MAU BANK

ANNUAL REPORT 2019

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CORPORATE INFORMATION

Corporate Information

DIRECTORS:

Non-Executive Directors	Appointed on	Resigned on
Mr Burkutoola Mahmadally (Chairman)	29 March 2019	
Mr Lalloo Said (Chairman)	20 January 2016	01 October 2018
Dr Paligadu Dharamraj (was appointed Acting Chairman on 06 June 2018)	07 March 2015	06 August 2019
Mr Nicolas Jean Marie Cyril	13 March 2015	
Mr Putchay Vassoo Allymootoo	20 January 2016	05 September 2019
Mr Gokhool Ashvin Jain	23 February 2016	
Mr Nilamber Anoop Kumar	22 March 2016	
Mr Codabux Muhammad Javed	10 March 2017	
Executive Directors		
Mr Mungar Premchand	23 November 2018	
Mr Nagarajan Sridhar	24 September 2015	21 September 2018

KEY MANAGEMENT TEAM:

	Position
Mr Mungar Premchand *(As from 23 November 2018)*	Chief Executive Officer
Mr Nagarajan Sridhar *(As from 24 September 2015 to 21 September 2018)*	Chief Executive Officer
Mr Vydelingum Vishuene *(As from 05 August 2019)* *(As from 20 March 2019 to 02 August 2019)*	Deputy Chief Executive Executive Head – Treasury, International Banking, Commercial Banking and SME Banking
Mr Toynoo Yougeshsingh (Asish) *(As from 03 October 2016)*	Chief Financial Officer
Mr Motee Ramesh *(As from 03 February 2016)* *(As from 24 September 2018 to 22 November 2018)*	Chief Risk Officer Officer in charge
Mr Mardaymootoo Pillay Chedumbrum (Nanda) *(As from 03 February 2016)*	Executive Head – Operations
Mr Yasdeo Rawoteea (Rajesh) *((As from 01 February 2017)*	Executive Head – Human Resources
Mrs Luximon-Mathur Jessma *(As from 1 November 2016)*	Head of compliance
Mr Kundan Anil Kumar *(As from 02 February 2017)*	Executive Head – SME Banking
Miss Saddul Anouchka *(As from 03 January 2017)*	Head of Corporate Affairs, Brand Management and Marketing
Mr Muhem Dharmarajan *(As from 01 April 2019)*	Acting Head – Information & Technology Services
Mr Prabhu Sudheer *(As from 28 August 2017 to 31 March 2019)*	Chief Information and Digital Officer
Mr Bhagavan Ramakrishna *(As from 12 October 2017)*	Head of Retail Banking
Mr Appadoo Yogendra *(As from 15 July 2018 to 22 August 2019)*	Head of International Banking
Mr Carver Jean Clifford Eric *(As from 22 January 2018)*	Head of Asset Financing
Mr Vyapooree Govinden Modeliar *(As from 09 February 2018)*	Head of Market
Mr Agrawalla Anup Kumar *(As from 27 February 2018 to 30 April 2019)*	Head of Wealth Management

Corporate Information (Contd)

KEY MANAGEMENT TEAM (CONTD):

	Position
Mr Mussai Satish *(As from 09 March 2018 to 26 April 2019)*	Head Large Corporate and Debt Restructuring
Mr Albert Clint *(As from 09 March 2018)*	Head of Commercial Banking
Mr Beebeejaun Muhammad Asif *(As from 01 June 2018)*	Head of Special Asset Management
Mr Youell Peter Gregory *(As from 05 November 2018)*	Head of Credit Risk

INTERNAL AUDIT:

Mr Seebaruth Rakesh (B.K) *(As from 03 June 2019)*	Head of Internal Audit
Mrs Nujeebun Shameema Bibi Khan *(As from 01 March 2018 to 02 June 2019)*	Acting Head of Internal Audit

SECRETARY:

Ms Prosand Ashiti *(As from 27 October 2016 to 15 March 2019)*	Company Secretary and Head of Legal
Mr Ramjunum Gauravsingh *(As from 30 April 2019)*	Company Secretary and Manager Legal

REGISTERED OFFICE:

MauBank Building
25 Bank Street
Cybercity
Ebene 72201
Republic of Mauritius

AUDITOR:

Deloitte
7th Floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebene 72201
Republic of Mauritius

Chairman Statement

Dear Shareholders, Customers and Staff,

The banking industry in Mauritius is a very competitive sector with 20 Commercial Banks in the landscape. In spite of the challenges of the global and local economy, the banking sector is striving to maintain high value addition and to deliver a healthy year on year contribution to the National Economy.

Deloitte's 2018 Banking Industry outlook mentions that for 2018 and beyond, banks must contend with multiple challenges tied to regulations, legacy systems, disruptive models and technologies, new competitors, and a restive customer base while pursuing new strategies for sustainable growth. This statement still stands in 2019. Technology is changing the way business is done and in the local Banking Industry, technology and digitalization are already transforming the landscape, with the implementation of MauCAS by the Bank of Mauritius on 14 August 2019 and the launching of My.t Money on 24 August 2019.

The Financial year 2018/2019 was full of challenges for the bank. With the leadership and the vision of the CEO and the board of directors, we were able to steer the bank from a loss of MUR 62 Million for the semester ending in December 2018 to a profit of MUR 6.296 after impairment but before income tax.

The different initiatives taken at the bank enabled us to stay as a digital transformation leader in the industry. Our two digital products that we launched – namely MauBank WithMe and MyLease, have become instant success stories. The success of these products have been recognized and rewarded at the Finacle client Innovation Awards 2019 with MyLease winning first prize for the category Application Programming Interface Led Innovations and WithMe being the runner up for in the category of Emerging Technology led Innovations. On 14th June 2019 we launched the Visa Contactless Card (normal, Gold and platinum flavours). On that same occasion, to commemorate the 10th edition of the Indian Ocean Island Games, we launched a limited edition of a debit card with the colours and the logos of the games. More recently, on 16 August 2019, we moved to our brand new branch in Flacq to further increase our service level to our customers. MauBank will need to continue to build up on these successes to aspire to greater successes in the Segment A.

MauBank is the bank of the SMEs. We are going to stay a true partner of the SME sector, and part of its strategy is to enhance its growth. We do take into account that there are more than 126000 SMEs, these contribute to nearly 40% of the GDP, and employing more than 300,000 persons, which represents 54% of the workforce.

For the five years ahead, the Board together with the leadership team will put in place our 5-year corporate plan (2019 – 2024) to further develop MauBank. The Corporate Strategy of the bank is a three-pronged approach that can be summarized in the following corporate strategy statement: "Create sustainable growth and enhance the clients experience by providing solutions with a high level of Good Governance." While Segment A will remain our main focus, Mauritius as a financial hub offers many opportunities for international business in Africa and the Middle East, and the bank contemplates to step into Segment B. MauBank has already started to build up its capabilities and networking in order to focus on this new area of opportunity.

We would like to extend our thanks to the Shareholder for its support, to our customers for their trust and to MauBank's staff for their diligence. The years ahead will be full of opportunities and challenges and with your continued support, we will welcome them and make the most out of them.

Mr. Mahmadally Burkutoola

Chairman, MauBank Ltd

Chief Executive Statement

Dear Shareholders, Customers and Colleagues

It is with immense pleasure that I present the annual report for the year 2018-19 to you. This is the second report that I have presented to you since my appointment as Chief Executive of our bank on 23 November 2018.

I joined the bank in the middle of a turbulent period. Yet, I knew that our shareholders were committed to creating a strong bank and knew that I would be joining colleagues who wanted to do great work for our customers.

The past is not completely behind us. Time and again the bank is brought to the forefront of public discussion whether on the merger that created the bank, the potential sale of the bank or employee conduct.

TRANSFORMING OUR CULTURE

The Board of Directors of MauBank Ltd, the "Bank", is pleased to present its Annual Report together with the financial statements of the Bank and its subsidiary for the financial year ended 30 June 2019. The financial statements have been prepared in accordance with the requirements set out in the Bank of Mauritius Guideline on Public Disclosure of Information, the International Financial Reporting Standards, the Financial Reporting Act 2004, the Companies Act 2001 and the Banking Act 2004. The Bank and its subsidiary are collectively referred to as the "Group".

We understand that the conduct of employees has far reaching ramifications for our stakeholders. In the past, our bank been exposed to the conduct of some that is far from exemplary. We are working to change the culture at our bank, and are vigilant to root out the actions of those who hurt our reputation. We are determined to hold those responsible to account in the interests of our colleagues, our shareholders and our customers.

Last year, I spoke about our need to review and enhance our corporate governance structure. We needed to reform our bank in line with international best practices in the areas of transparency, accountability and good governance. We have introduced strong corporate governance principles and placed accountability at the heart of our internal processes.

We have also taken steps to implement a more robust and transparent procurement process. When I joined the bank, the procurement process was far too complex, far too siloed and far too opaque. I have told our colleagues on my first day - our values of integrity, teamwork and excellence cannot be empty words. We are committed to these and are instilling these in our processes, starting with procurement. We are also committed to creating a culture of continuous improvement.

Beneath the noise of headlines on legacy issues and public discussion on our reorganisation, you will find a strong and resilient bank. The challenge for any banking organisation is to learn to succeed in a world of constant turbulence. We are in the process of becoming a different bank; stronger, fairer and customer focused.

FINANCIAL PERFORMANCE

During our 2018-19 financial year, our bank posted a profit of MUR 6.3 million after impairment and before tax.

We have significantly more high-quality capital than in the past. The Bank of Mauritius prescribes a capital adequacy ratio of 11.875%. As part of the phase-in arrangements of capital requirements pursuant to the implementation of Basel III, the Bank of Mauritius will increase the capital adequacy ratio to a minimum of 12.5% as from January 2020. Our capital adequacy ratio at the end of our 2018-19 financial year stands at 15.29% and our bank is strongly capitalised.

Our productivity strategy is two-fold: improve our cost structure and make our revenue sustainable.

We made good progress on our costs. Interest expense has decreased by 14.23% from 534 million Rupees to 458 million Rupees.

Our team at MauBank Special Assets Management has exceeded the recovery budgeted from our legacy non-performing loan portfolio. From 500 million Rupees forecasted in July 2018, we achieved a recovery of 779.4 million Rupees from our legacy non-performing loans, exceeding the projection by 56 %.

Fee-based income must also be given a central role in our business. It is a key driver of growth in our industry and we have made a structural decision to allocate more resources to its development.

This structural change has resulted in rapid and tangible benefits to our bank. Net fee and commission income has seen an exponential growth to 204.7 million Rupees during the 2018-19 financial year. This marks a dramatic rise from the 67.3 million Rupees made in the 2017-18 financial year. Year-on-year, the increase to our net fee and commission income has been 137.4 million Rupees.

Our net trading income has also increased from 130.7 million Rupees during the 2017-18 financial year to 176.2 million Rupees for the 2018-19 period. It represents an improvement of 34.8%.

We are still in the early days of our transformation into a sustainable organisation, but this is a clear indication of the progress we have made.

COMMUNITY INVOLVEMENT

We are committed to transforming our bank and at the same time, remain rooted in our community. Financial performance is very important but, is no longer the sole metric to measure success. We have a responsibility towards our community.

Our bank was proudly associated with the Mega National

Chief Executive Statement (Contd)

Cleaning and Embellishment Campaign. This campaign was established to coordinate the cleaning and maintenance of various regions of the country between public agencies and the private sector.

Our bank was also an official sponsor of the 10th Indian Ocean Island Games held throughout Mauritius and Rodrigues in July 2019. The event was a resounding success and we are proud to have been associated with the convergence of a nation. It highlighted the role of sports as an important part of our community and gave our national heroes the much-deserved spotlight. Our bank is committed to the development of our community through sports and we will continue to look for opportunities that can further help the development of our athletes.

REDESIGNING OUR PROCESSES

Last year, I expressed the goal that our operations should become more efficient. I am pleased to say that our colleagues have embraced this challenge and have implemented the following improvements:

- Through the implementation of straight-through processing, local and international remittances no longer require manual input, which has resulted in drastically lower processing times.
- Through a re-designing of our retail loan application procedure, application time has been reduced from 3 weeks to 3 days.
- Through a simplification of our customer on-boarding documentation, in-branch waiting time has been halved.

Enhancing Customer Experience through Innovation

One of the ways we have sought to improve the experience of our customers in our Consumer Banking department is through our WithMe app. Although still in its infancy, our WithMe app has been widely adopted by our customers, handling transactions aggregating over 500 million Rupees. Compared to the previous mobile banking application, the implementation of WithMe app resulted in an increase of over 4,100% in the number of transactions handled in October year-over-year.

Our app is the highest rated local mobile banking application on the two main application stores, and our Chairperson already referred to various awards that our digital products have obtained.

Yet, our approach is not to chase scores. Our drive to innovate is a means to an end. We are interested in using technology as a tool to enhance our customers' experience and to create value for our bank.

Our WithMe app has also allowed us to:

- Be more environmentally friendly, save on paper dependency and reduce our costs on printing and delivering bank statements.
- Understand our customers, through the use of analytics on structured and unstructured data generated through our app and other customer service interactions.
- Shift the focus of our front office staff from transactional banking to offering better advice and helping our customers understand which products are right for them.

DEVELOPING A LEARNING CULTURE

We must be committed to fight inertia to cultivate a culture of continuous improvement. The future of our bank lies in inspiring our colleagues to embrace innovation as a tool to provide genuine value to our customers. To achieve this, we must foster a supportive learning environment and systematically invest in our learning processes. This will mean:

- Re-examining the channels to deliver learning content to our colleagues.
- Re-focusing the learning content to emphasise creative problem solving in customer experience and care, and putting our colleagues on new learning curves.

CONCLUSION

In closing, I would like to thank our shareholders for their patience and continued support. On a special note, I am grateful to our colleagues for their dedication, hard work and resolve. Our colleagues are the face of our bank and are the source of our strength.

Thank you for your continued commitment in our bank.

MR P. MUNGAR

Chief Executive Officer

NO NEED FOR NERVES OF STEEL FOR AN APPROVAL

Since the 1980s, Bisenco has specialised in the manufacturing of steel products. When Oomasungkar told us of his desire to deliver the best products and services Bisenco could provide, we gladly offered our financial expertise and solutions to further develop this venture.

Oomasungkur Bissessur,
Director, Bisenco Ltd

Directors' Report

DIRECTORS' REPORT

The Board of Directors of MauBank Ltd, the "Bank", is pleased to present its Annual Report together with the financial statements of the Bank and its subsidiary for the financial year ended 30 June 2019. The financial statements have been prepared in accordance with the requirements set out in the Bank of Mauritius Guideline on Public Disclosure of Information, the International Financial Reporting Standards, the Financial Reporting Act 2004, the Companies Act 2001 and the Banking Act 2004. The Bank and its subsidiary are collectively referred to as the "Group".

GLOBAL ECONOMIC OUTLOOK

According to the April 2019 World Economic Outlook (WEO) published by the IMF, after strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand. Conditions have eased in 2019 as the US Federal Reserve signaled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal, but they remain slightly more restrictive than in the fall.

As a result of these developments, global growth is now projected to slow from 3.6 percent in 2018 to 3.3 percent in 2019, before returning to 3.6 percent in 2020. Growth for 2018 was revised down by 0.1 percentage point relative to the October 2018 World Economic Outlook (WEO), reflecting weakness in the second half of the year, and the forecasts for 2019 and 2020 are now marked down by 0.4 percentage point and 0.1 percentage point, respectively. The current forecast envisages that global growth will level off in the first half of 2019 and firm up after that. The projected pickup in the second half of 2019 is predicated on an ongoing buildup of policy stimulus in China, recent improvements in global financial market sentiment, the waning of some temporary drags on growth in the euro area, and a gradual stabilization of conditions in stressed emerging market economies, including Argentina and Turkey. Improved momentum for emerging market and developing economies is projected to continue into 2020, primarily reflecting developments in economies currently experiencing macroeconomic distress - a forecast subject to notable uncertainty. By contrast, activity in advanced economies is projected to continue to slow gradually as the impact of US fiscal stimulus fades and growth tends toward the modest potential for the group.

Beyond 2020, global growth is set to plateau at about 3.6 percent over the medium term, sustained by the increase in the relative size of economies, such as those of China and India, which are projected to have robust growth by comparison to slower-growing advanced and emerging market economies (even though Chinese growth will eventually moderate). As noted in previous WEO reports, tepid labor productivity growth and slowing expansion of the labor force amid population aging will drag advanced economy growth lower over the projection horizon.

Source: IMF World Economic Outlook (April 2019)

REVIEW OF THE MAURITIAN ECONOMY

The economy continues its steady expansion, with real GDP growth estimated at 4.1% in 2018, up from 3.8% in 2017. Growth was led mainly by construction, financial services, and information and communications technology.

The fiscal deficit widened slightly from 3.4% of GDP in 2017 to an estimated 3.5% in 2018 but is projected to fall back to 3.4% in 2019 due to fiscal consolidation. Public debt sustainability is regarded as broadly positive, although fiscal consolidation would be required for the country to meet the recently adjusted statutory public debt target of 60% of GDP by December 2021.

Monetary policy was accommodative in view of the low inflation environment and the need to support domestic activity. Inflation increased from 3.7% in 2017 to an estimated 5.1% in 2018, due largely to food production shortages resulting from losses caused by heavy rainfall. The current account deficit widened from 6.6% of GDP in 2017 to an estimated 8.8% in 2018. International gross reserves stood at 11 months of imports. The main exports are clothing, sugar cane, processed fish, and cut flowers. The export of services also continues to rise, driven by tourism and financial services.

Outlook

The economic outlook is positive because of favorable external conditions and rising public investment. Real GDP growth is projected to be 4.0% in 2019 and 3.9% in 2020. Growth could even accelerate if the government's public infrastructure program gathers pace and stimulates private investment. The current account deficit is projected to remain high, at 8.2% of GDP in 2019, given increasing commodity prices and large imports for the infrastructure program. The economy's external financing should benefit from continued strengthening of service exports, mainly tourism. Key sectoral drivers of growth are expected to continue performing well, with financial services, food processing, retail and wholesale, and information and communications technology all expected to grow by more than 5%. Furthermore, the economy is diversifying into other higher value added areas such as medical tourism and higher education.

Source: African Economic Outlook (AEO) 2019

BANKING SECTOR IN MAURITIUS

Financial soundness indicators of the banking system appear good. The level of capital maintained by banks in Mauritius as at end-December 2018 remained comfortable and was above the current regulatory minimum imposed by the BOM. The Capital Conservation Buffer (CCB) is gradually being phased in for all banks. The Domestic-Systemically Important Banks (D-SIB) capital surcharge is also gradually being phased in for those banks identified as systemically important. Together, these buffers provide added comfort to banks' capital positions.

As at end-December 2018, asset quality improved with the NPL ratio showing an improvement from 5.5 per cent as at end-June 2018 to 4.9 per cent as at end-December 2018. The Coverage Ratio, which is measured as the ratio of specific provisions to gross NPL, improved from 59.7 per cent as at end-June 2018 to 60.8 per cent as at end-December 2018. Profitability of the overall banking sector improved during the year ended December 2018 as reflected by the higher pre-tax return on assets (ROA) and pre-tax return on equity (ROE) realized by the banks. Interest income in the banking sector outpaced interest expenses and banks also benefited from other income such as net fees and commission income and profit from dealings in foreign currencies.

The Liquidity Coverage Ratio (LCR) standard had been adopted by banks effective November 2017 with a view to ensuring they have sufficient high quality unencumbered liquid assets to offset net cash outflows over a 30-day stressed period. Overall, the banking sector in Mauritius has remained liquid over the period June to December 2018 and the LCR of banks stayed above the regulatory requirements and stood at 185.1 per cent as at end-December 2018. The BOM continues its efforts to diligently monitor the liquidity situation of banks through enhanced liquidity monitoring tools including liquidity gap analyses, following up on implementation of banks' bottom-up stress testing models and requiring banks to report their liquidity contingency backup plans.

Other risks stemming from banks' operational exposures appear to be well-contained. The overall net foreign exchange exposure ratio stood at 2.4 per cent as at end-December 2018, well within the regulatory limit of 15 per cent of tier 1 capital. Similarly, credit concentration risks – risks from high credit concentration to any individual or group of connected counterparties - are duly monitored and are well contained.

Source: Monetary Policy and Financial Stability Report Bank of Mauritius (May 2019)

In addition to the above, the Finance Act 2018 has brought about significant changes in the tax regime for banks. The tax rate applicable to banks as from assessment year commencing 01 July 2020 will be 5% on first 1.5 billion of chargeable income and 15% on the remaining chargeable amount compared to current tax rate of 15%.

Further, special levy for Banks has been shifted from the Income Tax Act and now falls under the purview of the VAT Act. Under the Income Act, special levy was calculated at 10% on chargeable income. No levy was paid in a year where the Bank incurred a loss or its book profit did not exceed 5% of its operating income in the preceeding year. Under the VAT Act, special levy is calculated at 5.5% where leviable income is less than or equal to Rs 1.2 Billion or at 4.5% where leviable income is greater than Rs 1.2 billion. Leviable income means the sum of net interest income and other income from banking transactions with residents, before deduction of expenses. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

Directors' Report (Contd)

FINANCIAL RESULTS AND BUSINESS ACTIVITIES

The Bank's total assets was Rs 26.82 billion as at 30 June 2019 against Rs 26.59 billion as at 30 June 2018 whilst gross loans and advances to customers stood at Rs 15.49 billion as at 30 June 2019 compared to Rs 11.73 billion at 30 June 2018. On the other hand, the Bank has experienced an increase in its deposit base from Rs 22.35 billion at 30 June 2018 to Rs 23.06 billion, an increase of 3.36%.

The Bank ended the year 30 June 2019 with a profit before impairment and tax of Rs 6.30 million. However, the Bank recorded a loss after tax of Rs 346.54 million for the year ended 30 June 2019 against a profit after tax of Rs 10.80 million for the year ended 30 June 2018, relating mainly to the reversal of deferred tax assets of Rs 352.83 million resulting from the change in corporate tax rate applicable to banks from 15% to 5% effective from assessment year commencing 01 July 2020.

Please refer to the Management Discussion and Analysis on page 154 for more details.

CORPORATE GOVERNANCE

MauBank Ltd adheres to good corporate governance principles and procedures in its business strategy, operations and organisational culture.

The Board of Directors of the Bank delegates its powers to several Board Committees and Management Committees which operate in line with the best international good corporate governance practices, while maintaining the ultimate accountability and responsibility for the affairs and performance of the Bank.

The Board has constituted the following committees to assist effective implementation of its responsibilities:

i. Audit Committee

ii. Risk Management Committee

iii. Nomination and Remuneration Committee

iv. Conduct Review Committee

v. Board Credit Committee

vi. Corporate Governance Committee

vii. Strategy and Finance Committee (Ceased on 6 April 2017 and reinstated 4 April 2018)

Moreover, the Bank ensures adherence to all its policies and procedures which are in line with the guidelines issued by the Bank of Mauritius (Central Bank or BOM). An Anti-Money Laundering Unit, forming part of the Compliance department, is specifically mandated to safeguard the reputation and integrity of the Bank by safeguarding against any money laundering offence.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2018, the major shareholding of the Bank was as follows:

MauBank Holdings Ltd	99.96 %
Other Shareholders	0.04 %

DIRECTORS' REMUNERATION

The remuneration and other benefits received by the directors for MauBank Ltd and MauBank Investment Ltd amounted to Rs 17,799,220 for year ended 30 June 2019 compared to Rs 21,961,779 for the year ended 30 June 2018 and Rs 17,692,755 for the period ended 30 June 2017.

DIRECTORS' SERVICE CONTRACTS

The Bank had an employment contract with its executive director, namely Mr Sridhar Nagarajan who was appointed on 24 September 2015. His contract expired on 23 September 2018 and he resigned as director on 21 September 2018. Mr Premchand Mungar was appointed Chief Executive Officer with effect from 23 November 2018 and has an employment contract as executive director.

