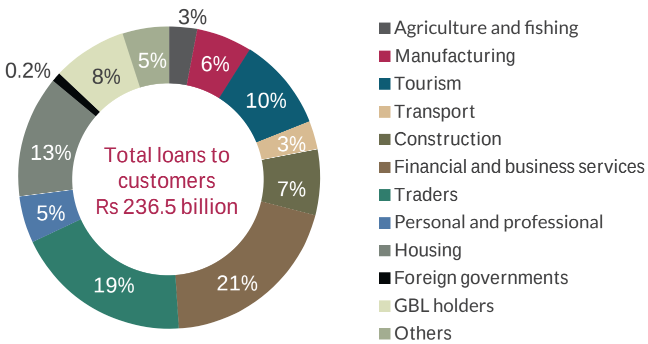
(i) Total corporate tax paid includes levies charged on income but excludes our indirect contribution induced by tax paid by our suppliers

(ii) The estimates do not cater for the indirect implications of the Bank's operations and banking activities

(iii) Figures displayed above are indicative, based on officially-reported data and MCB staff estimates

Helping businesses and economic sectors to grow

Distribution of loans and advances as at 30 June 2020



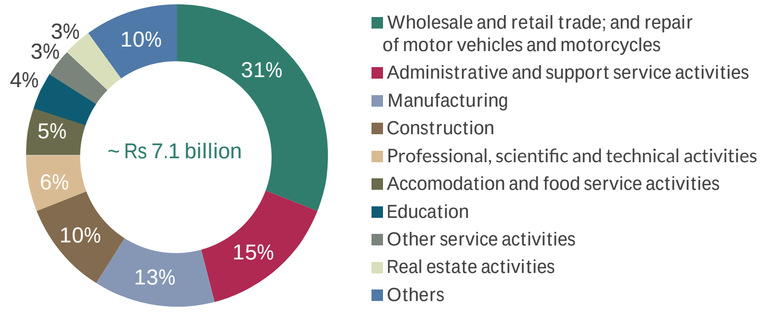
Helping productive sectors

Rs 130 billion representing loans and advances to corporates in Mauritius as at 30 June 2020, towards enabling them to achieve their ambitions

Note: Figure includes corporate notes

Attending to the needs of SMEs across sectors

Distribution of loans to SMEs as at 30 June 2020



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

Responding to COVID-19...

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

Employees

How we have engaged with and served our stakeholders

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

Key measures deployed during the period under review

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

Delivering on our strategic objectives

- 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, MCB provides a range of fringe benefits to its employees to help them in their personal life. Additionally, employees of the Bank are entitled to the MCB Group Employee Share Option Scheme (see page 100) which provides them with the opportunity to partake in the growth and prosperity of the Group, through acquisition of its shares.

- The Bank has continued to work towards entrenching a balanced and diversified workforce in terms of gender, age group and experience in order to tap into a wide range of knowledge, skills and specialist competencies in view of creating the right conditions to achieve business strategies. In addition, the 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 aim to foster a sound working environment and system of work for the benefit of its employees, as far as it is reasonable. Moreover, MCB has further deployed programmes to uphold the overall well-being of its employees. In its bid to continuously enhancing staff welfare and promoting work-life balance, the organisation has consolidated its Flexible Working Arrangements (FWA), with the implementation of the 'Work From Home' initiative under specific conditions (thus complementing long-standing arrangements in terms of flexi-time, staggered hours and hot desking).

General stability of our workforce as at 30 June 2020

96.8%

Employee retention rate

3.6%

Employee turnover rate

Definitions:

(i) Retention rate is the ratio of the number of employees that stayed during a specific period to the number of employees at the beginning of the period

(ii) Turnover rate is the ratio of the number of employees that left to the average number of employees during a specific time period

Responding to COVID-19...

Working practices and conditions

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

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

Communication and support

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

Key employee statistics for the lockdown period in Mauritius

~1,470
Total number of employees who worked on site

~450
Average number of employees on site daily

~2,000
Number of employees who worked from home

~900
Number of COVID-19 tests conducted on our employees

Delivering on our strategic objectives

Delivering on our growth pillars

The following sections shed light on underlying initiatives deployed by the Bank to realise its growth aspirations across markets and geographies, while making allowance for the repercussions of the COVID-19 pandemic and the testing operating landscape. Amidst the ongoing crisis, the targeted measures deployed by the Bank to respond to challenges faced as well as accompany and engage with its stakeholders, notably strategic moves to support local and international customers, are shown on pages 52 to 54.

Extend our frontiers, while consolidating existing markets

Local – Individuals

- Whilst being exposed to competitive pressures across some segments, the Bank pursued its strategic intents and maintained its prominent market positioning. Such headway was underpinned by strengthened operational and commercial capabilities – backed by sales and service transformation endeavours, moves to transform the branch experience and efforts to boost employee engagement – the recourse to innovative technologies, a continuously refined value proposition and bolstered risk management processes. Amidst our aim to boost omnichannel experiences, we pursued efforts to upgrade and promote our digital channels vis-à-vis our clients towards offering increasingly seamless experiences. We remained active on the payments scene by allowing clients to make and accept payments in a quick and hassle-free way via multiple channels. We have further distributed the Group offerings, with dedicated investment solutions helping to encourage our customers to save and invest.

- Within the mass and mass affluent segments, in addition to upholding our prominent footprint in respect of education loans, we maintained our leadership position in the mortgage field, with our market share for housing loans standing at around 36% as at end-June 2020. It can be noted that MCB has refined the appeal of its mortgage solution, which has been further customised to meet different client needs. We made headway in simplifying the end-to-end customer journeys for loan application and approval, while leveraging agile principles and digital channels. In this spirit, we streamlined the credit value chain for individual customers to enhance experiences, after centralising key tasks such as credit analysis and credit-related documentations. This has contributed to faster approval, document preparation and disbursement of loans. Additionally, in our quest to promote optimal service delivery across segments, we have launched an automated Appointment Booking System, which allows for better planning of specific customer visits across branches.

- The Bank made further progress towards meeting its objective of becoming the trusted lifetime partner for its affluent and high net worth customer base in Mauritius. It capitalised on its differentiating service quality and bespoke offerings, notably its sophisticated range of investment and wealth management solutions. To underpin its strategic thrusts, the Bank bolstered the quality of its human capital, while attracting talents with comprehensive investment expertise, and reinforcing its partnerships with external partners. The Bank pursued dedicated initiatives underpinning product innovation and client service upgrades, helped by strengthened customer interactions and a more conducive operating model. On this note, we set forward to upgrade our dedicated Wealth Management function, offering a full spectrum of solutions from discretionary portfolio management to the establishment of an investment advisory and fund selection service, whilst having the ability to customise investment strategies through an open architecture approach. The aim thereof is to cater for the investment needs of the ultra-high-net-worth individuals. We are currently in the process of upgrading our wealth management software, which will allow our clients unfaltering access to their portfolios and enable them to carry out online trading. With this platform, we expect to generate gains in operational efficiency and uncover sustainable opportunities to scale up business volumes.

Local – Large corporates

- While we were confronted by a difficult economic environment and dampened investment levels, amidst the virus spread in the second half of the year, we maintained our engagement in attending to the needs of our corporate customers in an informed and sensible manner. To this end, we capitalised on our unique selling propositions and tailored products and services, while further gearing up our operating models and staff capabilities and improving operational efficiency levels. We developed closer relationships with key business players across value chains, alongside leveraging organisational synergies and the promotion of a cross-selling culture across the Group. In addition to helping us increase our penetration in traditional markets, such moves supported the diversification of our customer base, with progress made in meeting the needs of underserved segments, with whom dedicated working arrangements are being defined and implemented. Reflecting our endeavours, we maintained our leading positioning in respect of domestic credit to corporates, with our market share standing at 41% as at 30 June 2020. During the last financial year, we assisted businesses and investors across various segments and contributed to the materialisation of key projects shaping the landscape of Mauritius. We expanded our exposures vis-à-vis various sectors, e.g. financial and business services, tourism and traders. While acting as a trusted business advisor, we accompanied corporate and institutional clients in their capacity building moves, restructuring initiatives and strategic undertakings, including expansion endeavours in the Group's presence countries. Along the way, the Bank widened its involvement in respect of the provision of the third edition of its preferential credit facilities named as 'Green Loans' (see page 59). It remained active in delivering adapted treasury and forex solutions to meet client requirements.

- We made further inroads in attending to the needs of companies leveraging Mauritius as an International Financial Centre (IFC) of substance. In the wake of the testing operating context, we remained vigilant in our undertakings and maintained our thoughtful business growth agenda. We pursued our engagement vis-à-vis global business entities, trusts and foundations after capitalising into the positioning of Mauritius as a gateway for conducting business with other regions. Our market development initiatives have been, essentially, underpinned by adapted solutions and enhanced client interactions.

- Reflecting our aim to deliver increasingly seamless and innovative solutions to our clients, we launched two customer journeys to enrich our digital banking propositions and experiences. To start with, our Internet Banking platform has been endowed with a renewed user interface and revamped functionalities. This led to simplified and secured as well as user-friendly processes for undertaking international transfers, while facilitating online treatment of payment instructions. There is, thus, no cut-off time for processing of payment instructions by MCB, with the bulk of transactions processed and transfers undertaken on a real-time basis and a 24/7 mode. In the same vein, MCB brought about a new payment application, i.e. SmartApprove, on the marketplace. The latter, which is a convenient and secure web-responsive Application, allows authorised signatories to approve transactions via tablet or smartphone. Moreover, backed by further improvement in the process workflow (i.e. from initiation to disbursement) for relevant products and services, we have developed a world-class loan application process which has contributed to boost customer satisfaction levels.

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

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

- We pursued initiatives allowing us to act as trusted business partner towards helping our clients start, manage and grow their businesses. Towards promoting their strategic initiatives and boosting their expertise as well as creating a durable ecosystem, MCB provided its clients with a broader and more customised palette of innovative solutions, alongside gearing up the ease and accessibility of services delivered. We launched the first version of our mobile banking service for SMEs, with our secure 'JuicePro' app setting out to effectively respond to our customers' daily transactional and other banking needs. Key features of this service are as follows: (i) simple, fast and secure login; (ii) view account balances in real time; (iii) view loans at one's convenience; (iv) keep track of last 30 transactions; (v) transfer funds to other MCB accounts or other local banks; (vi) formulate direct feedback just by taking a photo on the app; and (vii) allow users to save and manage beneficiaries that will be reused for future payments. This is the first mobile banking app for SMEs on the market and the Bank is continuously working on new releases. Backed by support from the Bank's Digital Factory, we launched our Business Account Opening Journey. Our SME Online Onboarding exercise provides our clients with the leeway to apply for and create their business account online at their own convenience, with their application treated via a full end-to-end process and only a single in-branch visit to be made for verification of original documents. Conducted in an agile mode, the project resulted in reduced processing time as regard client files and improved customer service. It helped the Bank achieve its promise of opening a business account within 72 hours, instead of 15 days or more.

Delivering on our strategic objectives

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

Regional and international fronts

- The Bank pursued its regional diversification strategy, alongside being involved beyond, backed by a disciplined approach and ongoing mobilisation of FCY funding resources. In addition to embracing an opportunistic stance to diversify its positioning and tap into interesting opportunities, the Bank remained mainly engaged in niche areas where it displays strategic competencies. Overall, MCB deepened its relationships with existing clients and selectively extended its customer base across segments and geographies, thus cementing its position as a dependable and competitive banking player in Africa. To underpin its market development initiatives and foster its strategy of further diversifying its revenue streams, the Bank capitalised on its customised solutions, regularly-updated risk appetite, a network of over 750 correspondent banks worldwide (including around 175 in Africa), Representative Offices as well as the Group's foreign presence via its subsidiaries.

- We widened and deepened our involvement in Energy and Commodities (E&C) financing, backed by (i) our broad experience as one of the leading providers of finance for the importation of Oil & Gas in the Indian Ocean and Africa; and (ii) our solid credentials and expertise (reflected by our full-fledged sectorial product offerings and specialised teams) as a privileged partner for direct and joint financing of Oil & Gas transactions in the region. Beyond consolidating our trade finance segment, we made solid inroads into the African oil and gas structured debt market. We are gradually shifting towards medium-term financing along the value chain, while broadening our involvement across the upstream business. We played a pivotal role in meeting the petroleum products requirements of countries across Africa and beyond. We deepened our market positioning by (i) gearing up our relations with oil traders, national oil companies, oil majors, procurement entities, junior African producers, and importers for wholesale and retail distribution; and (ii) diversifying projects financed, including reserve-based lending, across a wide range of countries.

- MCB made major headway in broadening and diversifying its portfolio of international structured finance deals, after financing major development projects and landmark deals across various sectors, countries and products on the African continent. We accompanied our clients by means of a comprehensive range of tailored working capital and term loan facilities, while taking advantage of in-depth technical capabilities developed across niche sectors, e.g. power, infrastructure, telecommunications and hospitality. We tapped into the continuous strengthening of client relationships and enhancement of our brand visibility.

- The Bank has, in close connection with the Group, remained an active promoter of the 'Bank of Banks' initiative, which consists of providing a palette of adapted solutions to financial institution counterparts, notably those operating in Africa. The Group partnered with and assisted 78 financial institutions worldwide, including over 50 in Africa and spanning 37 countries in FY 2019/20. We enabled clients to gain access to state-of-the-art services offered by various entities, thus helping them to underpin capacity building and business growth initiatives, while accessing industry best practices. To underpin our strategic endeavours, we pursued image- and relationship-building exercises to showcase our value proposition and capabilities. In October 2019, the 10th edition of our 'Africa Forward Together' seminar welcomed around 35 delegates from 17 African countries. The event hosted fast-paced workshops, panels and collaborative discussions, with participants discussing main challenges faced by various African institutions and brainstorming on possible avenues of collaboration and partnership. Following the conduct of our 'Meeting of Minds' workshop, the organisation leveraged and published the insights of around 35 C-suite and senior banking delegates who had identified the biggest challenges facing their respective institutions.

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

Deliver a world-class customer experience through digital

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

Pursuing our Digital Transformation Programme

- We reinforced our human and technological capabilities to execute an ambitious roadmap of initiatives in support of our Digital Transformation Programme. This helped to strengthen the Bank's competitive edge across markets by delivering more convenient and appealing client solutions as well as promoting the conduct of more agile and productive operations.

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

- We geared up our Change Management Office, whose mandate is to ensure the successful implementation of parallel customer journeys and transformational moves undertaken throughout the organisation and to support smooth transition phases, fostering business readiness for projects 'Going Live' and assisting in driving post-implementation adoption. During the period under review, the Office helped to develop a Change Management Framework for the Bank, while boosting relevant capabilities to meet earmarked objectives. Alongside leveraging a dedicated communication strategy and ensuring a coherent deployment of identified initiatives, the Office has collaborated with various squads and project teams to cater for the impact of change from a people perspective and has assisted to limit the risks of organisation resistance to change.

- We upgraded the operating model of our Customer Lab, which collaborates closely with product development teams across the Bank. The Customer Lab is involved as soon as the product initiation phase is put into motion, with a key role being to undertake customer research as well as measure customer experiences and behaviours. Such endeavours are underpinned by conduct of surveys and customer interviews as well as the leveraging of organisation data. During FY 2019/20, we worked with more than 2,000 customers to (re)design solutions and experiences. As a key accomplishment, we set up 'The Lab', which is a collaborative and social media-hosted platform. On a first stance, this set-up provides staff members with the opportunity to support the advancement of MCB by means of ideation, co-creation, product testing, sharing of opinions and experiences, etc. In the periods ahead, the Bank aims to extend this tool to its customers, with the dedicated assistance and guidance of its employees.

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

- We made progress in entrenching an agile way of working across the organisation to underpin team effectiveness and quality service deliveries, backed by training programmes and alignment with practices already adopted by the Digital Factory.

Read more about digitally-enabled initiatives in the 'Delivering on our growth pillars section on pages 62 to 67

Delivering on our strategic objectives

Upgrading our technology platforms to boost customer satisfaction and improve internal productivity levels

- The Bank avails cutting-edge technologies across the value chain, alongside continuously upgrading its IT systems and infrastructure to further enhance operational efficiency levels and improve customer service quality. Following a complete review of the way technology is managed and delivered to the Bank and its customers, a full-fledged Technology SBU, which adopts agile mind-set and principles, was established via a refined operating model. This set-up – which incorporates Technical and Functional Delivery Domain teams acting in an autonomous and cross-functional mode, Infrastructure Delivery teams which are based on solutions delivered to users and Technology Chapters – aims to (i) deliver value faster to users and customers; and (ii) bolster synergies and cross-collaboration with business segments of the Bank.

- The Bank embarked on a project geared towards the cloudification of its core platforms, as evidenced by the successful migration of its Enterprise Resource Planning (ERP) and the Human Capital Management System (HCMS). MCB is now using a complete and secure Cloud Platform encompassing the latest General Ledger, Accounts Payable, Procurement and Fixed Assets modules and a suite of HR-related modules. This makes us the pioneer and largest organisation in sub-Saharan Africa to implement such a platform on the Cloud. In the process, we have successfully implemented the Oracle Fusion Maintenance Module – as another milestone in our Cloud Technology adoption – which aims to optimise our business operations by means of modern and intuitive maintenance solutions. The Bank achieved the latest PCI certification. We are now compliant with the toughest PCI Data Security standards. Reflecting the strong credentials of its main Data Centres, the Bank is making steady progress towards achieving Tier 3 certification, while its Disaster Recovery site is already a Tier 4 certified Data Centre. Recently, the Bank's SWIFT Service Bureau achieved compliance with the applicable controls of the Shared Infrastructure Programme, Security and Operational Framework for 2020. The latter defines the operational standards for third-party service bureaux offering SWIFT connectivity, while ensuring service quality, security and reliability. MCB became the second Service Bureau to be certified on this front out of seven in Africa. Other achievements during the period under review can be delineated as follows: (i) upgrade of our Core Banking Platform to the latest technology; (ii) phased rollout of a new Omnichannel platform; (iii) implementation of a state-of-the-art Workflow platform (BPMN 2.0 compliant) for all new business flows and introduction of a new middleware platform to facilitate the integration of our channels and our Core Services layer via APIs; (iv) increased use of Robotic Process Automation to improve the efficiency and resilience of critical back-office operations; and (v) implementation of new Portfolio Management Platform to improve capabilities of our Private Banking and Wealth Management business line.

Nurture our values and deliver on our brand promise

- The Bank remained actively engaged in disseminating its core values across different layers of the organisation to foster alignment in terms of actions deployed to achieve common goals. We strived to ensure that such values are continuously lived up and transposed into the day-to-day attitudes, behaviours and activities of our employees. While the Bank has, during the period under review, focused on immediate imperatives in the wake of the ramifications of the COVID-19 pandemic and, to some extent, reassessed the pace underpinning the unfolding of sustainability initiatives, it maintained its commitment to create a positive impact on our people, society and environment, alongside fostering the well-being of the nation at large.

- MCB made progress in further refining and implementing its Corporate Sustainability Programme (CSP), backed by reinforced capabilities. While being aligned with the United Nations Sustainable Development Goals (SDGs), a long-term Sustainability Strategic Plan is being finalised to more holistically and coherently shape up the Bank's sustainability engagement. The governance structure and relevant functions underpinning the execution of the CSP have been further refined to (i) improve smoothness and coherence of the decision-making process; (ii) render the project workflow more impactful and efficient, alongside fostering improved project execution and management; (iii) allow for a more effective integration of environmental and social risk management topics in operations and financing activities; and (iv) ensure seamless communication amongst internal and external stakeholders. The former Remuneration, Corporate Governance and Ethics Committee of the Group has been endowed with a well-defined 'sustainability' mandate and renamed as Remuneration, Corporate Governance, Ethics and Sustainability Committee, with a view to enabling the organisation to exercise a better oversight of its overarching sustainability strategy. The Project Steering Committee has been renamed as the Sustainability Strategic Council. Chaired by the Deputy

Chief Executive of the Bank who acts as the Executive Sponsor, its composition has been redesigned and its mandate is being streamlined with refined responsibilities for increased efficiency. In addition, the Sustainability team, which monitors the implementation of the CSP, has been strengthened with additional resources and expertise.

- In line with our 'Success Beyond Numbers' philosophy, we have executed key initiatives across the three pillars of our CSP: (i) development of a vibrant and sustainable local economy; (ii) protection and valorisation of our cultural and environmental heritage; and (iii) promotion of individual and collective well-being. They reflect our efforts to drive sustainability as a core feature of our way of doing business and make a difference in the societies and communities in which we live and operate. As a key move, the 'Klima' Conference we organised and the 'Klima Neutral 2050' study we commissioned showcased the organisation's ambitious and bold Climate Strategy. The underlying objective is to engage our economic, social and political stakeholders as part of concerted and impactful endeavours that will help to pave the way for Mauritius to progressively achieve carbon neutrality. This is intended to underpin the organisation's contribution to making the country the laboratory of the new climate economy, while we act, ourselves, as a responsible and unifying financial player and look for new sustainable business opportunities. While we are currently reviewing this value proposition, notably in terms of commercial appeal and eligibility criteria, we disseminated our 'Lokal is Beautiful' scheme. Alongside embedding a network providing SMEs and entrepreneurs with strengthened means in order to realise their ambitions, the scheme aims to promote adoption of sustainability principles by the society, alongside underpinning the country's resilience and progress at large. Clients on-boarded as part of this scheme are subject to specific eligibility criteria and have to comply with set environmental, social and governance standards.

Read more in the 'Creating value in a sustainable way for the benefit of our stakeholders' on pages 49 to 61

Read more in the Sustainability Report on our website

Alain LAW MIN
Chief Executive Officer

Raoul GUFFLET
Deputy Chief Executive Officer

Financial Performance

Financial performance

Performance against objectives

OBJECTIVES FOR FY 2019/20	PERFORMANCE IN FY 2019/20
Return on average Tier 1	
Return on average Tier 1 capital is forecast to be around 19%.	With the particularly difficult context prompting a significant increase in Expected Credit Losses (ECL) that led to a drop in profitability, return on average Tier 1 capital declined to 15.1%.
Return on average assets (ROA)	
ROA is expected to remain slightly above 2%.	ROA declined to reach 1.6%.
Operating income	
Net interest income is expected to grow by some 11% with the loan portfolio anticipated to grow at an appreciable, albeit at a reduced pace.	Net interest income grew by 9.9%, mainly supported by increased investment in Government securities and growth in loans and advances, albeit being impacted by lower margins, notably on our international activities.
Non-interest income, excluding fair value movements in equity instruments, is forecast to grow by around 5%.	Non-interest income grew by 9.0%, boosted by an increase in profit on exchange and net gain on sale of financial instruments while net fee and commission income remained relatively flat.
Operating expenses	
Operating expenses are expected to increase by around 12% reflecting the investment in capacity building initiatives, notably linked to the digitalisation programme.	Operating expenses grew at a lower than expected rate of 5.6% mainly due to delays in recruitments and the execution of strategic initiatives notably due to the country's lockdown.
Cost to income ratio	
Whilst the cost to income ratio is expected to increase, it should remain at around 35%.	Cost to income ratio fell to 32.5% on account of a resilient growth in operating income.
Loans and advances growth	
The average customer loan book is forecast to grow by around 13%, driven by further growth in the foreign currency loan book.	The average customer loan book grew by around 5%, reflecting a slowdown in both our local and foreign currency portfolios.
Deposits growth	
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.	Average customer deposits increased by 15%, with FCY deposits in particular witnessing a high growth in line with our funding strategy and the depreciation of the rupee against major currencies.
Asset quality	
Allowance for credit impairment charges is expected to increase in line with the growth in loan portfolio.	Allowance for credit impairment increased significantly reflecting our revised credit risk assessment and forward-looking appraisal of the impact of the COVID-19 pandemic on our asset portfolio. As a result, the cost of risk in relation to loans and advances rose to 1.87% while our gross NPL ratio remained at 3.8%.
Capital management	
The overall capital adequacy ratio and the Tier 1 ratio are expected to remain close to the FY 2018/19 levels (BIS ratio: 16.6%; Tier 1 ratio: 15.7%).	Both the overall capital adequacy ratio and the Tier 1 ratio improved over last year to reach 17.5% and 16.5% respectively.

Performance against objectives by lines of business

OBJECTIVES FOR FY 2019/20	PERFORMANCE IN FY 2019/20
Retail Banking & Business Banking	
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.	Reflecting the challenging context and dampened activity linked to the lockdown, the average loan portfolio of the individual segment rose by only 4%, contributing to an increase of around 6% in net interest income while gross operating margin went up by 8% with growth in operating expenses being contained. As regards the business banking segment, notwithstanding an expansion of some 5% in the loan book, net interest income remained flat, which coupled with lower fee and commission income and higher expenses, led to a marginal decrease in gross operating margin.
Private Banking & Wealth Management	
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.	The average loan book grew by some 10%, contributing to a rise of 6% in net interest income. However, gross operating margin recorded only a slight growth mainly due to lower fee and commission income amidst difficult market conditions.
Corporate and Institutional Banking	
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.	In spite of the effect of rupee depreciation on the foreign currency loan book, loans and advances recorded a lower than expected rise of nearly 10% amidst difficult market conditions across business segments. Net interest income grew by 6% whilst gross operating margin went up by around 7%, after factoring in the increase in non-interest income.

Outlook for FY 2020/21

The operating context remains particularly challenging, with little visibility on the evolution of the situation going forward. Difficult market and economic conditions are likely to take their toll on customer segments across markets, albeit to varying degrees. Whilst some business segments, notably on the international front, are expected to be resilient, our operating results are likely to be down in view of restrained business activities amidst the economic slump and dampened investor confidence as well as squeezed margins. Pressures on asset quality are likely to intensify with the degree of the impact remaining highly dependent on the duration and severity of the COVID-19 pandemic and the effectiveness of the support measures from the authorities, including financial assistance from the Mauritius Investment Corporation to economic operators. Against this backdrop, the Bank will maintain its market vigilance and monitor the situation closely with regular assessment of potential scenarios. The Bank will maintain adequate buffers in terms of capital adequacy as well as funding and liquidity ratios, thus preserving its financial soundness. Concurrently, while reviewing our short-term priorities, the Bank will continue to invest for the future and create the necessary conditions to underpin a rapid rebound when economic conditions start to heal.

Financial performance

Overview of results

Profit

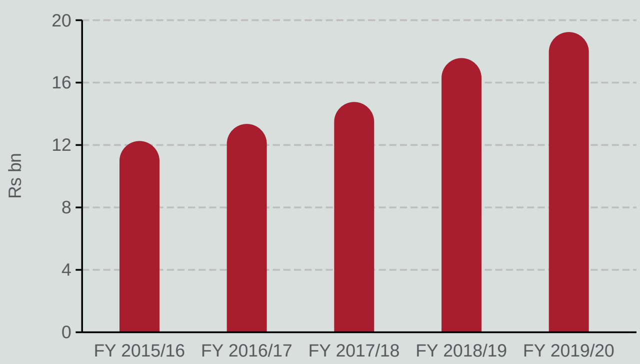
Rs 7,409 million (-1,357 million)

Profit after tax dropped by 15.5% to reach Rs 7,409 million, essentially due to a substantial increase in impairment charges in line with the COVID-19 crisis and the high level of uncertainty it has engendered. The rise in impairment charges was mainly driven by additional Expected Credit Losses (ECL) on the Bank's performing asset portfolio to reflect inherent increase in credit risks and forward-looking scenarios in the IFRS 9 model. On the other hand, in spite of the impact of the difficult economic context and the country's lockdown during the last quarter, operating income posted a resilient performance to grow by 9.6% to reach Rs 19,272 million. This was essentially attributable to the effective execution of our diversification strategy.

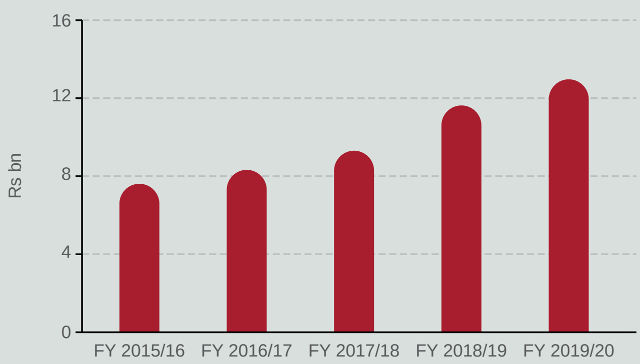
The Bank remains on a relatively strong footing to confront the challenging environment as gauged by its financial soundness indicators. It has maintained comfortable capital adequacy ratios as well as strong funding and liquidity positions whilst asset quality has been stable for the period under review.

More information on financial soundness is available in the 'Risk and Capital Management Report' on pages 117 to 160

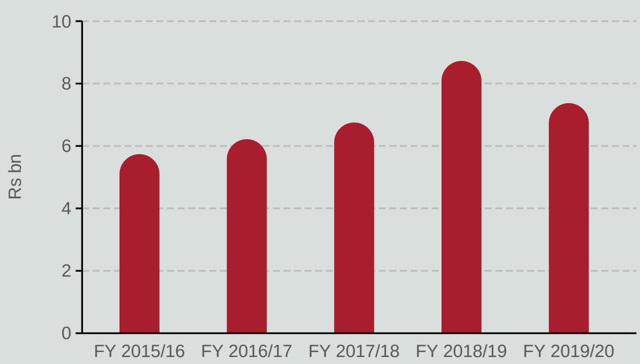
Operating income



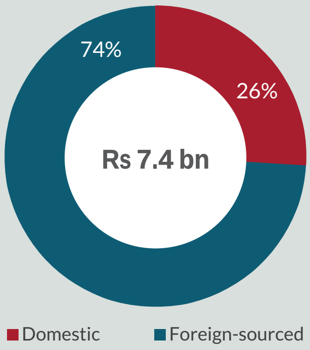
Operating profit before impairment



Profit for the year



Contribution to profit



Note: The domestic profit contribution has been impacted by a substantial rise recorded in Expected Credit Losses therein.

Income statement analysis

Net interest income	As a % of average earning assets	
Rs 13,464 million	**FY 2018/19**	**FY 2019/20**
(+1,211 million)	3.6%	3.3 %

Net interest income grew by 9.9% on account of:

- A rise of 5.2% in interest income to Rs 18,348 million, mainly supported by increased investment in Government securities amidst the persistent high liquidity situation and an expansion in loans and advances.
- A decline of 6.0% in interest expense to Rs 4,884 million reflecting lower average interest rates following a cumulative drop of 165 basis points in the Key Repo Rate over the year under review.

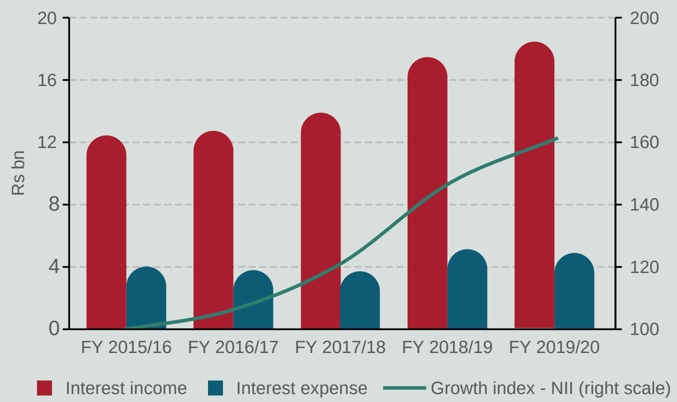
Overall, net interest income to average earning assets fell by around 24 basis points to 3.3%, notably reflecting lower margin on foreign activities, while the ratio in terms of average total assets declined by 19 basis points to 2.9%.

Non-interest income	As a % of operating income	
Rs 5,808 million	**FY 2018/19**	**FY 2019/20**
(+477 million)	30.3%	30.1 %

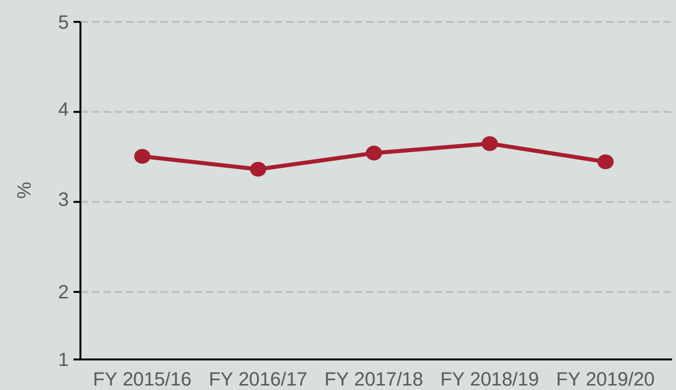
Non-interest income went up by 9.0% with a restrained performance in net fee and commission income being more than compensated for by growth in 'other income' as explained below:

- Net fee and commission income remained relatively flat to stand at Rs 3,344 million, being impacted by lower revenues from trade finance, cards and wealth management activities especially during the last quarter of FY 2019/20 in view of difficult market conditions and the confinement period.
- 'Other income' increased by 25.3%, driven by:
  - A growth of 19.5% in profit on exchange and net gain from financial instruments carried at fair value, and partly boosted by the depreciation of the rupee against major currencies.
  - A significant increase in net gain on sale of financial instruments

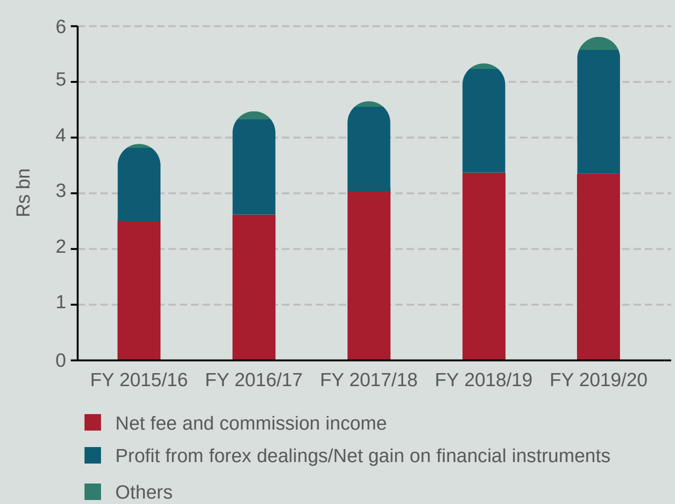
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Financial performance

Operating expenses	Cost to income ratio	
Rs 6,260 million	**FY 2018/19**	**FY 2019/20**
(+334 million)	33.7%	32.5.%

Operating expenses increased by 5.6% mainly attributable to:

- A rise of 2.9% in staff costs, which represented 58% of the cost base, on the back of sustained efforts to upgrade human capital.
- A growth of 21.3% in depreciation and amortisation costs following continued investment in technology notably linked to our digital transformation programme.

Given the growth of 9.6% in operating income, the cost to income ratio improved by 122 basis points.

Impairment charges	As a % of loans and advances	
Rs 4,818 million	**FY 2018/19**	**FY 2019/20**
(+3,363 million)	0.58%	1.87%

Impairment charges reached Rs 4,818 million, representing an annualised cost of risk of 187 basis points of gross loans and advances. Specific provisions net of recoveries amounted to Rs 1,528 million whereas additional ECL on the Bank's performing asset portfolio amounted to Rs 3,290 million. The significant increase in ECL reflected the inherent increase in credit risks and the forward-looking assessment of the impact of the COVID-19 pandemic on our operations.

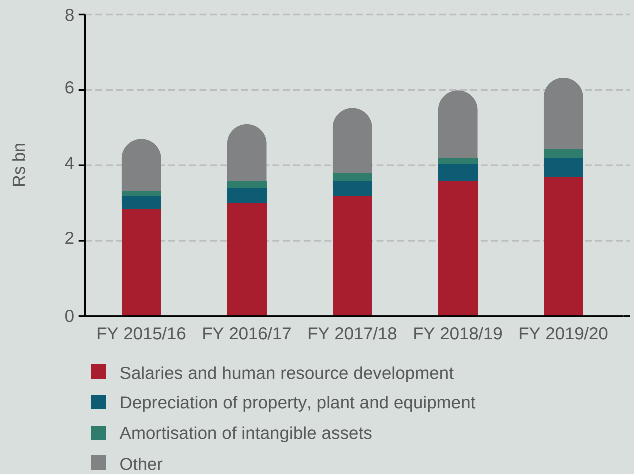
Tax expenses	Effective tax rate	
Rs 1,230 million	**FY 2018/19**	**FY 2019/20**
(-448 million)	16.1%	14.2%

Whereas profit before tax declined by 17.3%, a drop of 26.7% was recorded in tax expenses partly due to the fact that the tax charge in FY 2018/19 included a provision for tax assessments of some Rs 163 million.

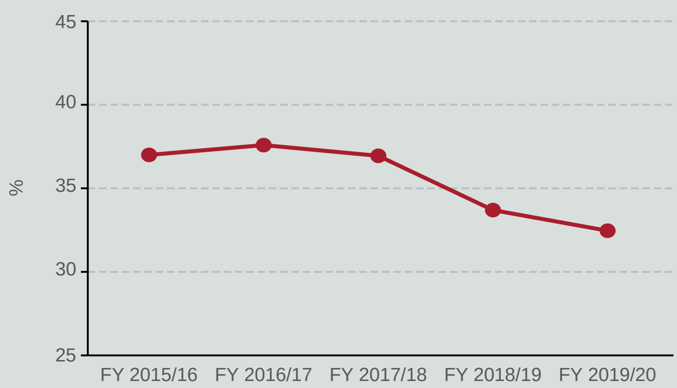
Share of profit of associates	As a % of profit for the year	
Rs 444 million	**FY 2018/19**	**FY 2019/20**
(+202 million)	2.8%	6.0%

Share of profit of associates grew by Rs 202 million, on the back of an improved performance at the level of BFCOI.