DIRECTORS' SHARE INTERESTS

The directors have no interest in the share capital of the Bank, whether directly or indirectly.

AUDITOR

In its third year as External Auditor, Deloitte acted as external auditors of the Group and the Bank for the year ended 30 June 2018 and its remuneration for audit and other services payable, inclusive of Value Added Tax, is as follows:

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Audit fees	**4,048,000**	3,691,500	3,220,000	**3,910,000**	3,565,000	3,105,000
Other services	**4,629,009**	1,932,000	-	**4,629,009**	1,932,000	-
TOTAL	**8,677,009**	5,623,500	3,220,000	**8,539,009**	5,497,000	3,105,000

Other services payable for the year ended 30 June 2019 to Deloitte relates to:

- Report on Agreed Upon Procedures in respect with certain impaired loans and advances.
- White Paper on the accounting treatment on the derecognition of non-performing loans and advances.
- IT Security Advisory Service.
- IFRS 9 review.

As part of the additional services provided, the teams involved were not part of any decision making process in the audit team of Deloitte. Moreover, with different teams involved, Deloitte retained its independence with regards to their statutory obligations.

The Audit Committee meets regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage), to discuss the external auditor’s remit and any issues arising from the external audit. Meetings are also held with the External Auditors by the Board / Board members, without the presence of Management, at least once a year, if required.

PROSPECTS AHEAD

MauBank Ltd’s operational activities span across four main pillars, namely SME, Retail, Corporate and International Banking and continues to expand its business in these areas. The Bank has been rolling out its digital transformation strategy with a view to further penetrate the market with innovative and state of the art solutions, tailored to customer needs.

Directors' Report (Contd)

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which present fairly the consolidated financial position, consolidated financial performance and consolidated cash flows of the Bank. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed and complied with, subject to any material departures disclosed and explained 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 in the foreseeable future; and
- State whether the Code of Corporate Governance has been adhered to, or if not, give reasons where there has been no compliance

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the requirements set out in the Bank of Mauritius Guideline on Public Disclosure of Information, International Financial Reporting Standards, the Financial Reporting Act 2004, the Mauritius Companies Act 2001 and the Banking Act 2004. They are also responsible for safeguarding the assets of the Group and, hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and maintain an effective system of internal controls and risk management.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

ACKNOWLEDGEMENTS

The Bank is grateful for the support given by the Government as ultimate shareholder, the Honourable Prime Minister and Minister of Finance and Economic Development and the Financial Secretary. The Bank is also grateful to management and the employees for their support. The Bank wishes to convey its special thanks to its customers and depositors for their continued support and the relationship and trust will be further strengthened.

Director
On behalf of Board of Directors

Director
On behalf of Board of Directors

Executive Director
On behalf of Board of Directors

Date: 30 september 2019

Ebene 72201, Republic of Mauritius

FINANCIAL SOLUTIONS THAT FEEL LIKE BREEZE OF FRESH AIR

Ever since he started his business, Clément has endeavoured to expand and diversify his activities. For years we have accompanied him through the financing of his evolving ambitions to make his dream come true.

Clément Lan,
Managing Director, Fortress Marketing Ltd

CORPORATE GOVERNANCE REPORT

NURTURING BUSINESSES IS OUR CUP OF TEA

La Chartreuse is a reference in the local business landscape. So, when Asvin knocked at our door for financial advice, we felt honored. Today, he owns the largest tea factory, representing 50% of local production and sales.

Asvin Bokhoree,
Managing Director,
La Chartreuse Tea Manufacturing

Corporate Governance Report

'The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of an organization'. **[The National Code on Corporate Governance 2016** (the "Code")]

Recognizing and understanding the positive impacts that the Code can bring in an organization, MauBank Ltd ("MauBank" or the "Bank") has ensured that its strategies are aligned to the Code together with other applicable laws and guidelines, whereby, encouraging a culture and attitude that nurture the principles of Corporate Governance throughout decision making.

This report sets out the Bank's Corporate Governance processes and the role they play in supporting the delivery of the Bank's strategy and provides for explanations from any deviations from the Code.

This report together with its Annual Report is published on the Company's website.

1. STATEMENT OF COMPLIANCE BY THE BOARD

For matters of good governance, the Bank is guided by the Bank of Mauritius' Guideline on Corporate Governance, The National Code of Corporate Governance for Mauritius (the "Code") as revised in 2016 together with other fundamental legislations such as the Banking Act 2004 and the Mauritius Companies Act 2001.

The introduction and application of the Code as from the period ending 30th June 2018, marks an important step towards cementing throughout the Bank for an effective and prudent management that can deliver long-term success.

The Bank has endeavoured to adhere to the principles as set out in the Code by taking matters at Board level and Committees of the Board. The Board is of view that there is no material deviation to be highlighted. In addition, the Bank has a Corporate Governance Committee to specifically discuss on Corporate Governance matters. The Bank's Corporate Governance system further comprises of Management Forums, Internal and External Auditors, industry best practices as well as established policies and procedures across all operations.

The abovementioned system provides structures for the following:

- Formulation of strategic directions and plans;
- Setting up of corporate objectives and budgets;
- Establishing clear lines of responsibility and accountability;
- Delegation of authority to management to implement Board approved plans and strategies and to operate the Bank's business on a day to day basis;
- Sanctioning of banking facilities to related parties and large credit exposure to a customer / group;
- Monitoring of performance and compliance with laws, regulations, policies and procedures;
- Risk Management framework;
- Internal control systems;
- Rewards and incentives;
- Succession planning for Executives; and
- Good governance practices.

To the best of its knowledge, the Board has relentlessly endeavored towards attaining, adhering and maintaining throughout the financial year 2018 / 2019, the highest level of Corporate Governance in accordance with the Guideline on Corporate Governance issued by the Bank of Mauritius ("BOM"), the National Code for Corporate Governance and other relevant Legislations.

2. BRIEF OVERVIEW OF THE UNDERLYING PRINCIPLES OF THE CODE OF CORPORATE GOVERNANCE

The Code rests on Eight (8) core principles that encourages the "apply and explain" approach, whereby, allowing organisations to adapt its practices to particular circumstances.

These Principles are:

1. The Governance Structure
2. The Structure of the Board and its Committees
3. Director Appointment Procedures
4. Director Duties, Remuneration & Performance
5. Risk Governance and Internal Control
6. Reporting with Integrity
7. Audit
8. Relations with Shareholders and other key Stakeholders

Corporate Governance Report (Contd)

CORPORATE GOVERNANCE APPLIED

2.1 PRINCIPLE 1: GOVERNANCE STRUCTURE

"All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified."

"The board has the ultimate responsibility for the safety and soundness of the financial institution. It must oversee the institution's business strategy, internal organisation and governance structure, its risk management and compliance practices, and key personnel decisions. It is essential that there be a clear demarcation of responsibilities and obligations between the board and management. The board should be independent from management". (Bank of Mauritius Guideline on Corporate Governance)

MauBank, a Public Interest Entity ("PIE"), is led by a unitary board, which is collectively responsible and accountable for the decisions taken. To better discharge its duties, the Board of Directors delegates its powers to various Board Committees and Managements Committees which operate in line with good corporate governance practices, while maintaining the ultimate accountability and responsibility for the affairs and performance of the Bank. The Board Charter, as approved by the Board, caters for the delegation of authority and provides the necessary mandates for the proper functioning of the below mentioned committees together with an effective oversight process.

The Board has constituted the following committees to assist effective implementation of its responsibilities:

i. Audit Committee
ii. Risk Management Committee
iii. Nomination and Remuneration Committee
iv. Conduct Review Committee
v. Board Credit Committee
vi. Corporate Governance Committee
vii. Strategy and Finance Committee (Reinstated 4 April 2018)
viii. Procurement Committee (Constituted on 10 May 2019)

The CEO together with management executives are responsible for the day to day operations of the Bank. The CEO regularly reports to the various Committees of the Board and ultimately to the Board of Directors who keep an oversight that the decisions taken are in line with best practices inclusive of legal and regulatory requirements.

Further, the Bank ensures adherence to all its policies and procedures which are in line with the Guidelines issued by the Bank of Mauritius. An Anti-Money Laundering Unit, forming part of the Compliance Department, is specifically mandated to safeguard the reputation and integrity of the Bank.

The operating model of the Bank ensures segregation of duties and also clear cut lines of responsibilities of the sub committees are laid down through the terms of reference of each Committees.

2.1.1 Key Features of Board processes

In addition to their regular meetings, the Board can be convened as and when required depending on the matter to be discussed.

Key decisions taken by the Board, include:

- Approval of Accounts;
- Approval of Strategic papers;
- Approval of Board and Committees Terms of References;
- Ratification of Organisational Chart through the Remuneration and Nomination Committee;
- Ratification of key senior positions through the Remuneration and Nomination Committee; and
- Approval of policies and procedures, inclusive of the Bank's Code of Conduct and Ethics.

2.1.2 Website

As part of its obligations under the Code, the following documents can be found on the Bank's website:

- Constitution of the Bank;
- Code of Conduct and Ethics policy;
- Organisation Chart;
- Directors details;
- Statement of Accountabilities (can be found in the Annual Report); and
- Board Charter.

2.1.3 STATEMENT OF COMPLIANCE TO PRINCIPLE 1

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with its obligations and requirements under Principle 1 of the Code of Corporate Governance, with no material deviation to be highlighted."

2.2 PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

"The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurating with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties."

2.2.1 Board Size and Composition

The recommended number of Independent Director as per BOM's Guideline on Corporate Governance and the Banking Act 2014 is 40 per cent of the Board composition.

The Board of MauBank is a unitary Board that currently comprises of four (4) Independent Directors, representing 50 percent of the Board composition, three (3) Non-Executive Directors and one (1) Executive Director who are all Mauritian residents. The Board includes directors from various industries and backgrounds which the Board believes are sufficient towards effective decision making. Moreover, with no alternate director discussions at Board and Committee levels, discussions are more productive and decisions more effective.

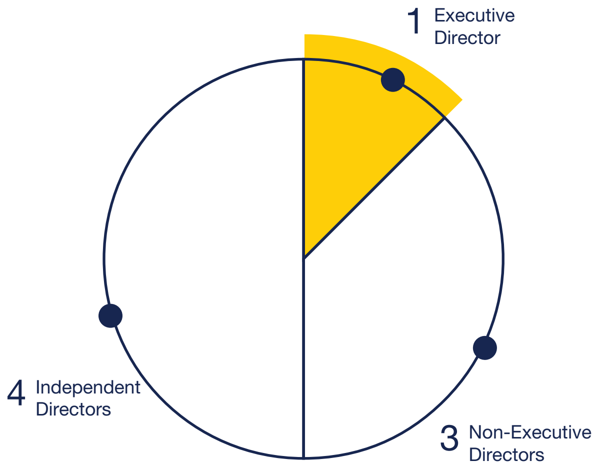
Currently with the membership of eight (8) Directors, the Board believes that it is commensurate to the Bank's current business activities. The Directors are re-elected on an annual basis during the Annual Meeting of Shareholders. The last Annual Meeting was held on 12 February 2019.

The Bank is in its transformation phase and high caliber Executives have been recruited, including a Deputy Chief Executive Officer. For the financial year ended 30 June 2019, the Chief Executive Officer was the only Executive Director at the Bank and he was supported by a robust executive management team.

Also, recognising the importance of diversity, MauBank is currently engaged in creating new and inspiring possibilities for women within the Bank, as such the appointment of women at Board Level is under consideration pending the selection of the right candidates. The Bank had identified a few potential female candidates but none of them met the requirements that the Bank were looking for.

However, work has been initiated in this field where three women today form part at the Executive Committee level.

2.2.2 Board Composition



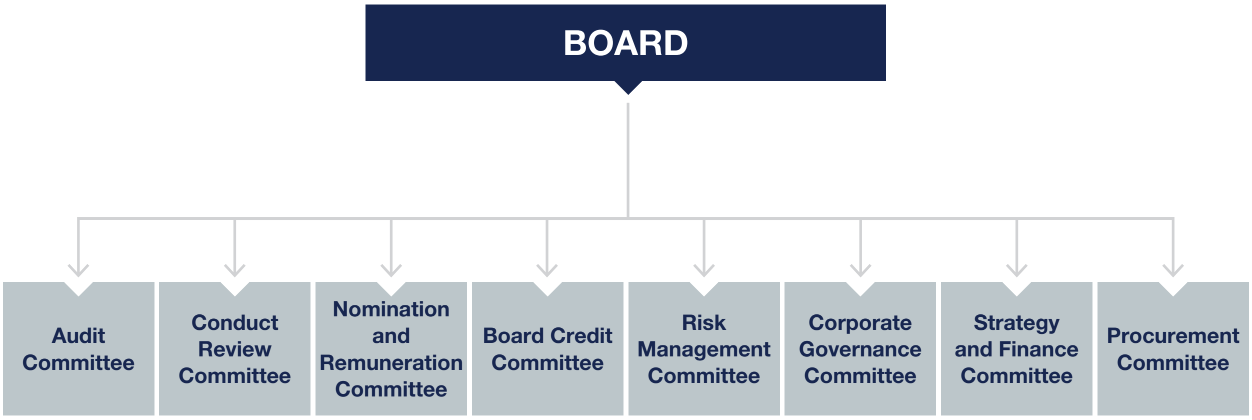
Composition:

- Mr. Lalloo Said (Independent Director & Chairman) (Resigned on 01 October 2018)
- Mr. Burkutoola Mahmadally (Independent Director & Chairman) (Appointed on 29 March 2019)
- Dr. Paligadu Dharamraj (Non-Executive Director) (Resigned on 06 August 2019)
- Mr. Nicolas Jean Marie Cyril (Independent Director)
- Mr. Nagarajan Sridhar (Executive Director) (Resigned on 21 September 2018)
- Mr. Mungur Premchand (Executive Director) (Appointed on 23 November 2018)
- Mr. Putchay Vassoo Allymootoo (Non-Executive Director) (Resigned on 05 September 2019)
- Mr. Gokhool Ashvin Jain (Independent Director)
- Mr. Nilamber Anoop Kumar (Non-Executive Director)
- Mr. Codabux Muhammad Javed (Independent Director)

Corporate Governance Report (Contd)

2.2.3 The Board and its committees structure & Mandate

2.2.3.1 Board and Committees Structure



2.2.3.2 Board Mandate

The Board as empowered by the Bank's Constitution and Charter is responsible, among others, for:

- Function independently of management;
- Operate at a higher level than management;
- Exercise leadership, enterprise, intellectual honesty, integrity and judgment in directing the Bank so that it achieves sustainable prosperity;
- Ensure that policies, procedures and practices are in place to protect the Bank's assets and reputation;
- Consider the necessity and appropriateness of installing a mechanism by which breaches of the principles of corporate governance may be reported;
- Monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
- Ensure that there is a suitable induction and evaluation program in place which meets specific needs of the Bank and its directors.
- Evaluations of the Board have been carried out from time to time during a number of different Board meetings during the financial year ended 30 June 2019. For example at its Board meeting of 10 May 2019, the Board noted that the Board needed more diversity and the Board should have directors from both genders as members of the Board i.e. male and female directors. The Board agreed that female director(s) should be appointed.
- Appoint the CEO and ensure that succession is professionally planned in good time; and
- Balance 'conformance' and 'performance'. Conformance is compliance with the various laws, regulations and codes governing companies. Ensuring performance requires the development of a commensurate enterprise culture within the organisation so that returns to shareholders are maximized while respecting the interests of other stakeholders.

2.2.4 COMMITTEES OF THE BOARD

The Audit Committee, Conduct Review Committee, Nomination and Remuneration Committee, Board Credit Committee, Risk Management Committee and Corporate Governance Committee were constituted on 31 March 2016.

The Strategy and Finance Committee was reconstituted on 4 April 2018. The Procurement Committee was constituted on 10 May 2019.

The main objectives, responsibilities and the membership of the Board Committees, as at 30 June 2019, are set out below:

2.2.4.1 Audit Committee

Mandate:

The Audit Committee's principal function is to oversee the Bank's financial reporting process, monitor the internal control systems, review financial statements, provide support to the Board of Directors on compliance, audit and financial matters, oversee performance of external and internal auditors of the Bank and review internal and external inspections.

Composition:

- Mr. Gokhool Ashvin Jain (Chairman)
- Mr. Codabux Muhammad Javed
- Mr. Nicolas Jean Marie Cyril
- Mr Anoop Nilamber (Appointed as a member of the committee on 10 May 2019)

2.2.4.2 Conduct Review Committee

Mandate:

The Conduct Review Committee reviews transactions connected with related parties to ensure that they are carried out on terms and conditions that are least favorable as market terms and conditions and also ensures the Bank is directed and controlled under best corporate governance practices.

Composition:

- Mr. Codabux Muhammad Javed (Chairman)
- Mr. Gokhool Ashvin Jain
- Mr. Nicolas Jean Marie Cyril
- Mr. Burkutoola Mahmadally (Appointed as a member of the committee on 10 May 2019)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Mungar Premchand (Appointed on 23 November 2018)
- Dr. Dharamraj Paligadu (Resigned on 06 August 2019)

2.2.4.3 Nomination and Remuneration Committee

Mandate:

The Nomination and Remuneration Committee is a committee of the Board which has the responsibility of selecting competent and qualified personnel and making recommendations to the Board of Directors. The Committee aims to retain and attract qualified and experienced personnel for the smooth running of the Bank.

The roles of this Committee are to review corporate objectives and budgets, senior executives' performance, reward policy and approve productivity bonus policy to employees, approve salary revisions, service conditions and staff welfare policy, approve recruitment or promotion of top managers, review irregularities and serious offences, recommend recruitment and terms of contract of employment of the Chief Executive Officer ("CEO") and other Senior Officers, review and recommend nomination of suitable persons eligible as candidate for directorship, in accordance with Fit and Proper Person Policy and Corporate Governance.

The Nomination and Remuneration Committee also reviews the Bank's Organisational chart, which is ultimately tabled at Board Level for ratification.

Composition:

- Mr. Lalloo Said (Chairman) (Resigned on 01 October 2018)
- Mr. Burkutoola Mahmadally (Appointed as a member of the committee on 10 May 2019)
- Dr. Dharamraj Paligadu (Resigned on 06 August 2019)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Putchay Vassoo Allymootoo (Resigned on 05 September 2019)
- Mr. Mungar Premchand (Appointed on 23 November 2018)
- Mr. Nilamber Anoop Kumar (Appointed as a member of the committee on 10 May 2019)
- Mr Cyril Nicolas (Appointed as a member of the committee on 10 May 2019)

2.2.4.4 Board Credit Committee

Mandate:

The Board Credit Committee reviews and approves credit proposals above Rs. 40 million. This Committee is held as and when the need arises.

Composition:

- Dr. Dharamraj Paligadu (Chairman) (Resigned on 06 August 2019)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Putchay Vassoo Allymootoo (Resigned on 05 September 2019)

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- Mr. Nilamber Anoop Kumar (Chairman)
- Mr. Mungar Premchand (Appointed on 23 November 2018)
- Mr. Nicolas Jean Marie Cyril (Appointed as a member of the committee on 24 September 2018)
- Mr. Burkutoola Mahmadally (Appointed as a member of the committee on 10 May 2019)

2.2.4.5 Risk Management Committee

Mandate:

The Main responsibilities of the Risk Management Committee is the identification and oversight of the principle risks at the Bank, including but not limited to credit, market, liquidity, operational, compliance and regulatory and reputational risks and the actions taken to mitigate them. It is also responsible to advise the Board on the Bank's overall current and future risk appetite, tolerance and strategy and oversee Senior Management's implementation of the risk appetite framework and reporting on the state of risk culture in the Bank to the Board.

Composition:

- Mr. Nilamber Anoop Kumar (Chairman)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Nicolas Jean Marie Cyril
- Mr. Gokhool Ashvin Jain
- Mr. Codabux Muhammad Javed
- Mr. Mungar Premchand (Appointed on 23 November 2018)
- Mr. Burkutoola Mahmadally (Appointed as a member of the committee on 10 May 2019)

2.2.4.6 Corporate Governance Committee

Mandate:

The Committee is responsible to determine, agree and develop the Bank's general policy on corporate governance in accordance with applicable Codes, Guidelines and Legislations. It should also ensure that the corporate governance report and disclosures to be published in the Bank's annual report is in compliance with provisions all applicable Codes, Guidelines and Legislations.

Corporate Governance Committee

The Bank has a Corporate Governance Committee, which monitors the overall compliance of the Bank to corporate governance matters.

Specifically, the duties of the Committee shall be to:

- determine, agree and develop the Bank's general policy on corporate governance in accordance with applicable Code of Corporate Governance and legislations;
- ensure that the corporate governance report to be published in the Bank's annual report is in compliance with provisions of the Code of Corporate Governance;
- ensure that disclosures are made in the annual report in compliance with the disclosure provisions in the Code of Corporate Governance;
- consider any other corporate governance matters as directed by the Board.

Composition:

- Mr. Putchay Vassoo Allymootoo (Chairman) (Resigned on 05 September 2019)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Mungar Premchand (Appointed on 23 November 2018)
- Mr. Gokhool Ashvin Jain
- Mr. Nilamber Anoop Kumar
- Mr. Codabux Muhammad Javed

2.2.4.7 Strategy and Finance Committee

Mandate:

The duties of the Committee shall be to advise on the overall short and long term strategy of the Bank and monitor the Bank's long-term financial stability, to consider and approve strategic and financial plans of the Bank for recommendation to the Board, to oversee and monitor implementation of the Bank's Strategic Plan and its associated financial plans, to advise management in relation to the Bank's capital structure and its underlying equity/debt funding strategy and to monitor the Bank's quarterly financial performance.

Composition:

- Mr. Lalloo Said (Chairman) (Resigned on 01 October 2018)
- Mr. Gokhool Ashvin Jain
- Dr. Paligadu Dharamraj (Resigned on 06 August 2019)
- Mr. Putchay Vassoo Allymootoo (Resigned 05 September 2019)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Codabux Muhammad Javed
- Mr. Mungar Premchand (Appointed on 23 November 2018)
- Mr. Burkutoola Mahmadally (Chairman) (Appointed as a member of the committee on 10 May 2019)

2.2.4.8 Procurement Committee

Mandate:

The duties of the Committee shall be to review certain revenue and capital expenditures of the Bank to ensure that the Bank's expenditure is appropriate in the pursuit of the Bank's operations, including evaluating and making recommendation to the Board on any acquisition or disposal and/or any undertaking or part of any undertaking of the Bank, approving any emergency procurements, monitoring, evaluating and reviewing management's procedures for procurement, on a regular basis and the controls in place to ensure value for money and determine and set inbuilt accountability parameters for management in case of failure and reviewing the Bank's procurement policy for recommendation to the Board.

Composition:

- Mr. Nicolas Jean Marie Cyril (Chairman)
- Mr. Burkutoola Mahmadally
- Dr. Paligadu Dharamraj (Resigned on 06 August 2019)
- Mr. Putchay Vassoo Allymootoo (Resigned on 05 September 2019)
- Mr. Mungar Premchand

2.2.5 BOARD AND COMMITTEES ATTENDANCE

The following table gives the record of attendance at meetings of the Bank's Board and its Committees during the financial year ended 30 June 2019:

Board/ Committee	Number of Sittings	Mr BURKUTOOLA Mahmadally	Mr LALLOO Said	Mr MUNGAR Premchand	DR PALIGADU Dharamraj	Mr PUTCHAY Vassoo	Mr GOKHOOL Ashvin	Mr NILAMBER Anoop	Mr NICOLAS Cyril	Mr CODABUX Javed	Mr NAGARAJAN Sridhar
Board Meeting	27	9	-	13	27	25	19	16	26	23	**6**
Board Credit Committee	27	3	-	14	26	27	-	14	20	-	7
Conduct Review Committee	7	1	-	4	2	-	7	-	7	7	**1**
Corporate Governance	1	-	-	1	-	1	-	1	1	1	-
Nomination & remuneration	4	2	-	3	4	4	-	2	2	-	1
Risk Management	5	2	-	3	-	-	5	5	5	5	1
Strategy and Finance	6	-	-	1	6	3	6	2	4	6	1
Audit Committee	8	-	-	-	-	1	8	2	7	8	-
Procurement Committee	1	1	-	1	1	1	-	-	1	-	-

Note: Dr Paligadu was appointed acting Chairman of the Board of Directors from 01 July 2018 to 08 April 2019.

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2.2.6 Directors' Independence

With 50% of Independent Directors on its Board, the Bank ensures that the decision taking processes are independently taken, in the best interest of the Bank. Moreover, by also taking into consideration the guidance put forth by the Code, the Board ensures that Directors form an independent view on any related matter presented at Board Level and any conflict, real or potential, is brought to the attention of the Board decision taking. This ensures that decisions taken are equitable for all concerned parties.

As guidance, the Code has provided for added criteria to determine the independence of a Director:

- Has the director been an employee of the organisation or group within the past three years?
- Has the director had within the past three years, a material business relationship with the organisation either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the organisation?
- Has the director received additional remuneration from the organisation apart from a director's fee or as a member of the organisation's pension scheme?
- Is the director a nominated director representing a substantial shareholder?
- Has the director close family ties with any of the organisation's advisers, directors or senior employees?
- Has the director cross directorships or significant links with other directors through involvement in other companies or bodies?
- Has the director served on the Board for more than nine continuous years from the date of his first election?

The Board considers that with the Government of Mauritius being a substantial shareholder of the Bank, nominated Directors forms part of the prevailing norm in Mauritius. Also, being State Owned, there is an implied duty towards the public and being answerable to decisions that are being taken. As such, any nominated director further ensures that decisions taken at Board level are to the best interests of the all concerned stakeholders.

2.2.7 Company Secretary

The Bank's Secretary to the Board is guided by its Constitution, the Companies Act 2001 as well as other Guidelines issued by the BOM and the Code. Directors may consult and liaise directly with the Secretary should the need arise, who acts as an 'Independent and Trusted Adviser' of the Directors. The Secretary ensures that all relevant Legislations, Guidelines and any such codes are adhered to by the Board and provide for advice on corporate governance matters as and when required.

In addition, the Board have access to independent professionals for further advice.

The details on the Company Secretary can be found in the Administration section on page 178.

2.2.8 STATEMENT OF COMPLIANCE TO PRINCIPLE 2

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with its obligations and requirements of Principle 2 of the Code of Corporate Governance, with no material deviation to be highlighted, in all material respects."

2.3 PRINCIPLE 3: DIRECTORS APPOINTMENT PROCEDURES

"There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The Search for Board candidates should be conducted and appointments made on merit against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key office holders."

2.3.1 Directors' appointment, election, induction and re-election of directors

Following its mandate, the Nomination and Remuneration Committee has set specific procedures, including a Directors' onboarding checklist, have been put in place for newly appointed directors to familiarize themselves with the Bank's overall structure as well as their expected roles and responsibilities as per the Mauritius Companies Act 2001, the Bank's Constitution, the Board and Committees' Terms of References as well as other Guidelines and relevant codes of corporate governance.

On appointment, Directors are provided with a comprehensive 'Directors' Induction' pack comprising, amongst others, of the above mentioned documents and receive appropriate induction and orientation process on their expected roles and responsibilities.

Moreover, to better discharge their responsibilities as Directors, regular training programs are arranged for all the Bank's directors. In this respect, the Directors' attended a workshop delivered by the Mauritius Institute of Directors ("MIoD") on *'An overview of Corporate Governance in the Banking Sector'* on the 22 August 2017. The Directors also attended a *'Training on new Technologies'* on the 27 November 2018.

In its third year of operations, MauBank's Directors adheres to the provision provided in the Guideline on Corporate Governance which allows a Director to serve for a maximum term of six years. However, recognizing the need to have a formal succession plan at the Bank, a 'Succession Planning for Directors' has been drafted and implemented as of April 2018 based on the feedback provided by Directors in their evaluation exercise.

2.3.2 Biographies of Directors

The directors' profile is described in the "Administrative Information" Section.

2.3.3 Website

As per the recommendations of the Code under principle, the following can be found on the Bank's website:

- Biographies of each director

2.3.4 STATEMENT OF COMPLIANCE TO PRINCIPLE 3

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with its obligations and requirements of Principle 3 of the Code of Corporate Governance and that the Board assumes full responsibilities for succession planning and for the appointment and induction of new directors to the Board. The Board of Directors has also reviewed the development and ongoing education of directors and accordingly, have earmarked two training programs to be attended by all the Directors for the second half of 2019".

2.4 PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

"Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information, information technology and information security. The Board, Committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives."

2.4.1 Legal Duties of Directors

Directors are apprised of their role when joining the Bank. A Directors' Induction Handbook ("Handbook") is provided to each and every director on onboarding and includes some key legal and regulatory requirements, inclusive of the Companies Act 2001, the Banking Act 2004, Bank of Mauritius' Guideline on Corporate Governance as well as the National Code of Corporate Governance.

The Handbook outlines the roles, responsibilities and duties of the Directors as per below:

- to act in accordance with the Bank's constitution;
- to promote the success of the Bank;
- to exercise independent judgement;
- to use reasonable care, skill and diligence;
- to avoid conflicts of interest;
- not to accept benefits from third parties nor to gain advantage from the use of the position as a director;
- to act in good faith for the benefit for the Bank; and
- to use powers for a proper purpose for the benefit of members as a whole.

2.4.2 Evaluation of the Board, its Committees and individual directors

As part of their duties and commitment towards constructive decision making, Directors carry out an evaluation exercise that helps assess the overall effectiveness of the Board and its Committees, as well as getting an overall view of the knowledge areas of the directors.

The Board is aware of the rapid evolution of technologies and its potential impact on the banking industry. In this context, on 27 November 2018, the Directors of the Board was provided with a training on new technologies. The Training covered the following:-
(i) Overview of Bitcoin
(ii) Blockchain as a disruptive invention.

Moreover, at its Board meeting held on 13 September 2019, the Board approved that Mr Premchand Mungar, the Chief Executive Officer of the Bank, attend the Finacle Conclave 2019, the Annual Banking Leadership Summit which will be held from 12 November 2019 to 14 November 2019 in Dubai. Finacle Conclave 2019 is designed to help banks discover practical insights, potential strategies and solutions, to deliver truly digital transformation at scale and therefore, Finacle Conclave 2019 is the perfect platform to provide the Chief Executive Officer of the Bank with the insight, experience and knowledge to better develop strategies and solutions for the Bank to deliver truly digital transformation at scale.

Evaluations of the Board have been carried out from time to time during a number of different Board meetings during the financial year ended 30 June 2019 e.g At its Board meeting

Corporate Governance Report (Contd)

of 10 May 2019, the Board noted that the Board needed more diversity and the Board should have directors from both genders as members of the Board i.e. male and female directors. The Board agreed that female director(s) should be appointed. Generally, the evaluations were in relation to the following:-

- Composition of the Board – with reference to age and gender;
- Composition of Committees of the Board;
- Regulatory Environment;
- Technological Environment;
- Relationship between the Board and Management;
- Allocation of time during the Board and Committees; and
- Quality of information provided; and
- Timeliness of information provided.

Moreover, in September 2019, a Board evaluation questionnaire was circulated to all members of the Board. The evaluation was in respect of the board composition, the effectiveness of the Board, the regulatory environment, the Bank's strategic goals to match the corporate plan. The Board Directors were invited to complete the said questionnaire and provide their inputs including their recommendations, if any. After receipt of the duly filled questionnaires, the data will be analysed and a report will be submitted to the Board in due course.

2.4.3 Directors' Interests and Dealings in Shares

The Company Secretary maintains an interests register and is available for consultation to shareholders upon request.

The Directors have no interest in the share capital of the Bank, whether directly or indirectly. The shares of the Bank are unquoted and hence there were no dealings in shares by the Directors of the Bank.

2.4.4 Related Party Transactions and Practices

The Guideline on Related Party Transactions issued by the Bank of Mauritius, is made up of 5 sections:

- Board and Senior Management Responsibilities;
- Rules Governing Related Party Transactions;
- Monitoring of Related Party Transactions;
- Disclosure and Regulatory Reporting: and
- Transitional Provisions.

Related parties, whether body corporate or natural persons, fall into two main categories:

(a) Those that are related to a financial institution because of ownership interest; and

(b) Those that are related otherwise, such as directors and senior officers who may also have some ownership interest in the financial institution.

Related party transactions include:

(a) Credit financial leasing, non-fund based commitments such as documentary credits, guarantees on behalf of a related party, acquiring a loan made by a third party to a related party;

(b) Placements made by the Bank with related party;

(c) Conditional sales agreements;

(d) Consulting or professional services contracts with directors;

(e) Investment equity of a related party;

(f) Deposits placed with the Bank by related parties; and

(g) Acquisition, sale or lease of assets.

The Guideline outlines 3 categories of credit exposures to related parties and prescribes the regulatory limits applicable.

In line with the Related Party Transactions, the Board of directors of the Bank has established a revised policy on related party transactions. The Policy sets out prudent rules and internal limits.

Related party reporting to the Bank of Mauritius is done on a quarterly basis. Ongoing monitoring and reporting related party transactions are also carried out in the Credit Risk Forum, Conduct Review, Risk Management and Corporate Governance Committees.

Exposure of the Bank's top six related parties as at 30 June 2019 were Rs 211.05 Mn, Rs 179.33 Mn, Rs 8.52 Mn, Rs 7.16 Mn, Rs 5.82 Mn and Rs 5.55 Mn. These balances represented 1.13%, 9.45%, 0.45%, 0.38%, 0.31%, and 0.29% respectively of the Bank's Tier 1 capital. The total top six related parties represented Rs 417.43 Mn or 22.01% of Tier 1 capital.

2.4.5 Access to information

As part of their obligations, Directors are furnished with adequate information as and when required by various key members of managements. These information are provided in a timely manner and are inclusive of reports from various departments of the Bank. Moreover, Directors receive independent reports through the Bank's Internal Auditors, Compliance Department and also through the Bank's external auditors.

Directors have access to all required documentation and have direct access to the Company Secretary for any eventual queries and need for additional information.

2.4.6 Information Technology and Information Security

The strategic projects and a highlevel implementation plan is presented to the Board on regular basis. The Board is also apprised on the progress of these projects. These projects are reviewed at an operational level through the IT Steering committee created for the purpose involving the Project Sponsors from business and the team members to review and take corrective actions, if any.

For the IT policies, these are reviewed on a regular basis and presented to the Board for approval and ratification. Also, as part of governance, the performance of the IT systems is reviewed through Incident Management, Capacity Management and Change Management governances that have been put in place for period review.

As part of the Business Continuity Plan, an annual Disaster Recovery drill is conducted involving the business unit to test the effectiveness of recovery and measured through Recovery Time Objectives(RTO) and Recovery Point Objectives(RPO) agreed with the business unit. A consolidated report as an outcome of the drill is presented to the Board for information.

Furthermore, the bank has put in place appropriate governance structure to separate activities of the IT division and the division responsible to monitor compliance with IT Security policies and standards.

Independent regular monitoring and adherence checks to IT Security policies and standards are carried out and reported to Management of the Bank.

Information Security Policies are in place to define requirements for the protection of the information assets of the bank. Policies are regular reviewed and updated and ratified by the Executive Committee.

2.4.7 Directors' Remuneration

The fees payable to the Chairman of the Board of directors and the other directors of MauBank Ltd have been determined by the Ministry of Finance and Economic Development. The remuneration and other benefits received by the directors for MauBank Ltd and MauBank Investment Ltd amounted to Rs 17,799,220 for the year ended 30 June 2019 compared to Rs 21,961,779 for the year ended 30 June 2018.

Directors' remuneration is in line with current market practice and is commensurate with their level of commitment towards their obligations as Directors of the Bank.

In line with the requirements of the Code, the Bank's Non-Executive Directors have not received remuneration in the form of share options or bonuses associated with Organisational performance.

The remuneration of the Non-Executive Directors and the Executive Director, on an individual basis, is as follows:

	Year ended 30 June 2019	Year ended 30 June 2018
	Rs	Rs
Non-Executive Directors	4,310,500	4,138,000
Executive Directors	13,488,720	17,823,779
	17,799,220	21,961,779

Due to privacy considerations, the renumeration paid to each individual director has not been disclosed.

2.4.8 Statement of Remuneration Philosophy

The Bank has a Nomination and Remuneration Committee which is a Committee of the Board, and it has the responsibility of approving the selection of competent and qualified personnel. The Committee aims to retain and attract qualified and experienced management and executives to meet the Bank's goals. The Bank also closely evaluates any practice by which remuneration is paid to both directors and executives. The remuneration packages are determined based on a number of factors inclusive of, qualification, skills, market conditions and responsibility shouldered.

The Board regularly monitors and evaluates compliance with its code of conduct and ethics policy. The Bank's Code of Conduct and Ethics Policy was reviewed in June 2019.

2.4.9 Website

The following Bank Policies can be found on the Bank's Website;

- Bank's Code of Conduct and Ethics

2.4.10 STATEMENT OF COMPLIANCE TO PRINCIPLE 4

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with its obligations and requirements of Principle 4 of the Code of Corporate Governance and that the Board is aware of its legal duties and regularly monitors and evaluates its compliance with the Bank's Code of Ethics. The Board of Directors also affirm that an information, information technology and information security policy exists."

2.5 PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

"The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management."

The Board should ensure the maintenance of a sound internal control system.

Corporate Governance Report (Contd)

The risk management framework and process is set out pages 158 to 167 in the management and discussion analysis report.

2.5.1 Whistleblowing Policy

The Whistleblowing Policy was approved by the Board on 29 November 2016.

This Policy is designed to enable employees of the Bank to raise concerns internally and at a high level, and also disclose any information which the employee believes shows malpractice and impropriety.

These concerns could include:

- Failure to comply with a legal obligation or statutes.
- Criminal activity.
- Improper conduct or unethical behavior as quoted in the Bank's Code of Conduct and Ethics Policy and in contravention with generally acceptable standards of business practice in the banking industry.
- Conduct which is an offence or a breach of law.
- Disclosures related to lapses of justice and unfairness.
- The unauthorized use of the Bank's funds, assets and information.
- Possible cases of fraud, corruption and money laundering cases.
- Attempts to conceal any of the above.

This Policy aims to:

- Encourage employees to feel confident about raising their apprehensions and to question any act that may raise concerns about practices that may bring disrepute to the Bank and/or cause financial or other loss to the Bank and/or any malicious act that may adversely affect a staff member.
- Provide avenues for employees to raise those concerns and receive feedback on any action taken.
- Reassure employees that they will be protected from possible reprisals or victimization if they have reasonable belief that they have made any disclosure in good faith.
- Minimize the Bank's exposure to the damage that can occur when employees circumvent internal mechanisms.
- Let employees know the Bank is serious about adherence to its Code of Conduct & Ethics Policy and the other Bank's policies.

2.5.2 STATEMENT OF COMPLIANCE TO PRINCIPLE 5

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with its obligations and requirements of Principle 5 of the Code of Corporate Governance in all material respects."

2.6 PRINCIPLE 6: REPORTING WITH INTEGRITY

"The Board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its annual report."

2.6.1 Directors' Responsibilities in respect of the Financial Statements

Company law requires the directors to prepare financial statements for each financial period which present fairly the consolidated financial position, consolidated performance and consolidated cash flows of the Bank. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed and complied with, subject to any material departures disclosed and explained 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 in the foreseeable future; and
- State whether the Code of Corporate Governance has been adhered to, or if not, give reasons where there has been no compliance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the requirements set out in the Bank of Mauritius Guideline on Public Disclosure of Information, International Financial Reporting Standards, the Financial Reporting Act 2004, the Mauritius Companies Act 2001 and the Banking Act 2004. They are also responsible for safeguarding the assets of the Group and, hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and maintain an effective system of internal controls and risk management.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

2.6.2 Corporate Social Responsibility

MauBank Ltd firmly believes that sustainable growth can only be achieved in partnership with the community in which it operates. In its CSR calendar for the year 2018/2019, the Bank upheld its objectives to be a socially responsible bank. In line with its corporate mission and its Environmental and Social Governance Policy, the Bank contributed to the social upliftment of the Mauritian society by extending its human resource and financial support to NGO's like SOS Children's Village, Association of Disability Service Providers, The Trevor Huddleston Association (CareCo Rodrigues), Association des Amis de Don Bosco, Paws, Global Rainbow Foundation and Breast Cancer care. The projects the Bank have chosen to support and contribute to the country's commitment to realize the following SDGS:

- No Poverty/Zero Hunger & Reduced Inequalities
- Good Health/Well Being & Gender Equality
- Quality Education & Reduced Inequalities
- Life on Land

2.6.3 STATEMENT OF COMPLIANCE TO PRINCIPLE 6

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with its obligations and requirements of Principle 6 of the Code of Corporate Governance."

2.7 PRINCIPLE 7: AUDIT

"Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's internal and external auditors."

2.7.1 Internal audit

Internal audit provides the Board of Directors (Governing Body) and senior management with the required level of assurance based on the highest level of independence and objectivity. The audit function is recognised as a valuable and strategic asset of the Bank.

This high level of independence and objectivity is achieved by the Head of Internal Audit reporting directly to the Audit Committee and administratively to the Chief Executive Officer. Internal Audit has unrestricted access to the Bank's activities, properties, records, information and personnel.

Internal audit provides independent assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the functions that own and manage risks and functions that oversees risks achieve their control objectives.

Internal audit identifies the audit universe, which include all business lines and operations. Based on risk assessment carried out, resources are allocated and an annual audit plan, with a schedule of execution, is drawn up and approved by the Audit Committee.

The plan is executed by the Head of Department, who is adequately supported by staff members, all of whom have the requisite experience in banking, finance and audit. Progress reports on the execution of the plan are tabled in each Audit Committee meeting.

After each assignment an audit report is issued to the Executive Head of the Business Unit and an executive summary to the members of the Audit Committee and the Chief Executive Officer. The report contains findings, risk associated with each of them and recommendations to correct deficiencies and add value to the Bank. The recommendations are agreed with business owners and action plans with a time frame for execution are drawn in consultation with the Executive Head before audit reports are issued. Each finding is rated according to the level of risk.

Each unit is graded based on the model for evaluating internal controls developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), used internationally, on the number of findings and severity of the risks.

All high risk units and the medium risk units were covered satisfactorily as part of annual plan 2018/2019.

Mr Rakesh Seebaruth is the Head of Internal Audit as from 03 June 2019, the date he joined the Bank. Prior to this date, Mrs Shameema Nujeebun was acting as Head of Internal Audit up to 02 June 2019.

Corporate Governance Report (Contd)

2.7.2 External auditors

In its fourth year as External Auditor, Deloitte acted as external auditors of the Group and the Bank for the year ended 30 June 2019 and its remuneration for audit and other services payable, inclusive of Value Added Tax, is as follows:

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	**Year ended 30 June 2019**	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs	**Rs**	Rs	Rs
Audit fees	**4,048,000**	3,691,500	3,220,000	**3,910,000**	3,565,000	3,105,000
Other services	**4,629,009**	1,932,000	-	**4,629,009**	1,932,000	-
TOTAL	**8,677,009**	5,623,500	3,220,000	**8,539,009**	5,497,000	3,105,000

Other services payable for the year ended 30 June 2019 to Deloitte relates to:

- Report on Agreed Upon Procedures in respect with the carve out impaired loans and advances.
- White Paper on the accounting treatment on the derecognition of non-performing loans and advances.
- IT Security Advisory Service.
- IFRS 9 review.

As part of the additional services provided, the teams involved were not part of any decision making process in the audit team of Deloitte. Moreover, with different teams involved, Deloitte retained its independence with regards to their statutory obligations.

2.7.3 STATEMENT OF COMPLIANCE TO PRINCIPLE 7

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with all of its obligations and requirements of Principle 7 of the Code of Corporate Governance, in all material respects".

2.8 PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

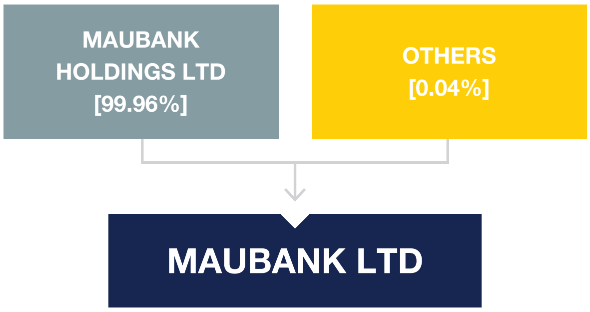
"The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose."

2.8.1 SHAREHOLDING

As at 30 June 2019, the share capital of the Bank stood at Rs.2,466,420,956 represented by 6,801,813,502 shares. The Bank has twelve (12) shareholders on its shares register with MauBank Holdings Ltd ("Holdings") holding 99.96% interest in the Bank and the remaining shares being held by 11 shareholders inclusive of public sector bodies and cooperative societies. The holding company is owned at 100% by the Government of Mauritius.

2.8.2 GROUP STRUCTURE

The Holding Structure of the Bank as at 30 June 2019 is shown below:



The List of Directors of MauBank Holdings Ltd is as follows:

- Mr. Beejan Manickchand (Appointed on 07 March 2019)
- Mr. Goburdhun Goolabchund (Resigned on 06 March 2019)
- Mr. Appadu Tamanah (Resigned on 14 May 2019)
- Ms. Sumputh Vijaya Kumaree
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Chellapermal Radhakrishna

2.8.3 SHAREHOLDERS DIARY

The last annual meeting of shareholders was held on 26 February 2019.

2.8.4 STATEMENT OF COMPLIANCE

"We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with its obligations and requirements of Principle 8 of the Code of Corporate Governance."

Statement of Compliance

[IN ACCORDANCE WITH SECTION 75(3) OF THE FINANCIAL REPORTING ACT 2004]

Name of Public Interest Entity ("PIE"): MauBank Ltd

Reporting Period : Year ended 30 June 2019

We, the Directors of **MauBank Ltd** confirm that to the best of our knowledge **MauBank Ltd** has complied with all of its obligations and requirements under the Code of Corporate Governance in all material aspects.

Director *On behalf of Board of Directors*	*Director* *On behalf of Board of Directors*	*Executive Director* *On behalf of Board of Directors*

Date: 30 september 2019

Ebene 72201, Republic of Mauritius

TAILOR-MADE FINANCIAL SOLUTIONS THAT SUIT TO A TEE

Kova had been striving to start her business in the manufacturing of female clothing apparel. Not only do we support local entrepreneurs, but we also champion gender entrepreneurship. So when she asked for a loan to get started, we gladly said "yes".

Kova Ramsamy,
Director, Kova Enterprise

Statement of management's responsibility for financial reporting

FOR THE YEAR ENDED 30 JUNE 2019

The financial statements for the Bank's operations 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, the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and Bank of Mauritius Guideline on Public Disclosure of Information have been applied and management has exercised its judgement and made best estimates where deemed necessary.

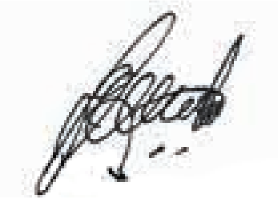
The Bank has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures 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 its sub committees such as the Audit Committee and the Conduct Review, Risk Management and Corporate Governance Committee, which comprise independent and non executive directors who are not officers or employees of the Bank, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant related party transactions.

The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programs 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, Deloitte, has full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as its observations on the fairness of financial reporting and the adequacy of internal controls.