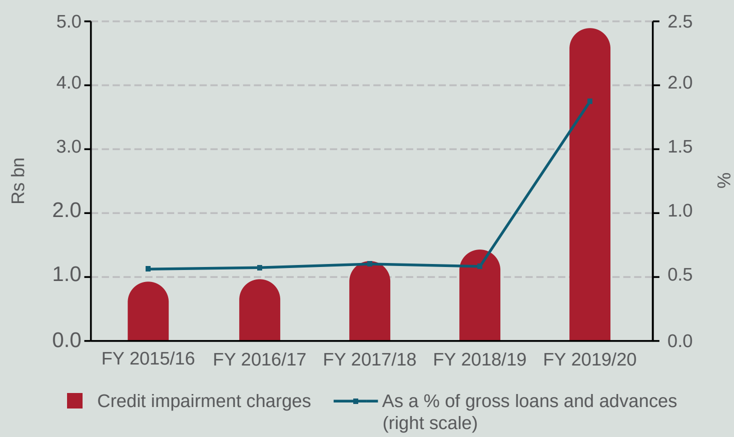
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges*



**Relate to loans & advances (including corporate notes)*

Financial position statement analysis

Gross loans	Gross NPL ratio	
Rs 240.7 billion	FY 2018/19	FY 2019/20
(+12.7 billion)	3.8%	3.8%

Total gross loans recorded a year-on-year growth of 5.6% in FY 2019/20, mainly supported by an expansion in our international loan book. Associated credit to customers increased by 15.6%, with structured project financing activities, in particular, witnessing a significant growth while rupee depreciation also weighed in the balance. At domestic level, the overall loan portfolio rose by only 2.1% in line with the challenging operating context. The retail segment exposure remained relatively flat in spite of an expansion in mortgages. In the corporate segment, whereas the loan portfolio grew by 3.3%, exposures through corporate notes rose by some 20% to Rs 20.8 billion.

The quality of our credit portfolio remained relatively stable during the year, with gross NPL ratio staying at some 3.8% and net NPL ratio reaching 2.6% as at June 2020, compared to 2.8% one year earlier.

Funding	Loans to funding ratio	
Rs 423.4 billion	FY 2018/19	FY 2019/20
(+52.6 billion)	61.5%	56.8%

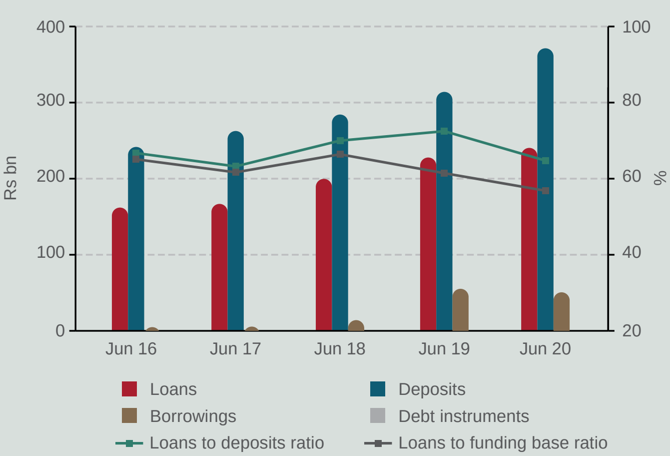
Total deposits increased by 18.2% to attain Rs 371.6 billion as at 30 June 2020. While rupee-denominated deposits grew by 13.4%, foreign currency deposits increased by 26.2% in line with initiatives undertaken by the Bank, while being also boosted by the depreciation of the rupee against major currencies. Besides, 'other borrowed funds' declined to reach Rs 50.8 billion following the repayment of the Tranche A of the syndicated term loan facility that matured during the year amounting to USD 240 million.

June 2020	Exposure	
	Rs m	Y.o.y. growth (%)
Loans to customers	**236,545**	**7.6**
Agriculture and fishing	6,309	(26.3)
Manufacturing	13,620	38.5
of which EPZ	*2,126*	*(28.3)*
Tourism	23,249	8.4
Transport	7,498	(1.3)
Construction	16,832	5.1
Traders	43,647	7.5
Financial and business services	50,424	20.8
Personal and professional	42,701	1.0
of which credit cards	*754*	*(36.0)*
of which housing	*30,803*	*3.8*
Global Business Licence holders	19,211	7.6
Others	13,055	(5.7)
Loans to banks	**4,127**	**(49.1)**
Total loans	**240,672**	**5.6**
Corporate notes	20,803	19.9
Total loans and advances	**261,475**	**6.6**

June 2020	Loans to customers		
	Rs m	Y.o.y. growth (%)	Mix (%)
Domestic	133,316	2.1	56.4
Foreign	103,229	15.6	43.6
Total	**236,545**	**7.6**	**100.0**

Off balance sheet items as at 30 June 2020	Rs m	Y.o.y. growth (%)
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	62,042	(6.7)
Commitments	6,356	23.6
Others	98	9.6
Contingent liabilities	**68,496**	**(4.5)**

Loans and funding base



Financial performance

Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 215.0 billion	**FY 2018/19**	**FY 2019/20**
(+42.5 billion)	40.3%	44.3%

Liquid assets of the Bank grew by 24.6% during the financial year. This was due to: (i) an increase of 43.5% in cash and cash equivalents, including placements, mainly through balances with banks abroad and unrestricted balances with Central Bank (ii) a rise of 16.7% in investment securities (excluding shares and corporate notes); and (iii) a growth of 6.5% in mandatory balances with Central Bank.

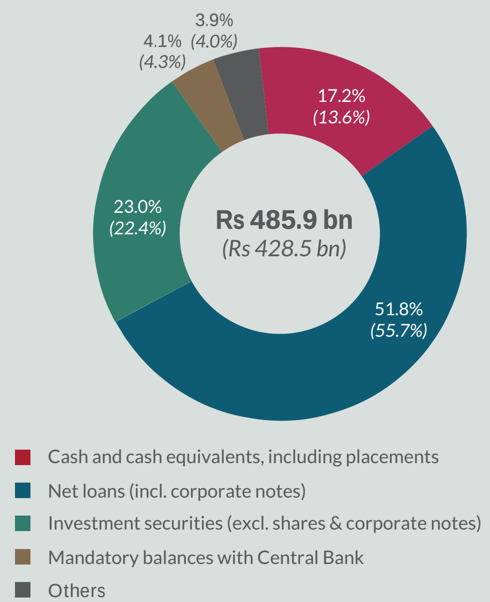
Overall, the above-mentioned liquid assets as a percentage of funding base stood at 50.8% as at 30 June 2020 (FY 2018/19: 46.5%). The Bank held comfortable liquidity positions both in rupee terms and foreign currencies. As at 30 June 2020, our US dollar Liquidity Coverage Ratio stood at 190%, i.e. well above the Basel III regulatory norm.

Shareholders' funds	Return on equity	
Rs 53.2 billion	**FY 2018/19**	**FY 2019/20**
(+5.1 billion)	19.0%	14.6%

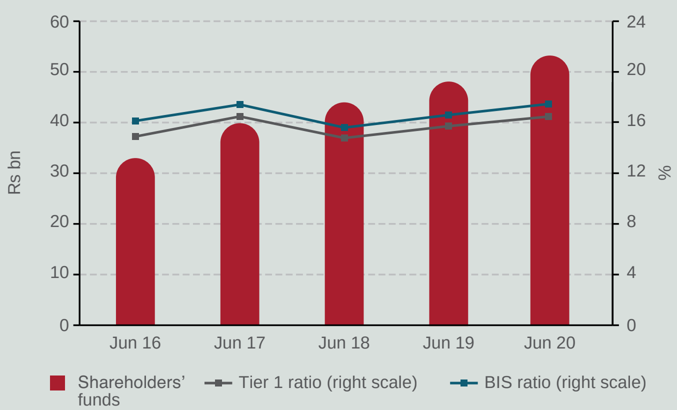
Shareholders' funds increased by 10.5% on the back of a rise in retained earnings of Rs 5.1 billion for the year under review. The overall capital adequacy ratio and Tier 1 ratio improved to 17.5% and 16.5% respectively, thus remaining comfortably above the minimum regulatory requirements.

For the period under review, the Bank has not declared any dividend to its shareholder in line with directives issued by the Bank of Mauritius in the current exceptional circumstances.

Assets mix as at 30 June 2020
(Figures in brackets relate to 2019)



Shareholders' funds and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun-20	Jun-19	Jun-18
Operating income	19,272	17,583	14,756
Operating profit before impairment	13,012	11,657	9,301
Operating profit	8,194	10,202	8,072
Profit before tax	8,638	10,443	8,413
Profit for the year	7,409	8,766	6,786
Statement of financial position (Rs m)			
Total assets	485,873	428,501	352,452
Total loans (net)	230,882	221,446	193,852
Investment securities	135,915	116,398	81,884
Total deposits	371,608	314,377	285,532
Subordinated liabilities	1,013	1,040	1,060
Other borrowed funds	50,817	55,406	14,189
Shareholders' funds	53,212	48,150	43,984
Performance ratios (%)			
Return on average total assets	1.6	2.2	2.0
Return on average equity	14.6	19.0	16.2
Return on average Tier 1 capital	15.1	19.7	16.9
Non-interest income to operating income	30.1	30.3	31.5
Loans to deposits ratio	64.8	72.5	70.0
Cost to income ratio	32.5	33.7	37.0
Capital adequacy ratios (%)			
BIS risk adjusted ratio	17.5	16.6	15.6
of which Tier 1	16.5	15.7	14.8
Asset quality			
Non-performing loans (Rs m)	9,802	9,344	8,508
NPL ratio (%)	3.8	3.8	4.1

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 high standards of corporate governance with a view to upholding the organisation's long-term business sustainability and creating value for its stakeholders whilst acting in a way that is good for the society at large. The Board fosters principles of integrity, accountability and transparency throughout the organisation by way of bank-wide awareness of its operating beliefs and values. It constantly reviews and adapts its practices and frameworks in line with the dynamic environment, influenced by, inter alia, cultural shifts in the workplace, digital trends, climate change risks, information security requirements, in order to ensure that the Bank acts in the best interests of its stakeholders. The Bank's sound governance standards and practices are anchored on key pillars as highlighted 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

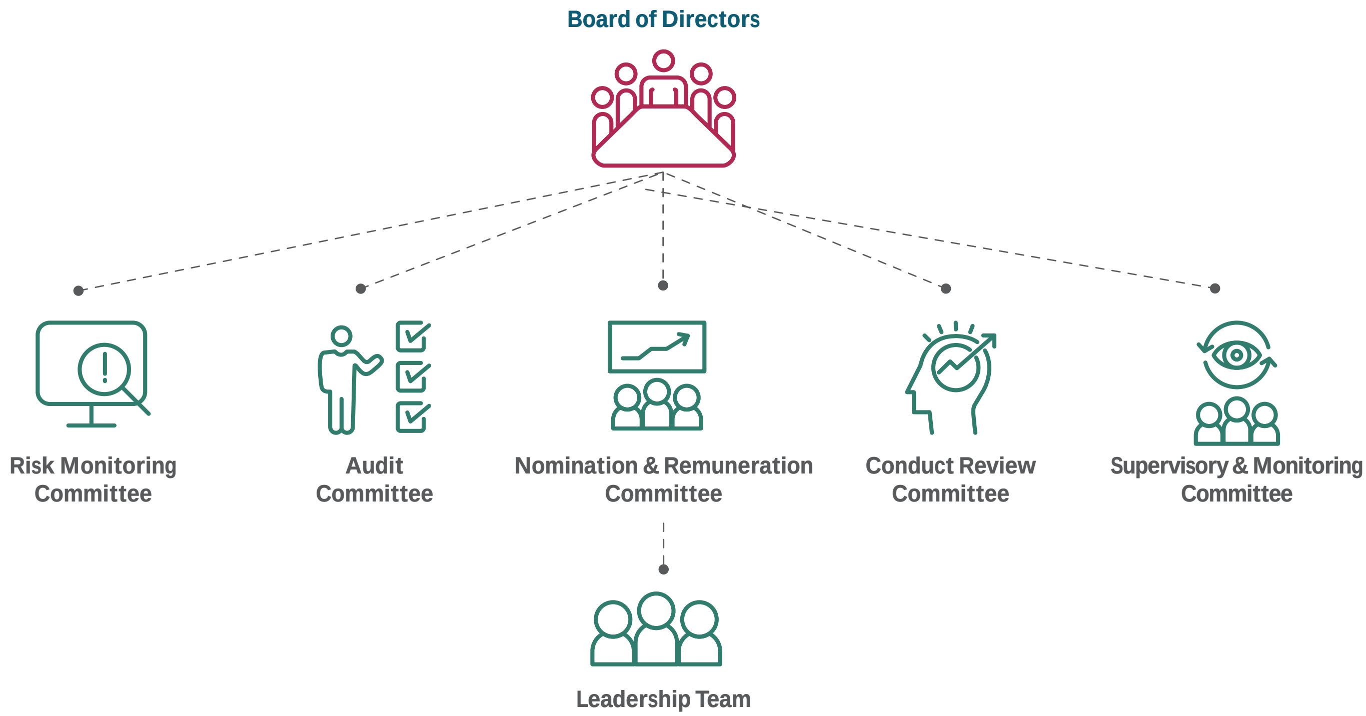
Continuous multi-stakeholder engagement

- Contribution to economic development by helping customers achieve their goals
- Safeguard of cultural and environmental heritage
- Promotion of community well-being and fostering of staff development and welfare
- Ongoing dialogue with the investment community and authorities

Governance structure

Governance framework

MCB Ltd is led by a committed and unitary Board, which is collectively responsible for the leadership, oversight and long-term success of the organisation. The Bank operates within a clearly defined governance framework, which provides for delegation of authority and clear lines of responsibility while enabling the Board to retain effective control. In order to carry out its duties effectively, the Board has established five committees, each mandated to provide counsel and specific expertise guidance on matters affecting the Bank's activities. While the Board sets out the strategic direction, the operational management and day-to-day running of the organisation are entrusted to the Leadership Team, with their performance and effectiveness closely monitored against set objectives and policies. The fundamental relationships among the Board, Board Committees and Leadership Team as well as their main roles are illustrated in the following diagram.



Role of the Board

The Board provides effective leadership and strategic guidance towards the achievement of the Bank's strategy within a framework of robust risk management and sound internal controls, alongside ensuring adherence of the Company to relevant legislations, policies and norms.

Role of Board Committees

Board Committees facilitate the discharge of the Board's responsibilities and provide in-depth focus on specific areas. In fulfilling their role of providing oversight and guidance, Chairpersons of Board Committees escalate all significant matters affecting the affairs and reputation of the Bank to the Board.

Role of Leadership Team

The Leadership Team is responsible for the day-to-day running of the business, with well-defined accountabilities as endorsed by the Board. They regularly report to the Board on the operational and financial performance of the Bank.

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 Officer and there is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive Officer 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, it is worth noting that the external commitments of the Chairperson did not change during the financial year under review.

Key roles and responsibilities

Chairperson

- 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 Officer
- 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

Chief Executive Officer

- 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 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

Directors

- 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 which include duties of loyalty, care and disclosure

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 the shareholder 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

Corporate governance report

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 (FY 2019/20)

9 Number of Directors	**3-4** Average length of tenure (years)
10 Number of meetings	**96%** 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 the 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.

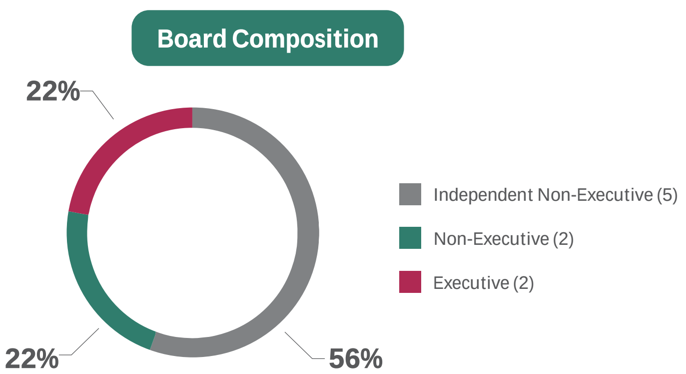
Approval of the Board is specifically required for, amongst other important matters, modifying the Company's Constitution, issuing fresh capital or buying back its own shares, declaring dividends, acquiring or divesting sizeable stakes in subsidiaries or associates, making appointments of senior officers,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

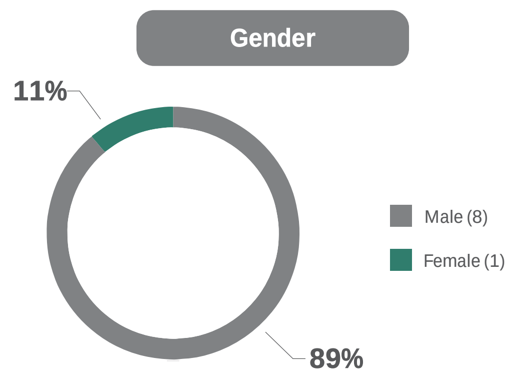
Composition and meetings

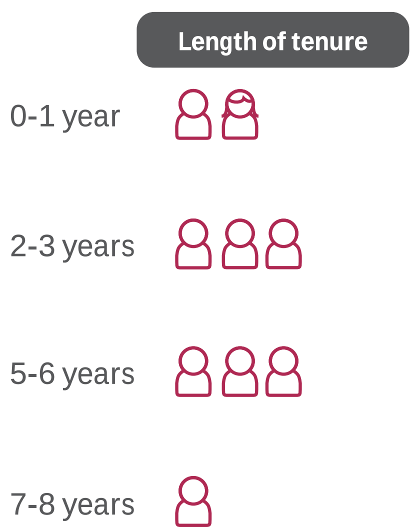
Composition

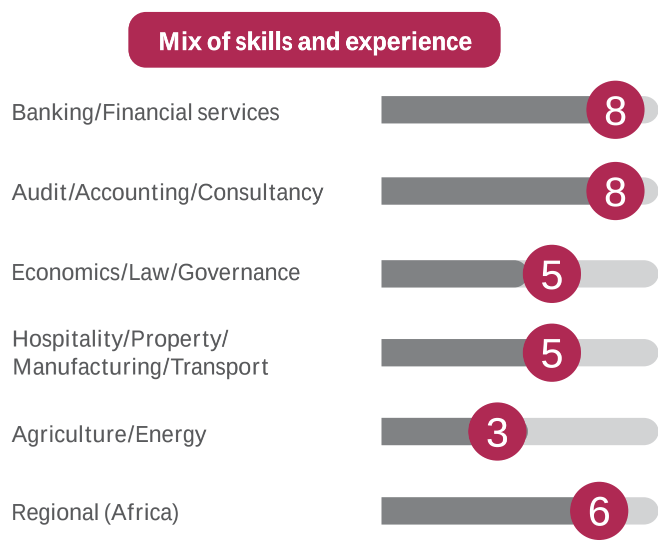
As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors including the Chief Executive Officer. The Chairperson of the Board shall be an independent or a non-executive director. In case the Chairperson is an independent director, the Board shall comprise 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. During the financial year under review, there have been two new appointments, namely Mrs Su Lin Ong in November 2019 and Mr Simon Walker in June 2020 while Mr Simon Pierre Rey resigned in December 2019. In the same vein, Mr Alain Law Min, Mr Uday Gujadhur and Mr Jonathan Crichton have been re-elected as Directors, in line with the Bank's Constitution.

As at 30 June 2020, the Board consisted of 9 members, with a diverse mix of skills, knowledge and experience. The average age of Board members stood at around 60 years. The Board composition for the year under review is shown hereafter.









Meetings

The Board determines the frequency of Board meetings in such a way as to ensure that it can focus on key issues at the appropriate time. In this respect, the Board Charter requires that meetings be conducted at least on a quarterly basis. Although the Board maintains a scheduled programme of meetings, the agenda for Board meetings remains sufficiently flexible to include specific items as and when required, in order to respond to changing circumstances and emerging business priorities. Meetings are convened so that directors are able to attend and participate in person. In case personal attendance by some or all of the directors is not possible, meetings are conducted by means of audio and/or video conferences, as has been the case since the last quarter of the financial year, due to the COVID-19 pandemic. On another note, 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 and help make informed 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 where different views emerge, with the ultimate objective of continuously improving the quality of decision-making. The agenda-setting process is described in the diagram hereafter.

Agenda-setting process

Board attendance

The directors who served on the Board and their attendance at Board meetings during FY 2019/20 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**	**10/10**
Jonathan CRICHTON	December 2013	Independent Non-Executive Director	9/10
Uday GUJADHUR	December 2017	Independent Non-Executive Director	10/10
Philippe LEDESMA	December 2017	Independent Non-Executive Director	10/10
Su Lin ONG	November 2019	Independent Non-Executive Director	6/6
Simon Pierre REY *(until December 2019)*	December 2013	Independent Non-Executive Director	5/5
Simon WALKER	June 2020	Independent Non-Executive Director	-
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	9/10
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

- Discussed and assessed the impact of COVID-19 on the Mauritian economy and on business activities of the Bank
- Reviewed and endorsed the strategic orientations and budget plans of the Bank
- Assessed the development of the growth pillars of the Bank
- Monitored the progress of the Digital Transformation and HR Transformation projects as well as the revamping of the Treasury and MCB Private Banking & Wealth Management functions
- Briefed on headway made with respect to the Corporate Sustainability Programme (‘Success Beyond Numbers’)
- Approved the hosting of the ‘Klima’ conference and initiatives launched under the ‘Lokal is Beautiful’ campaign
- Approved the appointment of new senior officers to the Leadership Team

FINANCIAL

- Assessed and monitored the Bank’s financial performance against budget
- Discussed and approved dividend payout proposal
- Reviewed reports from the Audit Committee
- Recommended the appointment of Deloitte as external auditors for FY 2020/21
- Approved financial budget

GOVERNANCE AND RISK

RECURRENT AGENDA ITEMS

- 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 Mrs Su Lin Ong and Mr Simon Walker as new Board members
- Briefed on the new governance structure to oversee the Corporate Sustainability Programme
- Reviewed the Board and Committee Charters and other constitutive documents
- Reviewed recommendations of the Board evaluation exercise and monitored the implementation of the related action plan
- Assessed and discussed specific regulatory changes
- Reviewed and approved the Bank’s risk appetite
- Approved the provisioning policy and the methodology adopted in the determination of Expected Credit Loss in the context of the COVID-19 crisis
- Assessed findings of risk committees (Audit, Risk Monitoring, Conduct Review) and follow-up on action plans
- Appraised findings of Bank of Mauritius and external auditors as well as follow-up on action plans
- Approved policies

- Approved the minutes of proceedings
- Reviewed reports from Chairpersons of Board Committees
- Reviewed and approved the Bank’s accounts on a quarterly basis
- Updated on developments in the operating environment such as the National Budget 2020-21 and inclusion of Mauritius on the European Union blacklist

Corporate governance report

Directors' profiles

The Board comprises 9 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 66

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

Executive Directors

Alain LAW MIN – Age 61
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 is also the Chairperson of the Mauritius Bankers Association Ltd.

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

Raoul GUFFLET – Age 52
Deputy Chief Executive Officer

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. He is also a board member of the United Nations Global Local Compact Network (Indian Ocean).

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

Non-Executive Directors

Jean Michel NG TSEUNG – Age 52

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 memberships: Risk Monitoring Committee

Independent Non-Executive Directors

Jonathan CRICHTON – Age 65

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 memberships: Risk Monitoring Committee *(Chairperson until June 2020)*

Uday GUJADHUR – Age 65

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 membership: Audit Committee *(Chairperson)*; Conduct Review Committee

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

Philippe LEDESMA – Age 62

Date of first appointment: August 2015

Qualifications: Master's Degree (DESS and DJCE) in Business and Company Law (France)

Skills and experience: Philippe has more than 35 years of 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 he 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. Among his many assignments, he has been involved as a leading counsel for investments in hotel and real estate industries in Mauritius, privatisation of a state owned company in Madagascar, studying the feasibility of a transatlantic airline company and, in consortium with the Stock Exchange of Mauritius, the setting up of a regional stock exchange common to the Member States of the Central African Economic and Monetary Community (CEMAC). Previously, Philippe has been a foreign trade advisor for France and President of the corresponding section in Mauritius.

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

Su Lin ONG – Age 59

Date of first appointment: November 2019

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

Skills and experience: Su Lin has 37 years of professional experience in audit and advisory. She trained as a Chartered Accountant in London with Deloitte, Haskins & Sells where she worked for 8 years before joining Coopers & Lybrand (which subsequently became PricewaterhouseCoopers) in Mauritius as a Partner in the consulting division. She has also been a Partner in De Chazal Du Mée Consulting, leading projects in digitalisation and systems integration and a director at KPMG Advisory, leading projects on internal audits and risk management. She was the Chairperson of the CSR Committee and is a past President of the Society of Chartered Accountants in Mauritius. Throughout her career, she has worked with major local, regional and international companies across industries. Since November 2019, she sits as an independent non-executive director on several Boards in Mauritius.

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

Directorships in other listed companies: Tropical Paradise Co Ltd

Simon WALKER – Age 59
Non-Resident

Date of first appointment: June 2020

Qualifications: BSc (Hons) in Geography (UK), Associate of the Chartered Institute of Bankers (UK), Fellow of Australasian Institute of Banking & Finance (Australia) and Executive MBA (Brazil)

Skills and experience: Simon built a diversified international career in the financial services industry, having worked for HSBC Holdings plc for nearly 30 years. Over this period, he has shouldered an array of senior executive positions within the group, acting namely as Country Manager, Deputy CEO, Head of Group Audit amongst others, in its various offices worldwide. Thereafter, he had a three-year stint as Regional General Manager for Europe at Qatar National Bank SAQ in London until the end of 2015. Prior to his retirement in 2019, he was the Founder and CEO of Silver Sparkle Ltd, a web portal company in the educational support services field. Simon also held external positions in various institutions, acting as either director or board member.

Board Committee memberships: Risk Monitoring Committee *(Chairperson as from July 2020)*; Nomination and Remuneration Committee

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 hereafter.

Employees

Employee remuneration policy

Fair remuneration

The Bank aims at promoting a fair and competitive staff remuneration that incentivises performance and assists in attracting and retaining 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:
  - Staff members of the Bank receive an annual bonus based on the Company's performance as well as an assessment of their contribution thereto and for demonstrating behaviours in line with the Bank's values.
  - Staff members have the added possibility to be incentivised further through a share option scheme at the level of the Group.

Remuneration package

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

- Market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive
- Superior team performance is strongly encouraged and rewarded with strong incentives
- Remuneration practices are regularly reviewed to reflect the current context while putting due emphasis on both individual and team performances

Employee benefits

The Bank provides a range of fringe and other benefits to its employees to help them in their personal life. Examples of such benefits at the level of MCB Ltd 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;
- The Bank provides employees with loans under preferential conditions to help them meet their endeavours;
- The Bank grants employees a monthly travelling allowance, with the amount varying according to their job grades;
- The Bank also provides medical coverage for all employees and their dependents; and
- The Bank offers its staff the flexibility of saving part of their monthly emoluments for their holidays. Staff 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.

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. Of note, employees have not exercised their options under GESOS for the third window given that the exercise price was higher than the prevailing market price.

	Management	Other Employees	Total
Number of options granted in October 2019	**93,737**	**570,076**	**663,813**
Initial option price (Rs)	293.50	264.0	-
Number of options exercised to date	65,909	146,236	212,145
Value (Rs)*	19,344,292	38,606,304	57,950,596
Percentage exercised (%)	70.3	25.7	32.0
Number of employees	17	613	630
Available for the 4th window and expiring in mid-October 2020	**27,828**	**423,840**	**451,668**

**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 Group and the individual.

Non-executive directors

The Bank's remuneration philosophy concerning non-executive directors, who do not hold an executive position within the Group, 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 ofresponsibilities and a heavier workload, compared to other non-executive directors;
- Committee retainer fees also apply to non-executive directors, 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.

Corporate governance report

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	2,717
Jonathan CRICHTON	1,003
Uday GUJADHUR	1,014
Philippe LEDESMA	1,250
Su Lin ONG *(as from November 2019)*	569
Simon Pierre REY *(until December 2019)*	518
Simon WALKER *(as from June 2020)*	73
Total Non-Executive	*7,144*
Alain LAW MIN	33,277
Raoul GUFFLET	31,449
Total Executive	*64,726*
Total (Non-Executive and Executive)	**71,870**

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.

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 itemise the interests of the directors in the Group's listed securities as at 30 June 2020 as well as the transactions effected by them during the financial year.

Interests in MCB Group Ltd Ordinary shares as at 30 June 2020	Number of Ordinary shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	386,823	251,133
Raoul GUFFLET	99,823	20,975
Uday GUJADHUR	-	142
Alain LAW MIN	235,374	1,817
Philippe LEDESMA	-	48,520
Jean Michel NG TSEUNG	36,683	-
Su Lin ONG	10,000	41,045
Simon WALKER	-	1,858

Transactions during the year	Number of Ordinary shares			
	Purchases		Sold	
	Direct	Indirect	Direct	Indirect
Raoul GUFFLET	18,193	806	-	-
Alain LAW MIN	25,688	-	-	-
Jean Michel NG TSEUNG	18,260	-	-	-

Interests in MCB Group Ltd Preference shares as at 30 June 2020	Number of Preference shares	
	Direct	Indirect
Alain LAW MIN	-	300,000

Interests in MCB Group Ltd Floating Rate Senior Unsecured Notes as at 30 June 2020	Number of notes	
	Direct	Indirect
Alain LAW MIN	-	1,000
Philippe LEDESMA	-	4,100

Interests in Fincorp Investment Ltd as at 30 June 2020	Number of shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	88,225	11,124
Alain LAW MIN	52,270	11,346
Simon WALKER	-	10,320

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 (FY 2019/20)

3 Number of Directors	**4** Average length of tenure (years)
22 Number of meetings	**96%** Average meeting attendance

Composition and meetings

As per its Charter, the SMC shall consist of the 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 2019/20 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**	**22/22**
Raoul GUFFLET *(also acts as Secretary)*	July 2015	Executive Director	19/22
Alain LAW MIN	July 2015	Executive Director	22/22

Focus areas in FY 2019/20

Key topics discussed

- Impact of COVID-19 on the strategy, financial performance and operations of the Bank
- Progress on key organisation wide initiatives, including major transformation projects
- Prospective candidates for senior positions
- Development of the growth pillars of the Bank
- Operating environment of the Bank
- Major credit risk issues
- Legal, operational and compliance issues
- Corporate Sustainability Programme ('Success Beyond Numbers')
- Requests for early retirements
- Foreign currency liquidity position of the Bank
- Large credit exposures ratification
- Funding initiatives
- Bank of Mauritius support schemes

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 (FY 2019/20)

3 Number of Directors	**2** Average length of tenure (years)
8 Number of meetings	**96%** 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 AC and their attendance at committee meetings during FY 2019/20 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**
Philippe LEDESMA	December 2018	Independent Non-Executive Director	5/6
Su Lin ONG	November 2019	Independent Non-Executive Director	6/6
Simon Pierre REY *(until December 2019)*	January 2014	Independent Non-Executive Director	4/4

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

Focus areas in FY 2019/20

Key topics discussed

- The COVID-19 Pandemic Response Team Preparedness action plan and the Business Continuity Management plan
- 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
- Review of compliance policies with recommendations to the Board
- Compliance plan and report
- Follow up on the action plan of audit recommendations by the Bank of Mauritius
- Operational and information risk reports
- Adequacy of allowance for credit impairment
- Assessed impact of new regulatory guidelines
- Ongoing activities of some selected business segments
- Appointment of external auditors for recommendation to the Board

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 (FY 2019/20)

6 Number of Directors	**4** Average length of tenure (years)
5 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 2019/20 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Simon WALKER *(Chairperson as from July 2020)*	**June 2020**	**Independent Non-Executive Director**	**1/1**
Jonathan CRICHTON *(Chairperson until June 2020)*	January 2014	Independent Non-Executive Director	5/5
Philippe LEDESMA	December 2017	Independent Non-Executive Director	5/5
Jean-François DESVAUX DE MARIGNY	December 2018	Non-Executive Director	5/5
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	5/5
Alain LAW MIN	January 2017	Executive Director	5/5

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2019/20

Key topics discussed

- Impact of COVID-19 on asset quality, provisioning, expected credit losses under IFRS 9
- The Bank's risk appetite
- Country risk appetite and corresponding country limits
- Risk portfolios against set limits
- Principal risks such as credit, market, information and operational risks and actions taken to mitigate them
- Adequacy of funding and liquidity requirements
- Credit Risk policy review

More information on the Risk Monitoring 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.

Key facts (FY 2019/20)

4 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 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.

The directors who served on the NRC and their attendance at committee meetings during FY 2019/20 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson & Secretary)*	**December 2018**	**Non-Executive Director**	**4/4**
Philippe LEDESMA	December 2017	Independent Non-Executive Director	4/4
Simon Pierre REY *(until December 2019)*	January 2014	Independent Non-Executive Director	3/3
Simon WALKER	June 2020	Independent Non-Executive Director	1/1
Alain LAW MIN	January 2017	Executive Director	4/4

Focus areas in FY 2019/20

Key topics discussed

- Identification of two new Board members and recommendation made to the Board for their appointment
- Board Committees composition
- Succession plan for leadership roles within the organisation
- Performance evaluation and reward system of the Bank
- Review and approval of salary reviews and bonuses
- Directors' fees for Board and Board Committees
- Appointment of senior officers to the Leadership Team with recommendations submitted to the Board
- Review of the Board evaluation exercise carried out by an external consultant and implementation of an action plan based on the findings

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 (FY 2019/20)

3 Number of Directors	**2** 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 2019/20 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Su Lin ONG *(Chairperson as from December 2019)*	**November 2019**	**Independent Non-Executive Director**	**3/3**
Simon Pierre REY *(until December 2019)*	January 2014	Independent Non-Executive Director	2/2
Uday GUJADHUR	December 2017	Independent Non-Executive Director	4/4
Philippe LEDESMA	December 2018	Independent Non-Executive Director	3/3

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2019/20

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

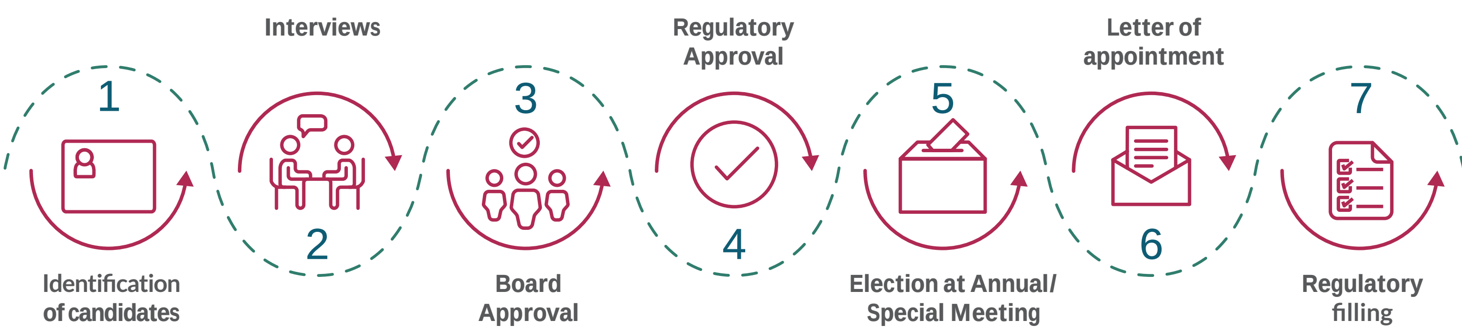
More information on the Conduct Review Committee Charter is available on the website

Board effectiveness

Nomination process

The Board has a formal and transparent process in place for the nomination and appointment of directors. In fulfilling this duty, the Board is supported 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 diversity of perspectives to enable a smooth execution of the Bank's long-term strategy in a constantly changing market environment. The NRC is 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. The NRC also considers gender diversity, time commitment and independence of the candidates in their assessment. The nomination and appointment process of directors for the Board 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.

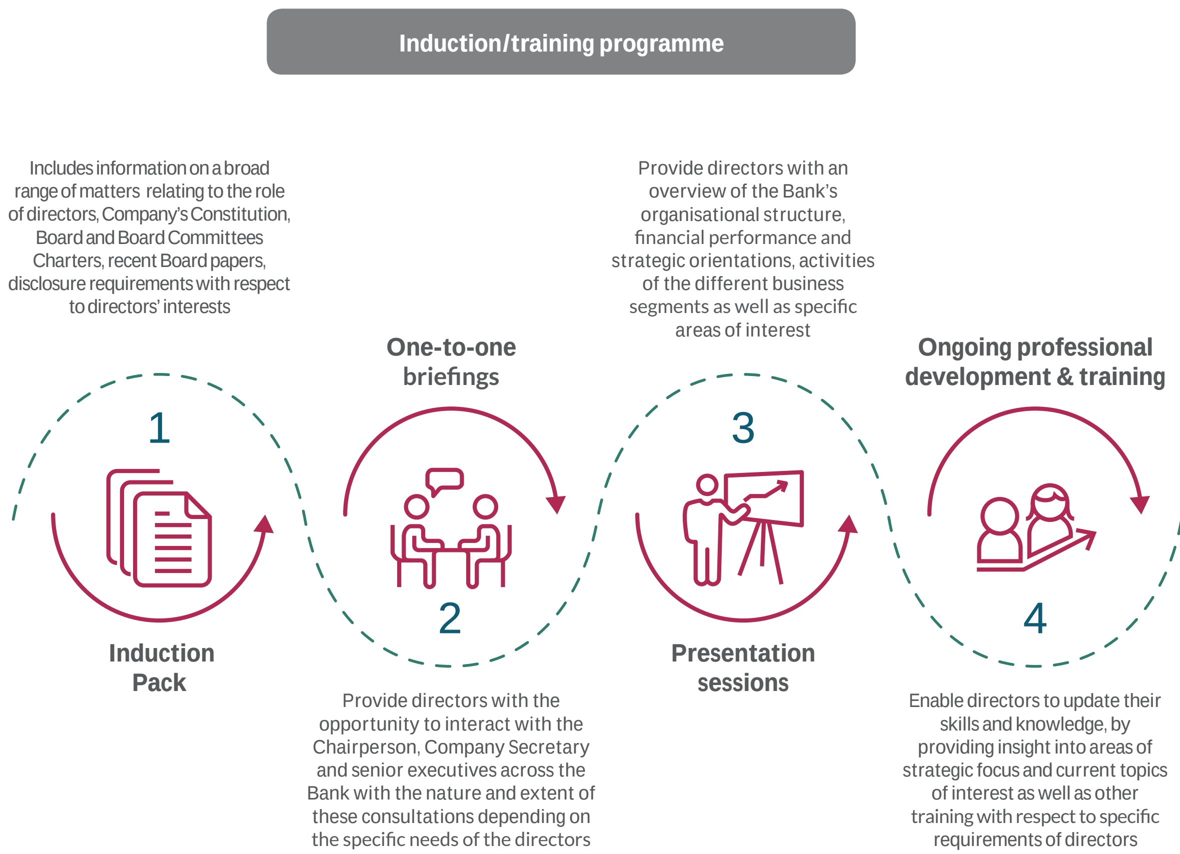
More information on the nomination and appointment process is available on the website

Corporate governance report

Board induction and training

On appointment to the Board, new directors are invited to attend and participate in a comprehensive induction programme. The latter seeks, inter alia, to familiarise them with their legal duties and to provide them with an overview of the Bank's business operations and their main drivers as well as the operating environment. The programme's objective is to enable directors to be well equipped from the outset to effectively contribute to strategic discussions and oversight of the Bank. As part of its commitment for continuous improvement, the Board has established an ongoing training and development programme for directors, which is reviewed on a regular basis to ensure its pertinence, with a training log maintained for each director by the Company Secretary.