Director
On behalf of Board of Directors

Director
On behalf of Board of Directors

Executive Director
On behalf of Board of Directors

Date: 30 september 2019

Ebene 72201, Republic of Mauritius

Report from the Secretary

I certify, to the best of my knowledge and belief, that the Bank has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001, in terms of Section 166 (d), during the year ended 30 June 2019.

Mr. RAMJUNUM GAURAVSINGH
Secretary

Date: 30 September 2019

Ebene, Republic of Mauritius

Independent auditors' Report to the Shareholders of MauBank Ltd

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **MauBank Ltd** (the "Bank" or the "Public Interest Entity") and its subsidiary (collectively the "Group") set out on pages 43 to 150, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 30 June 2019, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

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 Audit of the consolidated and separate financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for credit losses	
Balance of allowance for credit impairment on loans and advances at 30 June 2019 amount to MUR 342,282,000 which include charge to profit or loss for the year ended 30 June 2019 amounting to MUR 11,372,988. Due to the substantial amount of the loans and advances outstanding at the reporting date and the significance of the judgements applied, allowance for credit impairment on loans and advances is considered a key audit matter. The determination of assumptions for the measurement of impairment is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details on loans and advances and assumptions used in determining allowance for credit impairment are disclosed in Note 4 to the consolidated and separate financial statements. The most significant judgments are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used	Our procedures included the following amongst others: • Obtaining audit evidence in respect of key controls over the processes for impairment events identification and collateral valuation. • Inspecting the minutes of Credit Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment. • Challenging the methodologies applied by using our industry knowledge and experience. • Assessing the key changes in the assumptions against industry standards and historical data. • Obtaining audit evidence of management judgments and assumptions, especially focusing on the consistency of the approach. • Performing a risk-based test of loans and advances to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment. • Use of specialist team in performing certain procedures. • Evaluating the appropriateness of the IFRS 9 impairment methodologies.

Independent Auditors' Report to the Shareholders of MauBank Ltd (Cont'd)

Report on other legal and regulatory requirements (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for credit losses (Cont'd)	
IFRS 9 Financial Instruments was implemented by the Bank on 1 July 2018. This new standard requires to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro- economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated and separate financial statements as a whole. The credit risk sections of the consolidated and separate financial statements disclose the sensitivities estimated by the Bank.	• Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models. • Assessing the appropriateness of the macro- economic forecasts used. • Independently assessing probability of default, Loss Given Default and Exposure at Default assumptions. • Assessing the reasonableness of the model predictions by comparing them against actual results. • Sample testing over key inputs and assumptions including economic forecasts, PD, LGD assumptions and qualitative adjustments impacting ECL calculations. • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit losses and related disclosures in the consolidated and separate financial statements to be appropriate.

The Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:
- we have no relationship with, or interest in, the Bank and its subsidiaries other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

The Banking Act 2004

- In our opinion, the consolidated and separate 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 provisions of the Banking Act 2004 and the regulations and guidelines issued by Bank of Mauritius in relation to banks; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Independent Auditors' Report to the Shareholders of MauBank Ltd (Cont'd)

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, Statement of Management's Responsibility for financial reporting, Corporate Governance Report, Report from the secretary, Management Discussion and Analysis and Administrative information, which we obtained prior to the date of this auditor's report. It also includes other reports to be included in the Annual Report which are expected to be made available after that date. The other information, does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Corporate Governance Report

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance 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 Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

When we read the other reports which are expected to be made available to us after the date of the auditor's report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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.

Independent Auditors' Report to the Shareholders of MauBank Ltd (Cont'd)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Cont'd)

- 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 Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Group's and 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 consolidated and separate 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 Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe those matters in our auditor's report unless laws 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.

This report is made solely to the Bank's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

Deloitte
Chartered Accountants

R. Srinivasa Sankar

R SRINIVASA SANKAR
Licensed by FRC

Date: 30 September 2019

Statements of financial position as at

AS AT

	Notes	The Group			The Bank		
		30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
		Rs	Rs	Rs	Rs	Rs	Rs
ASSETS							
Cash and cash equivalents	8(a)	**4,117,331,280**	1,329,205,952	1,010,739,364	**4,117,331,280**	1,329,205,952	1,010,739,364
Loans to and placements with banks	9	**73,722,466**	314,467,714	31,882,936	**73,722,466**	314,467,714	31,882,936
Derivative assets	29	**2,830,728**	1,006,361	4,713,177	**2,830,728**	1,006,361	4,713,177
Trading assets	10	**1,620,255,263**	1,192,675,454	2,104,995,098	**1,620,255,263**	1,192,675,454	2,104,995,098
Investment securities	11	**1,927,225,589**	2,928,036,240	2,451,527,737	**1,927,225,589**	2,928,036,240	2,451,527,737
Loans and advances to customers	12	**14,935,784,208**	11,177,109,838	16,356,199,941	**15,146,836,349**	11,404,531,039	16,596,257,505
Property, plant and equipment	13(a)	**1,723,756,990**	1,791,989,667	1,870,866,045	**1,484,210,276**	1,541,772,716	1,610,833,207
Intangible assets	13(b)	**215,650,705**	220,608,500	197,966,229	**215,650,705**	220,608,500	197,966,229
Investment properties	14	**66,460,000**	66,460,000	66,460,000	**66,460,000**	66,460,000	66,460,000
Investment in subsidiary	15	**-**	-	-	**100,000**	100,000	100,000
Current tax assets	38(c)	**6,920,064**	1,621,967	17,544,346	**6,293,906**	836,872	15,834,563
Deferred tax assets	38(d)	**77,699,731**	380,941,082	389,291,055	**76,340,528**	380,128,812	388,733,705
Receivable from fellow subsidiary	16	**-**	5,097,577,730	-	**-**	5,097,577,730	-
Other assets	17	**2,048,901,636**	2,075,455,065	1,713,994,660	**2,086,924,806**	2,113,478,233	1,749,873,721
Total assets		**26,816,538,660**	26,577,155,570	26,216,180,588	**26,824,181,896**	26,590,885,623	26,229,917,242
Liabilities							
Deposits from customers	18	**23,056,443,423**	22,336,114,499	21,942,251,035	**23,064,500,010**	22,346,501,200	21,949,484,950
Derivative liabilities	29	**2,382,221**	531,529	3,688,085	**2,382,221**	531,529	3,688,085
Other borrowed funds	19	**198,345,266**	399,431,739	330,578,652	**198,345,266**	399,431,739	330,578,652
Subordinated liabilities	20	**-**	-	162,622,782	**-**	-	162,622,782
Payable to fellow subsidiary	41	**38,180,968**	-	-	**38,180,968**	-	-
Other liabilities	21	**647,754,912**	676,545,270	416,949,207	**647,184,796**	675,999,158	416,482,707
Retirement benefits obligations	22	**109,812,754**	65,214,969	98,413,385	**109,812,754**	65,214,969	98,413,385
Total liabilities		**24,052,919,544**	23,477,838,006	22,954,503,146	**24,060,406,015**	23,487,678,595	22,961,270,561
SHAREHOLDERS' EQUITY							
Stated capital	23	**2,466,420,956**	2,466,420,956	6,670,858,232	**2,466,420,956**	2,466,420,956	6,670,858,232
Statutory reserve	24	**1,619,995**	1,619,995	-	**1,619,995**	1,619,995	-
Retained earmings/(accumulated losses)	25	**(271,066,429)**	135,936,241	(4,071,936,443)	**(279,941,657)**	130,793,712	(4,073,999,197)
Net owned funds		**2,196,974,522**	2,603,977,192	2,598,921,789	**2,188,099,294**	2,598,834,663	2,596,859,035
General banking reserve	26	**90,709,840**	90,709,840	90,709,840	**90,709,840**	90,709,840	90,709,840
Fair value reserve	11(d)	**(2,510,450)**	(21,739,662)	145,675,619	**(2,510,450)**	(21,739,662)	145,675,619
Other reserve	27 (b)	**5,978,082**	-	-	**5,978,082**	-	-
Revaluation reserve	27 (a)	**472,467,122**	426,370,194	426,370,194	**481,499,115**	435,402,187	435,402,187
Total equity attributable to equity holders of the parent		**2,763,619,116**	3,099,317,564	3,261,677,442	**2,763,775,881**	3,103,207,028	3,268,646,681
Total liabilities and equity		**26,816,538,660**	26,577,155,570	26,216,180,588	**26,824,181,896**	26,590,885,623	26,229,917,242

The notes on pages 50 to 150 form an integral part of these financial statements.

Statements of financial position as at

AS AT

	Notes	The Group			The Bank		
		30 June 2019	30 June 2018	30 June 2017	**30 June 2019**	30 June 2018	30 June 2017
		Rs	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Contingent liabilities							
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers	28(b)	**1,300,989,705**	1,364,714,537	1,533,123,885	**1,300,989,705**	1,364,714,537	1,533,123,885
Credit commitments	30	**2,260,463,823**	2,617,580,952	1,590,756,948	**2,260,463,823**	2,617,580,952	1,590,756,948

Approved by the Board of Directors and authorised for issue on 30 September 2019 and signed on its behalf by

Director

On behalf of Board of Directors

Director

On behalf of Board of Directors

Executive Director

On behalf of Board of Directors

Statements of profit or loss and other comprehensive income

FOR YEAR ENDED

	Notes	The Group			The Bank		
		Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
		Rs	Rs	Rs	Rs	Rs	Rs
Interest income		**1,042,446,380**	1,228,682,402	1,334,368,424	**1,056,574,734**	1,244,066,344	1,351,145,395
Interest expense		**(458,530,017)**	(534,955,443)	(784,940,189)	**(458,530,017)**	(534,955,443)	(784,940,189)
Net interest income	31	**583,916,363**	693,726,959	549,428,235	**598,044,717**	709,110,901	566,205,206
Fee and commission income		**247,563,800**	109,938,827	104,638,897	**247,563,800**	109,938,827	104,638,897
Fee and commission expense		**(42,882,639)**	(42,666,717)	(46,604,427)	**(42,882,639)**	(42,666,717)	(46,604,427)
Net fee and commission income	32	**204,681,161**	67,272,110	58,034,470	**204,681,161**	67,272,110	58,034,470
Net trading income	33	**176,188,288**	130,736,190	156,074,078	**176,188,288**	130,736,190	156,074,078
Net gain from derecognition of financial assets measured at FVTOCI		**63,243,771**	44,941,009	145,670,151	**63,243,771**	44,941,009	145,670,151
Other income	34	**25,956,727**	202,256,191	25,965,143	**25,956,727**	202,256,191	25,965,143
		265,388,786	377,933,390	327,709,372	**265,388,786**	377,933,390	327,709,372
Operating income		**1,053,986,310**	1,138,932,459	935,172,077	**1,068,114,664**	1,154,316,401	951,949,048
Personnel expenses	36	**(541,210,930)**	(449,362,844)	(404,538,388)	**(541,210,930)**	(449,362,844)	(404,538,388)
Operating lease expenses	44	**(42,596,467)**	(48,526,213)	(66,671,969)	**(73,512,306)**	(79,474,130)	(97,619,888)
Depreciation and amortisation	13	**(157,176,216)**	(151,069,547)	(135,018,690)	**(146,505,977)**	(141,155,402)	(125,090,455)
Other expenses	37	**(300,493,635)**	(282,198,578)	(287,504,316)	**(299,857,292)**	(281,252,603)	(287,175,429)
Profit before impairment and income tax		**12,509,062**	207,775,277	41,438,714	**7,028,159**	203,071,422	37,524,888
Net impairment (loss)/reversal on financial assets	35	**(732,062)**	(166,617,172)	139,275,093	**(732,062)**	(166,617,172)	139,275,093
Profit after impairment but before income tax		**11,777,000**	41,158,105	180,713,807	**6,296,097**	36,454,250	176,799,981
Income tax expense	38(b)	**(354,581,772)**	(27,278,364)	(38,105,190)	**(352,833,568)**	(25,654,284)	(35,434,802)
(Loss)/profit for the year attributable to equity holders of the parent	39	**(342,804,772)**	13,879,741	142,608,617	**(346,537,471)**	10,799,966	141,365,179
(Loss)/earnings per share	40	**(0.05)**	0.00	0.03	**(0.05)**	0.00	0.03

The notes on pages 50 to 150 form an integral part of these financial statements.

Statements of profit or loss and other comprehensive income

FOR THE YEAR ENDED (CONTD)

		The Group			The Bank		
	Notes	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
		Rs	Rs	Rs	Rs	Rs	Rs
(Loss)/profit for the year		**(342,804,772)**	13,879,741	142,608,617	**(346,537,471)**	10,799,966	141,365,179
Other comprehensive (loss)/income:							
Items that will not be reclassified subsequently to profit or loss							
Gain on revaluation of property, plant and equipment		**-**	-	478,733,886	**-**	-	489,615,805
Effect of tax rate change on deferred tax on revaluation of property, plant and equipment	27(a)	**45,278,393**	-	(62,343,056)	**45,278,393**	-	(64,192,982)
Actuarial loss for the year	22(iii)	**(34,294,652)**	(10,631,732)	(12,178,053)	**(34,294,652)**	(10,631,732)	(12,178,053)
Deferred tax on actuarial loss	38(c)	**1,714,733**	1,807,394	2,070,269	**1,714,733**	1,807,394	2,070,269
Items that may be classified subsequently to profit or loss:							
Change in fair value of assets at FVTOCI	11(d)	**19,229,212**	-	-	**19,229,212**	-	-
Change in fair value of available-for-sale financial assets	11(d)	**-**	(167,415,281)	145,675,619	**-**	(167,415,281)	145,675,619
Credit impairment charge on financial assets at FVTOCI	27(b)	**4,135,850**	-	-	**4,135,850**	-	-
Other comprehensive (loss)/income for the year, net of tax		**36,063,536**	(176,239,619)	551,958,665	**36,063,536**	(176,239,619)	560,990,658
Total comprehensive (loss)/income for the year attributable to equity holders of the parent		**(306,741,236)**	(162,359,878)	694,567,282	**(310,473,935)**	(165,439,653)	702,355,837
Transfer to Statutory Reserve	24	**-**	(1,619,995)	-	**-**	(1,619,995)	-

Approved by the Board of Directors and authorised for issue on 30 September 2019 and signed on its behalf by

Director
On behalf of Board of Directors

Director
On behalf of Board of Directors

Executive Director
On behalf of Board of Directors

The notes on pages 50 to 150 form an integral part of these financial statements.

Statements of changes in equity

FOR THE YEAR ENDED

	Stated Capital	Statutory Reserve	Retained earnings	General Banking Reserve	Fair Value Reserve	Other Reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Group								
At 01 July 2018	2,466,420,956	1,619,995	135,936,241	90,709,840	(21,739,662)	-	426,370,194	3,099,317,564
Impact of transition to IFRS 9	-	-	(30,799,444)	-	-	1,842,232	-	(28,957,212)
	2,466,420,956	1,619,995	105,136,797	90,709,840	(21,739,662)	1,842,232	426,370,194	3,070,360,352
Loss for the year	-	-	(342,804,772)	-	-	-	-	(342,804,772)
Transfer from revaluation reserve to retained earnings	-	-	(818,535)		-	-	818,535	-
Transfer to statutory reserve (Note 24)	-	-	-	-	-	-	-	-
Effect of tax rate change on deferred tax on revaluation of property, plant and equipment	-	-	-	-	-	-	45,278,393	45,278,393
Change in fair value of financial assets held at FVTOCI	-	-	-	-	19,229,212	-	-	19,229,212
Credit impairment reversal on financial assets at FVTOCI	-	-	-	-	-	4,135,850	-	4,135,850
Actuarial loss for the year	-	-	(34,294,652)	-	-	-	-	(34,294,652)
Deferred tax on actuarial loss	-	-	1,714,733	-	-	-	-	1,714,733
At 30 June 2019	2,466,420,956	1,619,995	(271,066,429)	90,709,840	(2,510,450)	5,978,082	472,467,122	2,763,619,116

	Stated Capital	Statutory Reserve	Retained earnings	General Banking Reserve	Fair Value Reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Group							
At 01 July 2017	6,670,858,232	-	(4,071,936,443)	90,709,840	145,675,619	426,370,194	3,261,677,442
Capital reduction (Note 23)	(4,204,437,276)	-	4,204,437,276	-	-	-	-
Profit for the year	-	-	13,879,741	-	-	-	13,879,741
Transfer to statutory reserves	-	1,619,995	(1,619,995)	-	-	-	-
Gain on fair value of available-for-sale financial assets	-	-	-	-	(167,415,281)	-	(167,415,281)
Actuarial loss for the year	-	-	(10,631,732)	-	-	-	(10,631,732)
Deferred tax on actuarial loss	-	-	1,807,394	-	-	-	1,807,394
At 30 June 2018	2,466,420,956	1,619,995	135,936,241	90,709,840	(21,739,662)	426,370,194	3,099,317,564

	Stated capital	Statutory Reserve	Accumulated losses	General Banking Reserve	Fair value reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Group							
At 01 July 2016	3,270,858,232	-	(4,204,437,276)	90,709,840	-	9,979,364	(832,889,840)
Issue of ordinary shares (Note 23)	3,400,000,000	-	-	-	-	-	3,400,000,000
Profit for the year	-	-	142,608,617	-	-	-	142,608,617
Gain on revaluation of property, plant and equipment	-	-	-	-	-	478,733,886	478,733,886
Deferred tax on revaluation of property, plant and equipment	-	-	-	-	-	(62,343,056)	(62,343,056)
Reversal of gain on fair value of available-for-sale financial assets	-	-	-	-	145,675,619	-	145,675,619
Actuarial loss for the year	-	-	(12,178,053)	-	-	-	(12,178,053)
Deferred tax on actuarial loss	-	-	2,070,269	-	-	-	2,070,269
At 30 June 2017	6,670,858,232	-	(4,071,936,443)	90,709,840	145,675,619	426,370,194	3,261,677,442

The notes on pages 50 to 150 form an integral part of these financial statements.

Statements of changes in equity

FOR THE YEAR ENDED

	Stated Capital	Statutory Reserve	Retained earnings	General Banking Reserve	Fair Value Reserve	Other Reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Bank								
At 01 July 2018	**2,466,420,956**	**1,619,995**	**130,793,712**	**90,709,840**	**(21,739,662)**	**-**	**435,402,187**	**3,103,207,028**
Impact of transition to IFRS 9	**-**	**-**	**(30,799,444)**	**-**	**-**	**1,842,232**	**-**	**(28,957,212)**
	2,466,420,956	**1,619,995**	**99,994,268**	**90,709,840**	**(21,739,662)**	**1,842,232**	**435,402,187**	**3,074,249,816**
Loss for the year	**-**	**-**	**(346,537,471)**	**-**	**-**	**-**	**-**	**(346,537,471)**
Transfer from revaluation reserve to retained earnings	**-**	**-**	**(818,535)**	**-**	**-**	**-**	**818,535**	**-**
Transfer to statutory reserve (Note 24)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Effect of tax rate change on deferred tax on revaluation of property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**-**	**45,278,393**	**45,278,393**
Change in fair value of financial assets held at FVTOCI	**-**	**-**	**-**	**-**	**19,229,212**	**-**	**-**	**19,229,212**
Credit impairment reversal on financial assets at FVTOCI	**-**	**-**	**-**	**-**	**-**	**4,135,850**	**-**	**4,135,850**
Actuarial loss for the year	**-**	**-**	**(34,294,652)**	**-**	**-**	**-**	**-**	**(34,294,652)**
Deferred tax on actuarial loss	**-**	**-**	**1,714,733**	**-**	**-**	**-**	**-**	**1,714,733**
At 30 June 2019	**2,466,420,956**	**1,619,995**	**(279,941,657)**	**90,709,840**	**(2,510,450)**	**5,978,082**	**481,499,115**	**2,763,775,881**

	Stated Capital	Statutory Reserve	Accumulated losses	General Banking Reserve	Fair Value Reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Bank							
At 01 July 2017	6,670,858,232	-	(4,073,999,197)	90,709,840	145,675,619	435,402,187	3,268,646,681
Capital reduction (Note 23)	(4,204,437,276)	-	4,204,437,276	-	-	-	-
Profit for the year	-	-	10,799,966	-	-	-	10,799,966
Transfer to statutory reserve	-	1,619,995	(1,619,995)	-	-	-	-
Gain on fair value of available-for-sale financial assets	-	-	-	-	(167,415,281)	-	(167,415,281)
Actuarial loss for the year	-	-	(10,631,732)	-	-	-	(10,631,732)
Deferred tax on actuarial loss	-	-	1,807,394	-	-	-	1,807,394
At 30 June 2018	2,466,420,956	1,619,995	130,793,712	90,709,840	(21,739,662)	435,402,187	3,103,207,028

	Stated capital	Statutory Reserve	Accumulated losses	General Banking Reserve	Fair value reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Bank							
At 01 July 2016	3,270,858,232	-	(4,205,256,592)	90,709,840	-	9,979,364	(833,709,156)
Issue of ordinary shares (Note 23)	3,400,000,000	-	-	-	-	-	3,400,000,000
Profit for the year	-	-	141,365,179	-	-	-	141,365,179
Gain on revaluation of property, plant and equipment	-	-	-	-	-	489,615,805	489,615,805
Deferred tax on revaluation of property, plant and equipment	-	-	-	-	-	(64,192,982)	(64,192,982)
Gain on fair value of available-for-sale financial assets	-	-	-	-	145,675,619	-	145,675,619
Actuarial loss for the year	-	-	(12,178,053)	-	-	-	(12,178,053)
Deferred tax on actuarial loss	-	-	2,070,269	-	-	-	2,070,269
At 30 June 2017	**6,670,858,232**	**-**	**(4,073,999,197)**	**90,709,840**	**145,675,619**	**435,402,187**	**3,268,646,681**

The notes on pages 50 to 150 form an integral part of these financial statements.

Cash flow statements for the year ended

		The Group			The Bank		
	Notes	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
		Rs	Rs	Rs	Rs	Rs	Rs
Cash from operating activities							
Profit before income tax		**11,777,000**	41,158,105	180,713,807	**6,296,097**	36,454,250	176,799,981
Adjustments for:							
Impairment losses on loans and advances	35	**13,270,754**	180,266,854	(102,911,900)	**13,270,754**	180,266,854	(102,911,900)
Depreciation	13(a)	**112,735,865**	107,189,283	100,795,450	**102,065,626**	97,275,138	90,867,215
Amortisation	13(b)	**44,440,351**	43,880,264	34,223,240	**44,440,351**	43,880,264	34,223,240
Loss/(profit) on disposal of property, plant and equipment	34	**283,776**	(416,308)	(1,160,284)	**283,776**	(416,308)	(1,160,284)
(Profit)/loss on revaluation of investment securities at FVTPL	34	**(5,396,743)**	3,527,975	3,231,340	**(5,396,743)**	3,527,975	3,231,340
Revaluation of investment properties	14	**-**	-	2,890,000	**-**	-	2,890,000
Retirement benefit obligations		**10,303,133**	(43,830,148)	22,718,516	**10,303,133**	(43,830,148)	22,718,516
		187,414,136	331,776,025	240,500,169	**171,262,994**	317,158,025	226,658,108
Changes in operating assets and liabilities							
(Increase)/decrease in trading assets		**(423,578,399)**	908,791,669	1,478,073,174	**(423,578,399)**	908,791,669	1,478,073,174
Decrease/(increase) in derivative		**26,325**	550,260	(1,025,092)	**26,325**	550,260	(1,025,092)
(Increase)/decrease in loans and advances to customers		**(3,809,879,753)**	4,998,823,249	(375,205,756)	**(3,793,510,696)**	5,011,459,612	(361,062,853)
Decrease/(increase) in receivable from fellow subsidiary	16	**5,135,758,698**	(5,097,577,729)	-	**5,135,758,698**	(5,097,577,729)	-
Increase/(decrease) in deposits from customers		**720,328,923**	393,863,464	(6,271,184,908)	**717,998,810**	397,016,250	(6,267,798,708)
Decrease/(increase) in other assets		**26,553,434**	(361,584,006)	1,051,796,882	**26,553,434**	(363,728,113)	1,041,180,294
(Decrease)/increase in other liabilities		**(29,849,972)**	259,596,063	(37,358,662)	**(29,873,974)**	259,516,451	(37,541,161)
Cash generated from/(used in) operations		**1,806,773,392**	1,434,238,995	(3,914,404,193)	**1,804,637,192**	1,433,186,425	(3,921,516,238)
Tax paid	38(c)	**(8,378,332)**	(3,618,469)	(2,528,294)	**(5,457,034)**	(955,269)	(834,563)
Tax refund received	38(c)	**785,098**	2,543,451	8,152,238	**-**	834,563	8,152,238
Contribution to CSR activities	38(c)	**-**	-	-	**-**	-	-
Net cash from/(used in) operating activities		**1,799,180,158**	1,433,163,977	(3,908,780,249)	**1,799,180,158**	1,433,065,719	(3,914,198,563)
Cash from investing activities							
Decrease/(increase) in securities		**1,033,682,343**	(643,923,784)	(16,641,029)	**1,033,682,343**	(643,923,784)	(16,641,029)
Placements with correspondent banks		**240,628,904**	(282,584,778)	19,971,661	**240,628,904**	(282,584,778)	19,971,661
Acquisition of property, plant and equipment	13(a)	**(63,035,735)**	(29,107,465)	(54,219,052)	**(63,035,735)**	(29,009,207)	(48,800,738)
Acquisition of intangibles	13(b)	**(28,931,545)**	(66,522,535)	(40,870,374)	**(28,931,545)**	(66,522,535)	(40,870,374)
Proceeds from disposal of property, plant and equipment		**7,697,761**	1,210,868	2,565,042	**7,697,761**	1,210,868	2,565,042
Net cash from/(used in) investing activities		**1,190,041,728**	(1,020,927,694)	(89,193,752)	**1,190,041,728**	(1,020,829,436)	(83,775,438)
Cash from financing activities							
Net decrease in other borrowed funds	8(b)	**(201,086,473)**	68,853,087	(89,681,986)	**(201,086,473)**	68,853,087	(89,681,986)
Proceeds from issue of shares		**-**	-	3,400,000,000	**-**	-	3,400,000,000
Decrease in subordinated liabilities	8(b)	**-**	(162,622,782)	(34,865)	**-**	(162,622,782)	(34,865)
Net cash (used in)/from financing activities		**(201,086,473)**	(93,769,695)	3,310,283,149	**(201,086,473)**	(93,769,695)	3,310,283,149
Net increase/(decrease) in cash and cash equivalents		**2,788,135,413**	318,466,588	(687,690,852)	**2,788,135,413**	318,466,588	(687,690,852)
Cash and cash equivalents, at start of the year		**1,329,205,952**	1,010,739,364	1,698,430,216	**1,329,205,952**	1,010,739,364	1,698,430,216
Cash and cash equivalents, at end of the year	8	**4,117,341,365**	1,329,205,952	1,010,739,364	**4,117,341,365**	1,329,205,952	1,010,739,364

The notes on pages 50 to 150 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2019

1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

MauBank Ltd (formerly known as Mauritius Post and Cooperative Bank Ltd "MPCB") or the "Bank" has on the 04 January 2016, acquired the assets and liabilities of the National Commercial Bank Ltd (NCB) from MauBank Holdings Ltd pursuant to a transfer of undertaking carried out as per the provisions of Section 32 A of the Banking Act 2004. Subsequently following the transfer, MPCB changed its name to MauBank Ltd ("MauBank"). Its registered office is 25 Bank Street, Cybercity, Ebene, Republic of Mauritius.

The Bank and its subsidiary, MauBank Investment Ltd (formerly known as "MPCB Investment Ltd"), are together referred as the "Group".

The Bank is engaged in the provision of commercial banking services.

The principal activity of MauBank Investment Ltd is to act as land promoter and property developer.

The financial statements are presented in Mauritian Rupee ("MUR" or "Rs"), which is also the functional currency of the Group.

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group and the Bank has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for accounting period beginning on 01 July 2018 and relevant to its operations.

2.1 New and revised IFRS applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Except for IFRS 7 and IFRS 9, their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
IFRS 7	Financial Instruments: Disclosures- Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
IFRS 7	Financial Instruments: Disclosures- Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
IFRS 9	Financial Instruments- Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition
IFRS 15	Revenue from Contracts with Customers- Original issue
IFRS 15	Revenue from Contracts with Customers- Clarifications to IFRS 15
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Impact of application of IFRS 9 Financial instruments

In the current year, the Bank has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. In accordance with the transition provisions of IFRS 9, the Bank has elected not to restate the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

Additionally, the Bank adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosure for 2018.

Notes to the financial statements

For the year ended 30 June 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTD)

2.1 New and revised IFRSs applied with no material effect on the financial statements (Contd)

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,

2) Impairment of financial assets, and

3) General hedge accounting.

The Bank have not applied hedge accounting to its financial instruments during the years ended 30 June 2018 and 2019.

Details of these new requirements as well as their impact on the Bank's financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Bank has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Bank has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Bank may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Bank has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

Notes to the financial statements

For the year ended 30 June 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTD)

2.1 New and revised IFRSs applied with no material effect on the financial statements (Contd)

The directors of the Bank reviewed and assessed the Bank's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Bank's financial assets as regards their classification and measurement:

- the Bank's investment in equity shares (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at cost less impairment at each reporting date under IAS 39 have been designated as at FVOCI. The change in fair value on the equity investment continues to be accumulated in the investment revaluation reserve;
- financial assets classified as "loans and receivables" under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

There were no financial assets or financial liabilities which the Bank had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Bank has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Bank has elected to designate as at FVTPL at the date of initial application of IFRS 9.

In summary, upon adoption of IFRS 9, the Bank had the following required or elected reclassifications as at 1 July 2018:

Measurement category	Loan loss allowance under IAS 39	Reclassification	Remeasurement	Loan loss allowance under IFRS 9
Cash and cash equivalents	-	Amortised cost	42,358	42,358
Placements with banks	-	Amortised cost	816,303	816,303
Loans and advances to customers	322,715,212	Amortised cost	6,805,159	329,520,371
Trading assets at FVTPL	-	FVTPL	-	-
Available-for-sale investment securities (Non-equity)	-	FVTOCI	1,842,232	1,842,232
Off balance sheet items	-	Off balance sheet items	2,565,463	2,565,463
Total	**322,715,212**		**12,071,515**	**334,786,727**

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Bank to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Bank to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;

(2) Lease receivables;

(3) Trade receivables and contract assets; and

(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

Notes to the financial statements

For the year ended 30 June 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTD)

In particular, IFRS 9 requires the Bank to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Bank is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Bank has the following types of financial assets that are subject to IFRS 9's new ECL model and the impact of the change in impairment methodology are as follows:

Items that existed at 01 July 2018 and are subject to impairment provisions of IFRS 9	Credit risk attributes	Cumulative additional loss allowance recognised on 01 July 2018 (Rs)
Cash and cash equivalents	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	**42,358**
Placements with banks	The bank has applied the general approach and recognised lifetime ECL for these assets.	**816,303**
Loans and advances to customers	The bank has applied the general approach and recognised lifetime ECL for these assets.	**329,520,371**
Available-for-sale investment securities (Non-equity)	The bank has applied the general approach and recognised lifetime ECL for these assets.	**1,842,232**
Off balance sheet items	The bank has applied the general approach and recognised lifetime ECL for these assets.	**2,565,463**
Total		**334,786,727**

The reconciliation between the ending provision at 30 June 2018 for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 July 2018 is as follows:

	Loss provision under IAS 39 at 30 June 2018	Remeasurement due to IFRS 9	ECLs under IFRS 9 at 01 July 2018
	Rs	**Rs**	**Rs**
Impairment allowance for:			
Cash and cash equivalents	-	42,358	**42,358**
Placements with banks	-	816,303	**816,303**
Loans and advances to customers	322,715,212	6,805,159	**329,520,371**
Trading assets at FVTPL	-	-	**-**
Available-for-sale investment securities (Non-equity)	-	1,842,232	**1,842,232**
Off balance sheet items	-	2,565,463	**2,565,463**
	322,715,212	**12,071,515**	**334,786,727**
Equity investment	**2,342,224**	**12,247,148**	**14,589,372**
Loan origination fee income	**-**	**(33,027,235)**	**(33,027,235)**

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Reserves	Retained earnings
	Rs	**Rs**
Closing balance under IAS 39 at 30 June 2018	-	130,793,712
Effect of ECL adjustments in relation to adopting IFRS 9	1,842,232	(12,071,515)
Effect of restating equity investments at FVTPL	-	12,247,148
Effect of deferring loan origination fee income	-	(33,027,235)
Deferred tax	-	2,052,158
Impact of transition to IFRS 9 at 30 June 2018	1,842,232	(30,799,444)
Opening balance under IFRS 9 at 01 July 2018	1,842,232	99,994,268

Notes to the financial statements

For the year ended 30 June 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTD)

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Bank's exposure to credit risk in the financial statements (Refer to note 5).

2.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendments regarding the definition of material (effective 1 January 2020)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material (effective 1 January 2020)
IAS 12	Income Taxes - Amendments resulting from Annual Improvements 2015–2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)
IAS 19	Employee Benefits - Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)
IAS 23	Borrowing Costs - Amendments resulting from Annual Improvements 2015–2017 Cycle (borrowing costs eligible for capitalisation) (effective 1 January 2019)
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest) (effective 1 January 2019)
IFRS 3	Business Combinations - Amendments to clarify the definition of a business (effective 1 January 2020)
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (effective 1 January 2019)
IFRS 16	Leases - Original issue (Effective 1 January 2019)
IFRIC 23	Uncertainty over Income Tax Treatments (effective 1 January 2019)

The directors anticipate that these amendments will be applied in the Group's and the Bank's financial statements at the above effective dates in future periods.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Bank will be 1 July 2019.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

As at 30 June 2019, the Bank has non-cancellable operating lease commitments of Rs 90,215,136. A preliminary assessment indicates that all these arrangements relate to leases other than short-term leases and leases of low-value assets. Management has not yet assessed the amounts for right of use asset and corresponding liability in respect of these leases to be recognised in the statement of financial position.

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Bank's activities as a lessor are not material and hence the Bank does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

3.2 Basis of consolidation

The financial statements include the results of the Bank and of its subsidiary. The results of the subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date of acquisition or up to the date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The financial statements incorporate the financial statements of the Bank and its subsidiary. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's shareholding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

When the Bank loses control of a subsidiary, the profit or loss on disposal is recognised in statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.4 Cash and cash equivalents

Cash and cash equivalents consist cash in hand, balances with banks in Mauritius and abroad, unrestricted balances with the Central Bank and short term loans and placements with banks maturing within 90 days from date of origination.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.5 Financial instruments

Recognition and initial 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 or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss 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 investments in debt instruments measured at FVOTCI, as described in note 5.1, 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 difference as follows:

(1) 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.
(2) 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

(i) Classification and subsequent measurement

From 1 July 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(vi) the Bank's business model for managing the asset; and
(vii) the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.5 Financial instruments (Contd)

Financial assets (Contd)

(i) Classification and subsequent measurement (Contd)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 5.1. Interest income from these financial assets is included in 'Interest income' using the effective interest method.
- Fair value through other comprehensive income (FVTOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost 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 trading income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in the profit or loss within 'Net trading income ' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Other operating income' . Interest income from these financial assets is included in 'Interest income' using the effective interest method.

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 FVTPL. Factors considered by the Bank in determining the business model for a Bank 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.

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

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

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 andnone occurred during the period.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.5 Financial instruments (Contd)

Financial assets (Contd)

(i) Classification and subsequent measurement (Contd)

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.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI. The Bank's policy is to designate equity investments as FVTOCI 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. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

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

(ii) Impairment

The Bank assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortised cost and FVTOCI 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 forecasts of future economic conditions.

Note 5.1.3 provides more detail of how the expected credit loss allowance is measured.

(iii) 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 to the original terms. The Bank does this by considering, among others, the following factors:

- 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.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. 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 as a gain or loss on derecognition.

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 5.1.7.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.5 Financial instruments (Contd)

Financial assets (Contd)

(iv) 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:

(a) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(b) Is prohibited from selling or pledging the assets; and

(c) 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.

Financial liabilities

(i) Classification and subsequent measurement

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

- Financial guarantee contracts (see note 28).

The Group's financial liabilities include deposits from customers, subordinated liabilities, other borrowed funds and other liabilities.

All interest-related charges on financial liabilities are included within interest expense.

(ii) Derecognition

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

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

(iii) Financial guarantee contracts

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 (calculated as described in note 5.1.4.1); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.6 Property, plant and equipment

Freehold land and buildings

Freehold land and buildings are shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Market value is fair value based on appraisals prepared by external professional valuers if market factors indicate a material change in fair value. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the assets is transferred to accumulated losses..

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Depreciation for freehold buildings is recognised on a straight-line basis to write down the revalued amount less estimated residual values. Depreciation is calculated at the rate of 2% p.a.

Computer equipment, furniture and fittings, office equipment and motor vehicles

Computer equipment, furniture and fittings, office equipment and motor vehicles are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the management. Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Equipment which is acquired and not yet installed at the reporting date is treated as capital work in progress.

Depreciation is recognised on a straight-line basis over the estimated useful lives at the following rates:

Computer and office equipment	14% - 33%
Furniture, fixtures and fittings	14% - 25%
Motor vehicles	20%

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

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting date.

Material residual value estimates and estimates of useful life are updated as required. Repairs and maintenance costs are expensed as incurred.

Gains or losses arising on the disposal of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income within "other income" or "other expenses".

3.7 Intangibles

Computer software is stated at cost less accumulated amortisation. Computer software is amortised on a straight line basis over its estimated useful life of 5 to 10 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.8 Investment property

Investment properties are properties held to earn rental and/or for capital appreciation, and are accounted for using the fair value model. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property rented to the Bank by the subsidiary is not classified as investment property in these financial statements as it includes both the lessor and the lessee. Such property is included within property, plant and equipment and is measured in accordance with Note 3.8 above.

Rental income and operating expenses from investment properties are reported within "Other income" and "Other expenses" respectively.

3.9 Investment in subsidiary

A subsidiary is an entity over which the Bank has control. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

Investment in subsidiary is stated at cost. Where an indication of impairment exists, the recoverable amount of the investments is assessed. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to statement of profit or loss and other comprehensive income. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to statement of profit or loss and other comprehensive income.

3.10 Net interest income

Interest income and expense for all financial instruments except for those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net trading income' and 'Net income from other financial instruments at FVTPL'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Group's consolidated statement of profit or loss also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate risk. For fair value hedges of interest rate risk interest income and expense, the effective portion of fair value changes of the designated derivatives as well as the fair value changes of the designated risk of the hedged item are also included in interest income and expense.

3.11 Net fee and commission Income

Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Group's consolidated statement of profit or loss include among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Fee and commission expenses with regards to services are accounted for as the services are received.

3.12 Net trading income

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. The Group has elected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense and dividends.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.13 Foreign currency

(a) **Functional and presentation currency**

The financial statements are presented in Mauritian Rupees ("MUR" or "Rs"), which is also the Group's functional and presentation currency.

(b) **Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(c) **Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other income' line item. Other exchange differences are recognised in OCI in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at FVTPL' if otherwise held at FVTPL; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve

3.14 Income taxes

Tax expense recognised in the statements of profit or loss and other comprehensive income comprises the sum of current tax, deferred tax, Corporate Social Responsibility Fund ("CSRF") and One-off charge not recognised in other comprehensive income or directly in equity.

(a) **Current tax**

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(b) **Deferred taxation**

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the consolidated statement of profit or loss and other comprehensive income, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(c) **Corporate Social Responsibility Fund ("CSRF")**

The Group is subject to CSRF and the contribution is at a rate of 2% on the chargeable income of the preceeding financial year.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.14 Income taxes (Contd)

(d) **Special Levy**

As per Section 50(H) of the Income Tax Act 1995 (Consolidated to Finance Act 2015), a Special Levy was calculated at 10% on chargeable income. No levy was paid in a year where the Bank incurred a loss or its book profit did not exceed 5% of its operating income in the preceeding year.

Following changes brought by the Finance Act 2018, special levy on banks falls under VAT Act 2018 as from assessment year 2019/2020 (accounting period 01 July 2018 to 30 June 2019). As per Section 53J of the VAT Act, special levy is calculated at 5.5% where leviable income is less than or equal to Rs 1.2 Billion or at 4.5% where leviable income is greater than Rs 1.2 Billion. Leviable income means the sum of net interest income and other income from banking transactions with residents, before deduction of expenses. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

3.15 Retirement and other post retirement benefits

(a) **Defined contribution plan**

The Group contributes to a defined contribution plan for its employees, whereby it pays contributions to a privately administered pension insurance plan. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the period in which they are due and are included in administrative expenses.

(b) **Defined benefit plan**

The Bank operate two Defined Benefit Schemes, which are fully funded. The assets of the funds are held independent and administered by the Swan Life Ltd and Aon Hewitt Ltd. Pension costs are assessed using the projected unit credit method. Actuarial gains and losses are recognised immediately in the statements of profit or loss and other comprehensive income under the heading "other comprehensive income". Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. The Bank carries out an actuarial valuation every year.

Remeasurement recognised in other comprehensive income is accumulated under the heading of employee benefit reserves and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on
- curtailments and settlements);
- net interest expense or income; and
- remeasurement

For employees who are not covered by a pension plan, the net present value of retirement gratuity payable under the Employment Rights Act is calculated and provided for, where material. The obligation arising under this item is not funded.

(c) **State plan**

Contributions to the National Pension Scheme are expensed to the consolidated statement of profit or loss and other comprehensive income in the period in which they fall due.

3.16 Provisions and contingent liabilities

Provisions are recognised when the Group 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. At the time of the effective payment, the provision is deducted from the corresponding expenses.

All known risks at the reporting date are reviewed in detail and provision is made where necessary after seeking legal advices.

Contingent liabilities are disclosed in these financial statements for possible obligations that arise from past events whose existence will be confirmed by uncertain future events not wholly within the control of the Group.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.17 Leases

(a) **The Group as a lessor**

Finance leases

Under finance leases, amount due from lessees are recorded under loans and advances as net investment in the statement of financial position. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. Rental income is recognised on a straight line basis over the lease term.

(b) **The Group as a lessee**

Rental payable under operating leases is charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the term of the relevant lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.18 Segment reporting

The Group's business is organised under two segments, namely Segment A and Segment B. Segment B relates to the banking business that gives rise to "foreign sourced income". All other banking businesses are classified under Segment A. For the years ended 30 June 2017, 30 June 2018 and 30 June 2019, information on Segment B was not significant in relation to the entire business of the Group and was consequently not disclosed.

3.19 Repossessed property

In certain circumstances, property is repossessed following the foreclosure of loans that are in default. Repossessed properties are measured at carrying amount and reported within "Other assets". Realised loss/gain on disposal of repossessed property is taken to the statement of profit or loss and other comprehensive income. No depreciation is charged on repossessed property.

3.20 Acceptances

Acceptances comprise the commitment of the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are accounted for as off-balance sheet items and are disclosed as contingent liabilities.

3.21 Guarantees

In the normal course of business, the Group issues various forms of guarantees to support its customers. These guarantees are kept off-balance sheet unless a provision is needed to cover probable losses. These guarantees are disclosed as contingent liabilities.

3.22 Off-balance sheet arrangements

In the normal course of business, the Group enters into arrangements that, under IFRS, are not recognised on the statement of the financial position and do not affect the statement of profit or loss and other comprehensive income. These types of arrangements are kept off balance sheet as long as the Group does not incur an obligation from them or become entitled to an asset itself. As soon as an obligation is incurred, it is recognised on the statement of financial position, with the resulting loss recorded in the statement of profit or loss and other comprehensive income.

3.23 Hedging

The Group designates certain hedging instruments, which include derivatives in respect of interest rate risk, as cash flow hedge. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Notes to the financial statements

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.23 Hedging (Contd)

Fair value hedges

Fair value hedges are particularly used to hedge interest rate risk on fixed rate assets and liabilities, both for identified financial instruments (loans and deposits) and for portfolios of financial instruments (in particular deposits and fixed rate loans).

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recognised in the statement of profit or loss together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If a hedging relationship no longer meets the criteria for fair value hedge, the cumulative adjustment to the carrying amount of the hedged item is amortised to the statement of profit or loss over the residual period to maturity based on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is released to the statement of profit or loss immediately.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value and are remeasured at fair value at subsequent reporting dates. The resulting gain or loss is recognised in the statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timimg of the recognition in profit or loss depends on the nature of the hedge relationship.

3.24 Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

3.25 Equity

Stated capital is determined using the value of shares that have been issued.

Accumulated losses/retained earnings include all current and prior periods results as disclosed in the statement of profit or loss and other comprehensive income.

Fair value reserve comprise gain on fair value of available-for-sale financial assets.

Revaluation reserves comprise the unrealised gains arising out of the revaluation of property, plant and equipment.

Other reserves represent statutory and non-statutory reserves.

3.26 Related parties

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

The Group considers related parties as key management personnel, directors, shareholders and its subsidiary's undertaking.

Notes to the financial statements

For the year ended 30 June 2019

4. USE OF ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group and the Bank that have the most significant effect on the financial statements.

(i) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group and the Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(ii) Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group and the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(iii) Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

(iv) Models and assumptions used

The Group and the Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

(v) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of future taxable income against which the deductible temporary differences can be utilised.

(vi) Going concern assumption

The directors have assessed the going concern of the Group and the Bank and believe that they are still a going concern.

Notes to the financial statements

For the year ended 30 June 2019

4. USE OF ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (CONTD)

Estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, being the present value of expected cash flows, including amount recoverable from guarantees and collaterals, discounted at the prevailing effective interest rate of the loans. Where loans are secured against immoveable property, the value of such collateral is based on the opinion of independent and qualified appraisers.

(ii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, being the present value of expected cash flows, including amount recoverable from guarantees and collaterals, discounted at the prevailing effective interest rate of the loans. Where loans are secured against immoveable property, the value of such collateral is based on the opinion of independent and qualified appraisers.

(iii) Probability of Default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

(iv) Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

(v) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (Note 6).