During the last financial year, directors attended a presentation delivered by the President of the Institute of Chartered Accountants in England and Wales (ICAEW) on the local and international implications of Brexit. Moreover, various interactive sessions were organised to provide directors with a greater understanding of specific strategic focus areas. Furthermore, the Board held deep dive sessions pertaining to the Digital Transformation Programme, with a local site visit to the MCB Digital Factory undertaken in November 2019. An outline of the induction and training programme is set out in the diagram hereafter.



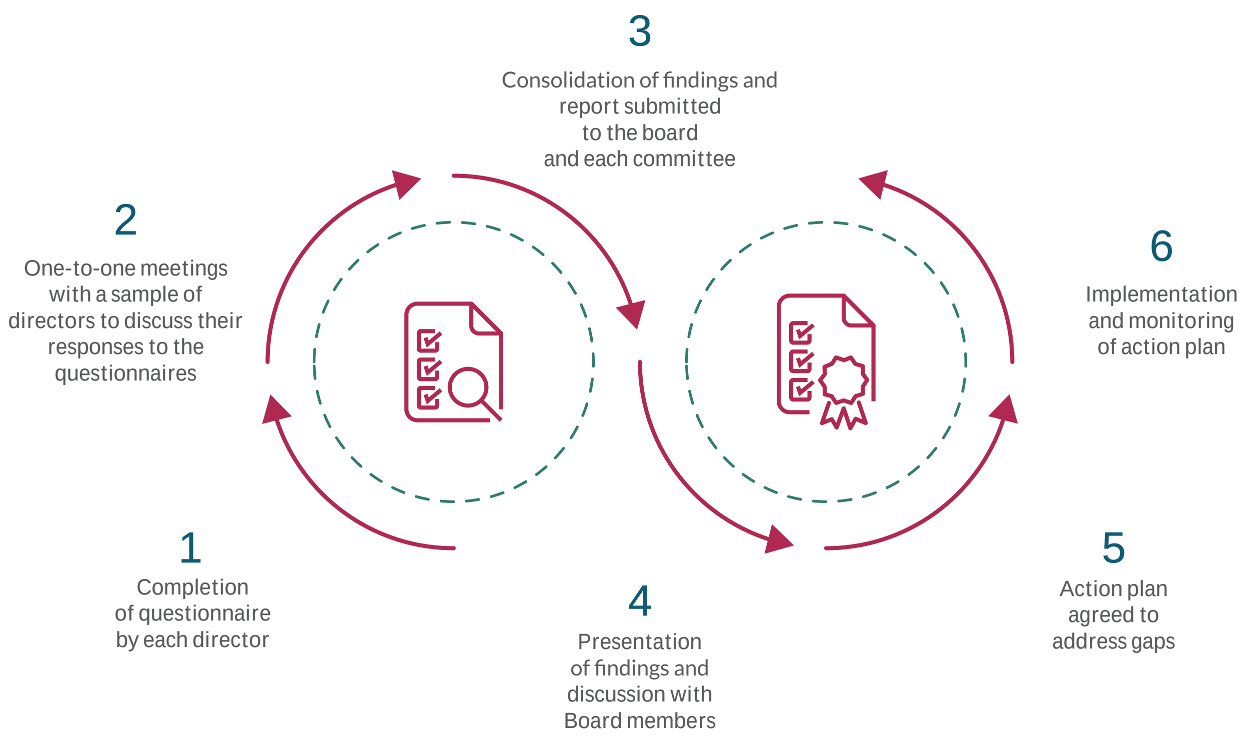
Note: Briefing and reading materials are made available on the Board portal for consultation

Board/Director's performance

In its quest for continuous improvement, the Board regularly assesses its performance and effectiveness, as well as that of its committees and individual members. The evaluation is undertaken with the support of an independent external facilitator under the oversight of the Nomination and Remuneration Committee (NRC).

An evaluation exercise was conducted in August 2019 by Ernst and Young Ltd on various governance aspects. The assessment was notably based on a review of governance related documents and views of directors on a range of governance topics. The report concluded that current practices generally exceed the minimum performance and compliance requirements and that key documents required to formalise the governance arrangements are in place. It also contained a few recommendations for enhancing performance, which were presented to the Board, with an action plan subsequently agreed upon. The Chairperson of the Board, with the support of the NRC, has been monitoring the implementation of the action plan to ensure that issues identified are given due consideration, within a reasonable timeframe. 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. As a key focus area, MCB Group has, during the period under review, activated its Pandemic Preparedness Plan to help underpin business continuity in the wake of the pandemic spread and the associated lockdown periods, while duly safeguarding the health and safety of its stakeholders.

Supported by the Risk Monitoring Committee, the Board 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, assisted by the Audit Committee, 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. In addition, the Audit 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 117 to 160

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. The Board is responsible for setting and regularly reviewing relevant policies and for ensuring that they are appropriately implemented through adequate structures and processes. 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. The Bank continues to invest in technology to enhance its operational resilience with significant investments being monitored by the Board. Several initiatives were deployed during the year to assess and enhance the robustness of its information security, including cyber-attacks simulations on the organisation's information system. The Internal Audit function 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 auditors

With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence, effectiveness and eligibility of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention. As part of the annual evaluation exercise carried out by the Audit Committee, PricewaterhouseCoopers (PwC), which was first appointed in May 2015, was recommended to the Board for reappointment as external auditor of the Bank. In line with Banking Act 2004, which stipulates that an audit firm is not allowed to audit a financial institution for a continuous period of more than five years, a tender for external audit services was initiated in May 2019 for the replacement of PwC. Following the selection process, which involved the issue of a Request for Proposal (RFP) in consultation with the Audit Committee, Deloitte was recommended to the Board as external auditor for the next financial year. Several factors such as Deloitte's general credentials, availability of resources and ability to complete the audit in a timely manner were considered, amongst others. The proposals to appoint PwC for FY 2019/20 and Deloitte for the following financial year was approved by shareholders at the Annual Meeting of MCB Ltd, held in December 2019.

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

	2020	2019
	Rs '000	Rs '000
Audit fees paid to:		
PricewaterhouseCoopers	19,493	20,206
Fees for other services provided by:		
PricewaterhouseCoopers	4,076	9,884

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

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 Officer 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, Country Risk Committee, Asset and Liability Committee, Information and Operational Risk Committee and Compliance, Anti-Money Laundering and Legal 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 56
Chief Operating Officer

Qualifications: Masters of Engineering (France) and MBA (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.

Thierry HEBRAUD – Age 58
Head of Corporate and Institutional Banking

Qualifications: Diplôme d'Etudes Supérieures de Commerce, Administration et Finance (France)

Skills and experience: Thierry joined MCB in October 2019 as Head of CIB, with the responsibility to oversee the 'Corporate Banking', 'Energy and Commodities', 'International Structured Finance', 'Institutional Banking', 'Global Banking', 'Credit Origination and Structuring' and 'Transaction Management and Monitoring' units, whilst also being mandated to optimise the SBU's organisational structure. Prior to joining the Bank, he has accumulated extensive experience in Corporate and Investment Banking over the last 35 years, holding leading positions within Crédit Agricole Group in Eastern and Central Europe, Asia, and North Africa.

Bhavish NAECK – Age 49
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. He is currently the Project Sponsor on the Finance Transformation Project, initiated in September 2019, with the aim to better respond to stakeholders' expectations in the light of the growing internal, external and technological changes.

Frederic PAPOCCHIA – Age 46
Chief Risk Officer

Qualifications: Master's Degree in Finance 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 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 Risk Monitoring Committee and 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.

Mike SOPHIE – Age 51
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.

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 2020	MCB Group Limited shares		MCB Group Limited Preference shares		MCB Group Limited Floating Rate Senior Unsecured Noted	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Bhavish NAECK	28,644	6,541	100,000	150,000	4,333	500
Frederic PAPOCCHIA	14,771	-	-	-	-	-
Mike SOPHIE	12,857	-	-	-	-	-

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

Corporate governance report

Remuneration

The aggregate amount paid to the Business Executives in terms of remuneration can be found in Note 35 of the Financial Statements.

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 35 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 30 June 2020.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 6,925 million (on-balance sheet) and Rs 2,563 million (off-balance sheet), which represented respectively 2.9% and 3.7% of Bank loans and Bank contingent liabilities as at 30 June 2020.

Exposure of the Bank's top six related parties as at 30 June 2020 were Rs 3,175 million, Rs 1,096 million, Rs 1,085 million, Rs 986 million, Rs 622 million and Rs 578 million. These balances represented 6.2%, 2.1%, 2.1%, 1.9%, 1.2% and 1.1% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2020, except for a small exposure of Rs 0.7 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. In the current exceptional circumstances and in line with directives issued by the Bank of Mauritius, the Bank has not declared any dividend to its shareholder for the period under review.

Corporate governance report

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 Officer

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 2019 to 30 June 2020

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 Officer

25 September 2020

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] • 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 21 to 33
[2] 'Risk and Capital Management Report' can be found on pages 117 to 160
[3] 'Delivering on our Strategic Objectives' includes information on our environmental and social performances and can be found on pages 55 to 56
[4] 'Financial Performance' provides an assessment of the Bank's results and can be found on pages 69 to 77
[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 2019 to 30 June 2020

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 section166(d).

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

25 September 2020

Risk and Capital Management Report

Risk and capital management report

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 delivery of 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
- Establishing a strong and transparent governance framework and clear segregation of duties and responsibilities for coherent risk management, while ensuring that decisions are aligned with the Board-approved risk appetite
- 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

... MCB has diligently coped with the impact of the COVID-19 pandemic in FY 2019/20 and beyond ...

The context

- After provoking major and persisting economic and social disturbances across the markets in which we operate, the spread of the pandemic has, to varying magnitudes, impacted different segments of MCB's local and foreign customer base.
- Whilst the context remains highly dynamic, developments triggered by the pandemic exerted pressures on operational, credit as well as liquidity and funding risks faced by the Bank. This was *inter alia* due to the following: (i) prevalence of lockdown periods and sanitary concerns across the country; (ii) dampened revenue generation capabilities of individuals and businesses amidst curtailed economic activities, closing of borders, supply chain disruptions and rising unemployment; (iii) increased volatilities across markets and subdued investor sentiment; and (iv) curtailed inflows of foreign currency within the economic system.

Our approach and dedicated responses

- The COVID-19 pandemic has created unprecedented challenges for us all. While fostering Group-wide alignment in our responses, MCB moved quickly to preserve its status as a strong and resilient bank. Continuity of our operations while ensuring safe working conditions for all staff was paramount. In parallel after reviewing our inherent capabilities and preparedness levels, we further strengthened our risk management set-up and internal control processes, alongside gearing up our oversight of market developments. Towards those ends, we undertook a systematic monitoring and assessment of the changing operating landscape. This helped us carry out a thorough and informed evaluation of the impact of pandemic-related developments on our operations and risk profiles.

- We ran impact analyses on our portfolios, particularly but not limited to, domestic corporates, SMEs, international structured finance, and Energy and Commodities. This was achieved by undertaking an appraisal of crisis transmission mechanisms and relevant sectorial assessments. Client-specific circumstances prevailing prior to the pandemic as well as the adequacy and impact of support measures adopted by the authorities were factored into the analysis. We reviewed our risk appetite and country risk framework for our international business to cater for the evolving economic environment, current business conditions and the Bank's strategic endeavours. In addition, we acted promptly to secure our foreign currency funding sources.

- Moves undertaken assisted the Bank in helping clients cope with the economic disruption while preserving the stability of its activities, delivering a variety of solutions to suit their needs. Towards this end, MCB also reinforced its engagement with the authorities in Mauritius with a view to coming up with adequate support measures to address the impact of the pandemic. While we continue to address vulnerabilities inherent across key local segments pertaining to specific sectors, we have been comforted by the overall resilience of our Energy and Commodities and international structured finance portfolios amidst the testing operating environment.

Evaluating the soundness of our local portfolios towards delivering tailored support

- MCB established a Portfolio Assessment Team to undertake an in-depth vulnerability assessment of its exposures in the most affected local sectors and clients. The assignment involved a macroeconomic assessment of the following sectors: (i) Tourism and Hospitality; (ii) Export Oriented Manufacturing and Textiles; (iii) Construction and Property Development; and (iv) Small and Medium Enterprises (SMEs). The findings fed the second phase of the exercise, which consisted of a micro-financial assessment of systemic corporate Groups (conglomerates) in Mauritius to appraise difficulties being encountered amidst the crisis.

- This exercise was conducted by cross-functional working groups from various areas of the Bank, namely Strategy, Research and Development, Risk, Corporate and Institutional Banking and Business Banking SBUs. This multidisciplinary approach underpinned an informed assessment of clients' needs, while gauging our capacity to provide long-term support.

- Along with providing a framework for devising longer-term and more definitive restructuring measures and solutions to support our clients, findings gathered from the assignment have so far helped the Bank to plot an initial way forward with respect to its engagement with large customer groups and bring them due relief, especially in respect of capital repayment holidays (and also interest in some cases) for ongoing credit facilities and the delivery of working capital facilities to meet cash flow needs.

Read more in the 'Fostering our stakeholder engagement' section on pages 51 to 61

Risk and capital management report

Implications of COVID-19 on the Bank's Expected Credit Losses (ECL)

- In light of the initial impact of the pandemic on our business activities and amidst significant remaining uncertainty as to how the future will unfold, MCB felt it appropriate to materially increase its ECL assumptions during the second half of FY 2019/20. This reflects the proactive and prudent approach being endorsed by the Bank to hold adequate provisioning levels, underpinned by informed analyses, careful assumptions and thoughtful modelling exercises but in the context of a highly uncertain operating landscape ahead.

Quarter ended 31 March 2020

- In line with IFRS 9 requirements, the Bank's ECL incorporated an increase of Rs 1,488 million over the second quarter of FY 2019/20, based on an inherent increase in credit risks and its forward-looking view of the repercussions of the pandemic on its operations.
- While complying with international practices advocating post-model overlays/adjustments in instances where effects of COVID-19 cannot be accurately reflected in models and given a relative lack of data, we opted not to alter our models. Instead we chose to align one of our most important risk parameters, namely the Probability of Default (PD), to factor in potential ramifications of the pandemic.
- Our wholesale portfolio: On the back of the analysis performed and the availability of reasonable information at the onset of the crisis, we identified two sectors, namely 'Accommodation and Food Service Activities' and 'Textile', as High Risk and effected a 'de-notching' exercise, which consisted of attributing a higher 12-month PD.
- Our retail portfolio: We adjusted our forward-looking factor, leading to a significant rise in ECL, as compared to 31 December 2019.
- We applied a management overlay, amounting to 30% of the ECL reported for 31 December 2019, to cater for uncertainties, bearing in mind that the ECL adjustment exercise was performed at a very early stage of the crisis.

Quarter ended 30 June 2020

- As the impact of COVID-19 continued to unfold, the Bank reported total ECL of Rs 3,290 million for FY 2019/20 corresponding to an increase of Rs 1,735 million compared to the third quarter of the year. During the quarter we also performed the annual recalibration of our models, which consisted of incorporating an additional year of historical data, independently of COVID-19 induced outcomes.
- Forward-looking indicators: We updated the forward-looking indicators (consisting of macroeconomic variables such as GDP and unemployment rate forecasts as well as financial variables such as lending rate and credit index) used to determine the Probability of Default as part of the sensitivity analysis. Three types of economics cenarios have been incorporated into the range of reasonably possible outcomes as regard the evolution of macroeconomic indicators over the coming 36 months (bull, bear and baseline scenarios), with probabilities assigned to each, based on judgments regarding economic and market developments, and outlooks.
- Our wholesale portfolio: Insights from our Portfolio Assessment Team and financial forecasts from key clients, including those under stress, were leveraged in order to conduct creditworthiness assessments. The outcomes were reflected, where deemed necessary and appropriate, in the clients' internal ratings (and thus in their 12-month Probability of Default) by means of rating overlays. In a small number of cases, we judged that there were significant increases in credit risk and we proceeded with staging overlays (i.e. moving some clients from Stage 1 to Stage 2).
- Our retail portfolio: Outcomes of various simulations undertaken to reflect potential surges in the risk profiles of our retail clients triggered an additional general overlay, representing 10% of the overall retail portfolio ECL reported as at 30 June 2020.
- We applied a management overlay, amounting to 10% in respect of total exposures as at 30 June 2020, as an additional buffer for further risk mitigation.

Read more in the 'Credit risk' section of the Risk and Capital Management Report on pages 133 to 140

... while adopting further moves and initiatives to reinforce its overall risk management framework

- To ensure that we could continue to deliver on the Bank's strategic objectives while abiding by advocated rules and standards, we strengthened our overall risk management, internal control and compliance framework, while reinforcing our policies and processes.

- We ensured that our business deals remain properly selected, structured, ring-fenced and reviewed. We reinforced the management of compliance risk to adhere to evolving local and international stipulations, codes and norms. We bolstered our tools and instruments to tackle risks linked to Anti-Money Laundering/Fraud Prevention and Combating the Financing of Terrorism. As an increasingly prominent focus area of the Bank in view of the digitalisation of its processes, we geared up our capabilities and frameworks to enhance our information security, and increase our resilience in case of potential cybersecurity breach. In the same vein, a review of applicable processes was undertaken to cater for the secure and smooth execution of Work From Home practices amongst employees making use of online devices and platforms for undertaking their activities.

- Reflecting our commitment to pursue our regional expansion strategy amidst reinforced risk oversight, we are in the process of setting up a dedicated Country Risk function within the Risk SBU. As its core mandate, the function will provide an appropriate and consistent set-up for the identification, assessment, monitoring, management and reporting of country risk faced by the Bank across its activities. It will oversee the governance for the Bank's Country Risk Management Framework, including the setting and monitoring of Country Risk Appetite and Country Limits, and provide advice to the Chief Risk Officer and the Country Risk Committee. Alongside closely collaborating with internal stakeholders and the Bank's Representative Offices, it will capitalise on a network of correspondents in the countries under review to obtain regular updates on risk evolutions within each country.

- As a key Bank-wide initiative aimed at underpinning the successful achievement of our business strategies by means of enhanced risk identification, assessment and management, we have initiated the preparation of an overall Risk Heat Map (catering for inherent and residual risks) for MCB. In this context, the following core categories have been considered: (i) strategic risk; (ii) compliance risk; (iii) operational risk; and (iv) financial risk. This project involved workshops and deliberations that helped to raise awareness of and prioritise key risks deemed to be relevant to the Bank, while assessing their likelihood of occurrence and potential impacts on our activities as well as ascertaining and reviewing specific controls that need to be endorsed accordingly.

- To underpin the aforementioned initiatives, the Bank pursued an ongoing reengineering of its operating model and platforms to deliver more integrated risk management. We strengthened staff expertise and tapped into enhanced synergies amongst relevant functions of the Bank, with the Risk SBU assisting business units to reinforce their respective risk oversight. We upgraded our information systems, notably towards facilitating the online recording, reporting and monitoring of our business activities.

Read more on IFRS 9 requirements in the forthcoming sections of the Risk and Capital Management Report

In the wake of such moves and initiatives, the Bank preserved its sound financial metrics

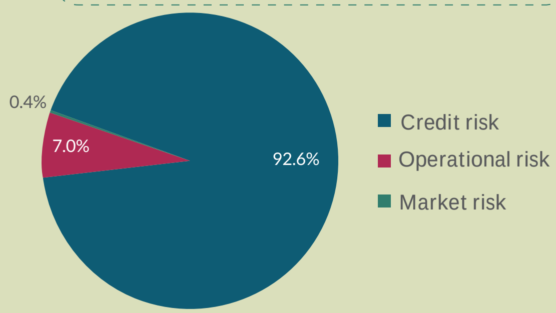
- It is pleasing to note that MCB maintained comfortable capital levels that exceed minimum regulatory levels and support its growth endeavours. It also preserved the general quality of its exposures in spite of the turbulent operating climate. Strong liquidity and funding ratios have been preserved, which helped the Bank to meet its obligations in a timely manner. On the heels of such achievements and in spite of the testing context, MCB has maintained its investment-grade credit ratings. That said, as is the case for an extensive range of banks globally, Moody's Investors Service and Fitch Ratings have assigned a negative outlook to MCB Ltd, after factoring in the impact of the pandemic on our operating environment and downside risks to our financial profile. Importantly and encouragingly however, these agencies have duly underscored the Bank's healthy fundamentals, solid franchise, business model and management quality, adequate risk management and resilient financial metrics heading into the crisis.

Financial metrics for FY 2019/20

Capital adequacy ratio
17.5%
Jun 19: 16.6%
Jun 18: 15.6%

Tier 1 capital ratio
16.5%
Jun 19: 15.7%
Jun 18: 14.8%

Risk-weighted assets
Rs 310 bn
Jun 19: Rs 298 bn
Jun 18: Rs 285 bn



Liquidity Coverage Ratio
503%
Jun 19: 400%
Jun 18: 203%

Liquid assets to deposit ratio
57.9%
Jun 19: 54.9%
Jun 18: 48.1%

Gross NPL ratio
3.8%
Jun 19: 3.8%
Jun 18: 4.1%

Coverage ratio

	Expected Credit Loss	Specific[1]
FY 2019/20	2.2%	33.1%
Jun 19	0.9%	28.9%

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

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

... while gearing up its endeavours to anchor sound growth for the periods ahead

General targets and intents

- Uphold the soundness of our key financial metrics amidst a challenging operating context, backed by (i) the strengthening of our risk management and compliance mechanisms, aided by continuous upgrades to relevant policies, practices and processes; and (ii) further entrenchment of an adequate risk culture across the organisation to embrace proper attitudes and behaviours

- Ensure that our business development endeavours across geographies materialise in a disciplined manner on the back of effective risk oversight; judiciously and speedily identify, appraise and manage emerging risks to which the Bank is exposed, notably those linked to adoption of technological and digital devices as well as environmental degradation

- Further reinforce our inherent capabilities and operating models, on the back notably of (i) continued upskilling of staff across risk functions; (ii) increased synergies amongst risk functions and with other areas of the Bank; and (iii) the full-fledged implementation of the Country Risk function within the Risk SBU to, as mentioned before, diligently accompany the Bank's international expansion

Key moves to deal with the ramifications of COVID-19

- Exercise a close scrutiny of the duration and depth of the economic crisis impacting our clients, the more so given that it remains difficult to predict when market turbulences linked to the operating context will stabilise and a 'new normal' will emerge

- Foster the sustained engagement of Risk SBU (as an independent function) with clients and the Bank's front-line teams to (i) undertake a close and systematic monitoring and management of risks faced by clients; (ii) nurture an in-depth understanding of client needs; and (iii) assess its level of comfort with respect to solutions being proposed to help clients cope with the crisis

- Take further measures to preserve the Bank's credit quality by (i) exercising a tight monitoring of our portfolios, particularly with respect to individual clients to whom we have not granted repayment holidays; and (ii) updating our stress testing capabilities, alongside deriving new stress scenarios to take into consideration the high volatility and severity of the current economic crisis

- Maintain close discussions and interactions with the authorities and banking sector generally to find the best possible ways to confront the economic downturn

- Maintain a prudential approach in determining our Expected Credit Losses and keep building a 'buffer' over the coming quarters of FY 2020/21 if deemed necessary, so that we can stay in a strong position to absorb the impact of potential shocks on the Bank

Risk and capital management report

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
Financial principal 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	(i) To foster sound credit risk management principles; (ii) 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; (iii) To achieve the targeted risk-return profile of the portfolio; (iv) 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, alongside properly managing the Bank's net open position
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 and stable funding sources to rapidly and effectively respond to the demands of our clients and foster our business development

General definitions	Key objectives
Non-financial principal risks	
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 the aim to provide our customers with seamless services and foster an adequate risk culture within the organisation
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, security 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, while protecting confidentiality and preventing misuse of systems and business disruptions as well as strengthening the effectiveness and adequacy of human firewalls
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 values 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
Environmental and social risk	
The risk that unforeseen events stemming from changes in our environment and society will result in disruptions in business activities as well as impact our customers and counterparties, while influencing our internal operations	To support decision-making to mitigate and manage environmental and societal impact on our operations so as to evaluate and deploy an effective approach and strategy to deal with such risks, while, in parallel, managing our footprint through environment-friendly and sustainable practices and products

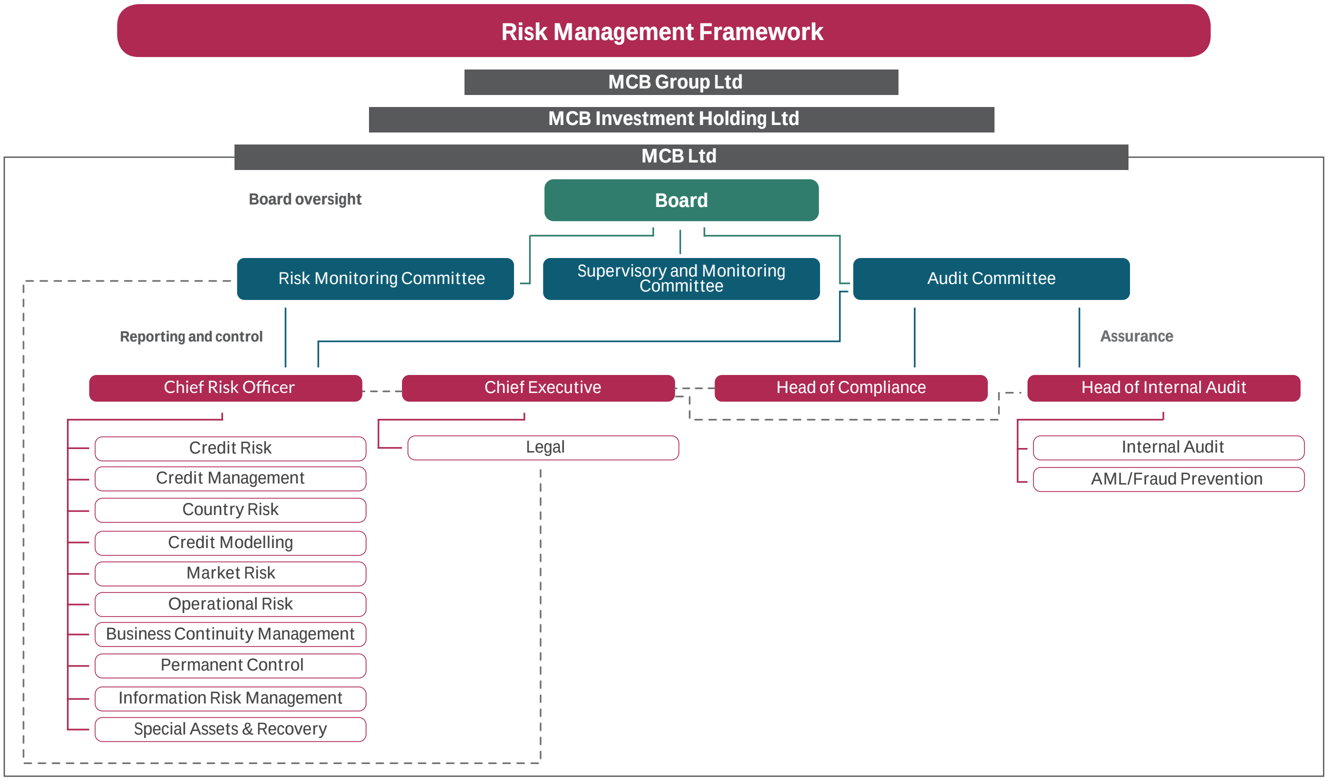
Risk and capital management report

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 has the ultimate responsibility to ensure that risks are properly identified, measured, monitored, mitigated and managed	**Board**		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	**Board committees**		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	**Risk appetite**		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	**Governance set-up**		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	**Three lines of defence**		Dedicated functions cater for risk control and management, alongside overseeing recovery operations
Policies and standards are clearly defined to measure and monitor risks faced	**Risk measurement and monitoring**	**Risk mitigation and management**	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	**Risk philosophy**	**Risk resources and capabilities**	Our human capital, processes and systems are continuously upgraded for judicious risk management
	Identification of risks		

Governance and oversight



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 to the Board, for approval, of the risk appetite in terms of credit risk and market risk, Asset Liability Management risk as well as for review of risk appetites and tolerances as appropriate. 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 at least quarterly and on an ad hoc basis when required. It approves country risk policies and proposed amendments and reviews the country risk framework and risk appetite parameters. Five out of the six 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.

Risk and capital management report

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 is responsible to provide independent risk control. While it continues to build up capabilities to operationalise its new operating model, the Risk SBU is being reorganised under four clusters: (i) Risk Management (comprising Credit Risk, Country Risk, Credit Modelling and Market Risk); (ii) Credit Management; (iii) Permanent Supervision, Operational and Information Risk; and (iv) Special Assets and Recovery. The Chief Risk Officer (CRO) has direct oversight on all risk areas across the Bank, while relevant Managers of the SBU establish methodologies and activities for risk measurement and regularly monitor and report risk exposures and profiles. Alongside having an administrative reporting line to the Chief Executive Officer (CEO), the CRO reports to the Audit Committee on risk matters relating to Permanent Supervision, Operational and Information Risk and reports to the Risk Monitoring Committee on matters relating to monitoring and management of other risk areas.
- The Compliance SBU, which is henceforth reorganised as a standalone Strategic Business Unit, has a direct reporting line to the Audit Committee and administratively reports to the CEO. This reporting structure confers the required independence to the Head of Compliance to discharge responsibilities to ensure compliance with applicable laws, regulations, codes of conduct and standards of good practice.
- 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 Officer 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.

Key responsibilities of dedicated executive committees

Financial principal 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 oversee the asset/liability position, market risks and overall balance sheet management of the Bank. The ALCO ensures that the overall asset/liability position as well as the resulting market, liquidity and funding risks that the Bank is exposed to are managed within the relevant limits and targets set by its Market Risk Policy, alongside being aligned with guidelines laid down by the Bank of Mauritius, notably stipulations relating to capital adequacy, liquidity coverage and funding stability • 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

Non-financial principal risks	
Information and Operational Risk Committee (IORC)	• The monitoring of the entire operational cycle is entrusted to the IORC, chaired by the Chief Executive. The IORC acts as the focal point and coordinating committee to ensure that management of information and operational risks is in line with the relevant policies, guidelines and procedures of the Bank. Significant risks observed are escalated to the IORC and then, if warranted, to the Audit Committee
Compliance, Anti-Money Laundering and Legal Committee (CALC)	• The CALC is mandated to review and monitor the compliance, anti-money laundering and legal framework of the Bank. The CALC assists Management and the Board through the Audit Committee in fulfilling their oversight responsibilities by reviewing adherence to applicable standards as well as policies/controls to be adopted, based on the identification and assessment of compliance, anti-money laundering and legal risks

Risk and capital management report

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.

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 investment-grade credit rating.

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

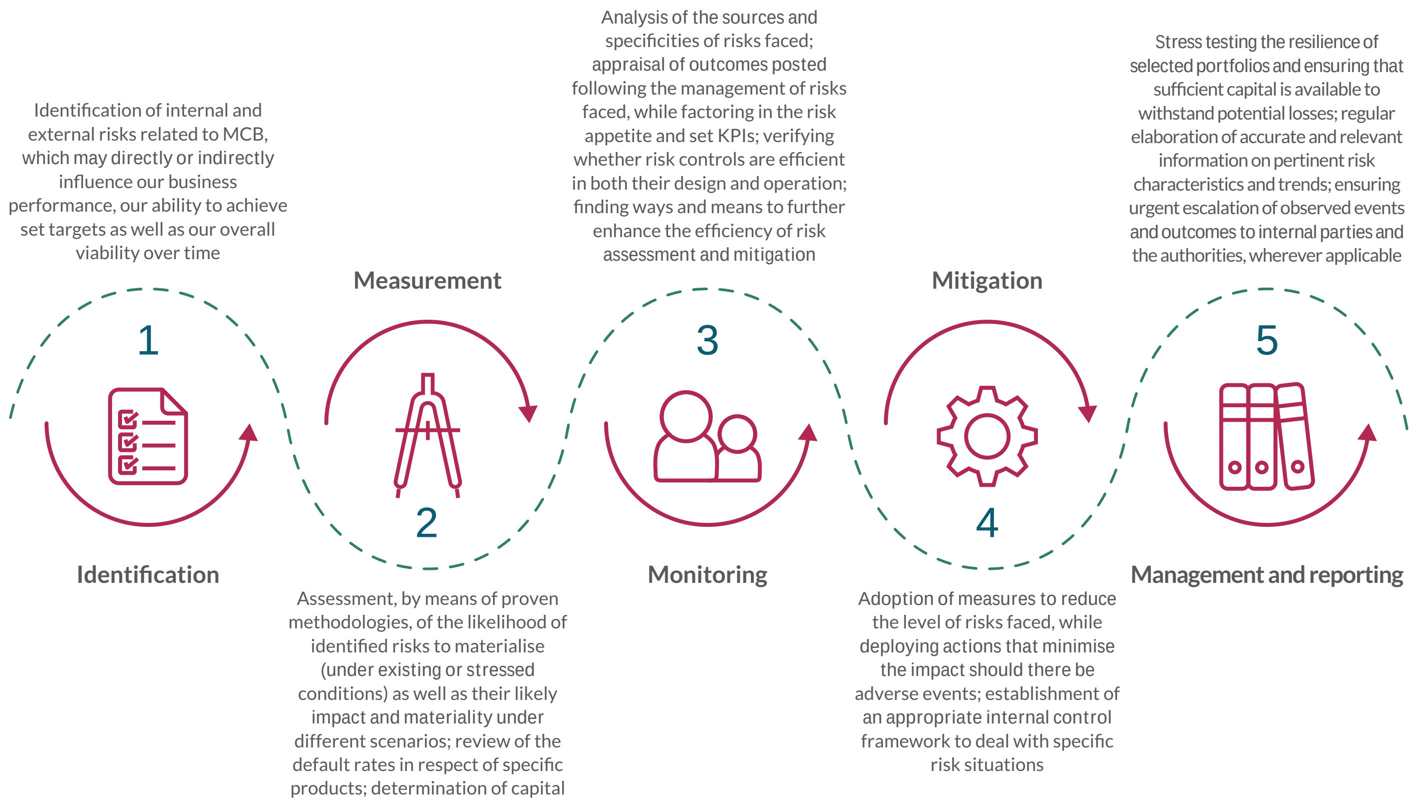
Rating tools used by the Bank

Source	Category	Rating tool
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 domestic corporate customers can be rated by CARE Ratings, with capital relief being applicable on investment-grade ratings

Key risk areas: Overview and management

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.



Our approach, processes and methodologies

Credit risk

General approach

- Our credit risk management approach and framework guide the Bank in managing credit risk within the limits of its risk appetite, developing risk-response strategies and optimising risk-taking by anticipating and acting on potential opportunities and threats.

- The modus operandi shaping up our credit risk management set-up is governed by rules that are 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, the Guideline on Country Risk Management and the Guideline for the write-off of non-performing assets.

- 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.

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, with periodic monitoring being exercised as regard 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 determination of business strategies. They are used for the purpose of the stress testing and limits determination exercises.

Assessment by key business lines

Corporate portfolio

- 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.

Other portfolios

- 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, the Business Banking 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 continuously fine-tune the relevant credit scoring parameters.

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, Business Banking and Private Banking and Wealth Management Forums. Notably, these platforms appraise the credit risk profile of portfolios, segments and products 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, comprehensive non-payment 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.

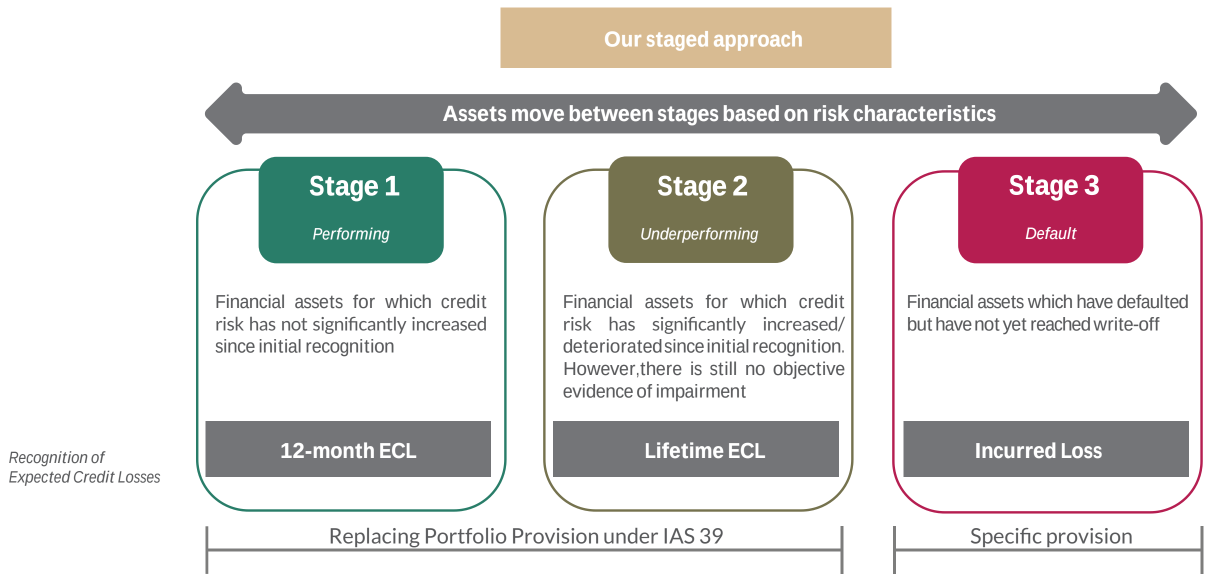
- A financial institution is, under the BoM Guideline on Credit Impairment Measurement and Income Recognition, required to compute credit impairment provisions in terms of both the applicable accounting standard and the prudential provisioning norm prescribed by the BoM. As at 30 June 2020, MCB's allowances 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.