(vi) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Group's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets						
Financial assets at fair value through profit or loss:						
Derivative assets	**2,830,728**	1,006,361	4,713,177	**2,830,728**	1,006,361	4,713,177
Trading assets	**1,620,255,263**	1,192,675,454	2,104,995,098	**1,620,255,263**	1,192,675,454	2,104,995,098
Equity investments	**15,984,705**	-	-	**15,984,705**	-	-
	1,639,070,696	1,193,681,815	2,109,708,275	**1,639,070,696**	1,193,681,815	2,109,708,275
Financial assets at fair value through OCI						
Government securities	**1,462,109,523**	2,903,627,049	2,426,640,674	**1,462,109,523**	2,903,627,049	2,426,640,674
Other securities	**449,131,361**	24,409,191	24,887,063	**449,131,361**	24,409,191	24,887,063
	1,911,240,884	2,928,036,240	2,451,527,737	**1,911,240,884**	2,928,036,240	2,451,527,737
Financial assets at amortised cost						
Cash and cash equivalents	**4,117,331,280**	1,329,205,952	1,010,739,364	**4,117,331,280**	1,329,205,952	1,010,739,364
Loans to and placements with banks	**73,722,466**	314,467,714	31,882,936	**73,722,466**	314,467,714	31,882,936
Loans and advances to customers	**14,935,784,208**	11,177,109,838	16,356,199,941	**15,146,836,349**	11,404,531,039	16,596,257,505
Receivable from fellow subsidiary	**-**	5,097,577,730	-	**-**	5,097,577,730	-
Other assets	**166,829,863**	230,352,809	116,917,965	**204,853,033**	268,375,979	154,238,669
	19,293,667,817	18,148,714,043	17,515,740,206	**19,542,743,128**	18,414,158,414	17,793,118,474
Total financial assets	**22,843,979,397**	22,270,432,098	22,076,976,218	**23,093,054,708**	22,535,876,469	22,354,354,486
Financial liabilities						
Financial liabilities at fair value through profit or loss:						
Derivative liabilities	**2,382,221**	531,529	3,688,085	**2,382,221**	531,529	3,688,085
Financial liabilities measured at amortised cost:						
Deposits from customers	**23,056,443,423**	22,336,114,499	21,942,251,035	**23,064,500,010**	22,346,501,200	21,949,484,950
Other borrowed funds	**198,345,266**	399,431,739	330,578,652	**198,345,266**	399,431,739	330,578,652
Subordinated liabilities	**-**	-	162,622,782	**-**	-	162,622,782
Payable to fellow subsidiary	**38,180,968**	-	-	**38,180,968**	-	-
Other liabilities	**624,250,166**	670,972,416	416,618,996	**624,076,166**	670,822,416	416,152,496
	23,917,219,823	23,406,518,654	22,852,071,465	**23,925,102,410**	23,416,755,355	22,858,838,880
Total financial liabilities	**23,919,602,044**	23,407,050,183	22,855,759,550	**23,927,484,631**	23,417,286,884	22,862,526,965

The Group's and the Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's and the Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's and the Bank's financial performance.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

The Group and the Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Group and the Bank regularly review its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Board Conduct Review, Risk Management and Corporate Governance Committee under policies approved by the Board of Directors. The Risk Management Forum identifies, evaluates and hedges financial risks in close co-operation with the Group and the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risks are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

5.1 Credit risk analysis

The Group and the Bank take on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group and the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Group and the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and guarantees.

5.1.1 Credit risk measurement

Credit risk is the possibility of losses associated with changes in the credit profile of borrowers or counterparties. These losses, associated with changes in portfolio value, could arise due to default or due to deterioration in credit quality.

- Default risk : obligor fails to service debt obligations
- Recovery risk : recovery post default is uncertain
- Spread risk : credit quality of obligor changes leading to a fall in the value of the loan
- Concentration risk : over exposure to an individual obligor, group or industry
- Correlation risk : concentration based on common risk factors between different borrowers, industries or sectors which may lead to simultaneous default

The Group and the Bank's revised credit policy deals with credit concentration limits, exposure limits, diversification strategy, and the Group and the Bank's risk based pricing of loans and advances based on its credit risk appetite and the size of its capital.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring ECL under IFRS 9. Refer to note 5.1.3.3 for more details.

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.1 Credit risk measurement (Contd)

In line with the Bank of Mauritius guidelines on credit risk, the Group and the Bank have adopted the standardised measurement of credit risk. In this regard, the tasks under the credit risk unit are as under, amongst others:

- Segmentation of the credit portfolio (in terms of risk but not size);
- Model Requirements (for risk assessments);
- Data requirements;
- Credit risk reporting requirements for regulatory/control and decision-making purposes at various levels;
- Policy requirements for credit risk (credit process & practices, monitoring & portfolio management etc.); and
- Align risk strategy & business strategy.

5.1.2 Risk limit, control and mitigation policies

The Group and the Bank manage, limit and control concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries.

The Group and the Bank structure the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by industry sector are set out in the credit policy. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group and the Bank employ a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The Group and the Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Fixed charges over land and buildings; and
- Floating charges over business assets such as premises, inventories and accounts receivable.

(b) **Credit-related commitments**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Group and the Bank on behalf of a customer authorising a third party to draw drafts on the Group and the Bank 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 loan.

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 Group and the Bank are 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, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.3(a) Impairment and provisioning policies

In line with the Bank of Mauritius Guideline on Credit Impairment and Income Recognition, the Group and the Bank have its Credit Impairment and Income Recognition Policy, where the impairment and provisioning policies are defined. The Group and the Bank assess at each reporting date whether there is objective evidence that loans and advances are impaired. The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the borrower;
- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for:

(i) Portfolios of homogenous assets that are individually below materiality thresholds; and

(ii) Losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

5.1.3(b) *Expected credit loss measurement*

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financialinstrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to note 5.1.3.1 for a description of how the Group and the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.1.3.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer to note 5.1.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 5.1.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.3(b) ***Expected credit loss measurement (Contd)***

5.1.3.1 Significant increase in credit risk (SICR)

To determine whether credit risk has significantly increased since initial recognition, the Group and the Bank will compare the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

SICR criteria

The Group and the Bank evaluate certain indicators when assessing for SICR by considering all reasonable and supportable information available at the time of assessment. These include but are not limited to the following set of criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 12 months
- if the borrower is on the Watchlist
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR is performed on a quarterly basis at a portfolio level for all Retail financial instruments held by the Bank. In relation to Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Low credit risk expedient

IFRS 9 offers a low credit risk (LCR) expedient for the purpose of allocating exposures into stages based on SICR assessment. On application of this expedient, theBank may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has low credit risk at the assessment date.

According to IFRS 9,the credit risk on a financial instrument is considered low if:

(a) The financial instrument has a low risk of default;

(b) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group and the Bank applies the LCR expedient on its Cash and Cash equivalent line item in the Balance Sheet.

The Bank has not used the low credit risk exemption for any financial instruments in the year ended 30 June 2019.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.3(b) *Expected credit loss measurement (Contd)*

5.1.3.1 Significant increase in credit risk (SICR) (Contd)

30+DPD rebuttal

Regardless of the indicators used by the Bank to determine SICR, there is a rebuttable presumption that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The Bank shall rebut the 30+ DPD presumptions in the case of any technical delinquencies (i.e. accounts marked as 30+DPD owing to administrative reasons and non-credit related concerns) and cases of delinquencies where payment is linked to government payments with approved invoices which have caused such delinquency. Approval for such instances will be obtained from the Board.

5.1.3.2 Definition of default and credit-impaired assets

The Bank's definition of default is aligned with the Bank of Mauritius guidelines and internal credit risk management practices. Defaulted assets will fall under the Stage 3 category and a specific provision is recognized against all such assets.

Impaired Asset

A loan can be classified as impaired asset when installments of principal and/or interest are due and remain unpaid for 90 days or more, or such unpaid amount has been capitalized, refinanced or rolled-over.

"Past due" loans are loans where payment of principal or interest is contractually due but remains unpaid.

Overdraft

An overdraft facility can be classified as impaired asset when one or more conditions as mentioned below are satisfied:

- the advance exceeds the customer's approved limit continuously for 90 days or more;
- the customer's approved limit has expired for 90 days or more;
- interest on the advance is due and remains unpaid for 90 days or more; or
- the account has been dormant for 90 days or more and deposits are insufficient to cover the interest capitalized during the period. For this purpose, dormant accounts include accounts, which have only a few transactions of insignificant amounts.

Bills Purchased and Discounted:

- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

Investments:

- Interest/ installment (including maturity proceeds) for Investments is due and remains unpaid for more than 90 days.

5.1.3.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired assets' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.3(b) ***Expected credit loss measurement (Contd)***

5.1.3.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques (Contd)

- The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
- The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.
- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.
- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.
- The 12-month and lifetime LGDs are determined using a combination of regulatory and historical vintage analysis. These vary by product type.
- LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.
- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 5.1.3.4 for an explanation of forward-looking information and its inclusion in ECL calculations.
- The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc are monitored and reviewed on an annual basis.
- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

5.1.3.4 Forward-looking information incorporated in the ECL models

(i) The calculation of ECL incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

(ii) These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from Bank of Mauritius, IMF and WEO Forecast Database depending upon the type of portfolio. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

(iii) ECL is computed as a probability weighted average of three scenarios; baseline, adverse and good. For computation of the same, PD is computed for each of the scenario by giving a shock to baseline PD curve in upward and downward direction. Final ECL is computed by giving the weightages to each of the scenario to arrive at weighted average ECL.

(iv) As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios and economic variable assumptions.

Sensitivity analysis

Some of the economic variables considered in the ECL models are as follows:

- Unemployment rate given its impact on secured and unsecured borrowers ability to meet their contractual repayments.
- GDP and core inflation given the significant impact on individual and company's performance and collateral valuations.
- World inflation forecast for significant impact on the company's performance.
- Real GDP growth rate, current accounts balance and CPI inflation.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.4 *Exposure to Credit Risk*

5.1.4.1 Maximum exposure to credit risk — Financial instruments subject to impairment

Retail

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2019 Total	2018 Total
	Rs	Rs	Rs	Rs	Rs
Credit grade					
Performing	41,308,180	-	-	41,308,180	35,710,660
Special mention	-	24,807,558	-	24,807,558	26,396,292
Impaired	-	-	10,047,923	10,047,923	1,049,381
Gross carrying amount	**4,404,259,176**	**125,899,904**	**20,487,037**	**4,550,646,117**	**3,968,320,564**
Loss allowance	(41,308,180)	(24,807,558)	(10,047,923)	(76,163,661)	(63,156,333)
Carrying amount	**4,362,950,996**	**101,092,346**	**10,439,114**	**4,474,482,456**	**3,905,164,231**

Corporate

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2019 Total	2018 Total
	Rs	Rs	Rs	Rs	Rs
Credit grade					
Performing	77,002,429	-	-	77,002,429	90,269,225
Special mention	-	28,940,705	-	28,940,705	29,920,665
Impaired	-	-	159,813,966	159,813,966	146,174,148
Gross carrying amount	**10,052,518,793**	**196,054,687**	**689,898,752**	**10,938,472,232**	**7,760,314,328**
Loss allowance	(77,002,429)	(28,940,705)	(159,813,966)	(265,757,100)	(266,364,038)
Carrying amount	**9,975,516,364**	**167,113,982**	**530,084,786**	**10,672,715,132**	**7,493,950,290**

Investment Securities

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2019 Total	2018 Total
	Rs	Rs	Rs	Rs	Rs
Credit grade					
Investment grade	5,978,082	-	-	5,978,082	1,842,232
Below investment grade	-	-	-	-	-
Special mention	-	-	-	-	-
Impaired	-	-	-	-	-
Gross carrying amount	**3,547,480,852**	**-**	**-**	**3,547,480,852**	**4,120,711,694**
Loss allowance	(5,978,082)	-	-	(5,978,082)	(1,842,232)
Carrying amount	**3,541,502,770**	**-**	**-**	**3,541,502,770**	**4,118,869,462**

Off balance sheet

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2019 Total	2018 Total
	Rs	Rs	Rs	Rs	Rs
Credit grade					
Bank guarantee	394,168	-	-	394,168	416,221
Letters of credit	118,840	-	-	118,840	363,820
Acceptances on account of customers	92,609	-	-	92,609	467,503
Outward bills for collection	453,993	-	-	453,993	1,317,919
Gross carrying amount	**1,270,489,810**	**-**	**30,499,895**	**1,300,989,705**	**1,364,714,537**
Loss allowance	(1,059,610)	-	-	(1,059,610)	(2,565,463)
Carrying amount	**1,269,430,200**	**-**	**30,499,895**	**1,299,930,095**	**1,362,149,074**

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.4 *Exposure to Credit Risk (Contd)*

5.1.4.2 Maximum exposure to credit risk — Financial instruments not subject to impairment

	Bank placements				
				2019	2018
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total
	Rs	Rs	Rs	Rs	Rs
Credit grade					
Investment grade	126,431	-	-	126,431	858,661
Below investment grade	-	-	-	-	-
Special mention	-	-	-	-	-
Impaired	-	-	-	-	-
Gross carrying amount	**1,484,949,327**	**-**	**-**	**1,484,949,327**	**817,978,174**
Loss allowance	(126,431)	-	-	(126,431)	(858,661)
Carrying amount	**1,484,822,896**	**-**	**-**	**1,484,822,896**	**817,119,513**

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk
	Rs
Financial assets designated at fair value	
Investment securities	**1,927,225,589**

5.1.4.3 *Risk limit control and mitigation policies*

The Group and the Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counter parties and groups and to industries.

The Group and the Bank structure the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by industry sector are set out in the credit policy. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrower to meet interest and capital repayment obligation and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below:

(i) ***Collaterals and other credit enhancements***

The Group and the Bank employ a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The Group and the Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Fixed charges over land and buildings; and
- Floating charges over business assets such as premises, inventories and accounts receivable.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

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For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.4 *Exposure to Credit Risk (Contd)*

5.1.4.3 *Risk limit control and mitigation policies (Contd)*

2019	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	Rs	Rs	Rs	Rs
Credit-impaired assets				
Loans to individuals:				
- Overdrafts	1,824,309	1,824,309	-	-
- Term loans	8,656,732	3,168,342	5,488,390	18,854,301
- Mortgages	10,005,996	5,055,272	4,950,724	24,474,305
Loans to corporate entities:				
- Large corporate customers	536,360,638	154,542,029	381,818,610	1,030,854,584
- Small and medium-sized enterprises (SMEs)	153,538,114	5,271,937	148,266,177	372,739,192
Total credit-impaired assets	**710,385,789**	**169,861,888**	**540,523,901**	**1,446,922,382**

The following table shows the distribution of LTV ratios for the Bank's mortgage credit-impaired portfolio:

Mortgage portfolio – LTV distribution	2019 Credit-impaired (Gross carrying amount)
	Rs
Lower than 50%	9,803,797
50 to 60%	-
60 to 70%	-
70 to 80%	-
80 to 90%	-
90 to 100%	202,199
Total	**10,005,996**

5.1.5 *Loss Allowance*

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releasesfor financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.5 *Loss Allowance (Contd)*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Rs	Rs	Rs	Rs
Retail				
Loss allowance as at 1 July 2018	**35,710,661**	**26,396,292**	**1,049,381**	**63,156,334**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1				
Transfer from Stage 1 to Stage 2	(1,621,957)	15,648,779	-	**14,026,822**
Transfer from Stage 1 to Stage 3	(154,072)	-	7,436,997	**7,282,925**
Transfer from Stage 2 to Stage 1	1,613,241	(15,900,965)	-	**(14,287,724)**
Transfer from Stage 2 to Stage 3	-	(664,317)	1,962,904	**1,298,587**
Transfer from Stage 3 to Stage 1	5,486	-	(576)	**4,910**
Transfer from Stage 3 to Stage 2	-	-	-	**-**
New financial assets originated or purchased	9,915,101	3,807,620	633,407	**14,356,128**
Change in existing	1,205,637	(893,285)	-	**312,352**
Modification of contractual cash flows of financial assets	-	-	-	**-**
Unwind of discount	-	-	-	**-**
FX and other movements	-	-	-	**-**
Total net P&L charge during the period				
Other movements with no P&L impact				
Financial assets derecognized during the period	(5,365,917)	(3,586,566)	(1,034,191)	**(9,986,674)**
Closed Accounts	-	-	-	**-**
Write-offs	-	-	-	**-**
Loss allowance as at 30 June 2019	**41,308,180**	**24,807,558**	**10,047,922**	**76,163,660**

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Rs	Rs	Rs	Rs
Corporate				
Loss allowance as at 1 July 2018	**90,269,225**	**29,920,665**	**146,174,148**	**266,364,038**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1				
Transfer from Stage 1 to Stage 2	(3,267,689)	19,998,990	-	**16,731,301**
Transfer from Stage 1 to Stage 3	(654,543)	-	11,063,007	**10,408,464**
Transfer from Stage 2 to Stage 1	2,003,409	(18,276,315)	-	**(16,272,906)**
Transfer from Stage 2 to Stage 3	-	(204,405)	444,674	**240,269**
Transfer from Stage 3 to Stage 1	2,764,245	-	(4,590,108)	**(1,825,863)**
Transfer from Stage 3 to Stage 2	-	16,125	(168,466)	**(152,341)**
New financial assets originated or purchased	30,328,428	2,836,381	10,072,805	**43,237,614**
Change in existing	(18,109,368)	(3,198,562)	(1,184,050)	**(22,491,980)**
Modification of contractual cash flows of financial assets	-	-	-	**-**
Unwind of discount	-	-	-	**-**
FX and other movements	-	-	-	**-**
Total net P&L charge during the period	-	-	-	**-**
Other movements with no P&L impact	-	-	-	**-**
Transfers	-	-	-	**-**
Transfer from Stage 1 to Stage 2	-	-	-	**-**
Etc.				
Financial assets derecognized during the period	(26,331,279)	(2,152,173)	(1,998,044)	**(30,481,496)**
Write-offs	-	-	-	**-**
Closed Accounts	-	-	-	**-**
Loss allowance as at 30 June 2019	**77,002,428**	**28,940,706**	**159,813,966**	**265,757,100**

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.5 *Loss Allowance (Contd)*

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	Rs	Rs	Rs	Rs	Rs
Investment securities					
Loss allowance as at 1 July 2018	**1,842,232**	**-**	**-**	**-**	**1,842,232**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	**-**
New financial assets originated or purchased	4,467,257	-	-	-	**4,467,257**
Modification of contractual cash flows of financial assets	-	-	-	-	**-**
Unwind of discount	-	-	-	-	**-**
FX and other movements	-	-	-	-	**-**
Changes in existing	152,397	-	-	-	**152,397**
Total net P&L charge during the period	-	-	-	-	**-**
Other movements with no P&L impact	-	-	-	-	**-**
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	**-**
Financial assets derecognized during the period	(483,804)	-	-	-	**(483,804)**
Write-offs	-	-	-	-	**-**
Loss allowance as at 30 June 2019	**5,978,082**	**-**	**-**	**-**	**5,978,082**

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Rs	Rs	Rs	Rs
Retail				
Gross carrying amount as at 1 July 2018	**3,836,027,612**	**130,602,091**	**1,690,861**	**3,968,320,564**
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 1	72,882,276	(79,585,796)	-	**(6,703,520)**
Transfer from Stage 1 to Stage 3	(14,046,089)	-	13,119,487	**(926,602)**
Transfer from Stage 1 to Stage 2	(85,813,524)	79,240,418	-	**(6,573,106)**
Transfer from Stage 2 to Stage 3	-	(2,927,884)	2,543,822	**(384,062)**
Transfer from Stage 3 to Stage 2	-	-	-	**-**
Transfer from Stage 3 to Stage 1	394,049	-	(506,845)	**(112,796)**
Financial assets derecognized during the period other than write-offs	(486,804,587)	(17,128,603)	(481,406)	**(504,414,596)**
New financial assets originated or purchased	1,369,837,108	19,152,869	4,097,915	**1,393,087,892**
Modification of contractual cash flows of financial assets	-	-	-	**-**
Change in existing	(288,217,668)	(3,453,191)	23,203	**(291,647,656)**
FX and other movements	-	-	-	**-**
Closed accounts	-	-	-	**-**
Gross carrying amount as at 30 June 2019	**4,404,259,177**	**125,899,904**	**20,487,037**	**4,550,646,118**

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For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.5 *Loss Allowance (Contd)*

	Stage 1 12-month ECL Rs	Stage 2 Lifetime ECL Rs	Stage 3 Lifetime ECL Rs	Total Rs
Corporate				
Gross carrying amount as at 1 July 2018	**6,916,908,929**	**146,184,962**	**697,220,438**	**7,760,314,329**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(125,378,435)	124,022,507	-	**(1,355,928)**
Transfer from stage 2 to stage 1	63,161,500	(76,718,217)	-	**(13,556,717)**
Transfer from stage 1 to stage 3	(46,354,871)	-	39,038,266	**(7,316,605)**
Transfer from stage 2 to stage 3	-	(1,881,799)	1,680,632	**(201,167)**
Transfer from stage 3 to stage 1	41,036,171	-	(49,587,324)	**(8,551,153)**
Transfer from stage 3 to stage 2	-	106,317	(1,216,355)	**(1,110,038)**
Financial assets derecognized during the period other than write-offs	(2,640,785,876)	(17,021,676)	(156,172,621)	**(2,813,980,173)**
New financial assets originated or purchased	6,084,464,024	30,257,353	199,274,583	**6,313,995,960**
Modification of contractual cash flows of financial assets	-	-	-	**-**
Changes in existing	(240,532,648)	(8,894,759)	(40,338,865)	**(289,766,272)**
FX and other movements	-	-	-	**-**
Closed accounts	-	-	-	**-**
Write offs	-	-	-	**-**
Gross carrying amount as at 30 June 2019	**10,052,518,794**	**196,054,688**	**689,898,754**	**10,938,472,236**

	Stage 1 12-month ECL Rs	Stage 2 Lifetime ECL Rs	Stage 3 Lifetime ECL Rs	Total Rs
Investment securities				
Gross carrying amount as at 1 July 2018	**4,120,711,694**	**-**	**-**	**4,120,711,694**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	**-**
Financial assets derecognized during the period other than write-offs	(2,002,549,013)	-	-	**(2,002,549,013)**
New financial assets originated or purchased	2,046,842,141	-	-	**2,046,842,141**
Modification of contractual cash flows of financial assets	-	-	-	**-**
FX and other movements	-	-	-	**-**
Changes in existing	(617,523,970)	-	-	**(617,523,970)**
Gross carrying amount as at 30 June 2019	**3,547,480,852**	**-**	**-**	**3,547,480,852**

5.1.6 *Write-off policy*

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.7 *Modification of financial assets*

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL).

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities and their respective effect on the Bank's financial performance:

	Loans and advance to customers
Retail	**Rs**
Amortised cost before modification	**191,404,182**
Net modification (loss)	**-**

5.1.8 *Use of estimates and judgements*

Management discussed the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Measurement of the ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and FVTOCI 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). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5.1.3.3, which also sets out key sensitivities of the ECL to changes in these 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 product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 5.1.3.1 to 5.1.3.4

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.9 Maximum exposure to credit risk before collateral held and other credit risk enhancement

Credit risk exposures relating to on-balance sheet assets are as follows:

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	**3,969,826,577**	1,150,303,600	759,505,060	**3,969,826,577**	1,150,303,600	759,505,060
Loans to and placements with banks	**73,722,466**	314,467,714	31,882,936	**73,722,466**	314,467,714	31,882,936
Derivative assets	**2,830,728**	1,006,361	4,713,177	**2,830,728**	1,006,361	4,713,177
Trading assets	**1,620,255,263**	1,192,675,454	2,104,995,098	**1,620,255,263**	1,192,675,454	2,104,995,098
Investment securities	**1,927,225,589**	2,928,036,240	2,451,527,737	**1,927,225,589**	2,928,036,240	2,451,527,737
Loans and advances to customers	**14,935,784,208**	11,177,109,838	16,356,199,941	**15,146,836,349**	11,404,531,039	16,596,257,505
Receivable from fellow subsidiary	**-**	5,097,577,730	-	**-**	5,097,577,730	-
Other assets*	**166,829,863**	230,352,809	116,917,965	**204,853,033**	268,375,979	154,238,669
	22,696,474,694	22,091,529,746	21,825,741,914	**22,945,550,005**	22,356,974,117	22,103,120,182

**Other assets include amount due from the subsidiary, balances due in clearing and receivables.*

Credit risk exposures relating to off-balance sheet items are as follows:

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers	**1,300,989,705**	1,364,714,537	1,533,123,885	**1,300,989,705**	1,364,714,537	1,533,123,885
Credit commitments	**2,260,463,823**	2,617,580,952	1,590,756,948	**2,260,463,823**	2,617,580,952	1,590,756,948

The above table represents credit risk exposure to the Group and the Bank as at 30 June 2019, 30 June 2018 and 30 June 2017, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loans and advances portfolio as:

- **90.20%** (2018:79.09%; 2017: 89.09%) of the loans and advances portfolio is backed by collaterals:

- **90.43%** (2018:82.27%; 2017: 50.07%) of the loans and advances portfolio is considered to be neither past due nor impaired; and

- of the **Rs 1,481Mn** (2018: Rs 2,077Mn; 2017: Rs 9,221Mn) loans and advances assessed on an individual basis, **Rs 710Mn** (2018:Rs 699Mn; 2017: Rs 5,963Mn) is considered impaired.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.10 Loans and advances

Loans and advances are summarised as follows:

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	**30 June 2019**	30 June 2018	30 June 2017
	Rs	Rs	Rs	**Rs**	Rs	Rs
Neither past due nor impaired	**13,797,028,695**	9,424,436,853	9,005,334,289	**14,008,080,836**	9,651,858,054	9,245,391,853
Past due but not impaired	**770,651,724**	1,377,885,708	3,257,900,324	**770,651,724**	1,377,885,708	3,257,900,324
Individually impaired	**710,385,789**	698,891,130	5,963,341,700	**710,385,789**	698,891,130	5,963,341,700
Gross amount	**15,278,066,208**	11,501,213,691	18,226,576,313	**15,489,118,349**	11,728,634,892	18,466,633,877
Less allowance for credit impairment	**(342,282,000)**	(324,103,853)	(1,870,376,372)	**(342,282,000)**	(324,103,853)	(1,870,376,372)
Net amount	**14,935,784,208**	11,177,109,838	16,356,199,941	**15,146,836,349**	11,404,531,039	16,596,257,505

At 30 June 2019, the total impairment provision for loans and advances was **Rs 342,282,000** (2018: Rs 324,103,853 and 2017: Rs 1,870,376,372) of which **Rs 169,861,888** (2018: Rs 147,243,528 and 2017: Rs 1,669,610,494) represented the specific provision on impaired loans and the remaining amount of **Rs 172,420,112** (2018: Rs 176,80,325 and 2017: Rs 200,765,878) represented the expected credit allowance for stage 1 and 2, and restructuring allowance. Further information on the allowance for credit impairment on loans and advances are provided in Note 12.

The credit quality of the portfolio of loans and advances that were neither past due nor impaired is assessed by reference to the internal rating system adopted by the Group.

(a) Loans and advances past due but not impaired

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Past due up to 90 days	**770,651,724**	1,377,885,708	3,110,707,453
Past due 91-180 days	**-**	-	147,112,740
Past due more than 180 days	**-**	-	80,131
	770,651,724	1,377,885,708	3,257,900,324

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.10 Loans and advances (Contd)

(b) ***Loans and advances individually impaired***

The gross amount of individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held along with the fair value of related collaterals held by the Group and the Bank as security is as follows:

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
Individually impaired loans	**710,385,789**	698,891,130	5,963,341,700
Fair value of collaterals	**1,562,442,382**	1,624,146,969	9,788,195,977

(c) ***Loans and advances renegotiated***

The Group and the Bank

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status only if the account is properly serviced for a period of three months. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled **Rs 7,287,664** (30 June 2018: Rs 333,998,897 and 30 June 2017: Rs 480,455,097) for the period under review.

5.1.11 Repossessed collaterals

During the year under review, the Group and the Bank obtained assets by taking possession of collaterals held as security and the carrying amount of repossessed collaterals is as follows:

Nature of assets

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Land and buildings	**11,005,785**	12,400,000	1,920,000

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed assets are classified in the statement of financial position within other assets.

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5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.12 Concentration of loans and advances with credit risk exposure

The following table breaks down the Group's and the Bank's main credit exposure for loans and advances at their gross amounts, as categorised by the industry sectors:

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Agriculture and Fishing	**999,251,288**	1,159,785,684	726,991,832	**999,251,288**	1,159,785,684	726,991,832
Manufacturing	**633,071,394**	560,217,678	1,379,539,441	**633,071,394**	560,217,678	1,379,539,441
Tourism	**859,213,727**	1,140,970,797	2,189,304,920	**859,213,727**	1,140,970,797	2,189,304,920
Transport	**350,220,489**	319,278,373	409,138,052	**350,220,489**	319,278,373	409,138,052
Construction	**4,136,330,100**	3,394,685,709	7,088,001,098	**4,347,382,241**	3,622,106,910	7,328,058,662
Financial and Business Services	**4,945,850,445**	1,423,094,383	950,357,151	**4,945,850,445**	1,423,094,383	950,357,151
Traders	**1,028,811,324**	1,126,165,789	2,492,488,024	**1,028,811,324**	1,126,165,789	2,492,488,024
New Economy	**29,754,170**	24,501,954	56,868,921	**29,754,170**	24,501,954	56,868,921
Personal	**1,394,744,818**	1,013,576,507	1,349,356,505	**1,394,744,818**	1,013,576,507	1,349,356,505
Education	**130,053,382**	202,413,003	259,719,055	**130,053,382**	202,413,003	259,719,055
Professional	**30,632,144**	32,219,808	134,665,382	**30,632,144**	32,219,808	134,665,382
Others	**740,132,927**	1,104,304,006	1,190,145,932	**740,132,927**	1,104,304,006	1,190,145,932
	15,278,066,208	11,501,213,691	18,226,576,313	**15,489,118,349**	11,728,634,892	18,466,633,877

5.1.13 Country risk management

Cross-border exposures subject banks to country risk, that is the possibility that sovereign borrowers of a particular country may be unable or unwilling, and borrowers unable to fulfill their foreign obligations for reasons beyond the usual credit risk which arises in relation to all lending.

In April 2010, the Bank of Mauritius issued its first guideline on Country Risk Management. In the same year, the Bank put in place its policy on Country Risk Management policy which is a comprehensive document approved by the Board of Directors and which contains the risk appetite of the Group together with a set of techniques on the measurement and monitoring of the Group's country risk exposures.

The assessment of country risk involves the determination of the nature of risks associated with individual country exposures and the evaluation of country conditions. In this context, MauBank Ltd monitors its country risk exposures at the level of the Asset and Liability Management Committee on a monthly basis.

At 30 June 2019, 42.29 % of the risk weighted exposures were in AA+u countries, 40.98 % were in BB countries, 14.54 % were in AAu countries, and the remaining 2.19 % spread between A to BBB-u. The highest exposures were in Africa represented by 40.98 %, 43.69 % in North America, 14.60 % in Europe, and the remaining were spread among East Asia (0.59 %), and India (0.14 %).

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1.13 Country risk management (Contd)

At 30 June 2018, 28.53 % of the risk weighted exposures were in AA+ countries, 19.12 % were in AA countries, 26.84 % were in BB+ countries, 17.83% were in BBB- and the remaining 7.68 % spread between A- to B+. The highest exposures were in Africa represented by 30.73 %, 29.66 % in North America, 19.4 % in Europe, 17.83% in India and the remaining were spread among East Asia (2.26 %), and Middle East (0.12 %).

At 30 June 2017, 37.47% of the risk weighted exposures were in AA+ countries, 23.96% were in AAA countries, 31.54% were in BBB- countries and the remaining 7.03% spread between AA- to A+. The highest exposures were in North America represented by 38.23%, 31.52% in Africa, 27.08% in Europe and the remaining were spread among East Asia (2.94%), India (0.03%) and Middle East (0.20%).

5.2 Market risk analysis

Market risk is the risk of loss resulting from adverse movements in the value of financial instruments. It encompasses exposure to interest rates, foreign exchange rates, equity prices and commodity prices. Sound market risk management practices include the measurement and monitoring of market risk as well as the communication and enforcement of risk limits throughout the Group's trading businesses.

Market risk is monitored consistently and reported to the Group's Asset and Liability Committee (ALCO). Movements of major currencies, trends and forecasts are analysed in the ALCO. Matching of Group's Assets and Liabilities is closely monitored by using gap analysis. Limits and authorisation/approval levels are set in the Bank's Liquidity, Interest Rate and Foreign Exchange Risk Policy. Procedures are strictly followed and adhered to.

5.2.1 Foreign currency sensitivity

Foreign exchange risk is the risk that the Group's earnings and economic value will be adversely affected with the movements in the foreign exchange rate. The Group is exposed to this risk in both the spot and forward foreign exchange markets. Spot foreign exchange risk arises when the total present value of assets in a particular currency does not equal the present value of liabilities in that currency. Forward foreign exchange risk arises when for a given currency, the maturity profile of forward purchases differs from the maturity profile of forward sales.

The Group monitors its foreign exchange risk exposure based on limits set in the Group's Foreign Exchange Risk Policy. Authorisation limits are clearly indicated in this policy. Foreign exchange exposures are reported to the Bank of Mauritius as per the guidelines. ALCO is the main forum in which foreign exchange and treasury matters are discussed and analysed.

The Subsidiary is not exposed to any foreign currency risk since it did not have any financial assets or financial liabilities denominated in foreign currencies as at 30 June 2019.

The Group's reporting currency is the Mauritian Rupee (MUR) but it has assets, liabilities, income and expenses in other currencies. The following table summarises the Group's exposure to the foreign exchange rate risk at 30 June 2019, 30 June 2018 and 30 June 2017.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2019 (The Group)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	2,121,045	103,733	1,829,804	45,957	16,802	4,117,341
Loans to and placements with banks	71,418	-	-	-	2,421	73,839
Derivative assets	2,831	-	-	-	-	2,831
Trading assets	1,620,255	-	-	-	-	1,620,255
Investment securities	1,919,726	-	7,500	-	-	1,927,226
Loans and advances to customers	13,612,598	956,277	496,610	212,517	64	15,278,066
Receivable from fellow subsidiary	-	-	-	-	-	-
Other assets	138,963	-	27,867	-	-	166,830
Total assets	19,486,836	1,060,010	2,361,781	258,474	19,287	23,186,388
Less allowance for credit impairment	(342,408)	-	-	-	-	(342,408)
	19,144,428	1,060,010	2,361,781	258,474	19,287	22,843,980
Liabilities						
Deposits from customers	19,486,891	468,914	2,896,785	177,357	26,496	23,056,443
Derivative liabilities	2,382	-	-	-	-	2,382
Other borrowed funds	-	198,345	-	-	-	198,345
Payable to fellow subsidiary	38,181	-	-	-	-	38,181
Other liabilities	610,543	1,324	11,164	1,166	53	624,250
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	20,137,997	668,583	2,907,949	178,523	26,549	23,919,601
Net on-balance sheet position	(993,569)	391,427	(546,168)	79,951	(7,262)	(1,075,621)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,300,990
Credit commitments						2,260,464
Total off-balance sheet amount						3,561,454

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2018 (The Group)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	324,083	108,341	835,467	26,483	34,832	1,329,206
Loans to and placements with banks	-	-	282,542.00	25,183.00	6,743	314,468
Derivative assets	1,006	-	-	-	-	1,006
Trading assets	1,192,675	-	-	-	-	1,192,675
Investment securities	2,927,316	-	720	-	-	2,928,036
Loans and advances to customers	10,263,365	695,103	318,204	224,482	61	11,501,215
Receivable from fellow subsidiary	5,097,578	-	-	-	-	5,097,578
Other assets	198,185	6,075	26,093	-	-	230,353
Total assets	20,004,208	809,519	1,463,026	276,148	41,636	22,594,537
Less allowance for credit impairment	(324,104)	-	-	-	-	(324,104)
	19,680,104	809,519	1,463,026	276,148	41,636	22,270,433
Liabilities						
Deposits from customers	19,746,946	576,231	1,751,881	222,205	38,851	22,336,114
Derivative liabilities	532	-	-	-	-	532
Other borrowed funds	150,280	249,152	-	-	-	399,432
Other liabilities	662,823	2,509	4,063	1,486	91	670,972
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	20,560,581	827,892	1,755,944	223,691	38,942	23,407,050
Net on-balance sheet position	(880,477)	(18,373)	(292,918)	52,457	2,694	(1,136,617)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,364,715
Credit commitments						2,617,581
Total off-balance sheet amount						3,982,296

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2017 (The Group)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	418,456	42,957	375,505	141,618	32,203	1,010,739
Loans to and placements with banks	21,551	-	-	-	10,332	31,883
Derivative assets	4,713	-	-	-	-	4,713
Trading assets	2,104,995	-	-	-	-	2,104,995
Investment securities	2,450,808	-	720	-	-	2,451,528
Loans and advances to customers	16,428,374	1,090,162	584,438	123,539	63	18,226,576
Other assets	90,987	-	25,930	-	-	116,917
Total assets	21,519,884	1,133,119	986,593	265,157	42,598	23,947,351
Less allowance for credit impairment	(1,870,376)	-	-	-	-	(1,870,376)
	19,649,508	1,133,119	986,593	265,157	42,598	22,076,975
Liabilities						
Deposits from customers	19,970,947	672,508	1,002,384	263,301	33,111	21,942,251
Derivative liabilities	3,688	-	-	-	-	3,688
Other borrowed funds	2,238	299,340	2,155	26,846	-	330,579
Other liabilities	367,543	5,349	4,579	39,068	80	416,619
Subordinated liabilities	162,623	-	-	-	-	162,623
Total liabilities	20,507,039	977,197	1,009,118	329,215	33,191	22,855,760
Net on-balance sheet position	(857,531)	155,922	(22,525)	(64,058)	9,407	(778,785)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,533,124
Credit commitments						1,590,757
Total off-balance sheet amount						3,123,881

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2019 (The Bank)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	2,121,045	103,733	1,829,804	45,957	16,802	4,117,341
Loans to and placements with banks	71,418	-	-	-	2,421	73,839
Derivative assets	2,831	-	-	-	-	2,831
Trading assets	1,620,255	-	-	-	-	1,620,255
Investment securities	1,919,726	-	7,500	-	-	1,927,226
Loans and advances to customers	13,823,650	956,277	496,610	212,517	64	15,489,118
Receivable from fellow subsidiary	-	-	-	-	-	-
Other assets	176,986	-	27,867	-	-	204,853
Total assets	19,735,911	1,060,010	2,361,781	258,474	19,287	23,435,463
Less allowance for credit impairment	(342,408)	-	-	-	-	(342,408)
	19,393,503	1,060,010	2,361,781	258,474	19,287	23,093,055
Liabilities						
Deposits from customers	19,494,948	468,914	2,896,785	177,357	26,496	23,064,500
Derivative liabilities	2,382	-	-	-	-	2,382
Other borrowed funds	-	198,345	-	-	-	198,345
Payable to fellow subsidiary	38,181	-	-	-	-	38,181
Other liabilities	610,369	1,324	11,164	1,166	53	624,076
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	20,145,880	668,583	2,907,949	178,523	26,549	23,927,484
Net on-balance sheet position	(752,377)	391,427	(546,168)	79,951	(7,262)	(834,429)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,300,990
Credit commitments						2,260,464
Total off-balance sheet amount						3,561,454

Notes to the financial statements

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5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2018 (The Bank)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	324,083	108,341	835,467	26,483	34,832	1,329,206
Loans to and placements with banks	-	-	282,542	25,183	6,743	314,468
Derivative assets	1,006	-	-	-	-	1,006
Trading assets	1,192,675	-	-	-	-	1,192,675
Investment securities	2,927,316	-	720	-	-	2,928,036
Loans and advances to customers	10,490,785	695,103	318,204	224,482	61	11,728,635
Receivable from fellow subsidiary	5,097,578	-	-	-	-	5,097,578
Other assets	236,208	6,075.00	26,093	-	-	268,376
Total assets	20,269,651	809,519	1,463,026	276,148	41,636	22,859,980
Less allowance for credit impairment	(324,104)	-	-	-	-	(324,104)
	19,945,547	809,519	1,463,026	276,148	41,636	22,535,876
Liabilities						
Deposits from customers	19,757,333	576,231	1,751,881	222,205	38,851	22,346,501
Derivative liabilities	532	-	-	-	-	532
Other borrowed funds	150,280	249,152	-	-	-	399,432
Other liabilities	662,673	2,509	4,063	1,486	91	670,822
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	20,570,818	827,892	1,755,944	223,691	38,942	23,417,287
Net on-balance sheet position	(625,271)	(18,373)	(292,918)	52,457	2,694	(881,411)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,364,715
Credit commitments						2,617,581
Total off-balance sheet amount						3,982,296

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2017 (The Bank)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	418,456	42,957	375,505	141,618	32,203	1,010,739
Loans to and placements with banks	21,551	-	-	-	10,332	31,883
Derivative assets	4,713	-	-	-	-	4,713
Trading assets	2,104,995	-	-	-	-	2,104,995
Investment securities	2,450,808	-	720	-	-	2,451,528
Loans and advances to customers	16,668,433	1,090,161	584,438	123,539	63.00	18,466,634
Other assets	128,308	-	25,931	-	-	154,239
Total assets	21,797,264	1,133,118	986,594	265,157	42,598	24,224,731
Less allowance for credit impairment	(1,870,376)	-	-	-	-	(1,870,376)
	19,926,888	1,133,118	986,594	265,157	42,598	22,354,355
Liabilities						
Deposits from customers	19,978,182	672,508	1,002,384	263,300	33,111	21,949,485
Derivative liabilities	3,688	-	-	-	-	3,688
Other borrowed funds	2,238	299,340	2,155	26,846	-	330,579
Other liabilities	367,075	5,349	4,579	39,069	80	416,152
Subordinated liabilities	162,623	-	-	-	-	162,623
Total liabilities	20,513,806	977,197	1,009,118	329,215	33,191	22,862,527
Net on-balance sheet position	(586,918)	155,921	(22,524)	(64,058)	9,407	(508,172)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,533,124
Credit commitments						1,590,757
Total off-balance sheet amount						3,123,881

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

The Group and the Bank perform a sensitivity analysis to estimate the potential foreign exchange impact arising from movements in an ordinary market environment. The percentage change was based on the exchange rates prevailing between the start and the end of the financial year.

The sensitivity of profit and equity in regards to the Group's and the Bank's financial instruments is subject to changes in the USD/MUR, EURO/MUR, GBP/MUR, AUD/MUR, CAD/MUR, DKK/MUR, HKD/MUR, INR/MUR, JPY/MUR, NZD/MUR, NOK/MUR, SGD/MUR, ZAR/MUR, SEK/MUR, CHF/MUR, SAR/MUR, UAE/MUR and CNY/MUR exchange rates "all other things being equal".

It assumes the following percentage changes in the exchange rates for the year ended 30 June 2019:

	30 June 2019	30 June 2018	30 June 2017
	% change	% change	% change
The Group and the Bank			
United States Dollar	**2.00%**	1.00%	4.00%
EURO	**0.00%**	3.00%	1.00%
Great Britain Pound	**1.00%**	2.00%	7.00%
Australian Dollar	**3.00%**	3.00%	1.00%
Canadian Dollar	**4.00%**	1.00%	4.00%
Danish Krone	**0.00%**	3.00%	3.00%
Hong Kong Dollar	**3.00%**	0.00%	5.00%
Indian Rupee	**1.00%**	5.00%	1.00%
Japanese Yen	**5.00%**	2.00%	12.00%
New Zealand Dollar	**2.00%**	7.00%	1.00%
Singapore Dollar	**3.00%**	2.00%	6.00%
South African Rand	**0.00%**	5.00%	8.00%
Swiss Franc	**4.00%**	3.00%	2.00%
Saudi Arabian Riyal	**2.00%**	1.00%	5.00%
United Arab Emirates Dirham	**2.00%**	1.00%	4.00%
Chinese Yuan	**1.00%**	3.00%	6.00%
United Arab Emirates Dirham	**2.00%**	1.00%	4.00%
Chinese Yuan	**1.00%**	3.00%	6.00%

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's and the Bank's foreign currency financial instruments held at each reporting date.

If the foreign currencies had strengthened/weakened by the above percentages, then this would have had the following impact on profit and equity for the year ended 30 June 2019.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

	30 June 2019		30 June 2018		30 June 2017	
	Impact on profit for the year and on equity		Impact on profit for the year and on equity		Impact on profit for the year and on equity	
The Group and the Bank	**Strengthened**	**Weakened**	Strengthened	Weakened	Strengthened	Weakened
	Rs	**Rs**	Rs	Rs	Rs	Rs
United States Dollar	**368,745**	**(368,745)**	(2,400,252)	2,400,252	2,021,868	(2,021,868)
Euro	**-**	**-**	(2,320,091)	2,320,091	3,653	(3,653)
Great Britain Pound	**717**	**(717)**	720,019	(720,019)	2,916	(2,916)
Australian Dollar	**(196)**	**196**	(4,952)	4,952	153	(153)
Canadian Dollar	**(411)**	**411**	355	(355)	585	(585)
Danish Krone	**-**	**-**	-	-	-	-
Hong Kong Dollar	**939**	**(939)**	-	-	6,529	(6,529)
Indian Rupee	**2,282**	**(2,282)**	(59,094)	59,094	1,630	(1,630)
Japanese Yen	**(534)**	**534**	(640)	640	1,242	(1,242)
New Zealand Dollar	**2,641**	**(2,641)**	9,982	(9,982)	109	(109)
Singapore Dollar	**4,085**	**(4,085)**	6,602	(6,602)	28,514	(28,514)
South African Rand	**-**	**-**	5,280	(5,280)	461	(461)
Swiss Franc	**6,284**	**(6,284)**	3,777	(3,777)	606	(606)
Saudi Arabian Riyal	**2,037**	**(2,037)**	288	(288)	632	(632)
United Arab Emirates Dirham	**(68)**	**68**	(33)	33	9	(9)
Chinese Yuan	**709**	**(709)**	15,916	(15,916)	6,754	(6,754)
Total	**387,230**	**(387,230)**	(4,022,843)	4,022,843	2,075,661	(2,075,661)

Interest rate sensitivity

5.2.2 Interest rate risk results from mismatches between asset and liability positions which are subject to unfavourable movements in interest rates with potentially adverse impact on margins, net interest income and economic value of a group's assets, liabilities and shareholders' value. Interest rate risk may be measured using methods which include sensitivity analysis and simulation modelling. The Group has its Interest Rate Risk Policy in which risks limits are laid down. Scenario analysis is worked out based on possible changes in interest rates and their impact on net interest income and margin is analysed and discussed in Group's Asset and Liability Management Committee.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Group's exposure to interest rate risk at 30 June 2019:

At 30 June 2019 (The Group)

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	1,411,111	-	-	-	-	-	2,706,230	4,117,341
Loans to and placements with banks	-	2,421	-	-	71,418	-	-	-	73,839
Derivative assets	-	-	-	-	-	-	-	2,831	2,831
Trading assets	-	79,960	589,892	117,772	832,631	-	-	-	1,620,255
Investment securities	-	152,863	-	-	321,811	497,714	938,853	15,985	1,927,226
Loans and advances to customers	13,948,154	71,622	58,285	14,172	44,679	677,619	463,535	-	15,278,066
Receivable from fellow subsidiary	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	166,830	166,830
Total Assets	13,948,154	1,717,977	648,177	131,944	1,270,539	1,175,333	1,402,388	2,891,876	23,186,388
Less allowance for credit impairment									(342,408)
Total assets	13,948,154	1,717,977	648,177	131,944	1,270,539	1,175,333	1,402,388	2,891,876	22,843,980

At 30 June 2019

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	18,058,580	493,487	517,128	1,145,825	742,553	1,036,045	1,062,825	-	23,056,443
Derivative liabilities	-	-	-	-	-	-	-	2,382	2,382
Other borrowed funds	-	-	160,051	25,529	11,076	1,689	-	-	198,345
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Payable to fellow subsidiary	-	-	-	-	-	-	-	38,181	38,181
Other liabilities	-	-	-	-	-	-	-	624,250	624,250
Total liabilities	18,058,580	493,487	677,179	1,171,354	753,629	1,037,734	1,062,825	664,813	23,919,601
Net on-balance sheet interest sensitivity gap	(4,110,426)	1,224,490	(29,002)	(1,039,410)	516,910	137,599	339,563	2,227,063	(1,075,621)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Group's exposure to interest rate risk at 30 June 2018:

At 30 June 2018 (The Group)