- While MCB continues to adhere to key principles therein, it is worth noting that – as part of support measures to allow commercial banks continue supporting enterprises facing cash flow and working capital difficulties in the context of COVID-19 – BoM has put on hold the Guideline on Credit Impairment Measurement and Income Recognition.

Adherence to IFRS 9 requirements

- In measuring Expected Credit Losses (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.

- A three-stage approach to the impairment calculation of financial assets is applied under IFRS 9. 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.



- 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.

• As highlighted before, MCB witnessed a major increase in its Expected Credit Losses in FY 2019/20, reflecting the difficult context.

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

ECL as at 30 June 2020

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	48,527	135,981	53,271	8,905	135,728	76,858
Expected Credit Losses	427	1,220	46	199	28	111
Coverage ratio (%)	0.9	0.9	0.1	2.2	0.0	0.1
Stage 2						
Exposures	1,733	26,465	0	241	0	6,647
Expected Credit Losses	356	3,093	0	45	0	224
Coverage ratio (%)	20.6	11.7	-	18.8	-	3.4
Stage 3						
Exposures	2,340	5,826	0	57	0	1,489
Incurred losses	555	2,156	0	5	0	281
Coverage ratio (%)	23.7	37.0	-	8.6	-	18.9

Notes:
(i) Stage 1 comprises both on- and off-balance sheet exposures while stages 2 and 3 comprise only on-balance sheet exposures
(ii) Incurred losses do not include interest in suspense on loans and overdrafts
(iii) Stage 3 exposures exclude credit impaired investments fair valued through other comprehensive income
(iv) Figures in the above tables have been audited

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 2019/20, while being exposed to a highly testing operating context, the Bank has preserved the general stability of its exposures, after making allowance for its disciplined market initiatives and dedicated measures taken to cope with the tough conditions witnessed across economic sectors. We continued to diversify our market footprint across segments and geographies, which helped us to remain well positioned in terms of credit concentration.
- Our asset quality metrics remained relatively stable during the year, with gross NPL ratio staying at 3.8%, while net NPL ratio declined marginally to stand at 2.6%. The Bank's specific coverage ratio stood at 33.1%. 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.

Concentration of exposures

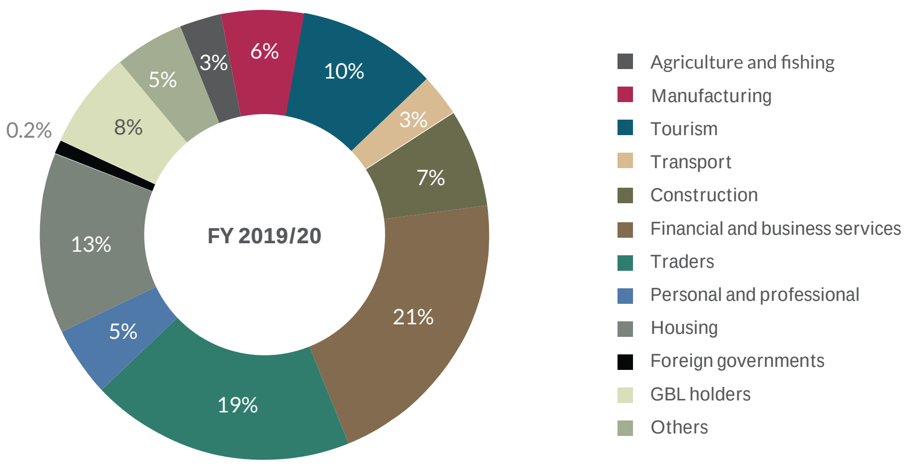
Bank of Mauritius Guideline on Credit Concentration Risk

Credit concentration limits (% of Bank's Tier 1 capital)	Regulatory requirements	MCB Ltd 30 June 2020
Aggregate credit exposure to any single customer	Not exceed 25%	19.6%
Aggregate credit exposure to any group of connected counterparties	Not exceed 40%	30.3%
Aggregate large credit exposures* to all customers and groups of connected counterparties	Not exceed 800%	372.5%

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

Gross exposure as at 30 June 2020	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	61.4	6.0	14.5
Total large credit exposures	190.7	12.6	30.7

Sectorwise distribution of MCB's customer loan portfolio



Risk profile of exposures

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

Quality of exposures

June 2020	Non-performing loans (NPLs)		Specific provisions	
MCB Ltd	**Rs m**	*% of exposures*	**Rs m**	*% of NPLs*
Loans to customers	**9,712**	**4.1**	**4,635**	**33.2**
Agriculture and fishing	1,161	*19.9*	890	*34.7*
Manufacturing	474	*3.5*	211	*37.6*
of which EPZ	*139*	*6.6*	*94*	*59.1*
Tourism	243	*1.0*	45	*15.4*
Transport	1,182	*16.5*	1,427	*93.7*
Construction *(including property development)*	1,327	*8.0*	515	*21.9*
Financial and business services	1,265	*2.5*	211	*15.1*
Traders	2,078	*4.8*	597	*21.6*
Personal and professional	1,785	*4.2*	649	*27.1*
of which credit cards	*27*	*3.6*	*18*	*67.8*
of which housing	*1,039*	*3.4*	*298*	*20.9*
Global Business Licence holders	114	*0.6*	63	*53.3*
Others	83	*0.6*	27	*24.6*
Corporate notes	**-**	-	**-**	-
Investments fair valued through other comprehensive income	**90**	*100.0*	**10**	*11.2*
Loans to banks	**-**	-	**12**	-
Total	**9,802**	*3.8*	**4,657**	*33.1*

Notes:

(i) For the computation of asset quality ratios, total exposure include corporate notes and exclude interest in suspense on loans

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

Country risk

General approach

- The Bank applies a coherent approach and 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 and the recently released Guideline on Cross-Border Exposure.

- 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.

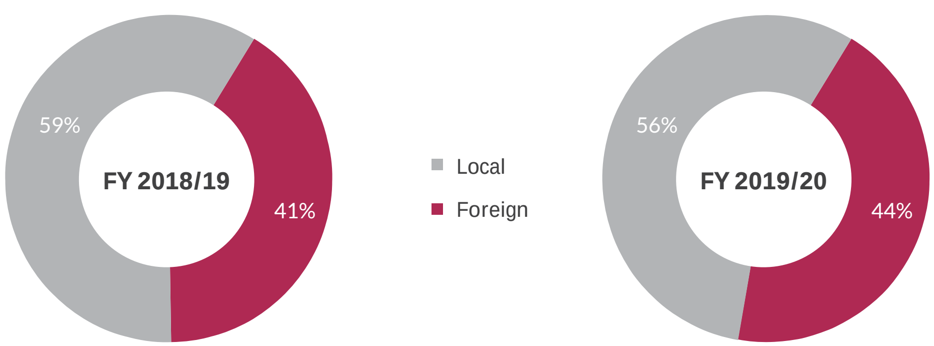
Risk measurement and monitoring

- 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.

- 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 unexpected events. MCB 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 only conducted with approval of the Risk Monitoring Committee.

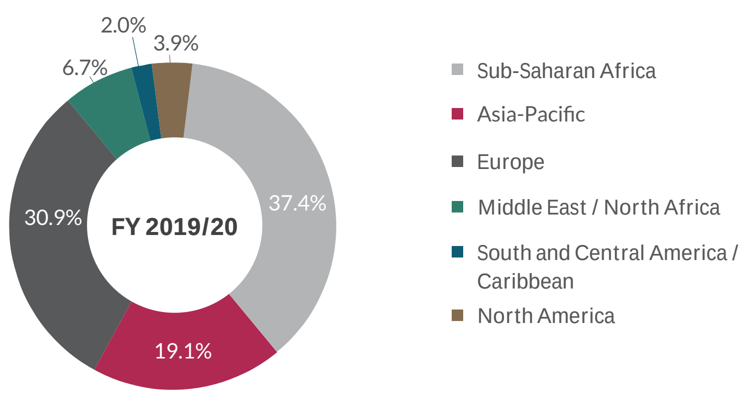
Diversification of exposures

Distribution of MCB's customer loan portfolio



Total risk-weighted exposures by region

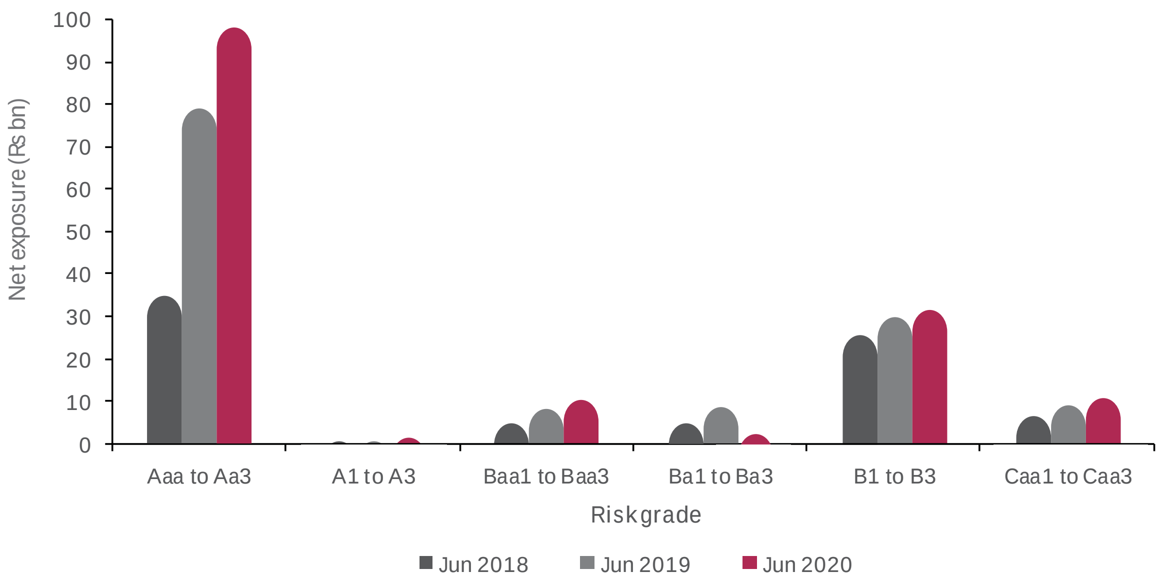
(Excluding Mauritius)



Risk and capital management report

Risk profile of exposures

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

Market risk

General approach

- The market risk management approach and framework of the Bank is aligned with applicable Bank of Mauritius Guidelines as well as internationally recommended practices. Our Market Risk Policy purview encapsulates both the trading and banking books. It sets out the policies, principles and main functional responsibilities in relation to the management of market risk and liquidity risk. As stipulated in the Guideline on Measurement and Management of Market Risk and the Guideline on Liquidity Risk Management respectively, the Policy ensures that market risk origination, settlement and control are appropriately segregated and that liquidity risk oversight is conducted independently of the risk-taking units. Of note, the Policy ensures that the broad principles set out in the FX Global Code are complied with. 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.

- The Risk Monitoring Committee (RMC) approves and reviews the Market Risk Policy. It meets at least quarterly and on an ad hoc basis when required and reviews a summary of market risk and liquidity risk exposures and metrics, while assessing regulatory and other developments affecting both the traded and non-traded books of the Bank.

- 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.

Risk measurement and management [1]

Interest rate risk

- MCB is mainly exposed to repricing risk in its banking book on account of the reset date of its on and off-balance sheet assets not coinciding exactly with that of its on and off-balance sheet liabilities. The Bank monitors the resulting mismatch through the conduct of interest rate risk gap analysis on both an earnings and economic value impact basis. It limits this source of risk through the application, in most cases, of floating interest rates that are linked to an index.
- The Bank also incurs interest rate risk in the trading book by virtue of (i) its primary dealership status in the local Government and/or BoM securities market; (ii) its trading positions in international fixed income securities; and (iii) the holding of net open positions in derivatives that are subject to daily revaluation. To constrain its exposure to interest rate risk in the trading book, the Bank sets DV01 limits. Basically, the latter, which is a measure of the impact of price volatility on portfolio value, aims at limiting the loss in dollar terms of 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.

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 end, it operates mutually supporting lines of defence.

Cash flow management

- MCB creates a time ladder of continuous assets and liabilities cashflows, while avoiding undue accumulation of cashflows in any time segment, especially those expected to fall due in the close 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 also conducts the behavioural analysis of its non-maturity current and savings balances so as to assign an actuarial maturity profile which reflects the stickiness of such account balances.

Liquid assets buffer maintenance

- The Bank holds a stock of high quality and unencumbered assets that it can rapidly dispose of should the need arise. The aim is to meet unexpected outflows of funds or substitute expected inflows of funds (such as loan instalments) that do not eventually materialise 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 the risk-weighted cash outflows associated with the standardised crisis scenario under the Basel III framework for Liquidity Coverage Ratio.

[1] This section has been audited

Risk and capital management report

Funding risk management

- While it pursues its efforts to mobilise FCY deposits as a primary and relatively stable source of funding, the Bank remains committed to continuously optimising and diversifying its short and medium-term funding profile. Alongside exercising close scrutiny of market developments and investor sentiment, we are committed to entering into international wholesale markets whenever required, while capitalising on our technical experiences as well as the relationships developed by dedicated teams dealing with financial institutions and banks. At the end of the day, the key consideration for the Bank is to diligently manage the funding and maturity profile of its balance sheet in order to ensure that it can successfully deploy its strategic endeavours over the short and longer runs.

- During the period under review, the Bank has been active across markets in order to uphold adequate funding resources in foreign currencies to support its growth ambitions and respond to client needs. During and after the local lockdown period due to COVID-19, MCB has built up and maintained a good funding buffer in excess of USD 1 billion in the form of placements from banks, trade loans, repos and credit and swap lines with the Bank of Mauritius. Of note, in April 2019, MCB had signed a USD 800 million Dual Tranche Syndicated Term Loan Facility through general syndication. So far, MCB repaid the Tranche A (USD 240 million) of this facility in March 2020. Tranche B shall mature in March 2021, with an option for a 1-year extension at the Bank's discretion.

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)

- In alignment with Basel III rules, the objective of the LCR is to promote the short-term resilience of a bank's liquidity risk profile by ensuring that it maintains an adequate stock of unencumbered High Quality Liquid Assets (HQLA) in order to meet its liquidity requirements. As per regulatory stipulations in the Mauritian banking system, the LCR is computed as the ratio of the stock of unencumbered HQLA to the net cash outflows over the next 30 days in the event of an acute liquidity stress scenario. Under the transitional arrangements set by the BoM, the minimum regulatory ratio rose to 100% as from 31 January 2020 for MUR, material foreign currencies and consolidated LCR. To denote the dynamic nature of liquidity, the reporting timeframe was also increased since July 2019 from month-end to fortnightly basis.

- As at 30 June 2020, MCB operated comfortably above the stipulated LCR requirements. It reported a consolidated LCR of 503%, which is equivalent to a surplus of around Rs 110 billion over stressed total net cash outflows. At currency level, we also exceeded the mandatory LCR limits relating to rupee and significant foreign currencies. The Bank posted a comfortable liquidity position in US dollar terms with the corresponding LCR standing at 190% as at 30 June 2020. It can be noted that HQLA eligible for the purpose of calculating the LCR as per set rules consists of cash or assets that can be converted into cash at little or no loss of value in markets. In this light, MCB maintained suitable levels of investment in sovereign, high-quality corporate and cash liquid assets.

MCB Ltd: Liquidity coverage ratio

As at 30 June 2020	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)	138,837	138,837
Cash outflows		
Retail deposits and deposits from small business customers, of which		
Less stable deposits	*198,559*	*18,129*
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties)	*11,935*	*2,984*
Non-operational deposits (all counterparties)	*145,004*	*62,601*
Secured wholesale funding		
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	*10,520*	*10,520*
Credit and liquidity facilities	*10,693*	*919*
Other contractual funding obligations	147	147
Other contingent funding obligations	73,775	3,689
Total cash outflows	**450,632**	**98,989**
Cash inflows		
Inflows from fully performing exposures	93,126	72,486
Other cash inflows	5,773	0
Total cash inflows	**98,898**	**72,486**
		Total adjusted value
		Rs m
Total HQLA		**138,837**
Total net cash outflows		**27,611**
Liquidity coverage ratio (%)		**503%**

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 2020, MCB Ltd reported an NSFR of 124%, which exceeds the minimum level recommended by Basel III, itself set to at least 100% on an ongoing basis.

Operational risk

General approach

- Our operational risk management approach is governed by regulatory requirements, including the Bank of Mauritius Guideline on Operational Risk Management and Capital Adequacy Determination.

- 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.

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 monitoring thereof performed against acceptable tolerance limits. MCB applies the Alternative Standardised Approach for calculating and reporting its operational risk capital charge.

- 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 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 illustration below.

- Operational risks are 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 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.

Our primary lines of control

Risk ownership	Risk control	Independent assurance
Business units	**Audit Committee/IORC/ 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

Health and safety

- While adhering to its internal policies, the Bank provides the highest standards of health and safety to its employees and other stakeholders. Towards this end, it complies with the provisions of relevant legislations, namely the Occupational Safety and Health Act (OSHA) and other associated laws and regulations. Risk control measures are implemented through health and safety audits carried out during on-site inspection, with the latter aimed at identifying hazards and risk factors that have the potential to cause harm to the safety and health of people on our premises (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 and each BU Manager are responsible for ensuring that operations do not constitute a hazard to the safety and health of employees.

- In the wake of the promulgation of the Covid-19 (Miscellaneous Provisions) Act 2020 pursuant to the spread of the pandemic, MCB promptly deployed the necessary mechanisms and initiatives so as to ensure that its premises strictly adhere to mandatory sanitary protocols, as defined by the authorities under the aforementioned act, to reinforce the health and safety of employees and clients amidst such exceptional conditions, while contributing to prevent the propagation of the virus across the country.

Risk and capital management report

Business Continuity Management (BCM)

General approach

- MCB adopts a robust and proactive approach to Business Continuity Management to ensure that it continues to conduct its operations and deliver products and services in case of unforeseen events or business disruptions at acceptable pre-defined levels.
- The Bank aims to minimise the potential damage that such disruptions can cause to people and business activities, while setting forward to safeguard its reputation and the interests of key stakeholders by effectively planning for and responding to incidents.

Framework and initiatives

- The Bank's Business Continuity Management framework is encapsulated in its BCM Policy. The latter outlines the applicable 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 Risk SBU, in collaboration with relevant support functions. A dedicated Crisis Management Team consisting of key members of Senior Management shoulders central command during a crisis. Individual SBUs and BUs, 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.
- With the outbreak of the COVID-19 virus in Mauritius, the Bank's operational preparedness levels were put to test. Our Pandemic Preparedness Plan was activated, with key initiatives successfully executed to ensure continuity of activities during these uncertain times. Actions deployed also helped to safeguard the safety and health of employees and clients, backed by (i) guidance and direction of the Crisis Management Team, with support from dedicated crisis-related tactical and operational teams; and (ii) the dissemination of clear and coherent procedures and guidelines to ensure compliance by relevant parties and stakeholders.
- 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. The exercise confirmed the Recovery Time Objectives identified for MCB's critical activities and further consolidated the Bank's ability to resume its critical operations from its Disaster Recovery site.

Permanent control

General approach

- The Bank is committed to effectively supervising transactions and processes embedded in its regular activities, backed by adequate control mechanisms and procedures. The Bank's permanent control or internal control approach is governed by several rules and standards prevailing domestically and abroad, notably (i) regulatory requirements such as the BoM Guideline on Maintenance of Accounting and Other Records and Internal Control Systems; (ii) guidance provided and principles formulated by the Committee of Sponsoring Organization of the Treadway Commission, which is a joint initiative to combat corporate fraud and was established in the US by private sector organizations; and (iii) relevant Basel requirements. MCB adheres to a dedicated internal control policy, which formulates the key principles and underlying governance framework underpinning the efficient development, deployment Permanent control The Mauritius Commercial Bank Limited | annual report 2020 Information risk and monitoring of control activities undertaken by different sections of the organisation. Our framework sets out the relevant roles, responsibilities and reporting mechanisms to assist in fostering sound and stable operations within the Bank.
- Following the implementation of a Permanent Control framework to ensure that critical controls are performed and are effective, the dedicated team of Business Risk Correspondents across key SBUs and the network of Business Risk Champions regularly report events observed to the Risk SBU, while also ensuring timely escalation of findings to Heads of SBUs, IORC and the Audit Committee.

Risk and control measurement and management

- The Bank applies a series of operational controls with respect to internal processes and client solutions. Such controls are regularly reviewed and actively monitored in order to gauge the applicability and effectiveness of actions taken. The information on operational control events is recorded in a centralised database, which enables systematic root cause and trend analysis for necessary corrective actions and to strengthen the adequacy and effectiveness of the internal control mechanism.

- Internal control forms part of the day-to-day responsibilities of Senior Management and employees at all levels of the organisation. While the former is responsible to implement the internal control framework, the Risk SBU, through Business Risk Correspondents or Business Risk Champions, is responsible for ensuring the proper functioning of the internal control system. The internal control mechanism relies on appropriate processes and systems, backed by clear segregation of duties, dual control as well as regular verification and reconciliation of transactions. The control environment is based on an appropriate risk culture, fostered through risk awareness sessions targeting relevant audiences. Identified internal control deficiencies are managed in a timely and effective manner through adherence to established procedures and proper monitoring of reinforcement measures implementation.

- During the period under review, actions have been taken by the Bank to further improve the application of the internal control framework and relevant processes across the organisation. With the advent of the COVID-19 pandemic, the operational processes were reviewed to adjust to Work From Home conditions and realities, with adequate controls defined to monitor whether new procedures are being adhered to. Furthermore, dedicated awareness sessions have been conducted to enhance our staff's social engineering awareness with a view to enabling them properly and promptly recognise and react to social engineering attacks.

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 uphold 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 cyber 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) cyber-attacks on the organisation have been simulated in order to test and enhance our defences and response capabilities; (v) our compliance to laws and regulations relating to data protection has been assessed with a view to identifying any gaps and gearing up our capabilities to adhere to relevant stipulations; (vi) our set of critical controls underpinning our cyber security resilience were continuously monitored; and (vii) our risk assessment framework and information security management systems and processes were upgraded to foster alignment with internationally-recognised standards.

Compliance risk

General approach

- MCB 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 mitigation and management

- Fundamentally, the Bank seeks to ensure 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 while ensuring that we are sufficiently equipped in order to live up to the increasingly stringent regulatory environment and effectively cope with greater scrutiny by regulators and law enforcement authorities. 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 and ascertain that controls are operating in a sound way.

Core principles guiding compliance risk management at the Bank

- 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 standardised 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 the awareness of Management and staff on requirements arising out of new/amendments to laws and regulations and other compliance-related matters

- Providing adequate training to the Compliance Officers to ensure that they have the necessary knowledge and skills to accomplish 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 sustaining productive and value-adding dialogue with them to uphold effective two-way communication

- With regard to 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 Whistleblowing Framework at MCB is designed to assist employees deemed to have discovered malpractices or impropriety. In this light, the Bank has 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.

Recent initiatives

- After making allowance for the testing operating conditions and the increasingly stringent domestic and global landscape as regard alignment with advocated rules, norms and standards, the Bank has lately geared up its overall compliance framework, while ensuring that adequate processes, systems and controls are in place to underpin the deployment of its activities.
- MCB bolstered its Compliance and Anti-Money Laundering/Fraud Prevention functions and mechanisms to effectively manage related risks. With regard to KYC/AML procedures in place at the Bank, relevant policies and guidelines for the monitoring of High Risk Customers are being reviewed. We improved the mechanisms underpinning handling of alerts relative to unusual behaviours and suspicious transactions. We carried out a number of system revamps, notably the upgrade of our Financial Crime Risk Management system with a view to generating more pertinent alerts, alongside taking the necessary measures to foster the smooth implementation of earmarked modules linked to Customer On-Boarding, KYC, Watch List and Payment Fraud. Likewise, the Safewatch tool used by the Bank for customer screening purposes has been upgraded, with the new version providing more effective functionalities. The Bank also set up tailor-made AML/CFT e-learning training modules for members of the Board, Leadership Team, front-liners and control staff.
- Dedicated initiatives have been put into place in order to further shore up the customer on-boarding policy and process, including (i) adoption of a risk-based approach for the screening, review and rating of customers at the on-boarding stage, while reviewing the Money Laundering/Terrorist Financing customer risk scoring methodology and enhancing the automation of the process; (ii) upgrading of applicable procedures by establishing an escalation route for approval of client on-boarding (depending on the risk profile) by new on-boarding committees (namely Business On-boarding Committee and Executive On-boarding Committee).
- With regard to adherence to policies and rules guiding the Bank's operations, the following can be noted: (i) setting up of an underlying Policy for the Formulation and Management of Policies, which shall assist in establishing and harmonising the governance and approach underpinning the development, approval, and publication process regarding policies endorsed by the Bank; (ii) realignment of internal guidelines and procedures pertaining to management of client complaints with a view to ensuring compliance with the requirements of the Office of Ombudsperson for Financial Services; and (iii) review of the Bank's Policy on Economic and Financial Sanctions, after making allowance for expectations from and guidance by international organisations.

Risk Assurance: Internal Audit

General approach

- The Internal Audit function provides an independent assessment and assurance on the effectiveness, adequacy and reliability of MCB's level of controls over its operations as well as the underlying framework and processes in place for risk management. In line with the Bank's strategic orientations and to further embed a risk culture, the function aims to provide the necessary risk insights to influence the organisation's decision-making so as to improve the efficiency of operations and create sustainable value.
- The function is strictly independent of the businesses and control functions of the Bank. Its key purpose, scope of authority and responsibilities are defined in the Internal Audit Charter, which is approved and regularly reviewed by the Audit Committee.
- The Internal Audit plan is determined by a risk-based assessment methodology. The plan is developed annually using a structured risk and control assessment framework, through which the risk universe is determined and the control effectiveness of each identified risk is assessed. This assessment covers risks arising from the activities of lines of business as well as from the adoption of new operating models and products, while monitoring is also exercised with respect to emerging risks associated with the unfolding of MCB's operating environment. Audit assignments are planned and executed on the basis of results derived from the assessment, with priority given to auditing higher risk areas and as required by regulators, whilst anchoring due agility to navigate a dynamic risk landscape, with the pandemic spread being a key example.

Risk and capital management report

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) implementation of regularly-updated audit work programmes, which notably set out to address emerging risks; (ii) increased usage of data analytics, thus paving the way for greater coverage, improved assurance and more forward-looking insights when anticipating risks; and (iii) streamlining of tasks, namely relating to preparation of reports and working papers and the follow-up of recommendations for improved operations and customer experience.

- A Quality Assurance and Improvement Programme (QAIP) is in place within the Internal Audit function. In line with leading practices, it covers all aspects of the audit activity and adheres to the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors (IIA). As part of the QAIP programme, external Quality Assessment Reviews (QAR) are carried out at least once every five years by qualified independent assessor(s). Since 2009, the Bank's Internal Audit BU has been assessed thrice (namely in 2009, 2013 and 2018) as adequate and effective as well as being compliant with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the IIA. These external assessments undertaken created favourable conditions for (i) the identification of opportunities to enhance the effectiveness of internal audit processes; and (ii) the reinforcement of the Internal Audit function'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 a standard distribution list comprising the Chief Executive Officer, Deputy Chief Executive, Chief Operating Officer, Chief Risk Officer and Head of Compliance to ensure strong alignment of Management's expectations. To maintain its independence, the Internal Audit function regularly updates the Audit Committee about work undertaken and effectiveness of the internal audit system, with emphasis on its annual audit plan and progress thereof, the on-going relevance of focus areas of its auditing activity, results of audits performed and related actions taken.

Approved processes guiding the Internal Audit function

- Building quality into the Bank's internal audit activity through the conduct of internal Quality Assurance Reviews (QAR) on a yearly basis, to foster sustainable practices; the Three Lines Model – which is an update of the Three Lines of Defence Model and is adopted by the Institute of Internal Auditors to help organisations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management – is earmarked for adoption by the Bank's Internal Audit function and gradual dissemination across the organisation, to create value and promote stakeholder interests

- Exercising regular and effective coordination, collaboration and communication with the Permanent Supervision, Operational and Information Risk cluster of the Risk SBU and the Compliance SBU in order to work towards consolidating risk, compliance and regulatory assurance, alongside upholding the overall consistency and effectiveness of the internal control system

- Augmenting the use of data analytics, through the implementation of quantitative risk-based audit methodology, to incorporate more effective evaluations at each stage of the audit lifecycle, namely risk assessment, planning, fieldwork and reporting

- Further professionalising the function by continuously 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)

- Working closely with the HR SBU to continuously refine and customise the human resource development programme for auditors – including the delivery of specific and high-calibre training – with the objective to gear up, diversify and update their skill sets and competences, notably in relation to domains such as analytics and application of 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

Capital management

Our objective

- Our underlying capital management objective, which is aligned with general directions determined at Group level, is to ensure that MCB 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 comfortable capital position, which is consistent with the expectations and requirements of our multiple stakeholders, notably the regulators and other authorities, rating agencies, customers and correspondent banks.

- 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.

Risk and capital management report

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 2019/20, 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.

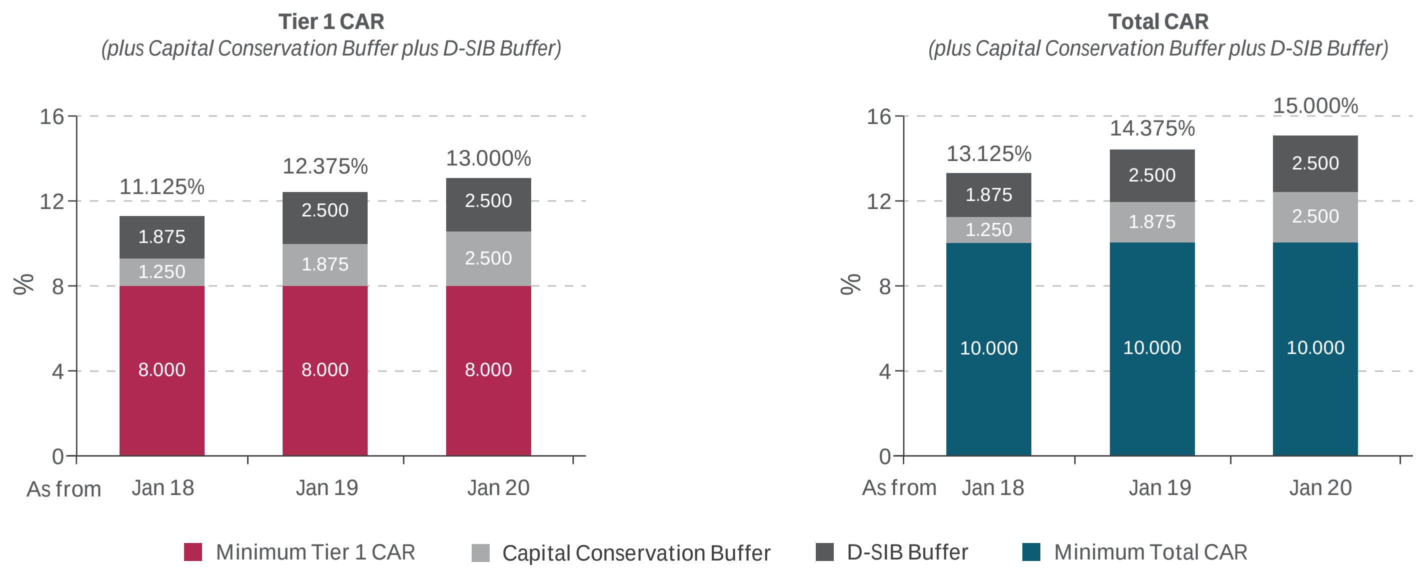
Scenario 1	External risk - Brexit
Scenario 2	Reputation risk - MCB Ltd credit rating downgrade
Scenario 3	Concentration risk - Two domestic conglomerates default
Scenario 4	Concentration risk - Three large single foreign clients default
Scenario 5	Shocks in the local tourism sector
Scenario 6	Domestic property market crash
Scenario 7	Liquidity risk - Withdrawal of USD current account deposits
Scenario 8	Liquidity risk - Withdrawal of Global Business Licence depositors
Scenario 9	Interest rate risk - 2% increase in interest rates

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 underlying transitional arrangements set out by the Central Bank in respect of capital adequacy are summarised below.

Minimum regulatory ratios applicable to MCB Ltd



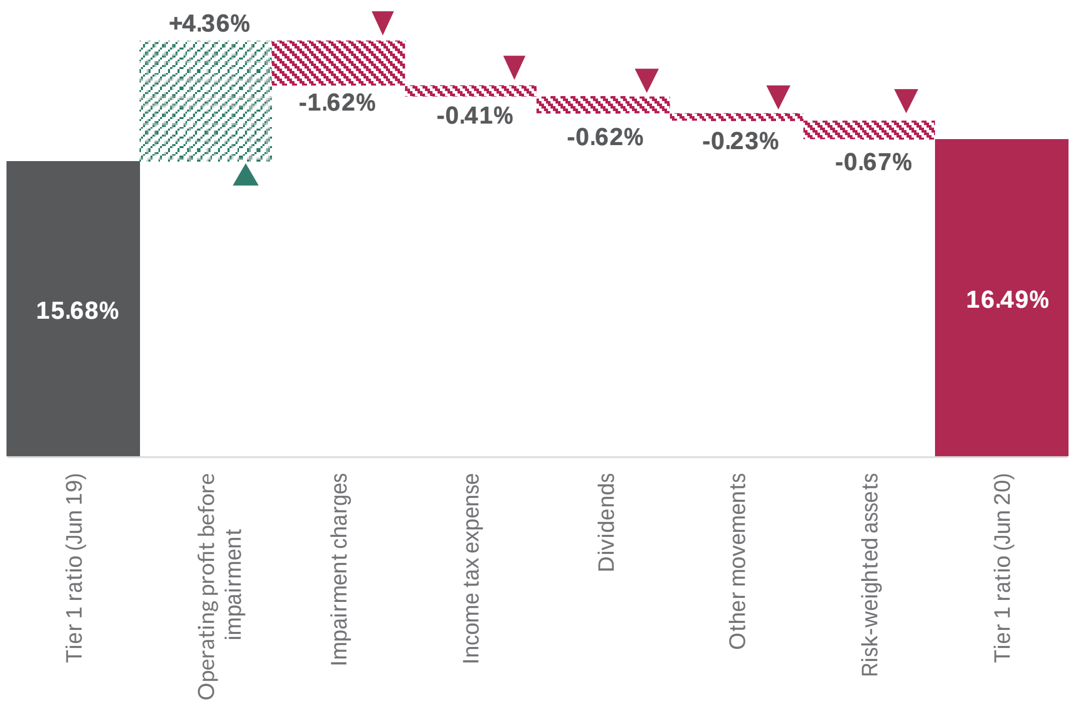
Note:
To provide additional flexibility to banks to support economic stakeholders, households and individuals impacted by the COVID-19 outbreak, the Bank of Mauritius deferred the capital conservation buffer of 2.5% which was effective as from 1 January 2020 to 1 January 2021 such that banks will be required to maintain a capital conservation of 1.875% until 31 December 2020. In addition, the regulatory risk weights on certain categories of exposures including retail and residential mortgages were reviewed.

Risk and capital management report

Performance of MCB Ltd

- The capital position of the Bank has remained generally strong during the last financial year. Our core and total capital ratios improved to attain 16.5% and 17.5% respectively as at 30 June 2020, thus comfortably exceeding minimum regulatory levels. The increase in the ratios were mainly driven by a notable widening of our capital base on the back of higher retained earnings, with the Bank beefing up its resources to cushion itself against the potential future deterioration of credit quality levels amidst persisting economic downturns. Besides, in spite of being pressurised by strains on the quality of the assets portfolio amidst the difficult operating context, the growth in the Bank's risk-weighted assets was relatively contained after making allowance for regulatory forbearance granted by the Bank of Mauritius to provide additional flexibility to banks to support clients impacted by the COVID-19 crisis.

Key drivers of the movement in Tier 1 ratio of MCB Ltd in FY 2019/20



Determination and evolution of the capital adequacy ratios of MCB Ltd

MCB Ltd	Jun 19	Jun 20
Capital base	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	6,880	6,880
Retained earnings	33,819	38,948
Accumulated other comprehensive income and other disclosed reserves	7,202	7,384
Common Equity Tier 1 capital before regulatory adjustments	**47,900**	**53,212**
Regulatory adjustments		
Other intangible asstes	(805)	(1,014)
Deferred tax assets	(340)	(1,009)
Common Equity Tier 1 capital (CET1)	**46,755**	**51,188**
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	**46,755**	**51,188**
Capital instruments	416	304
Provisions or loan-loss reserves	2,880	3,592
Tier 2 capital before regulatory adjustments	**3,296**	**3,896**
Regulatory adjustments	(687)	(762)
Tier 2 capital (T2)	**2,609**	**3,135**
Total capital (T1 + T2)	**49,364**	**54,323**

Risk-weighted assets	**Rs m**	**Rs m**
Weighted amount of on-balance sheet assets	244,018	259,213
Weighted amount of off-balance sheet exposures	29,475	28,151
Weighted risk assets for operational risk	18,732	21,830
Aggregate net open foreign exchange position	1,749	1,247
Capital charge for trading book position exceeding 5% or more of its total assets	4,259	0
Total risk-weighted assets	**298,233**	**310,441**

Capital adequacy ratios	**%**	**%**
BIS risk adjusted ratio	16.6	17.5
of which Tier 1	*15.7*	*16.5*

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

- With regard to its trading book, 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 total assets. As at 30 June 2020, MCB's trading book significance was below 5% thus requiring no additional capital charge.

- The Guideline on Measurement and Management of Market Risk also encourages all banks to hold a capital buffer that adequately covers the interest rate risk exposures arising from non-trading activities in the banking book. MCB monitors the impact of interest rate shifts on its structural interest rate risk using repricing gap analysis techniques. Interest rate risk gap reports are submitted to the BoM on a quarterly basis for the Bank's significant currencies (MUR, USD and EUR) and on a consolidated basis. As at 30 June 2020, 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 Weighted Assets	Jun 20 Amount	Jun 20 Weight	Jun 20 Weighted Assets
	Rs m	Rs m	%	Rs m
Cash items	98	3,273	0 - 20	66
Claims on sovereigns	855	98,637	0 - 100	714
Claims on central banks	4,508	53,127	0	0
Claims on banks	15,014	46,659	20 - 100	16,096
Claims on non-central government public sector entities	0	2,059	0	0
Claims on corporates	174,012	200,046	20 - 150	189,872
Claims on retail segment	7,771	11,936	75	7,646
Claims secured by residential property	14,055	31,522	35 - 125	12,293
Fixed assets/other assets	16,628	13,506	100 - 250	20,467
Past due claims	11,077	9,425	50 - 150	12,058
Total	**244,018**			**259,213**

Non-market related off-balance sheet risk-weighted assets	Jun 19 Weighted Amount	Jun 20 Nominal Amount	Jun 20 Credit Conversion Factor	Jun 20 Credit Equivalent Amount	Jun 20 Weight	Jun 20 Weighted Amount
	Rs m	**Rs m**	**%**	**Rs m**	**%**	**Rs m**
Direct credit substitutes	9,009	2,094	100	1,977	0 - 100	1,885
Transaction-related contingent items	11,421	36,355	50	17,922	0 - 100	16,968
Trade related contingencies	6,219	24,185	20 - 100	5,515	0 - 100	5,329
Outstanding loans commitment	2,553	6,356	20 - 50	3,136	100	3,136
Total	**29,204**					**27,318**

Market-related off-balance sheet risk-weighted assets	Jun 19 Weighted Assets	Jun 20 Nominal Amount	Jun 20 Credit Conversion Factor	Jun 20 Potential Future Exposure	Jun 20 Current Exposure	Jun 20 Credit Equivalent Amount	Jun 20 Weighted Assets
	Rs m	**Rs m**	**%**	**Rs m**	**Rs m**	**Rs m**	**Rs m**
Interest rate contracts	117	30,128	0 - 1.5	419	679	1,098	570
Foreign exchange contracts	154	21,417	1 - 7.5	239	260	499	264
Total	**271**						**833**

	Jun 19	Jun 20
	Rs m	**Rs m**
Total credit risk-weighted assets	**273,493**	**287,364**

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 19**	**Jun 20**
Alternative standardised approach		
	Rs m	**Rs m**
Weighted gross income (for 6 business lines*)	524	603
Average outstanding balance of loans and advances (retail and commercial banking)	265,052	309,396
Capital charge for operational risk	1,873	2,183
Weighted risk assets for operational risk	**18,732**	**21,830**

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

Risk-weighted assets for market risk

MCB Ltd	Jun 19	Jun 20
Market risk	**Rs m**	**Rs m**
Aggregate net open foreign exchange position	1,749	1,247
Capital charge for trading book position exceeding 5% or more of its total assets	4,259	-

Exposures covered by cash and bank guarantees

Exposures covered by credit risk mitigation	Jun 19	Jun 20
Eligible collateral	**Rs m**	**Rs m**
On-balance sheet		
Corporate	1,642	867
Retail	2,237	1,995
	3,879	**2,862**
Eligible collateral	**Rs m**	**Rs m**
Off-balance sheet		
Direct credit substitutes	139	121
Transaction-related contingent items	361	817
Trade-related contingencies	2,762	313
	3,262	**1,250**
Total	**7,141**	**4,112**

Simon Walker
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 2020 and Management has exercised its judgement and made best estimates where deemed necessary.

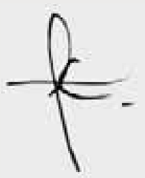
The Bank has designed and maintained its accounting systems, related internal controls and supporting procedures to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures 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.

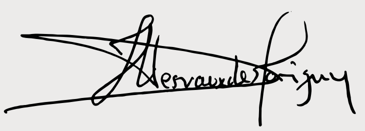
The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance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



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 2020, 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 2020;
- 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "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 period. 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
Allowance for expected credit losses on the Bank’s financial assets held at amortised cost and debt instruments carried at fair value through other comprehensive income and judgements applied due to the COVID-19 pandemic	
Management continues to monitor the impact of the IFRS 9 - Financial Instruments (‘IFRS 9’), Expected Credit Loss (‘ECL’) methodology and refine inputs and judgements made to ensure that output of the ECL models are aligned to the requirements of the accounting standard and industry developments. The Bank’s ECL models are reliant on internal and external data and this required significant judgements and estimates in relation to the determination of forward-looking information, defining a Significant Increase in Credit Risk (“SICR”) and hereby, staging. Further, the rapidly developing COVID-19 pandemic across the world has meant that assumptions regarding the economic outlook and the consequent impact on the Bank’s exposures is uncertain, increasing the degree of judgement required to be exercised in calculating ECL. We considered this a key audit matter owing to the subjective and complex judgements made by the Bank in recognising allowances for expected credit losses including: • Recalibration of the ECL statistical model components (Probability of Default “PD”, Loss Given Default “LGD” and Exposure at Default “EAD”) used to estimate the timing and amount of the forecasted cash flows based on historical default data, days past due, client risk group, credit ratings and recoveries.	Given the complexity and significant judgements applied in the models used for the ECL calculation, we have performed among others, the following audit procedures, together with the expertise of our actuarial team: • Assessed the appropriateness of the ECL models methodology, assumptions and discounted cash flows against accepted theory and general market practice that support the impairment of significant wholesale and retail exposures; • Assessed the reasonableness, reliability and accuracy of key data inputs used in the ECL models components against relevant source documentation; • Examined the reasonableness of the assumptions used in the forward-looking economic models, by assessing the forecasts, assumptions and probability weightings allocated to the different macro-economic scenarios (bear, bull and base) and compared these to independent market data;

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 (Continued)

Key audit matter	How our audit addressed the key audit matter
• Determination and weightage of assumptions used in the forward-looking economic model. Three forward-looking scenarios (bull, bear and base) were probability weighted by management to determine the ECL. Variables that were used to project future changes in the macro-economic environment were the credit index, the real Gross Domestic Product, the lending rate, the unemployment rate and the Consumer Price Index. These scenarios were then linked to PDs to derive a forward-looking ECL. • Evidence of significant increase in credit risk and hence the relevant staging and credit ratings of the Bank's exposures. A top-down assessment was performed by the relevant portfolios of the main exposures whereby management analysed these either by their industry, sector and/or nature of business activities at the level of each individual client to reflect the more pervasive impact of COVID-19. The Bank applied event driven management overlays and increased the results produced by the ECL models for events not yet captured. The Bank also applied judgement and estimates in determining the impairment provision on its stage 3 financial assets to estimate the loss event, the amount and timing of its expected future cashflows as well as the determination of the value of collaterals, when taking into account the impact of COVID-19. For instance, a longer period of time that it will take to recover the collaterals held by the Bank. **Relevant references in the financial statements** Refer to notes 2(d) (Critical accounting estimates and judgements – Measurement of expected credit loss allowance), 3(b) (Financial Risk Management – Credit Risk) and 18 (Further disclosures with adoption of new international financial reporting standards – Transitional Disclosures with adoption of IFRS 9).	• Obtained an understanding of and evaluated management's process in determining whether there was an evidence of a SICR for the main exposures of the Bank, with a particular focus on the most impacted sectors due to COVID-19. We examined the appropriateness of the relevant staging of clients based on market information available at the end of the reporting period; • Assessed the reasonableness of event driven overlays applied by management on the staging and credit ratings on a portfolio basis as well as those made for events not yet captured by the ECL Models, by applying our understanding of the industry, emerging risks, inherent business risks and regulatory changes. We considered the need for any other overlays not considered by management through independent research and by considering qualitative and quantitative criteria which may impact the staging of the financial assets and consequently ECL. For ECL calculated on 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 management in its 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. We also reviewed the appropriateness of the Bank's disclosures against the requirements of IFRS 9.

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 (the "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.

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.

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 (Continued)

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
25 September 2020

Gilles Beesoo, licensed by FRC

Statement of financial position

as at 30 June 2020

	Notes	2020 RS'000	2019 RS'000 (Restated)	2018 RS'000 (Restated)
ASSETS				
Cash and cash equivalents	4	**68,127,676**	45,398,059	34,087,944
Derivative financial instruments	5	**997,381**	269,295	95,817
Loans to and placements with banks	6(a)	**19,352,797**	20,754,084	19,265,587
Loans and advances to customers	6(b)	**226,777,455**	213,398,224	188,569,042
Investment securities	7	**135,914,904**	116,397,500	81,884,347
Investment in subsidiary	8(a)	**117,570**	117,570	117,570
Investments in associates	8(b)	**4,984,071**	4,078,542	4,054,371
Intangible assets	9	**1,014,301**	805,494	544,602
Property, plant and equipment	10	**5,218,824**	4,964,461	4,841,797
Deferred tax assets	11	**1,009,360**	340,085	104,365
Other assets	12	**22,358,419**	21,977,419	18,886,360
Total assets		**485,872,758**	428,500,733	352,451,802
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits from banks	13(a)	**7,600,253**	7,375,969	6,588,686
Deposits from customers	13(b)	**364,007,792**	307,000,545	278,943,186
Derivative financial instruments	5	**961,313**	508,808	407,024
Other borrowed funds	14	**50,816,745**	55,405,740	14,188,543
Subordinated liability	15	**1,013,331**	1,040,100	1,060,181
Current tax liabilities		**1,269,789**	898,811	872,964
Post employee benefit liability	16	**1,169,752**	360,099	203,068
Other liabilities	17	**5,822,071**	7,761,047	6,204,203
Total liabilities		**432,661,046**	380,351,119	308,467,855
Shareholder's equity				
Stated capital		**6,879,602**	6,879,602	6,879,602
Retained earnings		**38,947,716**	33,818,933	28,596,833
Other components of equity		**7,384,394**	7,451,079	8,507,512
Total equity		**53,211,712**	48,149,614	43,983,947
Total equity and liabilities		**485,872,758**	428,500,733	352,451,802
CONTINGENT LIABILITIES				
Guarantees, letters of credit, and other obligations on account of customers		**62,041,933**	66,527,909	57,851,972
Commitments		**6,355,559**	5,140,426	6,077,554
Tax assessments		**98,299**	89,715	537,147
	20	**68,495,791**	71,758,050	64,466,673

These financial statements were approved for issue by the Board of Directors on the 25 September 2020.

Alain LAW MIN
Director
Chief Executive Officer

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee

The notes on pages 183 to 293 form part of these financial statements.
Auditor's report on pages 166 to 171.

Statement of profit or loss

for the year ended 30 June 2020

	Notes	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Interest income	21	**18,347,992**	17,449,219	13,903,688
Interest expense	22	**(4,883,964)**	(5,196,422)	(3,794,901)
Net interest income		**13,464,028**	12,252,797	10,108,787
Fee and commission income	23	**4,420,803**	4,433,243	3,964,173
Fee and commission expense	24	**(1,077,024)**	(1,069,983)	(867,748)
Net fee and commission income		**3,343,779**	3,363,260	3,096,425
Other income				
Profit arising from dealing in foreign currencies		**1,321,007**	1,219,102	1,832,581
Net gain/(loss) from financial instruments carried at fair value	25	**913,238**	650,811	(381,569)
		2,234,245	1,869,913	1,451,012
Dividend income	26	**35,592**	58,504	63,118
Net gain on sale of financial instruments		**195,432**	7,505	17,999
Other operating (expense)/income		**(1,523)**	30,897	18,704
		2,463,746	1,966,819	1,550,833
Operating income		**19,271,553**	17,582,876	14,756,045
Non-interest expense				
Salaries and human resource costs	27(a)	**(3,628,512)**	(3,527,225)	(3,129,179)
Depreciation of property, plant and equipment		**(511,233)**	(436,510)	(391,651)
Amortisation of intangible assets		**(228,901)**	(173,476)	(201,416)
Other	27(b)	**(1,890,861)**	(1,788,406)	(1,733,068)
		(6,259,507)	(5,925,617)	(5,455,314)
Operating profit before impairment		**13,012,046**	11,657,259	9,300,731
Net impairment of financial assets	28	**(4,818,268)**	(1,455,649)	(1,228,932)
Operating profit		**8,193,778**	10,201,610	8,071,799
Share of profit of associates	8(b)	**444,256**	241,860	341,468
Profit before tax		**8,638,034**	10,443,470	8,413,267
Income tax expense	29	**(1,229,532)**	(1,677,897)	(1,627,703)
Profit for the year		**7,408,502**	8,765,573	6,785,564
Earnings per share (Rs)	31	**10.77**	12.74	9.86

The notes on pages 183 to 293 form part of these financial statements.
Auditor's report on pages 166 to 171.

Statement of comprehensive income
for the year ended 30 June 2020

	Notes	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000
Profit for the year		**7,408,502**	8,765,573	6,785,564
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss:				
Net fair value loss on equity instruments		**(190,268)**	(68,733)	-
Remeasurement of defined benefit pension plan, net of deferred tax	29(b)	**(671,424)**	(404,477)	(235,146)
		(861,692)	(473,210)	(235,146)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	8(b)	**367,825**	22,839	89,526
Reclassification adjustments on disposal of investments at fair value		**-**	(25,320)	-
Reclassification adjustments on disposal of available-for-sale investments		**-**	-	(227,304)
Net fair value gain on debt instruments		**4,955**	81,731	-
Net fair value gain on available-for-sale investments		**-**	-	471,373
		372,780	79,250	333,595
Other comprehensive (expense)/income for the year		**(488,912)**	(393,960)	98,449
Total comprehensive income for the year		**6,919,590**	8,371,613	6,884,013

The notes on pages 183 to 293 form part of these financial statements.
Auditor's report on pages 166 to 171.

Statement of changes in equity

for the year ended 30 June 2020

	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 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)
At 1 July 2018 as previously reported		6,879,602	29,341,208	245,870	65,893	5,925,602	-	42,458,175
Deferred tax adjustment		-	278,056	-	-	-	-	278,056
As restated		6,879,602	29,619,264	245,870	65,893	5,925,602	-	42,736,231
Profit for the year		-	8,765,573	-	-	-	-	8,765,573
Other comprehensive (expense)/income for the year		-	(404,477)	(12,322)	22,839	-	-	(393,960)
Total comprehensive income/(expense) for the year		-	8,361,096	(12,322)	22,839	-	-	8,371,613
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**	**33,818,933**	**233,548**	**88,732**	**6,879,602**	**249,197**	**48,149,614**
Profit for the year		**-**	**7,408,502**	**-**	**-**	**-**	**-**	**7,408,502**
Other comprehensive (expense)/income for the year		**-**	**(671,424)**	**(185,313)**	**367,825**	**-**	**-**	**(488,912)**
Total comprehensive income/(expense) for the year		**-**	**6,737,078**	**(185,313)**	**367,825**	**-**	**-**	**6,919,590**
Dividends	30	**-**	**(1,857,492)**	**-**	**-**	**-**	**-**	**(1,857,492)**
Transactions with owner in his capacity as owner		**-**	**(1,857,492)**	**-**	**-**	**-**	**-**	**(1,857,492)**
Transfer from general banking reserve		**-**	**249,197**	**-**	**-**	**-**	**(249,197)**	**-**
At 30 June 2020		**6,879,602**	**38,947,716**	**48,235**	**456,557**	**6,879,602**	**-**	**53,211,712**

The notes on pages 183 to 293 form part of these financial statements.
Auditor's report on pages 166 to 171.

Statement of cash flows
for the year ended 30 June 2020

	Notes	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Operating activities				
Net cash flows from trading activities	33	**13,429,828**	16,380,613	(4,333,427)
Net cash flows from other operating activities	34	**15,029,403**	(57,419)	9,035,196
Dividends received from associates		**-**	173,499	302,503
Dividends paid		**(3,405,403)**	(2,751,841)	(2,751,841)
Income tax paid		**(1,418,016)**	(1,517,304)	(1,430,223)
Net cash flows from operating activities		**23,635,812**	12,227,548	822,208
Investing activities				
Investment in associate		**(49,906)**	(98,452)	(190,960)
Investment in subsidiary		**-**	-	(53,248)
Purchase of property, plant and equipment		**(589,467)**	(422,435)	(334,070)
Purchase of intangible assets		**(517,743)**	(353,901)	(166,449)
Proceeds from sale of property, plant and equipment		**2,284**	5,434	12,942
Net cash flows from investing activities		**(1,154,832)**	(869,354)	(731,785)
Net cash flows before financing activities		**22,480,980**	11,358,194	90,423
Financing activities				
Payment of lease liabilities		**(42,008)**	-	-
Net refund of subordinated liability		**(137,187)**	(51,384)	-
Net cash flows from financing activities		**(179,195)**	(51,384)	-
Increase in cash and cash equivalents		**22,301,785**	11,306,810	90,423
Net cash and cash equivalents at 1 July		**45,394,540**	34,087,730	33,997,307
Net cash and cash equivalents at 30 June	4	**67,696,325**	45,394,540	34,087,730

The notes on pages 183 to 293 form part of these financial statements.
Auditor's report on pages 166 to 171.

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
(Cont'd)

Index to notes to the financial statements
(Cont'd)

Index to notes to the financial statements
(Cont'd)

Index to notes to the financial statements
(Cont'd)

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, 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

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 and material effect on the financial statements of the Bank in the current reporting period. For this financial year, the following has been adopted:

IFRS 16 Leases

Until 30 June 2019, the leases of property, plant and equipment of the Bank did not have a significant portion of risks and rewards of ownership being transferred, hence these were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

IFRS 16, 'Leases' resulted in all leases being recognised in the financial statements as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-of-use leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases which are treated in the same way as it was before the adoption. The standard is mandatory for financial years commencing on 01 July 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority, will examine the uncertain tax treatments and have full knowledge of all related information, i.e. detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

IFRIC 23 Uncertainty over Income Tax Treatments (Cont'd)

- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The application of this IFRIC does not have any significant impact on the Bank.

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 01 July 2020, 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 set out below.

Amendments to IAS 1 and IAS 8 effective 1 January 2020: Definition of material

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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.

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 comply 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.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

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.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The Bank's financial statements are presented in Mauritian Rupees ("Rs 000"), which is the Bank's functional currency. The Mauritian rupee is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Bank.

(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.

1. Significant accounting policies (Cont'd)

(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 fair value and 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.

(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.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities

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 or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and in debt instruments measured at fair value through other comprehensive income (FVOCI), as described in note 7, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the differences as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

Classification and 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 and effective interest rate

Financial 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 net gain on sale of financial instruments in the statement of profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.

1. Significant accounting policies (Cont'd)

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

Amortised cost and effective interest rate (Cont'd)

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.

FVOCI

Financial 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 net gain on sale of financial instruments. 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 a separate line item in the statement of profit or loss.

FVPL

Financial 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 in net gain on sale of financial instruments in the statement of profit or loss in the year in which it arises.

Classification

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 asset's 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.

1. Significant accounting policies (Cont'd)

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

Debt instruments (cont'd)

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 FVPL.

For assets measured at fair value, all 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 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 the first reporting period following the 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.

The Bank subsequently measures all equity investments at FVPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. 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 dividend income when the Bank's right to receive payments is established.

Gains or losses on equity investments at FVPL are included in the 'Net gain on sale of financial instruments' 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.

1. Significant accounting policies (Cont'd)

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

Modification of loans (Cont'd)

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).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3.

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.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (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 derivative financial instruments, financial liabilities held-for-trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit and loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of profit or loss (the remaining amount of change in the fair value of the liability). This is applicable unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in statement of profit or loss;

- 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 expired).

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.

1. Significant accounting policies (Cont'd)

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

Financial guarantee contracts and loan commitments (Cont'd)

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 20). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instruments.

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.

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.

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.

1. Significant accounting policies (Cont'd)

(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.

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.

1. Significant accounting policies (Cont'd)

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

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

(ii) Assets classified as available-for-sale (Cont'd)

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.

(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 amounts 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.

1. Significant accounting policies (Cont'd)

(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, amounts due to and from other banks which are short term, highly liquid with original maturities of 90 days or less, and borrowings of original maturities of 90 days or less that can fluctuate in value changing from an asset to a liability and vice versa across periods. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

(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 Workers' Rights Act (WRA) 2019. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Mauritius Commercial 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 Workers' Rights Act (WRA) 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

1. Significant accounting policies (Cont'd)

(o) Employee benefits (Cont'd)

(ii) Defined benefit plans (Cont'd)

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.

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.

1. Significant accounting policies (Cont'd)

(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.

(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.

1. Significant accounting policies (Cont'd)

(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) Leases

The present value of future lease payments are recognised in the books as right-of-use assets. Depreciation is calculated to write down the cost of the leased assets to their residual values on a straight-line basis over their estimated useful lives. A lease 'liability' to pay rentals is recognised on the statement of financial position and the interest payment on the lease liability is recognised within the statement of profit or loss.

(w) 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).

(x) 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 amortised 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 and Capital Management 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 and Capital Management report.

Impact of COVID-19

The ECL models set up by the Bank are driven by internal and external data and this required significant judgements and estimates in relation to the determination of forward-looking information, defining elements of a significant increase in credit risk and staging of financial instruments.

The economic outlook of the markets in which the Bank is present has been impacted by the ongoing COVID-19 pandemic. The consequent impact on the Bank is uncertain, thereby increasing the degree of judgement required to be exercised in calculating ECL:

- Models used to calculate ECL are inherently complex and judgement is applied in determining the appropriateness of the ECL model.
- A number of inputs and assumptions are made by the Bank concerning the values of inputs to the models and how the inputs correlate with one another; including the incorporation of the current macro-economic scenario through the forward-looking information.
- Evidence of significant increase in credit risk and hence the relevant staging and credit ratings of the Bank's clients. These were analysed either by industry sector and nature of business activities at the level of each individual client to reflect the more pervasive impact of COVID-19, data and model limitations.

The Bank also applied judgement and estimates in determining the impairment provision on its stage 3 financial assets to estimate the loss event, the amount and timing of their expected future cashflows as well as the determination of the value of collaterals, when taking into account the impact of COVID-19.

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 and granting loans to customers and banks.

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 credit related commitments 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.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

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 2020.

At 30 June 2020	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
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Portfolio:										
Retail	48,527,305	427,032	48,100,273	1,733,055	356,364	1,376,691	2,339,726	554,880	290,816	1,784,846
Wholesale	410,743,166	1,603,369	409,139,797	33,353,205	3,361,821	29,991,384	7,371,896	2,441,817	1,362,740	4,930,079
Total	459,270,471	2,030,401	457,240,070	35,086,260	3,718,185	31,368,075	9,711,622	2,996,697	1,653,556	6,714,925
Retail										
Housing loans	29,520,049	64,769	29,455,280	626,346	59,799	566,547	1,053,150	220,393	80,420	832,757
SME	9,197,833	78,496	9,119,337	732,761	177,904	554,857	643,250	139,237	92,636	504,013
Unsecured and revolving	5,044,162	219,519	4,824,643	114,459	51,163	63,296	278,585	129,633	43,927	148,952
Other secured loans	4,765,261	64,248	4,701,013	259,489	67,498	191,991	364,741	65,617	73,833	299,124
Total Retail	48,527,305	427,032	48,100,273	1,733,055	356,364	1,376,691	2,339,726	554,880	290,816	1,784,846
Wholesale										
Sovereign	135,728,433	28,332	135,700,101	-	-	-	3	1	1	2
Financial institutions	53,270,716	45,736	53,224,980	-	-	-	165	119	11,698	46
Project finance	8,905,491	198,510	8,706,981	240,717	45,214	195,503	56,975	4,914	56	52,061
Energy & commodities	76,857,798	111,215	76,746,583	6,647,009	223,539	6,423,470	1,488,924	281,180	95,396	1,207,744
Corporate	135,980,728	1,219,576	134,761,152	26,465,479	3,093,068	23,372,411	5,825,829	2,155,603	1,255,589	3,670,226
Total Wholesale	410,743,166	1,603,369	409,139,797	33,353,205	3,361,821	29,991,384	7,371,896	2,441,817	1,362,740	4,930,079

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.

At 30 June 2020	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	Lifetime not credit impaired	Lifetime credit impaired
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Total Wholesale									
3	4,990,592	-	-	231	-	-	4,990,361	-	-
4	6,133	-	-	-	-	-	6,133	-	-
5	15,228,122	-	-	2,941	-	-	15,225,181	-	-
6	140,847,440	-	-	10,320	-	-	140,837,120	-	-
7	6,446,213	-	-	2,023	-	-	6,444,190	-	-
8	700,254	-	-	329	-	-	699,925	-	-
9	13,571,198	-	-	2,950	-	-	13,568,248	-	-
10	2,418,743	-	-	1,538	-	-	2,417,205	-	-
11	13,190,383	-	-	7,018	-	-	13,183,365	-	-
12	42,709,327	9,838	-	117,870	134	-	42,591,457	9,704	-
13	54,530,051	701,051	-	174,926	11,113	-	54,355,125	689,938	-
14	37,486,903	1,934,426	-	218,019	29,799	-	37,268,884	1,904,627	-
15	55,428,120	13,910,351	-	496,946	1,420,935	-	54,931,174	12,489,416	-
16	18,371,898	9,087,075	-	320,077	1,001,394	-	18,051,821	8,085,681	-
17	2,005,422	2,986,153	-	112,251	158,916	-	1,893,171	2,827,237	-
18	1,929,924	3,455,465	-	66,036	451,066	-	1,863,888	3,004,399	-
19	882,443	1,268,846	-	69,894	288,464	-	812,549	980,382	-
20	-	-	7,371,896	-	-	2,441,817	-	-	4,930,079
Total	410,743,166	33,353,205	7,371,896	1,603,369	3,361,821	2,441,817	409,139,797	29,991,384	4,930,079

Sovereign									
5	-	-	-	-	-	-	-	-	-
6	134,736,246	-	-	9,739	-	-	134,726,507	-	-
13	-	-	-	-	-	-	-	-	-
14	690,641	-	-	2,042	-	-	688,599	-	-
18	301,546	-	-	16,551	-	-	284,995	-	-
20	-	-	3	-	-	1	-	-	2
Total	135,728,433	-	3	28,332	-	1	135,700,101	-	2

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020	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	Lifetime not credit impaired	Lifetime credit impaired
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Financial Institutions									
3	4,577,106	-	-	231	-	-	4,576,875	-	-
4	6,133	-	-	-	-	-	6,133	-	-
5	15,228,122	-	-	2,941	-	-	15,225,181	-	-
6	6,111,194	-	-	581	-	-	6,110,613	-	-
7	6,446,213	-	-	2,023	-	-	6,444,190	-	-
8	203,847	-	-	58	-	-	203,789	-	-
9	13,571,198	-	-	2,950	-	-	13,568,248	-	-
10	1,251,790	-	-	407	-	-	1,251,383	-	-
11	9,791	-	-	3	-	-	9,788	-	-
12	518,900	-	-	1,952	-	-	516,948	-	-
13	482,929	-	-	2,824	-	-	480,105	-	-
14	241,023	-	-	1,289	-	-	239,734	-	-
15	634,475	-	-	1,283	-	-	633,192	-	-
16	2,625,449	-	-	7,854	-	-	2,617,595	-	-
17	119,199	-	-	57	-	-	119,142	-	-
18	1,243,347	-	-	21,283	-	-	1,222,064	-	-
20	-	-	165	-	-	119	-	-	46
Total	53,270,716	-	165	45,736	-	119	53,224,980	-	46

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020	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	Lifetime not credit impaired	Lifetime credit impaired
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Project Finance									
12	1,033,050	-	-	3,805	-	-	1,029,245	-	-
13	1,352,756	-	-	2,769	-	-	1,349,987	-	-
14	623,452	-	-	6,185	-	-	617,267	-	-
15	3,232,820	-	-	61,321	-	-	3,171,499	-	-
16	2,056,618	3	-	75,437	-	-	1,981,181	3	-
17	378,395	-	-	25,190	-	-	353,205	-	-
18	134,991	240,714	-	9,223	45,214	-	125,768	195,500	-
19	93,409	-	-	14,580	-	-	78,829	-	-
20	-	-	56,975	-	-	4,914	-	-	52,061
Total	8,905,491	240,717	56,975	198,510	45,214	4,914	8,706,981	195,503	52,061

Energy & Commodities									
3	413,486	-	-	-	-	-	413,486	-	-
8	496,407	-	-	271	-	-	496,136	-	-
11	6,222,408	-	-	473	-	-	6,221,935	-	-
12	8,476,361	-	-	4,986	-	-	8,471,375	-	-
13	16,212,461	436,866	-	16,059	2,427	-	16,196,402	434,439	-
14	10,324,977	768,992	-	12,724	6,406	-	10,312,253	762,586	-
15	28,165,438	2,288,253	-	41,443	22,883	-	28,123,995	2,265,370	-
16	6,546,260	1,213,668	-	35,259	59,451	-	6,511,001	1,154,217	-
17	-	950,925	-	-	28,528	-	-	922,397	-
18	-	988,305	-	-	103,844	-	-	884,461	-
20	-	-	1,488,924	-	-	281,180	-	-	1,207,744
Total	76,857,798	6,647,009	1,488,924	111,215	223,539	281,180	76,746,583	6,423,470	1,207,744

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020	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	Lifetime not credit impaired	Lifetime credit impaired
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Corporate									
10	1,166,953	-	-	1,131	-	-	1,165,822	-	-
11	6,958,184	-	-	6,542	-	-	6,951,642	-	-
12	32,681,016	9,838	-	107,127	134	-	32,573,889	9,704	-
13	36,481,905	264,185	-	153,274	8,686	-	36,328,631	255,499	-
14	25,606,810	1,165,434	-	195,779	23,393	-	25,411,031	1,142,041	-
15	23,395,387	11,622,098	-	392,899	1,398,052	-	23,002,488	10,224,046	-
16	7,143,571	7,873,404	-	201,527	941,943	-	6,942,044	6,931,461	-
17	1,507,828	2,035,228	-	87,004	130,388	-	1,420,824	1,904,840	-
18	250,040	2,226,446	-	18,979	302,008	-	231,061	1,924,438	-
19	789,034	1,268,846	-	55,314	288,464	-	733,720	980,382	-
20	-	-	5,825,829	-	-	2,155,603	-	-	3,670,226
Total	135,980,728	26,465,479	5,825,829	1,219,576	3,093,068	2,155,603	134,761,152	23,372,411	3,670,226

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 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
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Portfolio:										
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**
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.

At 30 June 2019	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	Lifetime not credit impaired	Lifetime 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)

At 30 June 2019	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	Lifetime not credit impaired	Lifetime 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)

At 30 June 2019	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	Lifetime not credit impaired	Lifetime 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**
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)

At 30 June 2019	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	Lifetime not credit impaired	Lifetime 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 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 equal to lifetime ECL.

	2020 RS'000	2019 RS'000
Amortised cost before restructure	595,156	3,844,045
Net modification gain or loss	19,727	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	1,562	28,487

Assets obtained by taking possession of collateral

Details of assets 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:

	2020 RS'000	2019 RS'000
Property	59,955	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 at profit or loss)

	2020 RS'000	2019 RS'000
Derivative financial instruments	997,381	269,295
Investment securities	12,746,845	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
- In (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
Neither past due nor impaired	196,399,312
Past due but not impaired	2,003,711
Impaired	8,508,032
Gross	206,911,055
Less Allowances for credit impairment	(6,060,701)
Net	200,850,354
Fair Value of collaterals of past due but not impaired loans	3,034,280
Fair Value of collaterals of impaired loans	6,553,385

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	Loans to and placements with banks 2018 RS '000
Credit rating:		
Aaa to Aa3	2,258,416	-
A1 to A3	6,442,163	780,599
B1 to B3	-	1,667,481
Ba1 to Ba3	1,300,121	1,502,665
Baa1 to Baa3	20,225,769	14,562,293
Caa1 to Caa3	-	-
Unrated	3,861,475	887,574
Total gross amount	34,087,944	19,400,612
Allowance for impairment (individual and collective)	-	(135,025)
Net carrying amount	34,087,944	19,265,587

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

	2018 RS'000
Up to 3 months	1,938,251
Over 3 months and up to 6 months	41,792
Over 6 months and up to 1 year	990
Over 1 year	22,678
	2,003,711

Loan and advances restructured

	2018 RS'000
Loan and advances restructured	9,786,301
out of which impaired	*1,478,184*

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
Credit risk exposures relating to on - balance sheet assets are as follows:	
Cash and cash equivalents	31,721,573
Derivative financial instruments	95,817
Loans to and placements with banks	19,265,587
Loans and advances to customers	188,569,042
Investment securities	79,536,257
Other financial assets	17,948,311
Total	337,136,587
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
Commitments	6,077,554
Total	63,929,526

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 and FVPL financial assets (2018: 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%.

	2020 RS'000	2019 RS'000	2018 RS'000
Financial assets at fair value through other comprehensive income	**1,034,708**	1,092,536	-
Financial assets at fair value through profit or loss	**741,939**	912,894	-
Available-for-sale financial assets	**-**	-	220,918
	1,776,647	2,005,430	220,918

(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 limits. Limits are given to the individual trader and monitored by the Head of Global Markets & Treasury Management. Such limits include daily stop-loss and position limits. Overall exposure to foreign exchange including those resulting from non-trading activities is monitored against both the regulatory guideline and an internal target validated by the Asset and Liability Management 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
2020 (RS'000)	**(13,260)**	**(12,251)**	**(25,518)**	**(5,316)**
2019 (RS'000)	(18,026)	(25,036)	(42,478)	(11,370)
2018 (RS'000)	(36,352)	(37,812)	(59,521)	(15,752)

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 2020	EURO RS'000	USD RS'000	GBP RS'000	MUR RS'000	OTHER RS'000	TOTAL RS'000
Financial assets						
Cash and cash equivalents	12,472,321	27,985,679	2,023,167	23,179,984	2,483,026	68,144,177
Derivative financial instruments	249,146	400,833	84,164	263,238	-	997,381
Loans to and placements with banks	1,782,630	11,312,236	-	6,115,680	164,088	19,374,634
Loans and advances to customers	26,053,334	98,097,432	436,798	111,882,053	75,663	236,545,280
Investment securities	1,396,541	19,613,744	973	115,262,286	-	136,273,544
Other financial assets	911,257	1,858,309	166,590	17,533,321	136,757	20,606,234
	42,865,229	159,268,233	2,711,692	274,236,562	2,859,534	481,941,250
Less allowances for credit impairment						(10,164,803)
Total						471,776,447
Financial liabilities						
Deposits from banks	1,137,108	5,684,064	203,836	417,256	157,989	7,600,253
Deposits from customers	36,836,637	95,692,490	5,031,023	221,790,617	4,657,025	364,007,792
Derivative financial instruments	-	746,961	58,648	155,704	-	961,313
Other borrowed funds	1,950,240	48,417,190	314,485	1,462	133,368	50,816,745
Subordinated liability	-	1,013,331	-	-	-	1,013,331
Other financial liabilities	168,729	411,261	47,940	2,263,413	30,378	2,921,721
Total	40,092,714	151,965,297	5,655,932	224,628,452	4,978,760	427,321,155
Net on-balance sheet position	2,772,515	7,302,936	(2,944,240)	49,608,110	(2,119,226)	54,620,095
Less allowances for credit impairment						(10,164,803)
						44,455,292
Off balance sheet net notional position	8,628,394	37,944,990	5,409,226	-	292,833	52,275,443
Credit commitments	4,365,010	47,386,082	8,108	14,665,345	1,972,947	68,397,492

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)

(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 shown below. The basis of preparation has been refined in the current year following the implementation of a new software.

	2020 RS'000	2019 RS'000	2018 RS'000
Impact on Earnings	**513,925**	384,722	1,150,382

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 2020	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
Financial assets								
Cash and cash equivalents	8,364,982	55,699	-	-	-	-	59,723,496	68,144,177
Derivative financial instruments	-	103	154	360	1,232	4,880	990,652	997,381
Inflow	*-*	*3,715*	*5,572*	*13,002*	*44,577*	*176,454*	*990,652*	*1,233,972*
(Outflow)	*-*	*(3,612)*	*(5,418)*	*(12,642)*	*(43,345)*	*(171,574)*	*-*	*(236,591)*
Loans to and placements with banks	2,515,452	7,342,419	3,160,568	5,970,074	-	304,160	81,961	19,374,634
Loans and advances to customers	133,908,814	33,822,249	26,710,549	19,782,404	6,884,991	3,903,374	11,532,899	236,545,280
Investment securities	8,206,505	11,030,159	18,488,889	17,032,841	31,861,630	46,008,320	3,645,200	136,273,544
Other financial assets	-	-	-	-	-	-	20,606,234	20,606,234
	152,995,753	52,250,629	48,360,160	42,785,679	38,747,853	50,220,734	96,580,442	481,941,250
Less allowances for credit impairment								(10,164,803)
Total								471,776,447
Financial liabilities								
Deposits from banks	3,763,297	874,164	1,429,316	200,671	-	-	1,332,805	7,600,253
Deposits from customers	225,005,333	7,285,006	3,816,920	2,287,922	159,465	25,968,704	99,484,442	364,007,792
Derivative financial instruments	-	-	-	-	-	-	961,313	961,313
Other borrowed funds	3,197,094	11,452,898	28,742,218	6,416,826	267,313	105,446	634,950	50,816,745
Subordinated liability	-	-	993,322	-	-	-	20,009	1,013,331
Other financial liabilities	-	-	-	-	-	-	2,921,721	2,921,721
Total	231,965,724	19,612,068	34,981,776	8,905,419	426,778	26,074,150	105,355,240	427,321,155
On balance sheet interest sensitivity gap	(78,969,971)	32,638,561	13,378,384	33,880,260	38,321,075	24,146,584	(8,774,798)	54,620,095
Less allowances for credit impairment								(10,164,803)
								44,455,292

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 2019	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
Financial assets								
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	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
Financial assets								
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)

(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. Global Markets and Treasury Management 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 2020	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
Financial assets								
Cash and cash equivalents	40,900,523	55,750	-	-	-	-	27,188,662	68,144,935
Derivative financial instruments	289	570	836	1,618	5,496	1,337	944,081	954,227
Loans to and placements with banks	2,542,817	7,359,853	3,177,618	6,379,049	69,120	322,746	-	19,851,203
Loans and advances to customers	47,179,516	17,350,932	14,164,525	20,881,015	59,177,839	97,963,828	7,870,049	264,587,704
Investment securities	5,661,580	9,987,002	18,277,283	12,949,677	31,706,231	52,261,102	3,911,810	134,754,685
Other financial assets	-	-	-	-	-	-	20,606,234	20,606,234
	96,284,725	34,754,107	35,620,262	40,211,359	90,958,686	150,549,013	60,520,836	508,898,988
Less allowances for credit impairment								(10,164,803)
Total								498,734,185
Financial liabilities								
Deposits from banks	5,090,494	842,234	1,632,849	191	792	38,817	-	7,605,377
Deposits from customers	327,233,123	9,494,760	5,390,687	7,223,771	11,322,160	3,865,642	179,257	364,709,400
Derivative financial instruments	-	-	-	-	-	-	923,427	923,427
Other borrowed funds	3,651,418	11,380,860	849,634	29,298,189	2,321,114	4,140,649	-	51,641,864
Subordinated liability	-	-	190,263	180,100	522,847	169,838	-	1,063,048
Other financial liabilities	-	-	-	-	-	-	2,921,721	2,921,721
Total	335,975,035	21,717,854	8,063,433	36,702,251	14,166,913	8,214,946	4,024,405	428,864,837
Net liquidity gap	(239,690,310)	13,036,253	27,556,829	3,509,108	76,791,773	142,334,067	56,496,431	80,034,151
Less allowances for credit impairment								(10,164,803)
								69,869,348

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

At 30 June 2019	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
Financial assets								
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	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
Financial assets								
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)

(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.

(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
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
At 30 June 2020						
Financial assets						
Cash and cash equivalents	68,127,676	-	-	-	-	68,127,676
Derivative financial instruments	-	-	997,381	-	-	997,381
Loans to and placements with banks	19,352,797	-	-	-	-	19,352,797
Loans and advances to customers	226,777,455	-	-	-	-	226,777,455
Investment securities	100,381,974	14,838,778	-	19,765,907	928,245	135,914,904
Other financial assets	20,606,234	-	-	-	-	20,606,234
Total	435,246,136	14,838,778	997,381	19,765,907	928,245	471,776,447
Financial liabilities						
Deposits from banks	7,600,253	-	-	-	-	7,600,253
Deposits from customers	364,007,792	-	-	-	-	364,007,792
Derivative financial instruments	-	-	961,313	-	-	961,313
Other borrowed funds	50,816,745	-	-	-	-	50,816,745
Subordinated liability	1,013,331	-	-	-	-	1,013,331
Other financial liabilities	2,921,721	-	-	-	-	2,921,721
Total	426,359,842	-	961,313	-	-	427,321,155
Net on-balance sheet position	8,886,294	14,838,778	36,068	19,765,907	928,245	44,455,292

3. Financial risk management (Cont'd)

(f) Financial instruments by category (Cont'd)

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
At 30 June 2019						
Financial assets						
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**

3. Financial risk management (Cont'd)

(f) Financial instruments by category (Cont'd)

At 30 June 2018 under IAS 39	Held-to-maturity	Held-for-trading	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total
Financial assets	**RS'000**	**RS'000**	**RS'000**	**RS'000**	**RS'000**	**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**

4. Cash and cash equivalents

	2020 RS'000	2019 RS'000	2018 RS'000
Cash in hand	**2,738,063**	2,802,229	2,272,454
Foreign currency notes and coins	**204,463**	109,268	93,917
Unrestricted balances with Central Bank*	**27,188,662**	12,136,381	19,183,540
Balances due in clearing	**330,935**	490,570	425,401
Treasury bills	**55,699**	2,130,479	210,851
Money market placements	**5,421,084**	14,779,254	-
Balances with banks abroad	**32,205,271**	10,981,895	9,851,543
Interbank loans**	**-**	1,985,908	2,050,238
	68,144,177	45,415,984	34,087,944
Allowances for credit impairment	**(16,501)**	(17,925)	-
	68,127,676	45,398,059	34,087,944

	12 months expected credit loss RS'000
At 1 July 2019	**17,925**
Provision for credit impairment for the year	**5,399**
Provision released during the year	**(3,345)**
Financial assets that have been derecognised	**(3,478)**
At 30 June 2020	**16,501**
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 statement of cash flows

	2020 RS'000	2019 RS'000 (Restated)	2018 RS'000 (Restated)
Cash and cash equivalents	**68,144,177**	45,415,984	34,087,944
Other borrowed funds (see note 14(a))	**(447,852)**	(21,444)	(214)
Net cash and cash equivalents	**67,696,325**	45,394,540	34,087,730
Increase in cash and cash equivalents	**22,301,785**	11,306,810	90,423

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
Fair value through profit or loss - Level 2			
At 30 June 2020			
Derivative Instruments			
Currency forwards	**5,738,099**	**142,741**	**62,233**
Interest rate swaps	**30,128,075**	**725,346**	**805,609**
Currency swaps	**18,538,018**	**127,225**	**93,471**
Others	**101,365**	**2,069**	**-**
	54,505,557	**997,381**	**961,313**
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

6. Loans

(a) Loans to and placements with banks

	2020 RS'000	2019 RS'000	2018 RS'000
(i) Loans to and placements with banks			
in Mauritius	**6,113,878**	10,260,987	14,077,611
outside Mauritius	**50,887,111**	38,305,968	17,224,782
	57,000,989	48,566,955	31,302,393
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(37,626,355)**	(27,747,057)	(11,901,781)
	19,374,634	20,819,898	19,400,612
Less:			
Allowances for credit impairment	**(21,837)**	(65,814)	(135,025)
	19,352,797	20,754,084	19,265,587
(ii) Remaining term to maturity			
Up to 3 months	**9,900,928**	9,206,621	3,297,287
Over 3 months and up to 6 months	**3,163,393**	2,037,361	2,226,314
Over 6 months and up to 1 year	**6,007,275**	3,089,785	12,095,668
Over 1 year and up to 5 years	**-**	6,218,813	1,519,065
Over 5 years	**303,038**	267,318	262,278
	19,374,634	20,819,898	19,400,612

(iii) Allowances for credit impairment

	12 months expected credit loss RS'000	Lifetime expected credit loss (credit impaired) RS'000	Total RS'000
At 1 July 2019	**58,323**	**-**	**58,323**
Provision for credit impairment for the year	**5,258**	**-**	**5,258**
Provision released during the year	**(5,752)**	**-**	**(5,752)**
Financial assets that have been derecognised	**(47,662)**	**-**	**(47,662)**
At 30 June 2020	**10,167**	**-**	**10,167**
Interest in suspense	**-**	**11,670**	**11,670**
Provision and interest in suspense at 30 June 2020	**10,167**	**11,670**	**21,837**
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)
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 Nil in 2020 with no provision.
(2019: NPL - Rs 69.2M/Provision - Rs 58.3M , 2018: NPL - Rs 117.6M/Provision - Rs 69.9M).

Comparative information under IAS 39	Specific RS'000	Portfolio RS'000	Total RS'000
At 1 July 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

	2020 RS'000	2019 RS'000	2018 RS'000
(i) Loans and advances to customers			
Retail customers:			
Credit cards	**760,849**	1,185,588	1,003,083
Mortgages	**30,802,696**	29,676,004	26,896,479
Other retail loans	**11,887,913**	12,484,980	12,957,067
Corporate customers	**108,853,062**	104,295,356	102,586,065
Governments	**459,249**	611,394	1,323,731
Entities outside Mauritius	**83,781,511**	71,567,497	49,678,381
	236,545,280	219,820,819	194,444,806
Less:			
Allowances for credit impairment	**(9,767,825)**	(6,422,595)	(5,875,764)
	226,777,455	213,398,224	188,569,042
(ii) Remaining term to maturity			
Up to 3 months	**61,119,009**	63,381,280	50,691,516
Over 3 months and up to 6 months	**4,498,899**	6,279,594	6,734,022
Over 6 months and up to 1 year	**13,638,733**	5,982,588	1,970,122
Over 1 year and up to 5 years	**70,776,548**	60,324,768	57,866,312
Over 5 years	**86,512,091**	83,852,589	77,182,834
	236,545,280	219,820,819	194,444,806

(iii) Allowances for credit impairment

	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 2019	1,332,147	642,416	2,495,739	4,470,302
Exchange adjustment	-	-	172,990	172,990
Transfer to 12 months ECL	107,921	(29,644)	(78,277)	-
Transfer to lifetime ECL not credit impaired	(194,889)	205,081	(10,192)	-
Transfer to lifetime ECL credit impaired	(24,951)	(8,837)	33,788	-
Provision for credit impairment for the year	348,921	2,681,566	2,240,196	5,270,683
Provision released during the year	(494,504)	(81,174)	(196,416)	(772,094)
Financial assets that have been derecognised	(168,882)	(43,663)	(409,196)	(621,741)
Write offs	-	-	(1,255,187)	(1,255,187)
Changes in models/risk parameters	774,519	86,467	-	860,986
At 30 June 2020	1,680,282	3,452,212	2,993,445	8,125,939
Interest in suspense	-	-	1,641,886	1,641,886
Provision and interest in suspense at 30 June 2020	1,680,282	3,452,212	4,635,331	9,767,825

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iii) Allowances for credit impairment (Cont'd)

	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 months 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)
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)

(iv) Allowances for credit impairment by industry sectors

	2020					
	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
Agriculture and fishing	**6,308,717**	**1,161,309**	**26,105**	**243,022**	**889,905**	**1,159,032**
Manufacturing	**13,619,942**	**473,581**	**92,672**	**200,229**	**211,219**	**504,120**
of which EPZ	*2,125,744*	*138,631*	*10,996*	*121,470*	*94,098*	*226,564*
Tourism	**23,249,276**	**243,339**	**281,416**	**1,538,161**	**44,517**	**1,864,094**
Transport	**7,497,831**	**1,182,209**	**94,564**	**61,072**	**1,427,114**	**1,582,750**
Construction	**16,832,268**	**1,326,962**	**227,158**	**12,156**	**514,703**	**754,017**
Financial and business services	**50,423,810**	**1,264,579**	**242,544**	**166,213**	**211,156**	**619,913**
Traders	**43,646,873**	**2,078,164**	**192,336**	**285,602**	**597,154**	**1,075,092**
Personal	**41,503,156**	**1,642,385**	**323,534**	**108,768**	**570,149**	**1,002,451**
of which credit cards	*754,218*	*27,128*	*21,710*	*1,779*	*18,406*	*41,895*
of which housing	*30,802,696*	*1,039,173*	*64,033*	*32,808*	*297,542*	*394,383*
Professional	**1,197,720**	**142,321**	**12,865**	**36,672**	**78,610**	**128,147**
Foreign governments	**459,249**	**-**	**-**	**-**	**-**	**-**
Global Business Licence holders	**19,210,940**	**114,087**	**96,476**	**643,252**	**63,425**	**803,153**
Others	**12,595,498**	**82,686**	**90,612**	**157,065**	**27,379**	**275,056**
	236,545,280	**9,711,622**	**1,680,282**	**3,452,212**	**4,635,331**	**9,767,825**

* Lifetime expected credit loss (credit impaired) includes interest in suspense

	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
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				
Comparative information under IAS 39	**Gross amount of loans**	**Non performing loans**	**Specific provision and interest in suspense**	**Portfolio provision**	**Total provision**
	RS'000	**RS'000**	**RS'000**	**RS'000**	**RS'000**
Agriculture and fishing	8,006,741	616,458	292,863	51,865	344,728
Manufacturing	9,364,011	383,199	123,509	152,658	276,167
of which EPZ	*3,153,492*	*56,667*	*21,193*	*34,791*	*55,984*
Tourism	25,191,420	572,686	442,184	72,194	514,378
Transport	5,121,880	1,318,379	846,302	47,060	893,362
Construction	15,482,908	1,407,640	892,081	173,143	1,065,224
Financial and business services	31,012,976	115,845	77,889	90,736	168,625
Traders	37,305,196	1,569,371	431,242	224,041	655,283
Personal	38,910,813	1,446,923	733,053	233,376	966,429
of which credit cards	*972,383*	*21,327*	*19,166*	*20,933*	*40,099*
of which housing	*25,713,443*	*690,930*	*285,253*	*118,416*	*403,669*
Professional	1,037,496	296,683	181,519	17,463	198,982
Foreign governments	1,323,731	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761
Others	5,759,450	234,803	123,909	39,916	163,825
	194,444,806	8,390,462	4,604,682	1,271,082	5,875,764

(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 for the current and previous year (2018: 10% of its capital base), classified by industry sectors.

	2020	**2019**	**2018**
	RS'000	**RS'000**	**RS'000**
Agriculture and fishing	**7,535,874**	7,862,630	7,864,814
Manufacturing	**946,722**	7,912,073	2,926,040
of which EPZ	*32,560*	*1,214,719*	*1,298,250*
Tourism	**13,541,381**	17,304,683	17,100,616
Transport	**7,254,182**	7,466,523	66,430
Construction	**9,482,477**	11,299,344	10,420,322
Financial and business services	**64,823,092**	31,744,933	22,642,587
Traders	**68,865,971**	57,087,951	28,178,790
Global Business Licence holders	**10,090,366**	10,584,343	17,668,144
Others	**8,111,719**	6,674,444	3,553,575
	190,651,784	157,936,924	110,421,318

7. Investment securities

(a) Investment securities

	2020 RS'000	2019 RS'000
Amortised cost	**100,740,614**	76,388,413
Fair value through other comprehensive income	**20,694,152**	21,850,718
Fair value through profit or loss	**14,838,778**	18,257,877
	136,273,544	116,497,008
Less allowance for credit impairment on investment securities	**(358,640)**	(99,508)
	135,914,904	116,397,500

Credit impaired investments at fair value through other comprehensive income amounted to Rs 90M/Provision - Rs 10.1M in 2020

(b) (i) Amortised cost

	2020 RS'000	2019 RS'000
Government of Mauritius and Bank of Mauritius bonds	**72,142,525**	49,894,841
Treasury bills	**7,083,630**	8,498,081
Foreign bonds	**386,755**	338,212
Notes	**20,803,426**	17,347,916
Indexed linked note	**324,278**	309,363
	100,740,614	76,388,413

(ii) Remaining term to maturity

2020	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	**3,444,489**	**1,834,833**	**6,715,529**	**40,211,882**	**19,935,792**	**72,142,525**
Treasury bills	**3,074,807**	**2,324,807**	**1,684,016**	**-**	**-**	**7,083,630**
Foreign bonds	**-**	**-**	**-**	**238,484**	**148,271**	**386,755**
Notes	**-**	**-**	**2,725,440**	**11,181,379**	**6,896,607**	**20,803,426**
Indexed linked note	**-**	**-**	**-**	**324,278**	**-**	**324,278**
	6,519,296	**4,159,640**	**11,124,985**	**51,956,023**	**26,980,670**	**100,740,614**

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

7. Investment securities (Cont'd)

(iii) Allowances for credit impairment on investment securities

	12 months expected credit loss RS'000	Lifetime expected credit loss (not credit impaired) RS'000	Total RS'000
At 1 July 2019	**99,508**	**-**	**99,508**
Transfer to lifetime ECL not credit impaired	**(43,634)**	**43,634**	**-**
Provision for credit impairment for the year	**8,212**	**213,806**	**222,018**
Provision released during the year	**(12,801)**	**-**	**(12,801)**
Financial assets that have been derecognised	**(4,741)**	**-**	**(4,741)**
Changes in models/risk parameters	**46,123**	**8,533**	**54,656**
At 30 June 2020	**92,667**	**265,973**	**358,640**
At 1 July 2018, as remeasured under IFRS 9	40,444	-	40,444
Provision for credit impairment for the year	78,266	-	78,266
Financial assets that have been derecognised	(40,444)	-	(40,444)
Changes in models/risk parameters	21,242	-	21,242
At 30 June 2019	99,508	-	99,508

(c) (i) Fair value through other comprehensive income by levels

	2020 RS'000	2019 RS'000
Quoted - Level 1		
Official list : shares	**684,329**	859,904
Bonds	**19,140,885**	20,200,962
	19,825,214	21,060,866
Unquoted - Level 2		
Investment fund	**625,022**	545,291
Unquoted - Level 3		
Shares	**243,916**	244,561
	20,694,152	21,850,718

(ii) Reconciliation of level 3 fair value measurements

	2020	2019
At 1 July	**244,561**	229,276
Movement in fair value	**(645)**	15,285
At 30 June	**243,916**	244,561

(d) Fair value through profit or loss by levels

	2020 RS'000	2019 RS'000
Quoted - Level 1		
Foreign bonds	**973**	732,482
Foreign shares	**2,091,933**	1,666,029
	2,092,906	2,398,511
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	**893,056**	864,352
Treasury bills	**11,852,816**	14,995,014
	12,745,872	15,859,366
	14,838,778	18,257,877

7. Investment securities (Cont'd)

Comparative information under IAS 39

(e) (i) Investment securities

	2018 RS'000
Held-to-maturity	53,283,515
Held-for-trading	24,232,384
Available-for-sale	4,418,360
	81,934,259
Less:	
Allowance for credit impairment on investment securities	(49,912)
	81,884,347

(ii) Held-to-maturity

Government of Mauritius & Bank of Mauritius bonds	42,824,594
Treasury bills	2,000,461
Foreign bonds	1,409,392
Notes	7,049,068
	53,283,515

(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**

(f) (i) Held-for-trading

	2018 RS'000
Treasury bills:	
Up to 3 months	11,633,644
Over 3 months and up to 6 months	5,110,295
Over 6 months and up to 12 months	6,429,650
Government of Mauritius & Bank of Mauritius bonds	1,058,795
	24,232,384

7. Investment securities (Cont'd)

Comparative information under IAS 39 (Cont'd)

(f) (ii) Held-for-trading by levels

	2018 RS'000
Unquoted - Level 2	
Government of Mauritius & Bank of Mauritius bonds	1,058,795
Treasury bills	23,173,589
	24,232,384

(g) (i) Available-for-sale by levels

Quoted - Level 1	
Official list : shares	885,660
Bonds	1,354,821
Foreign shares	1,233,154
	3,473,635
Unquoted - Level 2	
Inflation - indexed Government of Mauritius bonds	205,709
Investment fund	509,740
	715,449
Unquoted - Level 3	
Equity shares	229,276
	4,418,360

(ii) Reconciliation of Level 3 fair value measurements

	RS'000
At 1 July 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 2020						
MCB Madagascar SA	**Madagascar**	**Banking & Financial Services**	**6,816,762**	**6,140,036**	**80.00**	**117,570**
Year ended 30 June 2019	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

(ii) Movement in investment in subsidiary is as follows:

	2020	2019	2018
	RS'000	RS'000	RS'000
At 1 July	**117,570**	117,570	64,322
Increase in shareholding during the year	**-**	-	53,248
At 30 June	**117,570**	117,570	117,570

(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 2020							
Banque Française Commerciale Océan Indien	**Reunion**	**Banking & Financial Services**	**96,989,578**	**88,874,472**	**4,026,563**	**877,172**	**49.99**
Société Générale Moçambique	**Mozambique**	**Banking & Financial Services**	**7,344,344**	**6,340,093**	**729,206**	**16,375**	**35.00**
At 30 June 2019							
Banque Française Commerciale Océan Indien	Reunion	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	Reunion	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

(ii) The above associates are accounted for using the equity method.

(iii) 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 (Cont'd)

(iv) Movements in investments in associates

	BFCOI RS'000	SG Moçambique RS'000	Subordinated loan to BFCOI RS'000	Total RS'000
At 1 July 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**
Share of profit of associates	**438,525**	**5,731**	**-**	**444,256**
Share of other movements in associates	**391,326**	**(23,501)**	**-**	**367,825**
Increase in shareholding	**-**	**49,906**	**-**	**49,906**
Adjustments	**-**	**493**	**43,049**	**43,542**
At 30 June 2020	**4,123,107**	**402,276**	**458,688**	**4,984,071**

(v) Summarised financial information in respect of material entities:

Banque Française Commerciale Océan Indien

	2020 RS'000	2019 RS'000	2018 RS'000
Summarised statement of financial position:			
Current assets	**14,979,971**	9,742,622	9,749,454
Non current assets	**82,009,607**	66,263,077	64,227,904
Current liabilities	**23,829,591**	21,558,836	18,920,818
Non current liabilities	**65,044,881**	47,991,716	48,446,074
Summarised statement of profit or loss and other comprehensive income:			
Revenue	**4,026,563**	4,136,101	4,130,602
Dividend received	**-**	173,499	302,503
Profit	**877,172**	482,434	854,440
Other comprehensive expense	**-**	-	-
Total comprehensive income	**877,172**	482,434	854,440

9. Intangible assets

	Computer software RS'000	Work in progress RS'000	Total RS'000
Cost			
At 1 July 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**
Additions	**56,335**	**461,408**	**517,743**
Scrap/Impairment	**(700,445)**	**(21,798)**	**(722,243)**
Transfer	**264,548**	**(264,548)**	**-**
At 30 June 2020	**1,074,267**	**258,026**	**1,332,293**
Accumulated amortisation			
At 1 July 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**
Scrap/Impairment	**(700,445)**	**-**	**(700,445)**
Amortisation adjustment	**58,237**	**-**	**58,237**
Charge for the year	**228,901**	**-**	**228,901**
At 30 June 2020	**317,992**	**-**	**317,992**
Net book values			
At 30 June 2020	**756,275**	**258,026**	**1,014,301**
At 30 June 2019	722,530	82,964	805,494
At 30 June 2018	386,044	158,558	544,602

The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes 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 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**
Recognition of right-of-use assets on initial application of IFRS 16	**150,954**	**-**	**-**	**-**	**150,954**
Additions	**83,414**	**215,389**	**16,045**	**274,619**	**589,467**
Scrap	**-**	**(77,242)**	**(11,610)**	**-**	**(88,852)**
Disposals	**-**	**(29,248)**	**(8,637)**	**-**	**(37,885)**
Transfer	**31,998**	**115,767**	**31,129**	**(178,894)**	**-**
At 30 June 2020	**4,819,853**	**3,151,059**	**884,925**	**169,330**	**9,025,167**
Accumulated depreciation					
At 1 July 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**
Depreciation on right-of-use assets	**45,227**	**-**	**-**	**-**	**45,227**
Charge for the year	**75,854**	**333,756**	**56,396**	**-**	**466,006**
Depreciation adjustment	**-**	**(38,783)**	**8,869**	**-**	**(29,914)**
Scrap adjustment	**-**	**(73,664)**	**(10,698)**	**-**	**(84,362)**
Disposal adjustment	**-**	**(29,203)**	**(8,433)**	**-**	**(37,636)**
At 30 June 2020	**1,053,111**	**2,200,648**	**552,584**	**-**	**3,806,343**
Net book values					
At 30 June 2020	**3,766,742**	**950,411**	**332,341**	**169,330**	**5,218,824**
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

Following the adoption of IFRS 16, the Bank has presented right-of-use assets within 'property, plant and equipment' - i.e. the same line item in which it presents underlying assets of the same nature that it owns.

The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

11. Deferred tax assets

	Balance as at 1 July RS'000	Restatement* RS'000	As restated 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
2020							
Provisions and post retirement benefits	**304,027**	**-**	**-**	**-**	**(83,730)**	**100,328**	**320,625**
Provisions for credit impairment	**318,428**	**-**	**-**	**9,485**	**587,808**	**-**	**915,721**
Accelerated tax depreciation	**(282,370)**	**-**	**-**	**-**	**54,966**	**-**	**(227,404)**
Leases	**-**	**-**	**-**	**-**	**418**	**-**	**418**
At 30 June 2020	**340,085**	**-**	**-**	**9,485**	**559,462**	**100,328**	**1,009,360**
2019							
Provisions and post retirement benefits	245,830	-	245,830	-	(24,648)	82,845	304,027
Provisions for credit impairment	105,122	278,056	383,178	433	(65,183)	-	318,428
Accelerated tax depreciation	(246,587)	-	(246,587)	-	(35,783)	-	(282,370)
At 30 June 2019	104,365	278,056	382,421	433	(125,614)	82,845	340,085
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

***Restatement**

As from 1 July 2018, IFRS 9 'Financial Instruments' was applied and this resulted in an ECL provision of Rs 2.8 billion. The ECL provisions are not allowable for tax purposes in the year these are recognised and lead to a temporary difference.

In the current financial year, the Directors have decided to recognise the deferred tax impact arising on ECL provision since this provides more transparent information to the users of the financial statements. Therefore, the opening balances as of 1 July 2018 and the comparatives for the year ended 30 June 2019 have been restated for the deferred tax impact on ECL provision.

12. Other assets

	2020 RS'000	2019 RS'000	2018 RS'000
Mandatory balances with Central Bank	**19,821,283**	18,608,534	17,196,714
Prepayments & other receivables	**812,748**	611,793	469,478
Credit card clearing	**155,186**	98,676	89,854
Non-banking assets acquired in satisfaction of debts*	**59,956**	60,633	48,699
Impersonal & other accounts	**1,509,246**	2,597,783	1,081,615
	22,358,419	21,977,419	18,886,360

* The Bank's policy is to dispose of such assets as soon as the market permits.

13. Deposits

	2020 RS'000	2019 RS'000	2018 RS'000
(a) Deposits from banks			
Demand deposits	**4,483,974**	3,430,238	3,815,235
Money market deposits with remaining term to maturity:			
Up to 3 months	**1,447,477**	2,529,158	1,861,440
Over 3 months and up to 6 months	**1,429,922**	1,416,573	912,011
Over 6 months and up to 1 year	**200,675**	-	-
Over 1 year and up to 5 years	**38,205**	-	-
	3,116,279	3,945,731	2,773,451
	7,600,253	7,375,969	6,588,686
(b) Deposits from customers			
(i) Retail customers			
Demand deposits	**40,658,027**	29,349,691	27,312,248
Savings deposits	**152,765,204**	132,279,994	121,345,043
Time deposits with remaining term to maturity:			
Up to 3 months	**4,534,366**	4,945,819	3,862,278
Over 3 months and up to 6 months	**2,134,503**	2,242,854	1,858,647
Over 6 months and up to 1 year	**4,620,979**	4,437,470	4,478,033
Over 1 year and up to 5 years	**10,367,259**	11,812,984	12,405,134
Over 5 years	**57,326**	45,005	4,105
	21,714,433	23,484,132	22,608,197
	215,137,664	185,113,817	171,265,488
(ii) Corporate customers			
Demand deposits	**120,196,472**	96,492,924	86,750,375
Savings deposits	**5,077,122**	5,444,583	4,964,468
Time deposits with remaining term to maturity:			
Up to 3 months	**12,777,034**	9,786,076	5,711,297
Over 3 months and up to 6 months	**3,405,905**	2,402,963	1,274,641
Over 6 months and up to 1 year	**2,683,759**	1,603,162	2,528,487
Over 1 year and up to 5 years	**4,530,525**	5,936,188	6,312,278
Over 5 years	**1,181**	31,395	100
	23,398,404	19,759,784	15,826,803
	148,671,998	121,697,291	107,541,646
(iii) Government			
Demand deposits	**43,737**	36,515	25,328
Savings deposits	**154,393**	152,922	110,724
	198,130	189,437	136,052
	364,007,792	307,000,545	278,943,186

The carrying amounts of deposits are not materially different from their fair values.

14. Other borrowed funds

(a) Other borrowed funds comprise the following:

	2020 RS'000	2019 RS'000	2018 RS'000
Borrowings from banks:			
in Mauritius	**17,535,318**	12,067,601	4,386,247
abroad	**33,281,427**	43,338,139	9,802,296
	50,816,745	55,405,740	14,188,543
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**447,852**	21,444	214

The carrying amounts of other borrowed funds are not materially different from their fair values.

(b) Remaining term to maturity:

	2020	2019	2018
On demand or within a period not exceeding 1 year	**43,555,660**	24,134,671	8,363,531
Within a period of more than 1 year but not exceeding 3 years	**352,462**	23,929,224	3,517,597
Within a period of more than 3 years	**6,908,623**	7,341,845	2,307,415
	50,816,745	55,405,740	14,188,543

15. Subordinated liability

Subordinated liability comprises of the following:

	2020 RS'000	2019 RS'000	2018 RS'000
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 5.2% (2019: 5.8% and 2018: 4.8%) (Level 3)	**1,040,100**	1,067,968	1,052,057
Repayment of USD 3.75M during the year (2019: USD 1.5M)	**(137,187)**	(51,384)	-
Exchange adjustment	**110,418**	23,516	8,124
	1,013,331	1,040,100	1,060,181

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. 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

	2020 RS'000	2019 RS'000	2018 RS'000
Post employee benefit liability			
Staff superannuation fund (defined benefit section) (16(a))	**1,040,901**	300,685	152,035
Residual retirement gratuities (16(b))	**128,851**	59,414	51,033
	1,169,752	360,099	203,068

(a) Staff superannuation fund (defined benefit section)

	2020 RS'000	2019 RS'000	2018 RS'000
Reconciliation of net defined benefit liability			
Opening balance	**300,685**	152,035	(99,487)
Amount recognised in statement of profit or loss	**261,288**	211,183	197,012
Amount recognised in statement of comprehensive income	**715,293**	486,650	283,308
Less capital injection	**-**	(317,000)	-
Less employer contributions	**(236,365)**	(232,183)	(228,798)
Liability	**1,040,901**	300,685	152,035
Reconciliation of fair value of plan assets			
Opening balance	**7,687,942**	7,193,278	6,796,365
Interest income	**459,652**	461,089	440,005
Capital injection	**-**	317,000	-
Employer contributions	**236,365**	232,183	228,798
Benefits paid	**(310,177)**	(294,086)	(283,792)
Return on plan assets (below)/above interest income	**(518,481)**	(221,522)	11,902
Closing balance	**7,555,301**	7,687,942	7,193,278
Reconciliation of present value of defined benefit obligation			
Opening balance	**7,988,627**	7,345,313	6,696,878
Current service cost	**230,122**	218,640	210,798
Interest expense	**471,844**	453,632	426,219
Past service cost	**18,974**	-	-
Other benefits paid	**(310,177)**	(294,086)	(283,792)
Liability experience (gain)/loss	**(12,554)**	-	369,496
Liability gain due to change in demographic assumptions	**-**	-	(223,193)
Liability loss due to change in financial assumptions	**209,366**	265,128	148,907
Closing balance	**8,596,202**	7,988,627	7,345,313
Components of amount recognised in statement of profit or loss			
Current service cost	**230,122**	218,640	210,798
Past service cost	**18,974**	-	-
Net interest on net defined benefit liability/(asset)	**12,192**	(7,457)	(13,786)
Total	**261,288**	211,183	197,012
Analysed as follows:			
The Mauritius Commercial Bank Limited (see note 27(a))	**227,973**	184,284	172,431
Other members of The MCB Group Limited	**33,315**	26,899	24,581
	261,288	211,183	197,012
Components of amount recognised in other statement of comprehensive income			
Return on plan assets below/(above) interest income	**518,481**	221,522	(11,902)
Liability experience (gain)/loss	**(12,554)**	-	369,496
Liability gain due to change in demographic assumptions	**-**	-	(223,193)
Liability loss due to change in financial assumptions	**209,366**	265,128	148,907
Total	**715,293**	486,650	283,308

16. Post employee benefit liability (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

	2020	2019	2018
Allocation of plan assets at end of year	%	%	%
Equity - Local quoted	**30**	34	31
Equity - Local unquoted	**1**	1	1
Debt - Overseas quoted	**1**	2	3
Debt - Local quoted	**12**	8	12
Debt - Local unquoted	**5**	11	5
Property - Local	**6**	4	3
Investment funds	**31**	34	32
Cash and other	**14**	6	13
Total	**100**	100	100

Allocation of plan assets at end of year	%	%	%
Reporting entity's own transferable financial instruments	**8**	9	9
Property occupied by reporting entity	**6**	3	2
Other assets used by reporting entity	**4**	2	5

Principal assumptions used at end of year			
Discount rate	**3.2%**	6.0%	6.3%
Rate of salary increases	**1.0%**	3.5%	3.8%
Rate of pension increases	**0.5%**	3.3%	3.3%
Average retirement age (ARA)	**63**	63	63
Average life expectancy for:			
Male at ARA	**17.3 years**	17.3 years	17.3 years
Female at ARA	**21.7 years**	21.7 years	21.7 years

	2020 RS'000	2019 RS'000	2018 RS'000
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**1,617,047**	1,486,604	1,311,293
Decrease due to 1% increase in discount rate	**1,254,003**	1,168,656	1,027,086

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.

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.

16. Post employee benefit liability (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

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 some of its employees which is self-administered and funded separately from the Bank. The Bank has recognised a total net defined benefit liability of Rs 1,041M as at 30 June 2020 for the plan (net defined benefit liability - 2019 : Rs 301M and 2018: Rs 152M).

The Bank operates a final salary defined benefit pension or retirement plan for some of its employees which is self-administered and funded separately from the Bank.

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 had a residual obligation imposed by Workers' Rights Act (WRA) 2019 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, except for data adjustments.

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)	**258,515**
Weighted average duration of the defined benefit obligation	**17 years**

Defined Contribution Cash Balance (DCCB)

As from 1 July 2015, the Bank has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees. Its contributions for DC employees towards pensions and expenses are expensed to the income statement and amounted to Rs 103M for the year ended 30 June 2020 (2019: Rs 83M).

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 (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	2020 Rs'000	2019 Rs'000	2018 Rs'000
Reconciliation of net defined benefit liability			
Opening balance	**59,414**	51,033	-
Amount recognised in statement of profit or loss	**12,978**	7,709	51,033
Amount recognised in statement of comprehensive income	**56,459**	672	-
Liability	**128,851**	59,414	51,033
Reconciliation of present value of defined benefit obligation			
Opening balance	**59,414**	51,033	-
Current service cost	**9,500**	4,677	48,306
Interest expense	**3,396**	3,032	2,727
Past service cost	**82**	-	-
Liability experience loss	**47,351**	-	-
Liability loss due to change in financial assumptions	**9,108**	672	-
Closing balance	**128,851**	59,414	51,033
Components of amount recognised in statement of profit or loss			
Current service cost	**9,500**	4,677	48,306
Past service cost	**82**	-	-
Net interest on net defined benefit liability	**3,396**	3,032	2,727
Total (see note 27(a))	**12,978**	7,709	51,033
Components of amount recognised in other statement of comprehensive income			
Liability experience loss	**47,351**	-	-
Liability loss due to change in financial assumptions	**9,108**	672	-
Total	**56,459**	672	-
Principal assumptions used at end of year			
Discount rate	**3.2%**	6.0%	6.3%
Rate of salary increases	**1.0%**	3.5%	3.8%
Rate of pension increases	**0.5%**	3.3%	3.3%
Average retirement age (ARA)	**63**	63	63

	2020 Rs'000	2019 Rs'000	2018 Rs'000
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**41,819**	27,004	21,745
Decrease due to 1% increase in discount rate	**33,143**	19,191	16,062

The Bank has also recognised a net defined benefit liability of Rs 129M as at 30 June 2020 (2019: Rs 59M, 2018: Rs 51M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Workers' Rights Act (WRA) 2019 and who are therefore entitled to residual retirement gratuities under the Workers' Rights Act (WRA) 2019.

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	**24 years**

17. Other liabilities

	2020 RS'000	2019 RS'000	2018 RS'000
Allowances for credit impairment on off balance sheet exposures (17 (a))	**234,036**	308,464	-
Lease liabilities (17 (b))	**108,945**	-	-
Impersonal, other accounts and deferred income	**5,479,090**	5,904,672	4,862,681
Proposed dividend (see note 30)	**-**	1,547,911	1,341,522
	5,822,071	7,761,047	6,204,203

(a) Allowances for credit impairment on off balance sheet exposures

	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 2019	**308,464**	**-**	**-**	**308,464**
Transfer to lifetime ECL credit impaired	**(23)**	**-**	**23**	**-**
Provision for credit impairment for the year	**11,278**	**-**	**3,229**	**14,507**
Provision released during the year	**(243,452)**	**-**	**-**	**(243,452)**
Changes in models/risk parameters	**154,517**	**-**	**-**	**154,517**
At 30 June 2020	**230,784**	**-**	**3,252**	**234,036**
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

(b) The lease liabilities can be analysed as follows:

	2020 RS'000
Over 6 months and up to 1 year	**42,887**
Over 1 year and up to 5 years	**66,058**
	108,945

18. Further disclosures with adoption of new international financial reporting standards

(a) Transitional disclosures with adoption of IFRS 9

(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 custmers	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. Further disclosures with adoption of new international financial reporting standards (Cont'd)

(a) Transitional disclosures with adoption of IFRS 9 (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
Loans to and placements with banks				
Opening balance	19,265,587	-	(61,941)	19,203,646
Loans 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. Further disclosures with adoption of new international financial reporting standards (Cont'd)

(a) Transitional disclosures with adoption of IFRS 9 (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. Further disclosures with adoption of new international financial reporting standards (Cont'd)

(a) Transitional disclosures with adoption of IFRS 9 (Cont'd)

(ii) Reconciliation of the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 at 1 July 2018 (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 debt 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 billion 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 Rs206 million, 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 debt 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.

(b) Adoption of IFRS 16 leases

This note explains the impact of the adoption of IFRS 16 Leases on the Bank's financial statements. The Bank is adopting IFRS 16 Leases as from financial year 2020 with no restatement of comparatives for 2019 and 2018 as permitted under the specific transition provisions in the standard. The adjustments arising from the new leasing rules have been recognised in the statement of financial position as from financial year 2020. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's borrowing rate as of 1 July 2019. The lessee's borrowing rate applied to the lease liabilities on 1 July 2019 was 5.6%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

18. Further disclosures with adoption of new international standards (Cont'd)

(b) Adoption of IFRS 16 leases (Cont'd)

The Bank has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and Interpretation in Determining whether an Arrangement contains a lease.

(ii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

(iii) Lessor Accounting

The Bank did not make adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

(iv) Amounts recognised in the financial statements at 30 June 2020

	2020 RS'000
Amounts in statement of financial position as at 30 June 2020	
Recognition of right-of-use assets	150,954
Depreciation of right-of-use assets	45,227
Carrying amount of right-of-use assets	105,727
Lease liabilities	108,945
Amounts in statement of profit or loss for the year ended 30 June 2020	
Interest on lease liabilities	8,453
Expenses related to short term leases	2,328
Expenses relating to low value leases	12,442
Expenses relating to variable leases	5,873
Amounts recognised in statement of cash flows for the year ended 30 June 2020	
Cash payment for reduction of the outstanding lease liabilities	42,008
Interest payments	8,453
Total outflow for lease	50,461

19. Stated capital and reserves

(a) Stated capital

	Number of shares
	Share capital
At 30 June 2018, 30 June 2019 and 30 June 2020	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 (2018: available-for-sale investment securities) until the financial instruments 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 represents all foreign currency differences arising from the translation of the results and financial position of investments in associates.

20. Contingent liabilities

		2020 RS'000	2019 RS'000	2018 RS'000
(a)	**Instruments**			
	Guarantees on account of customers	**23,553,607**	20,376,617	22,168,213
	Letters of credit and other obligations on account of customers	**36,938,039**	44,400,531	32,684,338
	Other contingent items	**1,550,287**	1,750,761	2,999,421
		62,041,933	66,527,909	57,851,972
(b)	**Commitments**			
	Loans and other facilities, including undrawn credit facilities	**6,355,559**	5,140,426	6,077,554
(c)	**Tax assessments***	**98,299**	89,715	537,147
		68,495,791	71,758,050	64,466,673

*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 ending 30 June 2019, 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.

On the basis of the agreement reached, the Bank has during the year, submitted amended income tax returns for the years ended 30 June 2016 to 30 June 2018.

In addition, the Bank received several assessments under the Value Added Tax Act for the periods beginning April 2006 to June 2017 against which the Bank also objected.

Based on the settlement previously reached on income tax assessments and ongoing discussions held with the MRA, a provision has been made for the estimated 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 98.3 million.

21. Interest income

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Interest income using the effective interest method:			
Loans to and placements with banks	**875,211**	1,088,763	668,016
Loans and advances to customers	**12,967,781**	12,786,678	10,454,505
Investments at amortised cost	**3,691,154**	2,514,452	-
Investments at fair value through other comprehensive income	**350,321**	270,568	-
Held-to-maturity investments	**-**	-	2,122,591
Available-for-sale investments	**-**	-	114,816
	17,884,467	16,660,461	13,359,928
Investments at fair value through profit or loss	**369,732**	773,775	-
Held-for-trading investments	**-**	-	511,164
Other	**93,793**	14,983	32,596
	18,347,992	17,449,219	13,903,688

22. Interest expense

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Deposits from banks	**65,397**	101,275	48,168
Deposits from customers	**3,146,282**	3,768,132	3,474,471
Subordinated liability	**51,873**	59,192	46,507
Other borrowed funds	**1,611,959**	1,267,823	225,755
Leases	**8,453**	-	-
	4,883,964	5,196,422	3,794,901

23. Fee and commission income

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Retail and private banking fees	**665,704**	685,929	797,254
Corporate banking fees	**938,473**	874,391	793,889
Guarantee fees	**334,718**	263,218	235,715
Interbank transaction fees	**55,986**	63,029	63,216
Cards and other related fees	**1,755,192**	1,792,170	1,577,784
Trade finance fees	**527,880**	630,031	376,296
Others	**142,850**	124,475	120,019
	4,420,803	4,433,243	3,964,173

The Directors have restated certain income previously included in profit arising from dealing in foreign currencies to fee and commission income, since this better reflects the nature of the underlying transactions. The restatement was made to the prior year comparatives since this provides the users of the financial statements with more transparent and fair information of the effects of the transactions in accordance with the requirements of IAS1 ' Presentation of financial statements'. The impact of the restatement to amounts previously reported is as follows:

	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000
Increase in fee and commission income	345,848	319,817
Decrease in profit arising from dealing in foreign currencies	(345,848)	(319,817)

24. Fee and commission expense

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Interbank transaction fees	**16,589**	16,393	17,624
Cards and other related fees	**863,117**	839,780	722,430
Corporate banking and trade finance fees	**189,870**	174,037	113,338
Others	**7,448**	39,773	14,356
	1,077,024	1,069,983	867,748

25. Net gain/(loss) from financial instruments carried at fair value

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Net gain/(loss) from financial instruments	**412,435**	87,342	(420,408)
Investment securities	**500,803**	563,469	38,839
	913,238	650,811	(381,569)

26. Dividend income

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Income from quoted investments	**25,111**	30,677	26,762
Income from unquoted investments	**10,481**	12,350	9,419
Income from subsidiary	**-**	15,477	26,937
	35,592	58,504	63,118

27. Non-interest expense

(a) Salaries and human resource costs

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Wages and salaries	**2,406,925**	2,464,591	2,123,234
Defined benefit plan	**227,973**	184,284	172,431
Defined contribution plan	**132,128**	106,305	84,740
Residual retirement gratuities	**12,978**	7,709	51,033
Compulsory social security obligations	**77,783**	69,993	65,073
Equity settled share-based payments	**10,717**	4,108	10,915
Other personnel expenses	**760,008**	690,235	621,753
	3,628,512	3,527,225	3,129,179
Number of employees at the end of the year	**2,923**	2,836	2,696

(b) Other non-interest expense

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Legal and professional fees	**384,125**	320,627	406,192
Rent, repairs, maintenance and security costs	**316,107**	321,320	293,353
Software licensing and other information technology costs	**406,339**	312,073	255,029
Electricity, water and telephone charges	**242,889**	231,014	219,416
Advertising, marketing costs and sponsoring	**156,149**	249,035	156,276
Postage, courier and stationery costs	**149,046**	145,877	135,301
Insurance costs	**98,163**	97,199	95,090
Others	**138,043**	111,261	172,411
	1,890,861	1,788,406	1,733,068

28. Net impairment of financial assets

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000
Net allowance for credit impairment			
Cash and cash equivalents	**(1,424)**	5,676	-
Loans and advances			
Loans to and placements with banks	**(48,156)**	(74,726)	237,311
Loans and advances to customers	**4,737,834**	1,486,462	895,046
Investment securities			
Amortised cost	**259,132**	59,064	-
Fair value through other comprehensive income	**9,909**	(6,397)	-
Held-to-maturity	**-**	-	45,967
Off balance sheet exposures	**(74,428)**	32,816	-
	4,882,867	1,502,895	1,178,324
Bad debts written off for which no provisions were made	**-**	522	100,117
Recoveries of advances written off	**(64,599)**	(47,768)	(49,509)
	4,818,268	1,455,649	1,228,932

29. Income tax expense

(a) The tax charge related to statement of profit or loss is as follows:

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000
Income tax based on the adjusted profit	**1,135,676**	768,100	776,517
Deferred tax	**(422,006)**	125,614	87,464
Effect of change in tax rate	**(137,456)**	-	-
Special levy on banks	**563,072**	510,460	493,820
Corporate social responsibility contribution	**103,850**	86,442	92,170
(Over)/under provision in previous years	**(13,604)**	24,226	(80,540)
Provision for tax assessment	**-**	163,055	258,272
Charge for the year	**1,229,532**	1,677,897	1,627,703
The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:			
Profit before tax	**8,638,034**	10,443,470	8,413,267
Less share of profit of associates	**(444,256)**	(241,860)	(341,468)
	8,193,778	10,201,610	8,071,799
Tax calculated at applicable tax rates	**1,012,521**	1,530,242	1,210,770
Effect of change in tax rate	**(137,456)**	-	-
Impact of:			
Income not subject to tax	**(511,145)**	(110,007)	(81,491)
Expenses not deductible for tax purposes	**212,294**	223,771	222,341
Tax credits	**-**	(750,292)	(487,639)
Special levy on banks	**563,072**	510,460	493,820
Corporate social responsibility contribution	**103,850**	86,442	92,170
(Over)/under provision in previous years	**(13,604)**	24,226	(80,540)
Provision for tax assessment	**-**	163,055	258,272
Tax charge	**1,229,532**	1,677,897	1,627,703

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 income for 30 June 2018).

Applicable tax rates

As from 1 July 2019, the Segment A and Segment B regime has been abolished for income tax purposes and a new tax regime is applicable for the banking sector. The Bank is now being taxed at 5% on the first Rs 1.5 billion of its chargeable income, at 15% of its chargeable income between Rs 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions.

(b) The tax credit related to statement of comprehensive income is as follows:

Remeasurement of defined benefit pension plan and retirement residual gratuities	**771,752**	487,322	283,308
Deferred tax credit	**(100,328)**	(82,845)	(48,162)
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**671,424**	404,477	235,146

30. Dividends

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000
Dividends in cash			
Paid on 10 December 2019 at Rs 2.70 per share (F/Y 2019 & F/Y 2018: Rs 2.05)	**1,857,492**	1,410,319	1,410,319
F/Y 2019 - Paid on 26 July 2019 at Rs 2.25 per share (F/Y 2018: Rs 1.95)*	**-**	1,547,911	1,341,522
	1,857,492	2,958,230	2,751,841

* No dividends have yet been declared in respect of financial year ended 30 June 2020.

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.

Profit for the year	**7,408,502**	8,765,573	6,785,564
Weighted average number of ordinary shares (thousands)	**687,960**	687,960	687,960
Earnings per share (Rs)	**10.77**	12.74	9.86

32. Commitments

(a) Capital commitments

	2020 RS'000	2019 RS'000	2018 RS'000
Expenditure contracted for but not incurred	**129,350**	137,028	95,075
Expenditure approved by the Board but not contracted for	**172,770**	143,303	232,282

(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.

	2020 RS'000	2019 RS'000	2018 RS'000
Government of Mauritius bonds with Bank of Mauritius	**5,800,000**	5,014,100	4,528,877
Government of Mauritius bonds with other financial institutions	**9,086,950**	1,800,000	1,800,000
	14,886,950	6,814,100	6,328,877

33. Net cash flows from trading activities

	2020 RS'000	2019 RS'000 (Restated)	2018 RS'000
Continuing operations			
Operating profit	**8,193,778**	10,201,610	8,071,799
Increase in other assets	**(378,483)**	(3,093,606)	(1,045,943)
(Decrease)/Increase in other liabilities	**(397,259)**	822,291	1,049,897
Net (increase)/decrease in derivative financial instruments	**(275,581)**	(71,694)	440,508
Net increase in investment securities held-for-trading	**-**	-	(14,663,794)
Net decrease in investment securities at fair value through profit or loss	**3,419,099**	7,207,661	-
Capital injection in Superannuation Fund	**-**	(317,000)	-
Additional/(release) of provision for employee benefits	**24,923**	(21,000)	(31,786)
Additional provision for residual retirement gratuities	**12,978**	7,709	51,033
Charge/(release) for credit impairment:			
Loans and advances	**4,689,678**	1,411,736	1,132,357
Investment securities	**259,132**	59,064	45,967
Cash and cash equivalents	**(1,424)**	5,676	-
Off balance sheet	**(74,428)**	32,816	-
Investment fair valued through other comprehensive income	**9,909**	(6,397)	-
Exchange (profit)/loss	**(2,621,449)**	(457,794)	42,705
Depreciation of property, plant and equipment	**511,233**	436,510	391,651
Amortisation of intangible assets	**228,901**	173,476	201,416
Loss/(profit) on disposal of property, plant and equipment	**2,455**	(2,940)	(1,238)
Loss on scrapped intangible assets	**21,798**	-	-
Profit on disposal of investment securities	**(195,432)**	(7,505)	-
Profit on disposal of available-for-sale investments	**-**	-	(17,999)
	13,429,828	16,380,613	(4,333,427)

34. Net cash flows from other operating activities

	2020 RS'000	2019 RS'000 (Restated)	2018 RS'000 (Restated)
Net increase in deposits	**57,231,531**	28,844,642	21,659,472
Net increase in loans and advances	**(16,666,560)**	(28,843,263)	(23,301,635)
Purchase of available-for-sale investments	**-**	-	(11,413,222)
Purchase of investment at fair value through other comprehensive income	**(63,848,547)**	(39,503,153)	-
Proceeds from sale of available-for-sale investments	**-**	-	11,947,380
Proceeds from sale of investment at fair value through other comprehensive income	**67,685,694**	21,139,773	-
Decrease in held-to-maturity investment securities	**-**	-	1,525,133
Net increase in investment securities at amortised cost	**(24,352,201)**	(22,899,173)	-
Net (decrease)/increase in other borrowed funds	**(5,020,514)**	41,203,755	8,618,068
	15,029,403	(57,419)	9,035,196

35. Related party transactions

	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
Cash equivalents, Loans and Advances						
Balances at 1 July 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**
Net movements during the year	**(507)**	**(99)**	**(701,366)**	**(833,032)**	**12,722**	**(39,460)**
Balances at 30 June 2020	**8**	**-**	**3,227,766**	**1,342,491**	**303,835**	**332,700**
Deposits						
Balance at year end:						
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
30 June 2020	**140,793**	**19,670**	**5,423,418**	**231,467**	**328,502**	**406,001**
Amounts due from/(to)						
Balance at year end:						
30 June 2018	1,544	(1,341,522)	121,983	2,026	-	-
30 June 2019	1,654	(1,547,856)	107,026	1,979	-	-
30 June 2020	**1,958**	**-**	**73,498**	**2,250**	**-**	**-**
Off Balance sheet items						
Balance at year end:						
30 June 2018	-	-	949,193	-	-	2,715
30 June 2019	-	-	1,727,200	629,271	-	2,757
30 June 2020	**-**	**-**	**2,396,674**	**160,793**	**-**	**5,103**
Interest income						
For the year ended:						
30 June 2018	15,760	-	135,985	15,564	5,171	32,400
30 June 2019	-	-	163,867	16,971	6,716	20,282
30 June 2020	**1,600**	**-**	**119,566**	**14,569**	**5,804**	**15,034**
Interest expense						
For the year ended:						
30 June 2018	-	-	53,741	5,051	5,792	87
30 June 2019	-	-	59,238	3,622	6,763	34
30 June 2020	**-**	**-**	**35,470**	**2,880**	**4,190**	**62**

35. Related party transactions (Cont'd)

	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
Other income						
For the year ended:						
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
30 June 2020	**1,637**	**39**	**175,156**	**8,402**	**1,723**	**3,699**
Non-interest expense						
For the year ended:						
30 June 2018	-	-	107,436	-	-	-
30 June 2019	-	-	105,351	-	-	-
30 June 2020	**-**	**-**	**154,969**	**-**	**-**	**-**

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 and Rs 1,341.5M for 2017/2018.

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, where applicable, 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 "Fee and commission income" and "Other operating (expense)/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 :

		2020	2019	2018
MCB Seychelles	5 % of Gross operating income	**Rs 57.9M**	Rs 53.3M	Rs 46.8M
MCB Madagascar	5 % of Operating income	**Rs 17.1M**	Rs 11.6M	Rs 10.8M
MCB Maldives	5 % of Operating income	**Rs 22.1M**	Rs 18.7M	Rs 13.5M

During the year, 125,905 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 36.5M. (Previous years comparatives are as follows: FY 2018/2019: 74,120 share options for Rs 19.9M; FY 2017/2018: 42,657 share options for Rs 9.4M).

Key Management Personnel compensation

	2020 RS'000	2019 RS'000	2018 RS'000
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :			
Salaries and short term employee benefits	**134,112**	107,881	104,103
Post employment benefits	**8,302**	7,184	7,186
	142,414	115,065	111,289

36. 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.

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of financial position as at 30 June 2020

		2020			2019 (Restated)			2018 (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									
ASSETS										
Cash and cash equivalents		**68,127,676**	**30,514,091**	**37,613,585**	45,398,059	19,650,617	25,747,442	34,087,944	24,236,401	9,851,543
Derivative financial instruments	36(a)	**997,381**	**94,862**	**902,519**	269,295	42,104	227,191	95,817	8,290	87,527
Loans to and placements with banks	36(b)	**19,352,797**	**6,113,488**	**13,239,309**	20,754,084	8,274,449	12,479,635	19,265,587	12,027,373	7,238,214
Loans and advances to customers	36(c)	**226,777,455**	**127,924,433**	**98,853,022**	213,398,224	127,227,254	86,170,970	188,569,042	123,525,034	65,044,008
Investment securities	36(d)	**135,914,904**	**114,322,395**	**21,592,509**	116,397,500	93,527,372	22,870,128	81,884,347	77,957,492	3,926,855
Investment in subsidiary	36(e)	**117,570**	**-**	**117,570**	117,570	-	117,570	117,570	-	117,570
Investments in associates	36(e)	**4,984,071**	**-**	**4,984,071**	4,078,542	-	4,078,542	4,054,371	-	4,054,371
Intangible assets	36(f)	**1,014,301**	**1,014,301**	**-**	805,494	805,494	-	544,602	544,602	-
Property, plant and equipment	36(g)	**5,218,824**	**5,218,824**	**-**	4,964,461	4,964,461	-	4,841,797	4,841,797	-
Deferred tax assets		**1,009,360**	**627,189**	**382,171**	340,085	279,142	60,943	104,365	97,789	6,576
Other assets	36(h)	**22,358,419**	**21,895,766**	**462,653**	21,977,419	21,536,799	440,620	18,886,360	18,772,720	113,640
Total assets		**485,872,758**	**307,725,349**	**178,147,409**	428,500,733	276,307,692	152,193,041	352,451,802	262,011,498	90,440,304
LIABILITIES AND SHAREHOLDER'S EQUITY										
Deposits from banks	36(i)	**7,600,253**	**194,919**	**7,405,334**	7,375,969	143,943	7,232,026	6,588,686	86,016	6,502,670
Deposits from customers	36(j)	**364,007,792**	**259,315,462**	**104,692,330**	307,000,545	222,209,644	84,790,901	278,943,186	203,769,469	75,173,717
Derivative financial instruments	36(a)	**961,313**	**77,499**	**883,814**	508,808	57,005	451,803	407,024	57,179	349,845
Other borrowed funds	36(k)	**50,816,745**	**17,535,318**	**33,281,427**	55,405,740	12,067,601	43,338,139	14,188,543	4,386,247	9,802,296
Subordinated liability	36(l)	**1,013,331**	**-**	**1,013,331**	1,040,100	-	1,040,100	1,060,181	-	1,060,181
Current tax liabilities		**1,269,789**	**1,009,766**	**260,023**	898,811	695,798	203,013	872,964	824,280	48,684
Post employee benefit liability		**1,169,752**	**1,169,752**	**-**	360,099	360,099	-	203,068	203,068	-
Other liabilities	36(m)	**5,822,071**	**5,728,654**	**93,417**	7,761,047	7,600,376	160,671	6,204,203	5,901,274	302,929
Total liabilities		**432,661,046**	**285,031,370**	**147,629,676**	380,351,119	243,134,466	137,216,653	308,467,855	215,227,533	93,240,322
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		**38,947,716**	**38,947,716**	**-**	33,818,933	33,818,933	-	28,596,833	28,596,833	-
Other components of equity		**7,384,394**	**7,027,320**	**357,074**	7,451,079	7,356,746	94,333	8,507,512	8,081,419	426,093
Total equity		**53,211,712**	**52,854,638**	**357,074**	48,149,614	48,055,281	94,333	43,983,947	43,557,854	426,093
Total equity and liabilities		**485,872,758**	**337,886,008**	**147,986,750**	428,500,733	291,189,747	137,310,986	352,451,802	258,785,387	93,666,415
CONTINGENT LIABILITIES										
Guarantees, letters of credit, and other obligations on account of customers		**62,041,933**	**15,878,387**	**46,163,546**	66,527,909	16,005,438	50,522,471	57,851,972	16,873,754	40,978,218
Commitments		**6,355,559**	**4,004,082**	**2,351,477**	5,140,426	3,921,344	1,219,082	6,077,554	4,719,360	1,358,194
Tax assessments		**98,299**	**98,299**	**-**	89,715	89,715	-	537,147	537,147	-
	36(n)	**68,495,791**	**19,980,768**	**48,515,023**	71,758,050	20,016,497	51,741,553	64,466,673	22,130,261	42,336,412

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of profit or loss for the year ended 30 June 2020

	Note	2020			2019 (Restated)			2018 (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
Interest income	36(o)	**18,347,992**	**11,468,025**	**6,879,967**	17,449,219	11,098,318	6,350,901	13,903,688	10,227,030	3,676,658
Interest expense	36(p)	**(4,883,964)**	**(2,892,182)**	**(1,991,782)**	(5,196,422)	(3,650,436)	(1,545,986)	(3,794,901)	(2,991,944)	(802,957)
Net interest income		**13,464,028**	**8,575,843**	**4,888,185**	12,252,797	7,447,882	4,804,915	10,108,787	7,235,086	2,873,701
Fee and commission income	36(q)	**4,420,803**	**2,525,492**	**1,895,311**	4,433,243	2,657,182	1,776,061	3,964,173	2,325,357	1,638,816
Fee and commission expense	36(r)	**(1,077,024)**	**(696,003)**	**(381,021)**	(1,069,983)	(708,226)	(361,757)	(867,748)	(603,085)	(264,663)
Net fee and commission income		**3,343,779**	**1,829,489**	**1,514,290**	3,363,260	1,948,956	1,414,304	3,096,425	1,722,272	1,374,153
Other income										
Profit arising from dealing in foreign currencies		**1,321,007**	**915,557**	**405,450**	1,219,102	866,058	353,044	1,832,581	1,497,197	335,384
Net gain/(loss) from financial instruments carried at fair value	36(s)	**913,238**	**478,315**	**434,923**	650,811	312,420	338,391	(381,569)	(416,341)	34,772
		2,234,245	**1,393,872**	**840,373**	1,869,913	1,178,478	691,435	1,451,012	1,080,856	370,156
Dividend income	36(t)	**35,592**	**27,028**	**8,564**	58,504	35,076	23,428	63,118	31,256	31,862
Net gain on sale of financial instruments		**195,432**	**-**	**195,432**	7,505	-	7,505	17,999	13,254	4,745
Other operating (expense)/income		**(1,523)**	**(9,801)**	**8,278**	30,897	24,932	5,965	18,704	15,239	3,465
		2,463,746	**1,411,099**	**1,052,647**	1,966,819	1,238,486	728,333	1,550,833	1,140,605	410,228
Operating income		**19,271,553**	**11,816,431**	**7,455,122**	17,582,876	10,635,324	6,947,552	14,756,045	10,097,963	4,658,082
Non-interest expense										
Salaries and human resource costs	36(u)	**(3,628,512)**	**(3,141,190)**	**(487,322)**	(3,527,225)	(3,011,333)	(515,892)	(3,129,179)	(2,671,411)	(457,768)
Depreciation of property, plant and equipment		**(511,233)**	**(481,145)**	**(30,088)**	(436,510)	(415,231)	(21,279)	(391,651)	(373,204)	(18,447)
Amortisation of intangible assets		**(228,901)**	**(208,632)**	**(20,269)**	(173,476)	(157,222)	(16,254)	(201,416)	(187,808)	(13,608)
Other	36(v)	**(1,890,861)**	**(1,644,844)**	**(246,017)**	(1,788,406)	(1,581,007)	(207,399)	(1,733,068)	(1,554,413)	(178,655)
		(6,259,507)	**(5,475,811)**	**(783,696)**	(5,925,617)	(5,164,793)	(760,824)	(5,455,314)	(4,786,836)	(668,478)
Operating profit before impairment		**13,012,046**	**6,340,620**	**6,671,426**	11,657,259	5,470,531	6,186,728	9,300,731	5,311,127	3,989,604
Net impairment of financial assets	36(w)	**(4,818,268)**	**(3,477,157)**	**(1,341,111)**	(1,455,649)	(821,260)	(634,389)	(1,228,932)	(326,567)	(902,365)
Operating profit		**8,193,778**	**2,863,463**	**5,330,315**	10,201,610	4,649,271	5,552,339	8,071,799	4,984,560	3,087,239
Share of profit of associates		**444,256**	**-**	**444,256**	241,860	-	241,860	341,468	-	341,468
Profit before tax		**8,638,034**	**2,863,463**	**5,774,571**	10,443,470	4,649,271	5,794,199	8,413,267	4,984,560	3,428,707
Income tax expense	36(x)	**(1,229,532)**	**(969,509)**	**(260,023)**	(1,677,897)	(1,469,843)	(208,054)	(1,627,703)	(1,563,098)	(64,605)
Profit for the year		**7,408,502**	**1,893,954**	**5,514,548**	8,765,573	3,179,428	5,586,145	6,785,564	3,421,462	3,364,102

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of comprehensive income for the year ended 30 June 2020

	2020			2019 (Restated)			2018		
	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Profit for the year	**7,408,502**	**1,893,954**	**5,514,548**	8,765,573	3,179,428	5,586,145	6,785,564	3,421,462	3,364,102
Other comprehensive (expense)/income:									
Items that will not be reclassified to profit or loss:									
Net fair value loss on equity instruments	**(190,268)**	**(190,268)**	**-**	(68,733)	(68,733)	-	-	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	**(671,424)**	**(671,424)**	**-**	(404,477)	(404,477)	-	(235,146)	(235,146)	-
	(861,692)	**(861,692)**	**-**	(473,210)	(473,210)	-	(235,146)	(235,146)	-
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations	**367,825**	**-**	**367,825**	22,839	-	22,839	89,526	-	89,526
Reclassification adjustments on disposal of investments at fair value	**-**	**-**	**-**	(25,320)	(25,320)	-	-	-	-
Reclassification adjustments on disposal of available-for-sale investments	**-**	**-**	**-**	-	-	-	(227,304)	(227,304)	-
Net fair value gain/(loss) on debt instruments	**4,955**	**18,382**	**(13,427)**	81,731	(6,976)	88,707	-	-	-
Net fair value gain on available-for-sale investments	**-**	**-**	**-**	-	-	-	471,373	135,430	335,943
	372,780	**18,382**	**354,398**	79,250	(32,296)	111,546	333,595	(91,874)	425,469
Other comprehensive (expense)/income for the year	**(488,912)**	**(843,310)**	**354,398**	(393,960)	(505,506)	111,546	98,449	(327,020)	425,469
Total comprehensive income for the year	**6,919,590**	**1,050,644**	**5,868,946**	8,371,613	2,673,922	5,697,691	6,884,013	3,094,442	3,789,571

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(a) Derivative financial instruments

	2020			2019			2018		
	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	**142,741**	**82,567**	**60,174**	61,341	34,735	26,606	65,067	5,495	59,572
Interest rate swaps	**725,346**	**3,881**	**721,465**	200,364	3,874	196,490	8,727	-	8,727
Currency swaps	**127,225**	**8,414**	**118,811**	6,047	3,460	2,587	20,896	2,795	18,101
Others	**2,069**	**-**	**2,069**	1,543	35	1,508	1,127	-	1,127
	997,381	**94,862**	**902,519**	269,295	42,104	227,191	95,817	8,290	87,527
(ii) Fair value liabilities									
Currency forwards	**62,233**	**19,890**	**42,343**	34,801	8,215	26,586	75,215	42,756	32,459
Interest rate swaps	**805,609**	**-**	**805,609**	248,891	-	248,891	2,784	-	2,784
Currency swaps	**93,471**	**57,609**	**35,862**	224,162	48,790	175,372	329,025	14,423	314,602
Others	**-**	**-**	**-**	954	-	954	-	-	-
	961,313	**77,499**	**883,814**	508,808	57,005	451,803	407,024	57,179	349,845

(b) Loans to and placements with banks

	2020 TOTAL RS'000	2020 Segment A RS'000	2020 Segment B RS'000	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
(i) Loans to and placements with banks									
in Mauritius	**6,113,878**	**6,113,878**	**-**	10,260,987	10,260,987	-	14,077,611	14,077,611	-
outside Mauritius	**50,887,111**	**-**	**50,887,111**	38,305,968	-	38,305,968	17,224,782	-	17,224,782
	57,000,989	**6,113,878**	**50,887,111**	48,566,955	10,260,987	38,305,968	31,302,393	14,077,611	17,224,782
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(37,626,355)**	**-**	**(37,626,355)**	(27,747,057)	(1,985,908)	(25,761,149)	(11,901,781)	(2,050,238)	(9,851,543)
	19,374,634	**6,113,878**	**13,260,756**	20,819,898	8,275,079	12,544,819	19,400,612	12,027,373	7,373,239
Less allowances for credit impairment	**(21,837)**	**(390)**	**(21,447)**	(65,814)	(630)	(65,184)	(135,025)	-	(135,025)
	19,352,797	**6,113,488**	**13,239,309**	20,754,084	8,274,449	12,479,635	19,265,587	12,027,373	7,238,214
(ii) Remaining term to maturity									
Up to 3 months	**9,900,928**	**434,048**	**9,466,880**	9,206,621	49,021	9,157,600	3,297,287	1,522,100	1,775,187
Over 3 months and up to 6 months	**3,163,393**	**-**	**3,163,393**	2,037,361	306,160	1,731,201	2,226,314	699,844	1,526,470
Over 6 months and up to 1 year	**6,007,275**	**5,679,648**	**327,627**	3,089,785	2,270,679	819,106	12,095,668	9,805,429	2,290,239
Over 1 year and up to 5 years	**-**	**-**	**-**	6,218,813	5,649,000	569,813	1,519,065	-	1,519,065
Over 5 years	**303,038**	**182**	**302,856**	267,318	219	267,099	262,278	-	262,278
	19,374,634	**6,113,878**	**13,260,756**	20,819,898	8,275,079	12,544,819	19,400,612	12,027,373	7,373,239

36. 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

	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
Provision at 1 July 2019	58,323	630	630	57,693	57,693	-
Provision for credit impairment for the year	5,258	3	3	5,255	5,255	-
Provision released during the year	(5,752)	(76)	(76)	(5,676)	(5,676)	-
Financial assets that have been derecognised	(47,662)	(167)	(167)	(47,495)	(47,495)	-
Provision at 30 June 2020	10,167	390	390	9,777	9,777	-
Interest in suspense	11,670	-	-	11,670	-	11,670
Provision and interest in suspense at 30 June 2020	21,837	390	390	21,447	9,777	11,670
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

	Segment B		
	Total RS'000	Specific RS'000	Portfolio RS'000
Comparative information under IAS 39			
At 1 July 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

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers

	2020			2019			2018		
	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	760,849	750,374	10,475	1,185,588	1,151,376	34,212	1,003,083	979,147	23,936
Mortgages	30,802,696	29,638,276	1,164,420	29,676,004	28,491,864	1,184,140	26,896,479	25,713,443	1,183,036
Other retail loans	11,887,913	11,178,830	709,083	12,484,980	12,061,766	423,214	12,957,067	11,846,900	1,110,167
Corporate customers	108,853,062	91,748,920	17,104,142	104,295,356	88,810,870	15,484,486	102,586,065	88,518,515	14,067,550
Governments	459,249	-	459,249	611,394	-	611,394	1,323,731	-	1,323,731
Entities outside Mauritius	83,781,511	-	83,781,511	71,567,497	-	71,567,497	49,678,381	-	49,678,381
	236,545,280	133,316,400	103,228,880	219,820,819	130,515,876	89,304,943	194,444,806	127,058,005	67,386,801
Less:									
Allowances for credit impairment	(9,767,825)	(5,391,967)	(4,375,858)	(6,422,595)	(3,288,622)	(3,133,973)	(5,875,764)	(3,532,971)	(2,342,793)
	226,777,455	127,924,433	98,853,022	213,398,224	127,227,254	86,170,970	188,569,042	123,525,034	65,044,008

(i) Remaining term to maturity

Up to 3 months	61,119,009	34,201,021	26,917,988	63,381,280	33,857,301	29,523,979	50,691,516	32,535,408	18,156,108
Over 3 months and up to 6 months	4,498,899	3,851,744	647,155	6,279,594	2,123,517	4,156,077	6,734,022	3,150,561	3,583,461
Over 6 months and up to 1 year	13,638,733	3,683,163	9,955,570	5,982,588	2,361,263	3,621,325	1,970,122	1,239,665	730,457
Over 1 year and up to 5 years	70,776,548	21,410,750	49,365,798	60,324,768	24,559,916	35,764,852	57,866,312	26,592,921	31,273,391
Over 5 years	86,512,091	70,169,722	16,342,369	83,852,589	67,613,879	16,238,710	77,182,834	63,539,450	13,643,384
	236,545,280	133,316,400	103,228,880	219,820,819	130,515,876	89,304,943	194,444,806	127,058,005	67,386,801

(ii) Credit concentration of risk by industry sectors

Agriculture and fishing	7,535,874	6,891,772	644,102	7,862,630	7,862,630	-	7,864,814	7,367,397	497,417
Manufacturing	946,722	946,594	128	7,912,073	2,569,997	5,342,076	2,926,040	2,925,991	49
of which EPZ	*32,560*	*32,560*	-	*1,214,719*	*1,214,719*	-	*1,298,250*	*1,298,250*	-
Tourism	13,541,381	11,463,222	2,078,159	17,304,683	14,221,202	3,083,481	17,100,616	13,819,715	3,280,901
Transport	7,254,182	16,491	7,237,691	7,466,523	77,805	7,388,718	66,430	66,430	-
Construction	9,482,477	9,482,477	-	11,299,344	11,299,344	-	10,420,322	10,420,322	-
Financial and business services	64,823,092	9,773,144	55,049,948	31,744,933	9,672,589	22,072,344	22,642,587	10,492,425	12,150,162
Traders	68,865,971	2,846,507	66,019,464	57,087,951	3,730,731	53,357,220	28,178,790	3,131,638	25,047,152
Global Business Licence holders	10,090,366	-	10,090,366	10,584,343	-	10,584,343	17,668,144	-	17,668,144
Others	8,111,719	2,151,630	5,960,089	6,674,444	747,975	5,926,469	3,553,575	3,553,575	-
	190,651,784	43,571,837	147,079,947	157,936,924	50,182,273	107,754,651	110,421,318	51,777,493	58,643,825

36. 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 expected credit loss (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
Provision at 1 July 2019	**4,470,302**	**1,903,682**	775,478	216,868	911,336	**2,566,620**	556,669	425,548	1,584,403
Exchange adjustment	**172,990**	**-**	-	-	-	**172,990**	-	-	172,990
Transfer to 12 months ECL	**-**	**(164)**	103,664	(28,704)	(75,124)	**164**	4,257	(940)	(3,153)
Transfer to lifetime ECL not credit impaired	**-**	**-**	(128,622)	138,641	(10,019)	**-**	(66,267)	66,440	(173)
Transfer to lifetime ECL credit impaired	**-**	**(533)**	(24,692)	(8,716)	32,875	**533**	(259)	(121)	913
Provision for credit impairment for the year	**5,270,683**	**3,337,068**	163,006	1,563,642	1,610,420	**1,933,615**	185,915	1,117,924	629,776
Provision released during the year	**(772,094)**	**(465,791)**	(293,250)	(30,353)	(142,188)	**(306,303)**	(201,254)	(50,821)	(54,228)
Financial assets that have been derecognised	**(621,741)**	**(143,537)**	(75,061)	(5,682)	(62,794)	**(478,204)**	(93,821)	(37,981)	(346,402)
Write offs	**(1,255,187)**	**(925,378)**	-	-	(925,378)	**(329,809)**	-	-	(329,809)
Changes in models /risk parameters	**860,986**	**561,429**	530,122	31,307	-	**299,557**	244,397	55,160	-
Provision at 30 June 2020	**8,125,939**	**4,266,776**	1,050,645	1,877,003	1,339,128	**3,859,163**	629,637	1,575,209	1,654,317
Interest in suspense	**1,641,886**	**1,125,191**	-	-	1,125,191	**516,695**	-	-	516,695
Provision and interest in suspense at 30 June 2020	**9,767,825**	**5,391,967**	1,050,645	1,877,003	2,464,319	**4,375,858**	629,637	1,575,209	2,171,012
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 months 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
Comparative information under IAS 39	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

36. 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

	2020					
	Gross amount of loans	Non performing loans	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)*	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
SEGMENT A						
Agriculture and fishing	5,511,182	616,349	24,447	243,022	654,420	921,889
Manufacturing	9,826,127	473,127	87,586	200,229	210,768	498,583
of which EPZ	*2,125,744*	*138,631*	*10,996*	*121,470*	*94,098*	*226,564*
Tourism	16,200,751	242,925	178,318	984,487	44,292	1,207,097
Transport	1,970,576	184,558	48,907	1,342	133,895	184,144
Construction	14,527,753	1,326,842	175,731	12,107	514,676	702,514
Financial and business services	24,308,318	440,116	86,149	135,474	43,795	265,418
Traders	15,519,019	671,194	128,373	84,943	221,106	434,422
Personal	39,621,643	1,544,871	267,887	105,137	538,244	911,268
of which credit cards	*743,964*	*26,316*	*21,356*	*1,755*	*17,741*	*40,852*
of which housing	*29,638,276*	*963,867*	*62,093*	*30,011*	*283,498*	*375,602*
Professional	1,126,114	140,016	11,896	34,575	76,556	123,027
Others	4,704,917	81,817	41,351	75,687	26,567	143,605
	133,316,400	5,721,815	1,050,645	1,877,003	2,464,319	5,391,967
SEGMENT B						
Agriculture and fishing	797,535	544,960	1,658	-	235,485	237,143
Manufacturing	3,793,815	454	5,086	-	451	5,537
Tourism	7,048,525	414	103,098	553,674	225	656,997
Transport	5,527,255	997,651	45,657	59,730	1,293,219	1,398,606
Construction	2,304,515	120	51,427	49	27	51,503
Financial and business services	26,115,492	824,463	156,395	30,739	167,361	354,495
Traders	28,127,854	1,406,970	63,963	200,659	376,048	640,670
Personal	1,881,513	97,514	55,647	3,631	31,905	91,183
of which credit cards	*10,254*	*812*	*354*	*24*	*665*	*1,043*
of which housing	*1,164,420*	*75,306*	*1,940*	*2,797*	*14,044*	*18,781*
Professional	71,606	2,305	969	2,097	2,054	5,120
Foreign governments	459,249	-	-	-	-	-
Global Business Licence holders	19,210,940	114,087	96,476	643,252	63,425	803,153
Others	7,890,581	869	49,261	81,378	812	131,451
	103,228,880	3,989,807	629,637	1,575,209	2,171,012	4,375,858
TOTAL						
Agriculture and fishing	6,308,717	1,161,309	26,105	243,022	889,905	1,159,032
Manufacturing	13,619,942	473,581	92,672	200,229	211,219	504,120
of which EPZ	*2,125,744*	*138,631*	*10,996*	*121,470*	*94,098*	*226,564*
Tourism	23,249,276	243,339	281,416	1,538,161	44,517	1,864,094
Transport	7,497,831	1,182,209	94,564	61,072	1,427,114	1,582,750
Construction	16,832,268	1,326,962	227,158	12,156	514,703	754,017
Financial and business services	50,423,810	1,264,579	242,544	166,213	211,156	619,913
Traders	43,646,873	2,078,164	192,336	285,602	597,154	1,075,092
Personal	41,503,156	1,642,385	323,534	108,768	570,149	1,002,451
of which credit cards	*754,218*	*27,128*	*21,710*	*1,779*	*18,406*	*41,895*
of which housing	*30,802,696*	*1,039,173*	*64,033*	*32,808*	*297,542*	*394,383*
Professional	1,197,720	142,321	12,865	36,672	78,610	128,147
Foreign governments	459,249	-	-	-	-	-
Global Business Licence holders	19,210,940	114,087	96,476	643,252	63,425	803,153
Others	12,595,498	82,686	90,612	157,065	27,379	275,056
	236,545,280	9,711,622	1,680,282	3,452,212	4,635,331	9,767,825

36. 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 (Cont'd)

	2019					
	Gross amount of loans	Non performing loans	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)*	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
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
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
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

* Lifetime expected credit loss (credit impaired) includes interest in suspense

36. 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 (Cont'd)

Comparative information under IAS 39

	2018				
	Gross amount of loans	Non performing loans	Specific provision and interest in suspense	Portfolio provision	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000
SEGMENT A					
Agriculture and fishing	7,963,205	616,390	292,795	51,559	344,354
Manufacturing	9,362,309	382,840	123,158	152,635	275,793
of which EPZ	*3,153,492*	*56,667*	*21,193*	*34,791*	*55,984*
Tourism	16,912,053	42,743	38,159	49,451	87,610
Transport	1,487,014	176,654	25,159	15,935	41,094
Construction	15,413,607	1,407,627	892,068	172,286	1,064,354
Financial and business services	20,312,802	111,006	73,391	59,854	133,245
Traders	13,264,850	595,614	293,627	78,555	372,182
Personal	36,601,018	1,324,778	688,548	219,543	908,091
of which credit cards	*972,383*	*21,327*	*19,166*	*20,933*	*40,099*
of which housing	*25,713,443*	*690,930*	*285,253*	*118,416*	*403,669*
Professional	894,613	204,300	133,453	16,177	149,630
Foreign governments	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-
Others	4,846,534	234,253	123,371	33,247	156,618
	127,058,005	5,096,205	2,683,729	849,242	3,532,971
SEGMENT B					
Agriculture and fishing	43,536	68	68	306	374
Manufacturing	1,702	359	351	23	374
of which EPZ	-	-	-	-	-
Tourism	8,279,367	529,943	404,025	22,743	426,768
Transport	3,634,866	1,141,725	821,143	31,125	852,268
Construction	69,301	13	13	857	870
Financial and business services	10,700,174	4,839	4,498	30,882	35,380
Traders	24,040,346	973,757	137,615	145,486	283,101
Personal	2,309,795	122,145	44,505	13,833	58,338
of which credit cards	-	-	-	-	-
of which housing	-	-	-	-	-
Professional	142,883	92,383	48,066	1,286	49,352
Foreign governments	1,323,731	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761
Others	912,916	550	538	6,669	7,207
	67,386,801	3,294,257	1,920,953	421,840	2,342,793
TOTAL					
Agriculture and fishing	8,006,741	616,458	292,863	51,865	344,728
Manufacturing	9,364,011	383,199	123,509	152,658	276,167
of which EPZ	*3,153,492*	*56,667*	*21,193*	*34,791*	*55,984*
Tourism	25,191,420	572,686	442,184	72,194	514,378
Transport	5,121,880	1,318,379	846,302	47,060	893,362
Construction	15,482,908	1,407,640	892,081	173,143	1,065,224
Financial and business services	31,012,976	115,845	77,889	90,736	168,625
Traders	37,305,196	1,569,371	431,242	224,041	655,283
Personal	38,910,813	1,446,923	733,053	233,376	966,429
of which credit cards	*972,383*	*21,327*	*19,166*	*20,933*	*40,099*
of which housing	*25,713,443*	*690,930*	*285,253*	*118,416*	*403,669*
Professional	1,037,496	296,683	181,519	17,463	198,982
Foreign governments	1,323,731	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761
Others	5,759,450	234,803	123,909	39,916	163,825
	194,444,806	8,390,462	4,604,682	1,271,082	5,875,764

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities

	2020			2019			2018		
	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	**100,740,614**	**100,353,859**	**386,755**	76,388,413	76,050,201	338,212	-	-	-
Fair value through other comprehensive income	**20,694,152**	**1,571,994**	**19,122,158**	21,850,718	1,717,263	20,133,455	-	-	-
Fair value through profit or loss	**14,838,778**	**12,745,872**	**2,092,906**	18,257,877	15,859,366	2,398,511	-	-	-
Held-to-maturity	**-**	**-**	**-**	-	-	-	53,283,515	51,874,123	1,409,392
Held-for-trading	**-**	**-**	**-**	-	-	-	24,232,384	24,232,384	-
Available-for-sale	**-**	**-**	**-**	-	-	-	4,418,360	1,900,897	2,517,463
	136,273,544	**114,671,725**	**21,601,819**	116,497,008	93,626,830	22,870,178	81,934,259	78,007,404	3,926,855
Less:									
Allowances for credit impairment on investment securities	**(358,640)**	**(349,330)**	**(9,310)**	(99,508)	(99,458)	(50)	(49,912)	(49,912)	-
	135,914,904	**114,322,395**	**21,592,509**	16,397,500	93,527,372	22,870,128	81,884,347	77,957,492	3,926,855

Credit impaired investments at fair value through other comprehensive income amounted to Rs 90M/Provision - Rs 10.1M in 2020

(i) Amortised cost

	2020			2019		
	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	**72,142,525**	**72,142,525**	**-**	49,894,841	49,894,841	-
Treasury bills	**7,083,630**	**7,083,630**	**-**	8,498,081	8,498,081	-
Foreign Bonds	**386,755**	**-**	**386,755**	338,212	-	338,212
Notes	**20,803,426**	**20,803,426**	**-**	17,347,916	17,347,916	-
Indexed linked note	**324,278**	**324,278**	**-**	309,363	309,363	-
	100,740,614	**100,353,859**	**386,755**	76,388,413	76,050,201	338,212

Allowances for credit impairment on investment securities

		Segment A		Segment B	
	TOTAL RS'000	12 months expected credit loss RS'000	Lifetime expected credit loss (not credit impaired) RS'000	12 months expected credit loss RS'000	Lifetime expected credit loss (not credit impaired) RS'000
At 1 July 2019	**99,508**	**99,458**	**-**	**50**	**-**
Transfer to lifetime ECL not credit impaired	**-**	**(43,634)**	**43,634**	**-**	**-**
Provision for credit impairment for the year	**222,018**	**-**	**213,806**	**8,212**	**-**
Provision released during the year	**(12,801)**	**(12,801)**	**-**	**-**	**-**
Financial assets that have been derecognised	**(4,741)**	**(4,741)**	**-**	**-**	**-**
Changes in models / risk parameters	**54,656**	**45,075**	**8,533**	**1,048**	**-**
At 30 June 2020	**358,640**	**83,357**	**265,973**	**9,310**	**-**
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	-

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities (Cont'd)

(i) Amortised cost (Cont'd)

Comparative information under IAS 39

Held-to-maturity

	2018		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Government of Mauritius & Bank of Mauritius bonds	42,824,594	42,824,594	-
Treasury bills	2,000,461	2,000,461	-
Foreign Bonds	1,409,392	-	1,409,392
Notes	7,049,068	7,049,068	-
	53,283,515	51,874,123	1,409,392

(ii) Fair value through other comprehensive income by levels

	2020			2019		
	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	**684,329**	**684,329**	**-**	859,904	859,904	-
Bonds	**19,140,885**	**655,798**	**18,485,087**	20,200,962	624,847	19,576,115
	19,825,214	**1,340,127**	**18,485,087**	21,060,866	1,484,751	19,576,115
Unquoted - Level 2						
Investment fund	**625,022**	**-**	**625,022**	545,291	-	545,291
Unquoted - Level 3						
Shares	**243,916**	**231,867**	**12,049**	244,561	232,512	12,049
	20,694,152	**1,571,994**	**19,122,158**	21,850,718	1,717,263	20,133,455

Comparative information under IAS 39

Available-for-sale by levels

	2018		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Quoted - Level 1			
Official list: shares	885,660	885,660	-
Bonds	1,354,821	592,301	762,520
Foreign shares	1,233,154	-	1,233,154
	3,473,635	1,477,961	1,995,674
Unquoted - Level 2			
Inflation - indexed Government of Mauritius bonds	205,709	205,709	-
Investment fund	509,740	-	509,740
	715,449	205,709	509,740
Unquoted - Level 3			
Equity shares	229,276	217,227	12,049
Inflation - indexed Government of Mauritius bonds	-	-	-
	229,276	217,227	12,049
	4,418,360	1,900,897	2,517,463

36. 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

	2020			2019		
	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	**973**	**-**	**973**	732,482	-	732,482
Foreign shares	**2,091,933**	**-**	**2,091,933**	1,666,029	-	1,666,029
	2,092,906	**-**	**2,092,906**	2,398,511	-	2,398,511
Unquoted - Level 2						
Government of Mauritius & Bank of Mauritius bonds	**893,056**	**893,056**	**-**	864,352	864,352	-
Treasury bills	**11,852,816**	**11,852,816**	**-**	14,995,014	14,995,014	-
	12,745,872	**12,745,872**	**-**	15,859,366	15,859,366	-
	14,838,778	**12,745,872**	**2,092,906**	18,257,877	15,859,366	2,398,511

Comparative information under IAS 39
Held-for-trading by levels

	2018		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Quoted - Level 1			
Foreign bonds	-	-	-
Unquoted - Level 2			
Government of Mauritius & Bank of Mauritius bonds	1,058,795	1,058,795	-
Treasury bills	23,173,589	23,173,589	-
	24,232,384	24,232,384	-
	24,232,384	24,232,384	-

36. 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 %	2020 TOTAL RS'000	2020 Segment A RS'000	2020 Segment B RS'000	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
MCB Madagascar SA	Madagascar	80.00	**117,570**	**-**	**117,570**	117,570	-	117,570	117,570	-	117,570

Movement in investment in subsidiary is as follows:

	2020 TOTAL RS'000	2020 Segment A RS'000	2020 Segment B RS'000	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
At 1 July	**117,570**	**-**	**117,570**	117,570	-	117,570	64,322	-	64,322
Increase in shareholding during the year	**-**	**-**	**-**	-	-	-	53,248	-	53,248
At 30 June	**117,570**	**-**	**117,570**	**117,570**	**-**	**117,570**	**117,570**	**-**	**117,570**

(ii) Investments in associates

The Bank's interest in its associates is as follows:

	Country of incorporation	Holding %
Banque Française Commerciale Océan Indien	Reunion	49.99
Société Générale Moçambique	Mozambique	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 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**
Share of profit of associates	**438,525**	**5,731**	**-**	**444,256**
Share of other movements in associates	**391,326**	**(23,501)**	**-**	**367,825**
Increase in shareholding	**-**	**49,906**	**-**	**49,906**
Adjustments	**-**	**493**	**43,049**	**43,542**
At 30 June 2020	**4,123,107**	**402,276**	**458,688**	**4,984,071**

36. 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 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**
Additions	**56,335**	**461,408**	**517,743**
Scrap/Impairment	**(700,445)**	**(21,798)**	**(722,243)**
Transfer	**264,548**	**(264,548)**	**-**
At 30 June 2020	**1,074,267**	**258,026**	**1,332,293**
Accumulated Amortisation			
At 1 July 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**
Scrap/Impairment	**(700,445)**	**-**	**(700,445)**
Amortisation adjustment	**58,237**	**-**	**58,237**
Charge for the year	**228,901**	**-**	**228,901**
At 30 June 2020	**317,992**	**-**	**317,992**
Net book values - Segment A			
At 30 June 2020	**756,275**	**258,026**	**1,014,301**
At 30 June 2019	722,530	82,964	805,494
At 30 June 2018	386,044	158,558	544,602

The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

36. 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 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**
Recognition of right-of-use assets on initial application of IFRS 16	**150,954**	**-**	**-**	**-**	**150,954**
Additions	**83,414**	**215,389**	**16,045**	**274,619**	**589,467**
Scrap	**-**	**(77,242)**	**(11,610)**	**-**	**(88,852)**
Disposals	**-**	**(29,248)**	**(8,637)**	**-**	**(37,885)**
Transfer	**31,998**	**115,767**	**31,129**	**(178,894)**	**-**
At 30 June 2020	**4,819,853**	**3,151,059**	**884,925**	**169,330**	**9,025,167**
Accumulated depreciation					
At 1 July 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**
Depreciation on right-of-use assets	**45,227**	**-**	**-**	**-**	**45,227**
Charge for the year	**75,854**	**333,756**	**56,396**	**-**	**466,006**
Depreciation adjustment	**-**	**(38,783)**	**8,869**	**-**	**(29,914)**
Scrap adjustment	**-**	**(73,664)**	**(10,698)**	**-**	**(84,362)**
Disposal adjustment	**-**	**(29,203)**	**(8,433)**	**-**	**(37,636)**
At 30 June 2020	**1,053,111**	**2,200,648**	**552,584**	**-**	**3,806,343**
Net book values - Segment A					
At 30 June 2020	**3,766,742**	**950,411**	**332,341**	**169,330**	**5,218,824**
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

Following the adoption of IFRS 16, the bank has presented right-of-use assets within 'property, plant and equipment' - i.e. the same line item in which it presents underlying assets of the same nature that it owns.

The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(h) Other assets

	2020			2019			2018		
	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	**19,821,283**	**19,821,283**	**-**	18,608,534	18,608,534	-	17,196,714	17,196,714	-
Prepayments and other receivables	**812,748**	**712,667**	**100,081**	611,793	472,090	139,703	469,478	355,838	113,640
Credit Card Clearing	**155,186**	**155,186**	**-**	98,676	98,676	-	89,854	89,854	-
Non-banking assets acquired in satisfaction of debts*	**59,956**	**59,956**	**-**	60,633	60,633	-	48,699	48,699	-
Impersonal & other accounts	**1,509,246**	**1,146,674**	**362,572**	2,597,783	2,296,866	300,917	1,081,615	1,081,615	-
	22,358,419	**21,895,766**	**462,653**	21,977,419	21,536,799	440,620	18,886,360	18,772,720	113,640

* The Bank's policy is to dispose of such assets as soon as the market permits.

(i) Deposits from banks

	2020			2019			2018		
	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	**4,483,974**	**194,919**	**4,289,055**	3,430,238	143,943	3,286,295	3,815,235	86,016	3,729,219
Money market deposits with remaining term to maturity:									
Up to 3 months	**1,447,477**	**-**	**1,447,477**	2,529,158	-	2,529,158	1,861,440	-	1,861,440
Over 3 months and up to 6 months	**1,429,922**	**-**	**1,429,922**	1,416,573	-	1,416,573	912,011	-	912,011
Over 6 months and up to 1 year	**200,675**	**-**	**200,675**	-	-	-	-	-	-
Over 1 year and up to 5 years	**38,205**	**-**	**38,205**	-	-	-	-	-	-
	3,116,279	**-**	**3,116,279**	3,945,731	-	3,945,731	2,773,451	-	2,773,451
	7,600,253	**194,919**	**7,405,334**	7,375,969	143,943	7,232,026	6,588,686	86,016	6,502,670

The carrying amounts of deposits are not materially different from their fair values.

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(j) Deposits from customers

	2020			2019			2018		
	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	**40,658,027**	**26,004,699**	**14,653,328**	29,349,691	18,393,557	10,956,134	27,312,248	17,442,949	9,869,299
Savings deposits	**152,765,204**	**143,869,299**	**8,895,905**	132,279,994	124,523,397	7,756,597	121,345,043	113,889,747	7,455,296
Time deposits with remaining term to maturity:									
Up to 3 months	**4,534,366**	**3,351,136**	**1,183,230**	4,945,819	3,869,575	1,076,244	3,862,278	3,152,113	710,165
Over 3 months and up to 6 months	**2,134,503**	**1,735,258**	**399,245**	2,242,854	1,748,604	494,250	1,858,647	1,481,802	376,845
Over 6 months and up to 1 year	**4,620,979**	**3,899,123**	**721,856**	4,437,470	3,877,776	559,694	4,478,033	3,653,383	824,650
Over 1 year and up to 5 years	**10,367,259**	**9,250,194**	**1,117,065**	11,812,984	10,353,996	1,458,988	12,405,134	11,107,591	1,297,543
Over 5 years	**57,326**	**55,280**	**2,046**	45,005	35,304	9,701	4,105	3,805	300
	21,714,433	**18,290,991**	**3,423,442**	23,484,132	19,885,255	3,598,877	22,608,197	19,398,694	3,209,503
	215,137,664	**188,164,989**	**26,972,675**	185,113,817	162,802,209	22,311,608	171,265,488	150,731,390	20,534,098
(ii) Corporate customers									
Demand deposits	**120,196,472**	**57,502,262**	**62,694,210**	96,492,924	46,297,493	50,195,431	86,750,375	41,342,463	45,407,912
Savings deposits	**5,077,122**	**5,071,221**	**5,901**	5,444,583	5,438,255	6,328	4,964,468	4,961,626	2,842
Time deposits with remaining term to maturity:									
Up to 3 months	**12,777,034**	**3,767,516**	**9,009,518**	9,786,076	2,134,907	7,651,169	5,711,297	1,306,090	4,405,207
Over 3 months and up to 6 months	**3,405,905**	**1,533,472**	**1,872,433**	2,402,963	1,446,144	956,819	1,274,641	752,977	521,664
Over 6 months and up to 1 year	**2,683,759**	**1,883,701**	**800,058**	1,603,162	943,348	659,814	2,528,487	1,148,377	1,380,110
Over 1 year and up to 5 years	**4,530,525**	**1,193,660**	**3,336,865**	5,936,188	2,926,456	3,009,732	6,312,278	3,390,394	2,921,884
Over 5 years	**1,181**	**511**	**670**	31,395	31,395	-	100	100	-
	23,398,404	**8,378,860**	**15,019,544**	19,759,784	7,482,250	12,277,534	15,826,803	6,597,938	9,228,865
	148,671,998	**70,952,343**	**77,719,655**	121,697,291	59,217,998	62,479,293	107,541,646	52,902,027	54,639,619
(iii) Government									
Demand deposits	**43,737**	**43,737**	**-**	36,515	36,515	-	25,328	25,328	-
Savings deposits	**154,393**	**154,393**	**-**	152,922	152,922	-	110,724	110,724	-
	198,130	**198,130**	**-**	189,437	189,437	-	136,052	136,052	-
	364,007,792	**259,315,462**	**104,692,330**	307,000,545	222,209,644	84,790,901	278,943,186	203,769,469	75,173,717

The carrying amounts of deposits are not materially different from their fair values.

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(k) Other borrowed funds

(i) Other borrowed funds comprise the following:

	2020			2019			2018		
	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	**17,535,318**	**17,535,318**	**-**	12,067,601	12,067,601	-	4,386,247	4,386,247	-
abroad	**33,281,427**	**-**	**33,281,427**	43,338,139	-	43,338,139	9,802,296	-	9,802,296
	50,816,745	**17,535,318**	**33,281,427**	55,405,740	12,067,601	43,338,139	14,188,543	4,386,247	9,802,296

The carrying amounts of other borrowed funds are not materially different from their fair values

(ii) Remaining term to maturity:

	2020			2019			2018		
	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
On demand or within a period not exceeding 1 year	**43,555,660**	**17,535,318**	**26,020,342**	24,134,671	10,284,989	13,849,682	8,363,531	4,386,247	3,977,284
Within a period of more than 1 year but not exceeding 3 years	**352,462**	**-**	**352,462**	23,929,224	1,782,612	22,146,612	3,517,597	-	3,517,597
Within a period of more than 3 years	**6,908,623**	**-**	**6,908,623**	7,341,845	-	7,341,845	2,307,415	-	2,307,415
	50,816,745	**17,535,318**	**33,281,427**	55,405,740	12,067,601	43,338,139	14,188,543	4,386,247	9,802,296

(l) Subordinated liability

	2020			2019			2018		
	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
USD30M subordinated debt maturing in August 2023 at an average interest rate of 5.2% (2019: 5.8% and 2018: 4.8%) (Level 3)	**1,040,100**	**-**	**1,040,100**	1,067,968	-	1,067,968	1,052,057	-	1,052,057
Repayment of USD 3.75M during the year (2019: USD 1.5M)	**(137,187)**	**-**	**(137,187)**	(51,384)	-	(51,384)	-	-	-
Exchange adjustment	**110,418**	**-**	**110,418**	23,516	-	23,516	8,124	-	8,124
	1,013,331	**-**	**1,013,331**	1,040,100	-	1,040,100	1,060,181	-	1,060,181

(m) Other liabilities

	2020			2019			2018		
	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
Allowances for credit impairment on off balance sheet exposures	**234,036**	**153,483**	**80,553**	308,464	157,806	150,658	-	-	-
Lease liabilities	**108,945**	**108,945**	**-**	-	-	-	-	-	-
Impersonal, other accounts and deferred income	**5,479,090**	**5,466,226**	**12,864**	5,904,672	5,894,659	10,013	4,862,681	4,559,752	302,929
Proposed dividend	**-**	**-**	**-**	1,547,911	1,547,911	-	1,341,522	1,341,522	-
	5,822,071	**5,728,654**	**93,417**	7,761,047	7,600,376	160,671	6,204,203	5,901,274	302,929

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(n) Contingent liabilities

	2020			2019			2018		
	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	**23,553,607**	**13,501,263**	**10,052,344**	20,376,617	12,781,143	7,595,474	22,168,213	13,291,328	8,876,885
Letters of credit and other obligations on account of customers	**36,938,039**	**2,377,124**	**34,560,915**	44,400,531	3,224,295	41,176,236	32,684,338	3,582,426	29,101,912
Other contingent items	**1,550,287**	**-**	**1,550,287**	1,750,761	-	1,750,761	2,999,421	-	2,999,421
	62,041,933	**15,878,387**	**46,163,546**	66,527,909	16,005,438	50,522,471	57,851,972	16,873,754	40,978,218
(ii) Commitments									
Loans and other facilities, including undrawn credit facilities	**6,355,559**	**4,004,082**	**2,351,477**	5,140,426	3,921,344	1,219,082	6,077,554	4,719,360	1,358,194
(iii) Tax assessments	**98,299**	**98,299**	**-**	89,715	89,715	-	537,147	537,147	-
	68,495,791	**19,980,768**	**48,515,023**	71,758,050	20,016,497	51,741,553	64,466,673	22,130,261	42,336,412

(o) Interest income

	2020			2019 (Restated)			2018 (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
Interest income using the effective interest method:									
Loans to and placements with banks	**875,211**	**342,979**	**532,232**	1,088,763	422,368	666,395	668,016	266,148	401,868
Loans and advances to customers	**12,967,781**	**7,049,774**	**5,918,007**	12,786,678	7,380,156	5,406,522	10,454,505	7,330,178	3,124,327
Investments at amortised cost	**3,691,154**	**3,691,154**	**-**	2,514,452	2,502,335	12,117	-	-	-
Investments at fair value through other comprehensive income	**350,321**	**30,192**	**320,129**	270,568	29,834	240,734	-	-	-
Held-to-maturity investments	**-**	**-**	**-**	-	-	-	2,122,591	2,096,876	25,715
Available-for-sale investments	**-**	**-**	**-**	-	-	-	114,816	29,188	85,628
	17,884,467	**11,114,099**	**6,770,368**	16,660,461	10,334,693	6,325,768	13,359,928	9,722,390	3,637,538
Investments at fair value through profit or loss	**369,732**	**352,138**	**17,594**	773,775	752,407	21,368	-	-	-
Held-for-trading investments	**-**	**-**	**-**	-	-	-	511,164	502,618	8,546
Other	**93,793**	**1,788**	**92,005**	14,983	11,218	3,765	32,596	2,022	30,574
	18,347,992	**11,468,025**	**6,879,967**	17,449,219	11,098,318	6,350,901	13,903,688	10,227,030	3,676,658

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(p) Interest expense

	2020			2019 (Restated)			2018 (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	**65,397**	**-**	**65,397**	101,275	32	101,243	48,168	-	48,168
Deposits from customers	**3,146,282**	**2,602,024**	**544,258**	3,768,132	3,125,932	642,200	3,474,471	2,960,888	513,583
Subordinated liability	**51,873**	**-**	**51,873**	59,192	-	59,192	46,507	-	46,507
Other borrowed funds	**1,611,959**	**281,705**	**1,330,254**	1,267,823	524,472	743,351	225,755	31,056	194,699
Leases	**8,453**	**8,453**	**-**	-	-	-	-	-	-
	4,883,964	**2,892,182**	**1,991,782**	5,196,422	3,650,436	1,545,986	3,794,901	2,991,944	802,957

(q) Fee and commission income

Retail and private banking fees	**665,704**	**429,803**	**235,901**	685,929	432,373	253,556	797,254	388,029	409,225
Corporate banking fees	**938,473**	**429,025**	**509,448**	874,391	514,730	359,661	793,889	388,363	405,526
Guarantee fees	**334,718**	**144,034**	**190,684**	263,218	165,550	97,668	235,715	150,204	85,511
Interbank transaction fees	**55,986**	**-**	**55,986**	63,029	-	63,029	63,216	-	63,216
Cards and other related fees	**1,755,192**	**1,364,070**	**391,122**	1,792,170	1,408,557	383,613	1,577,784	1,268,461	309,323
Trade finance fees	**527,880**	**126,997**	**400,883**	630,031	105,521	524,510	376,296	95,391	280,905
Others	**142,850**	**31,563**	**111,287**	124,475	30,451	94,024	120,019	34,909	85,110
	4,420,803	**2,525,492**	**1,895,311**	4,433,243	2,657,182	1,776,061	3,964,173	2,325,357	1,638,816

(r) Fee and commission expense

Interbank transaction fees	**16,589**	**-**	**16,589**	16,393	-	16,393	17,624	-	17,624
Cards and other related fees	**863,117**	**696,003**	**167,114**	839,780	708,226	131,554	722,430	603,085	119,345
Corporate banking and trade finance fees	**189,870**	**-**	**189,870**	174,037	-	174,037	113,338	-	113,338
Others	**7,448**	**-**	**7,448**	39,773	-	39,773	14,356	-	14,356
	1,077,024	**696,003**	**381,021**	1,069,983	708,226	361,757	867,748	603,085	264,663

(s) Net gain/(loss) from financial instruments carried at fair value

Net gain/(loss) from financial instruments	**412,435**	**370,997**	**41,438**	87,342	165,446	(78,104)	(420,408)	(456,860)	36,452
Investment securities	**500,803**	**107,318**	**393,485**	563,469	146,974	416,495	38,839	40,519	(1,680)
	913,238	**478,315**	**434,923**	650,811	312,420	338,391	(381,569)	(416,341)	34,772

(t) Dividend income

Income from quoted investments	**25,111**	**17,328**	**7,783**	30,677	24,701	5,976	26,762	22,098	4,664
Income from unquoted investments	**10,481**	**9,700**	**781**	12,350	10,375	1,975	9,419	9,158	261
Income from subsidiary	**-**	**-**	**-**	15,477	-	15,477	26,937	-	26,937
	35,592	**27,028**	**8,564**	58,504	35,076	23,428	63,118	31,256	31,862

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(u) Salaries and human resource costs

	2020			2019 (Restated)			2018		
	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	**2,406,925**	**2,079,350**	**327,575**	2,464,591	2,084,718	379,873	2,123,234	1,800,078	323,156
Defined benefit plan	**227,973**	**188,707**	**39,266**	184,284	150,170	34,114	172,431	136,830	35,601
Defined contribution plan	**132,128**	**123,268**	**8,860**	106,305	99,011	7,294	84,740	77,861	6,879
Residual retiring gratuities	**12,978**	**12,568**	**410**	7,709	7,478	231	51,033	49,502	1,531
Compulsory social security obligations	**77,783**	**68,972**	**8,811**	69,993	62,342	7,651	65,073	56,778	8,295
Equity settled share-based payments	**10,717**	**10,378**	**339**	4,108	3,988	120	10,915	10,588	327
Other personnel expenses	**760,008**	**657,947**	**102,061**	690,235	603,626	86,609	621,753	539,774	81,979
	3,628,512	**3,141,190**	**487,322**	3,527,225	3,011,333	515,892	3,129,179	2,671,411	457,768

(v) Other non-interest expense

	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B
Legal and professional fees	**384,125**	**269,993**	**114,132**	320,627	212,770	107,857	406,192	312,115	94,077
Rent,repairs,maintenance and security costs	**316,107**	**301,322**	**14,785**	321,320	307,000	14,320	293,353	280,768	12,585
Software licensing and other information technology costs	**406,339**	**388,297**	**18,042**	312,073	292,687	19,386	255,029	240,150	14,879
Electricity,water and telephone charges	**242,889**	**232,448**	**10,441**	231,014	220,502	10,512	219,416	209,739	9,677
Advertising, marketing costs and sponsoring	**156,149**	**126,197**	**29,952**	249,035	204,897	44,138	156,276	136,599	19,677
Postage,courier & stationery costs	**149,046**	**137,261**	**11,785**	145,877	133,425	12,452	135,301	125,841	9,460
Insurance costs	**98,163**	**91,507**	**6,656**	97,199	87,275	9,924	95,090	81,533	13,557
Others	**138,043**	**97,819**	**40,224**	111,261	122,451	(11,190)	172,411	167,668	4,743
	1,890,861	**1,644,844**	**246,017**	1,788,406	1,581,007	207,399	1,733,068	1,554,413	178,655

(w) Net impairment of financial assets

The impairment charge related to the Statement of Profit or Loss:

	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B
Allowance for credit impairment:									
Cash and cash equivalent	**(1,424)**	**(486)**	**(938)**	5,676	22	5,654	-	-	-
Loans and advances	**4,625,079**	**3,229,953**	**1,395,126**	1,364,490	727,725	636,765	1,182,965	280,600	902,365
Investment securities:									
Amortised cost	**259,132**	**249,872**	**9,260**	59,064	59,831	(767)	-	-	-
Fair value through other comprehensive income	**9,909**	**2,141**	**7,768**	(6,397)	(3,447)	(2,950)	-	-	-
Held-to-maturity	**-**	**-**	**-**	-	-	-	45,967	45,967	-
Off balance sheet exposures	**(74,428)**	**(4,323)**	**(70,105)**	32,816	37,129	(4,313)	-	-	-
	4,818,268	**3,477,157**	**1,341,111**	1,455,649	821,260	634,389	1,228,932	326,567	902,365

36. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(x) Income tax expense

	2020			2019 (Restated)			2018		
	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	**1,802,598**	**1,220,249**	**582,349**	1,365,002	1,183,681	181,321	1,362,507	1,244,291	118,216
(Over)/Under provision in previous years	**(13,604)**	**(3,021)**	**(10,583)**	24,226	(15,449)	39,675	(80,540)	(80,387)	(153)
Provision for tax assessment	**-**	**-**	**-**	163,055	167,348	(4,293)	258,272	301,974	(43,702)
	1,788,994	**1,217,228**	**571,766**	1,552,283	1,335,580	216,703	1,540,239	1,465,878	74,361
Deferred tax	**(422,006)**	**(313,400)**	**(108,606)**	125,614	134,263	(8,649)	87,464	97,220	(9,756)
Effect of change in tax rate	**(137,456)**	**65,681**	**(203,137)**	-	-	-	-	-	-
Charge for the year	**1,229,532**	**969,509**	**260,023**	1,677,897	1,469,843	208,054	1,627,703	1,563,098	64,605

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	2020 TOTAL RS'000	2020 Segment A RS'000	2020 Segment B RS'000	2019 (Restated) TOTAL RS'000	2019 (Restated) Segment A RS'000	2019 (Restated) Segment B RS'000	2018 TOTAL RS'000	2018 Segment A RS'000	2018 Segment B RS'000
Profit before tax:	**8,638,034**	**2,863,463**	**5,774,571**	10,443,470	4,649,271	5,794,199	8,413,267	4,984,560	3,428,707
Less share of profit of associates	**(444,256)**	**-**	**(444,256)**	(241,860)	-	(241,860)	(341,468)	-	(341,468)
	8,193,778	**2,863,463**	**5,330,315**	10,201,610	4,649,271	5,552,339	8,071,799	4,984,560	3,087,239
Tax calculated at applicable rates	**1,012,521**	**493,321**	**519,200**	1,530,242	697,391	832,851	1,210,770	747,684	463,086
Effect of change in tax rate	**(137,456)**	**65,681**	**(203,137)**	-	-	-	-	-	-
Impact of:									
Income not subject to tax	**(511,145)**	**(356,832)**	**(154,313)**	(110,007)	(73,530)	(36,477)	(81,491)	(100,016)	18,525
Expenses not deductible for tax purposes	**212,294**	**103,438**	**108,856**	223,771	158,716	65,055	222,341	140,824	81,517
Tax credits	**-**	**-**	**-**	(750,292)	(61,535)	(688,757)	(487,639)	-	(487,639)
Special levy on banks	**563,072**	**563,072**	**-**	510,460	510,460	-	493,820	460,849	32,971
Corporate Social Responsibility Contribution	**103,850**	**103,850**	**-**	86,442	86,442	-	92,170	92,170	-
(Over)/Under provision in previous years	**(13,604)**	**(3,021)**	**(10,583)**	24,226	(15,449)	39,675	(80,540)	(80,387)	(153)
Provision for tax assessment	**-**	**-**	**-**	163,055	167,348	(4,293)	258,272	301,974	(43,702)
Tax charge	**1,229,532**	**969,509**	**260,023**	1,677,897	1,469,843	208,054	1,627,703	1,563,098	64,605

The tax credit related to statement of comprehensive income is as follows:

	2020 TOTAL RS'000	2020 Segment A RS'000	2020 Segment B RS'000	2019 (Restated) TOTAL RS'000	2019 (Restated) Segment A RS'000	2019 (Restated) Segment B RS'000	2018 TOTAL RS'000	2018 Segment A RS'000	2018 Segment B RS'000
Remeasurement of defined benefit pension plan and retirement residual gratuities	**771,752**	**771,752**	**-**	487,322	487,322	-	283,308	283,308	-
Deferred tax credit	**(100,328)**	**(100,328)**	**-**	(82,845)	(82,845)	-	(48,162)	(48,162)	-
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**671,424**	**671,424**	**-**	404,477	404,477	-	235,146	235,146	-

Administrative Information

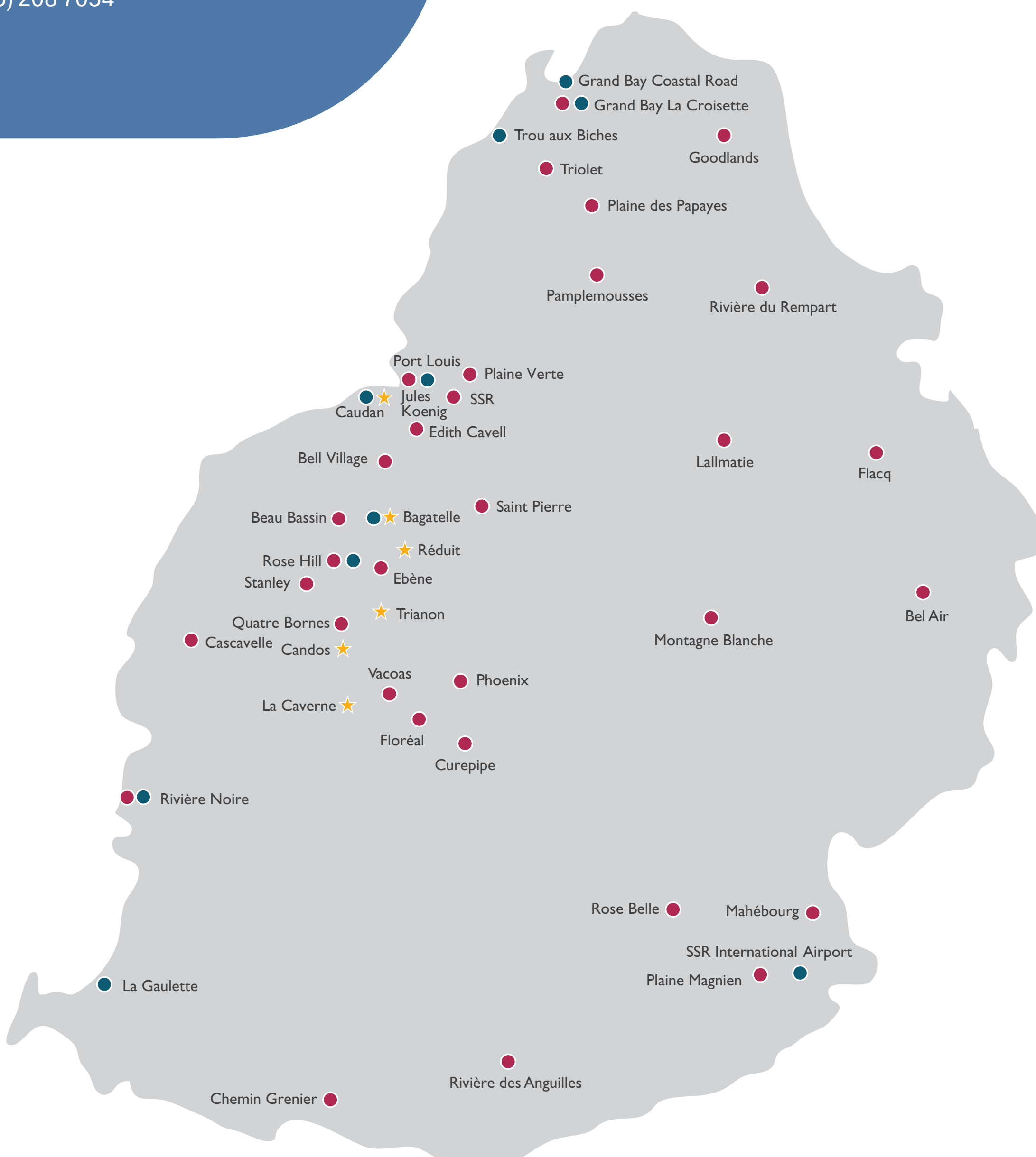
Administrative information

REGISTERED ADDRESS

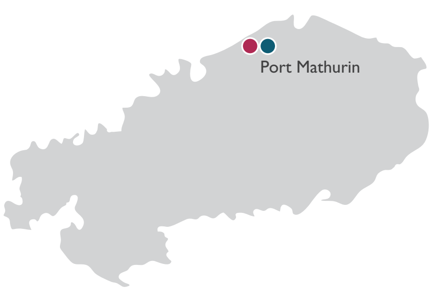
THE MAURITIUS COMMERCIAL BANK LTD
PO Box 52 – 9-15, Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000 – Fax: (230) 208 7054
Swift: MCBLMUMU
Email: contact@mcb.mu
Website: www.mcb.mu

Local Branch Network

Mauritius



Rodrigues



- ● Branches
- ● Bureaux de Change / Forex ATMs
- ★ Bank Kiosks