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	382,727	120,784	-	-	-	-	825,695	1,329,206
Loans to and placements with banks	-	-	2,248	206,796	105,424	-	-	-	314,468
Derivative assets	-	-	-	-	-	-	-	1,006	1,006
Trading assets	-	283,321	171,308	493,809	244,237	-	-	-	1,192,675
Investment securities	-	-	304,083	302,130	531,869	860,619	926,993	2,342	2,928,036
Loans and advances to customers	10,386,399	1,126	165,031	8,744	39,561	689,397	210,957	-	11,501,215
Receivable from fellow subsidiary	-	5,097,578	-	-	-	-	-	-	5,097,578
Other assets	-	-	-	-	-	-	-	230,353	230,353
Total Assets	10,386,399	5,764,752	763,454	1,011,479	921,091	1,550,016	1,137,950	1,059,396	22,594,537
Less allowance for credit impairment									(324,104)
Total assets	10,386,399	5,764,752	763,454	1,011,479	921,091	1,550,016	1,137,950	1,059,396	22,270,433

At 30 June 2018

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	18,054,694	700,788	518,508	518,385	506,556	1,455,306	581,877	-	22,336,114
Derivative liabilities	-	-	-	-	-	-	-	532	532
Other borrowed funds	-	150,029	23	25,430	25,732	198,218	-	-	399,432
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	670,972	670,972
Total liabilities	18,054,694	850,817	518,531	543,815	532,288	1,653,524	581,877	671,504	23,407,050
Net on-balance sheet interest sensitivity gap	(7,668,295)	4,913,935	244,923	467,664	388,803	(103,508)	556,073	387,892	(1,136,617)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Group's exposure to interest rate risk at 30 June 2017:

At 30 June 2017 (The Group)

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	172,405	-	-	-	-	-	838,334	1,010,739
Loans to and placements with banks	-	-	13,169	8,023	10,691	-	-	-	31,883
Derivative assets	-	-	-	-	-	-	-	4,713	4,713
Trading assets	-	541,724	1,019,631	543,640	-	-	-	-	2,104,995
Investment securities	-	-	406,242	-	439,025	1,055,615	548,304	2,342	2,451,528
Loans and advances to customers	17,016,235	153,744	320,511	14,964	64,057	348,737	308,328	-	18,226,576
Other assets	-	-	-	-	-	-	-	116,917	116,917
Total Assets	17,016,235	867,873	1,759,553	566,627	513,773	1,404,352	856,632	962,306	23,947,351
Less allowance for credit impairment									(1,870,376)
Total assets	17,016,235	867,873	1,759,553	566,627	513,773	1,404,352	856,632	962,306	22,076,975

At 30 June 2017

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	17,760,675	324,746	578,118	494,065	716,956	1,236,836	830,855	-	21,942,251
Derivative liabilities	-	-	-	-	-	-	-	3,688	3,688
Other borrowed funds	-	36,864	155,322	25,170	25,958	85,627	1,638	-	330,579
Subordinated liabilities	-	82,244	-	80,379	-	-	-	-	162,623
Other liabilities	-	-	-	-	-	-	-	416,619	416,619
Total liabilities	17,760,675	443,854	733,440	599,614	742,914	1,322,463	832,493	420,307	22,855,760
Net on-balance sheet interest sensitivity gap	(744,440)	424,019	1,026,113	(32,987)	(229,141)	81,889	24,139	541,999	(778,785)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Bank's exposure to interest rate risk at 30 June 2019:

At 30 June 2019 (The Bank)

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	1,411,111	-	-	-	-	-	2,706,230	4,117,341
Loans to and placements with banks	-	2,421	-	-	71,418	-	-	-	73,839
Derivative assets	-	-	-	-	-	-	-	2,831	2,831
Trading assets	-	79,960	589,892	117,772	832,631	-	-	-	1,620,255
Investment securities	-	152,863	-	-	321,811	497,714	938,853	15,985	1,927,226
Loans and advances to customers	14,159,206	71,622	58,285	14,172	44,679	677,619	463,535	-	15,489,118
Receivable from fellow subsidiary	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	204,853	204,853
Total Assets	14,159,206	1,717,977	648,177	131,944	1,270,539	1,175,333	1,402,388	2,929,899	23,435,463
Less allowance for credit impairment									(342,408)
Total assets	14,159,206	1,717,977	648,177	131,944	1,270,539	1,175,333	1,402,388	2,929,899	23,093,055

At 30 June 2019

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	18,066,637	493,487	517,128	1,145,825	742,553	1,036,045	1,062,825	-	23,064,500
Derivative liabilities	-	-	-	-	-	-	-	2,382	2,382
Other borrowed funds	-	-	160,051	25,529	11,076	1,689	-	-	198,345
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Payable to fellow subsidiary	-	-	-	-	-	-	-	38,181	38,181
Other liabilities	-	-	-	-	-	-	-	624,076	624,076
Total liabilities	18,066,637	493,487	677,179	1,171,354	753,629	1,037,734	1,062,825	664,639	23,927,484
Net on-balance sheet interest sensitivity gap	(3,907,431)	1,224,490	(29,002)	(1,039,410)	516,910	137,599	339,563	2,265,260	(834,429)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Bank's exposure to interest rate risk at 30 June 2018:

At 30 June 2018 (The Bank)

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	382,727	120,784	-	-	-	-	825,695	1,329,206
Loans to and placements with banks	-	-	2,248	206,796	105,424	-	-	-	314,468
Derivative assets	-	-	-	-	-	-	-	1,006	1,006
Trading assets	-	283,321	171,308	493,809	244,237	-	-	-	1,192,675
Investment securities	-	-	304,083	302,130	531,869	860,619	926,993	2,342	2,928,036
Loans and advances to customers	10,386,398	1,126	165,031	8,744	39,561	689,397	438,378	-	11,728,635
Receivable from fellow subsidiary	-	5,097,578	-	-	-	-	-	-	5,097,578
Other assets	-	-	-	-	-	-	-	268,376	268,376
Total Assets	10,386,398	5,764,752	763,454	1,011,479	921,091	1,550,016	1,365,371	1,097,419	22,859,980
Less allowance for credit impairment									(324,104)
Total assets	10,386,398	5,764,752	763,454	1,011,479	921,091	1,550,016	1,365,371	1,097,419	22,535,876

At 30 June 2018

	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	18,065,081	700,788	518,508	518,385	506,556	1,455,306	581,877	-	22,346,501
Derivative liabilities	-	-	-	-	-	-	-	532	532
Other borrowed funds	-	150,029	23	25,430	25,732	198,218	-	-	399,432
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	670,822	670,822
Total liabilities	18,065,081	850,817	518,531	543,815	532,288	1,653,524	581,877	671,354	23,417,287
Net on-balance sheet interest sensitivity gap	(7,678,683)	4,913,935	244,923	467,664	388,803	(103,508)	783,494	426,065	(881,411)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Bank's exposure to interest rate risk at 30 June 2017:

At 30 June 2017 (The Bank)	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	172,405	-	-	-	-	-	838,334	1,010,739
Loans to and placements with banks	-	-	13,169	8,023	10,691	-	-	-	31,883
Derivative assets	-	-	-	-	-	-	-	4,713	4,713
Trading assets	-	541,724	1,019,632	543,639	-	-	-	-	2,104,995
Investment securities	-	-	406,242	-	439,025	1,055,615	548,304	2,342	2,451,528
Loans and advances to customers	17,016,235	153,744	320,510	14,965	64,057	348,737	548,386	-	18,466,634
Other assets	-	-	-	-	-	-	-	154,239	154,239
Total Assets	17,016,235	867,873	1,759,553	566,627	513,773	1,404,352	1,096,690	999,628	24,224,731
Less allowance for credit impairment									(1,870,376)
Total assets	17,016,235	867,873	1,759,553	566,627	513,773	1,404,352	1,096,690	999,628	22,354,355

At 30 June 2017	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	17,760,676	327,639	578,841	495,873	718,764	1,236,836	830,856	-	21,949,485
Derivative liabilities	-	-	-	-	-	-	-	3,688	3,688
Other borrowed funds	-	36,864	155,322	25,170	25,958	85,627	1,638	-	330,579
Subordinated liabilities	-	82,244	-	80,379	-	-	-	-	162,623
Other liabilities	-	-	-	-	-	-	-	416,152	416,152
Total liabilities	17,760,676	446,747	734,163	601,422	744,722	1,322,463	832,494	419,840	22,862,527
Net on-balance sheet interest sensitivity gap	(744,441)	421,126	1,025,390	(34,795)	(230,949)	81,889	264,196	579,788	(508,172)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of 2%. A 2% basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rate.

The calculations are based on the financial instruments held at the reporting date and which are sensitive to changes in interest rates. All other variables are held constant. The table below depicts the movement in profit and equity at 30 June 2019 given an increase or a decrease of 2% in interest rates.

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	**Year ended 30 June 2019**	Year ended 30 June 2018	Year ended 30 June 2017
	Rs'000	Rs'000	Rs'000	**Rs'000**	Rs'000	Rs'000
Increase	**11,839**	216,538	91,537	**11,839**	216,538	91,537

A decrease of 2% in the interest rates would have the corresponding negative impact.

Average interest by major currencies for monetary financial instruments is:

	EURO	USD	GBP	MUR
	%	%	%	%
The Group and the Bank				
At 30 June 2019				
Assets				
Cash and balances with Central Bank	**N/A**	**N/A**	**N/A**	**N/A**
Balances with banks in Mauritius	**N/A**	**N/A**	**N/A**	**N/A**
Balances with banks abroad	**N/A**	**N/A**	**N/A**	**N/A**
Investment securities:				
- Amortised cost	**N/A**	**N/A**	**N/A**	**N/A**
- FVTOCI	**N/A**	**N/A**	**N/A**	**3.95**
- FVTPL	**N/A**	**N/A**	**N/A**	**3.37**
Loans and advances to customers	**4.34**	**5.17**	**3.85**	**6.21**
Other investments	**N/A**	**N/A**	**N/A**	**N/A**
Liabilities				
Deposits	**0.26**	**0.18**	**1.36**	**1.88**
Balances with banks in Mauritius and other financial institutions	**N/A**	**N/A**	**N/A**	**N/A**
Subordinated debt	**N/A**	**N/A**	**N/A**	**N/A**
Borrowings from Central Bank	**0.70**	**N/A**	**N/A**	**N/A**

	EURO	USD	GBP	MUR
	%	%	%	%
The Group and the Bank				
At 30 June 2018				
Assets				
Cash and balances with Central Bank	N/A	N/A	N/A	N/A
Balances with banks in Mauritius	N/A	N/A	N/A	N/A
Balances with banks abroad	N/A	N/A	N/A	N/A
Investment securities:				
- Held-to-maturity	N/A	N/A	N/A	N/A
- Available for Sale	N/A	N/A	N/A	4.25
- Held for trading	N/A	N/A	N/A	3.57
Loans and advances to customers	4.06	4.76	3.61	7.86
Other investments	N/A	N/A	N/A	N/A
Liabilities				
Deposits	0.09	1.28	0.51	2.48
Balances with banks in Mauritius and other financial institutions	N/A	N/A	N/A	N/A
Subordinated debt	N/A	N/A	N/A	N/A
Borrowings from Central Bank	0.63	N/A	N/A	N/A

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

	EURO	USD	GBP	MUR
	%	%	%	%
The Group and the Bank				
At 30 June 2017				
Assets				
Cash and balances with Central Bank	N/A	N/A	N/A	N/A
Balances with banks in Mauritius	N/A	N/A	N/A	N/A
Balances with banks abroad	N/A	N/A	N/A	N/A
Investment securities:				
- Held-to-maturity	N/A	N/A	N/A	4.13
- Available for Sale	N/A	N/A	N/A	3.24
- Held for trading	N/A	N/A	N/A	1.94
Loans and advances to customers	3.24	4.86	4.07	6.53
Other investments	N/A	N/A	N/A	N/A
Liabilities				
Deposits	1.23	1.91	1.28	3.31
Balances with banks in Mauritius and other financial institutions	N/A	N/A	N/A	N/A
Subordinated debt	N/A	N/A	N/A	10.00
Borrowings from Central Bank	0.7	2.45	N/A	N/A

5.3 Liquidity analysis

Liquidity risk is defined within the Group's policy framework as 'the risk that, at any time, the Group does not have sufficient realisable financial assets to meet its financial obligations as they fall due'. The management of liquidity risk in the Group is undertaken under the guideline on Liquidity Risk Management issued by the Bank of Mauritius.

The liquidity policy of the Group is to ensure that it:

• can meet its financial obligations as they fall due in the normal course of business; and

• maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short notice.

The Group's liquidity policy requires establishment and maintenance of three lines of defence:

• Cashflow management where the Group creates a continuously maturing stream of assets and liabilities;

• Maintenance of a liquid assets portfolio; and

• Maintenance of a diversified liability base.

The Treasury Unit manages the day-to-day cash flow management and the overall liquidity is under the close supervision of the Group's Asset and Liability Committee.

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

(i) The tables below show the expected timing of cash flows for financial assets and liabilities of the Group and the Company, slotted as per the rules defined by the Bank of Mauritius.

	Sight	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	Over 3 years	Non-maturity items	Total
At 30 June 2019 (The Group)	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Assets									
Cash and cash equivalents	4,117,341	-	-	-	-	-	-	-	4,117,341
Loans to and placements with banks	-	2,421	-	-	71,418	-	-	-	73,839
Derivative assets	-	2,831	-	-	-	-	-	-	2,831
Trading assets	-	79,960	589,892	117,772	832,631	-	-	-	1,620,255
Investment securities	-	152,863	-	-	321,811	497,714	938,853	15,985	1,927,226
Loans and advances to customers	-	420,644	2,379,155	155,925	169,291	1,653,147	10,499,904	-	15,278,066
Receivable from fellow subsidiary	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	166,830	166,830
	4,117,341	658,719	2,969,047	273,697	1,395,151	2,150,861	11,438,757	182,815	23,186,388
Less allowance for credit losses									(342,408)
Total assets	4,117,341	658,719	2,969,047	273,697	1,395,151	2,150,861	11,438,757	182,815	22,843,980
Liabilities									
Deposits from customers	557,017	2,311,332	1,512,975	2,267,042	2,587,173	4,658,996	9,161,908	-	23,056,443
Derivative liabilities	-	2,382	-	-	-	-	-	-	2,382
Other borrowed funds	-	-	160,051	25,529	11,076	1,689	-	-	198,345
Payable to fellow subsidiary	-	38,181	-	-	-	-	-	-	38,181
Other liabilities	15,113	-	-	-	-	-	-	609,137	624,250
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	572,130	2,351,895	1,673,026	2,292,571	2,598,249	4,660,685	9,161,908	609,137	23,919,601
	-								
Net on-balance sheet liquidity gap	3,545,211	(1,693,176)	1,296,021	(2,018,874)	(1,203,098)	(2,509,824)	2,276,849	(426,322)	(1,075,621)

	Sight	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	Over 3 years	Non-maturity items	Total
At 30 June 2018 (The Group)	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Assets									
Cash and cash equivalents	1,208,422	-	120,784	-	-	-	-	-	1,329,206
Loans to and placements with banks	-	2,248	-	206,796	105,424	-	-	-	314,468
Derivative assets	-	1,006	-	-	-	-	-	-	1,006
Trading assets	-	283,321	171,308	493,809	244,237	-	-	-	1,192,675
Investment securities	-	-	304,083	302,130	531,869	860,619	926,993	2,342	2,928,036
Loans and advances to customers	-	588,352	2,222,757	264,321	696,974	1,535,780	6,193,031	-	11,501,215
Receivable from fellow subsidiary	-	5,097,578	-	-	-	-	-	-	5,097,578
Other assets	-	-	-	-	-	-	-	230,353	230,353
	1,208,422	5,972,505	2,818,932	1,267,056	1,578,504	2,396,399	7,120,024	232,695	22,594,537
Less allowance for credit losses									(324,104)
Total assets	1,208,422	5,972,505	2,818,932	1,267,056	1,578,504	2,396,399	7,120,024	232,695	22,270,433
Liabilities									
Deposits from customers	450,036	2,012,709	1,709,648	1,444,710	2,682,617	5,005,473	9,030,921	-	22,336,114
Derivative liabilities	-	532	-	-	-	-	-	-	532
Other borrowed funds	150,029	-	23	25,430	25,732	198,218	-	-	399,432
Other liabilities	-	-	-	349,668	-	-	-	321,304	670,972
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	600,065	2,013,241	1,709,671	1,819,808	2,708,349	5,203,691	9,030,921	321,304	23,407,050
	-								
Net on-balance sheet liquidity gap	608,357	3,959,264	1,109,261	(552,752)	(1,129,845)	(2,807,292)	(1,910,897)	(88,609)	(1,136,617)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

At 30 June 2017 (The Group)	Sight Rs'000	Up to 1 month Rs'000	2 – 3 months Rs'000	4 – 6 months Rs'000	7 – 12 months Rs'000	1 – 3 years Rs'000	Over 3 years Rs'000	Non-maturity items Rs'000	Total Rs'000
Assets									
Cash and cash equivalents	1,010,739	-	-	-	-	-	-	-	1,010,739
Loans to and placements with banks	-	2,309	10,861	8,022	10,691	-	-	-	31,883
Derivative assets	-	4,713	-	-	-	-	-	-	4,713
Trading assets	-	-	1,561,355	543,640	-	-	-	-	2,104,995
Investment securities	-	-	406,241	-	439,026	1,055,615	548,304	2,342	2,451,528
Loans and advances to customers	363,077	4,623,720	1,894,221	703,437	514,870	1,373,908	8,753,343	-	18,226,576
Other assets	-	-	-	-	-	-	-	116,917	116,917
	1,373,816	4,630,742	3,872,678	1,255,099	964,587	2,429,523	9,301,647	119,259	23,947,351
Less allowance for credit losses									(1,870,376)
Total assets	1,373,816	4,630,742	3,872,678	1,255,099	964,587	2,429,523	9,301,647	119,259	22,076,975
Liabilities									
Deposits from customers	592,041	814,425	1,504,719	1,951,211	3,246,051	5,166,577	8,667,227	-	21,942,251
Derivative liabilities	-	3,688	-	-	-	-	-	-	3,688
Other borrowed funds	34,709	2,156	155,322	25,170	25,957	85,627	1,638	-	330,579
Other liabilities	-	-	-	-	-	-	-	416,619	416,619
Subordinated liabilities	-	82,244	-	80,379	-	-	-	-	162,623
Total liabilities	626,750	902,513	1,660,041	2,056,760	3,272,008	5,252,204	8,668,865	416,619	22,855,760
Net on-balance sheet liquidity gap	747,066	3,728,229	2,212,637	(801,661)	(2,307,421)	(2,822,681)	632,782	(297,360)	(778,785)

At 30 June 2019 (The Bank)	Sight Rs'000	Up to 1 month Rs'000	2 – 3 months Rs'000	4 – 6 months Rs'000	7 – 12 months Rs'000	1 – 3 years Rs'000	Over 3 years Rs'000	Non-maturity items Rs'000	Total Rs'000
Assets									
Cash and cash equivalents	4,117,341	-	-	-	-	-	-	-	4,117,341
Loans to and placements with banks	-	2,421	-	-	71,418	-	-	-	73,839
Derivative assets	-	2,831	-	-	-	-	-	-	2,831
Trading assets	-	79,960	589,892	117,772	832,631	-	-	-	1,620,255
Investment securities	-	152,863	-	-	321,811	497,714	938,853	15,985	1,927,226
Loans and advances to customers	-	420,644	2,379,155	155,925	169,291	1,653,147	10,710,956	-	15,489,118
Receivable from fellow subsidiary	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	204,853	204,853
	4,117,341	658,719	2,969,047	273,697	1,395,151	2,150,861	11,649,809	220,838	23,435,463
Less allowance for credit losses									(342,408)
Total assets	4,117,341	658,719	2,969,047	273,697	1,395,151	2,150,861	11,649,809	220,838	23,093,055
Liabilities									
Deposits from customers	557,178	2,311,976	1,513,217	2,267,284	2,587,898	4,660,204	9,166,743	-	23,064,500
Derivative liabilities	-	2,382	-	-	-	-	-	-	2,382
Other borrowed funds	-	-	160,051	25,529	11,076	1,689	-	-	198,345
Payable to fellow subsidiary	-	38,181	-	-	-	-	-	-	38,181
Other liabilities	15,113	-	-	-	-	-	-	608,963	624,076
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	572,291	2,352,539	1,673,268	2,292,813	2,598,974	4,661,893	9,166,743	608,963	23,927,484
Net on-balance sheet liquidity gap	3,545,050	(1,693,820)	1,295,779	(2,019,116)	(1,203,823)	(2,511,032)	2,483,066	(388,125)	(834,429)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

At 30 June 2018 (The Bank)	Sight Rs'000	Up to 1 month Rs'000	2 – 3 months Rs'000	4 – 6 months Rs'000	7 – 12 months Rs'000	1 – 3 years Rs'000	Over 3 years Rs'000	Non-maturity items Rs'000	Total Rs'000
Assets									
Cash and cash equivalents	1,208,422	-	120,784	-	-	-	-	-	1,329,206
Loans to and placements with banks	-	2,248	-	206,796	105,424	-	-	-	314,468
Derivative assets	-	1,006	-	-	-	-	-	-	1,006
Trading assets	-	283,321	171,308	493,809	244,237	-	-	-	1,192,675
Investment securities	-	-	304,083	302,130	531,869	860,619	926,993	2,342	2,928,036
Loans and advances to customers	-	588,351	2,222,757	264,321	696,974	1,535,780	6,420,452	-	11,728,635
Receivable from fellow subsidiary	-	5,097,578	-	-	-	-	-	-	5,097,578
Other assets	-	-	-	-	-	-	-	268,376	268,376
	1,208,422	5,972,504	2,818,932	1,267,056	1,578,504	2,396,399	7,347,445	270,718	22,859,980
Less allowance for credit losses									(324,104)
Total assets	1,208,422	5,972,504	2,818,932	1,267,056	1,578,504	2,396,399	7,347,445	270,718	22,535,876
Liabilities									
Deposits from customers	451,074	2,014,786	1,710,687	1,445,749	2,683,656	5,006,512	9,034,037	-	22,346,501
Derivative liabilities	-	532	-	-	-	-	-	-	532
Other borrowed funds	150,029	-	23	25,430	25,732	198,218	-	-	399,432
Other liabilities	-	-	-	349,668	-	-	-	321,154	670,822
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	601,103	2,015,318	1,710,710	1,820,847	2,709,388	5,204,730	9,034,037	321,154	23,417,287
Net on-balance sheet liquidity gap	607,319	3,957,186	1,108,222	(553,791)	(1,130,884)	(2,808,331)	(1,686,592)	(50,436)	(881,411)

At 30 June 2017 (The Bank)	Sight Rs'000	Up to 1 month Rs'000	2 – 3 months Rs'000	4 – 6 months Rs'000	7 – 12 months Rs'000	1 – 3 years Rs'000	Over 3 years Rs'000	Non-maturity items Rs'000	Total Rs'000
Assets									
Cash and cash equivalents	1,010,739	-	-	-	-	-	-	-	1,010,739
Loans to and placements with banks	-	2,309	10,861	8,022	10,691	-	-	-	31,883
Derivative assets	-	4,713	-	-	-	-	-	-	4,713
Trading assets	-	-	1,561,355	543,640	-	-	-	-	2,104,995
Investment securities	-	-	406,241	-	439,026	1,055,615	548,304	2,342	2,451,528
Loans and advances to customers	363,077	4,623,720	1,894,221	703,437	514,870	1,373,908	8,993,401	-	18,466,634
Other assets	-	-	-	-	-	-	-	154,239	154,239
	1,373,816	4,630,742	3,872,678	1,255,099	964,587	2,429,523	9,541,705	156,581	24,224,731
Less allowance for credit losses									(1,870,376)
Total assets	1,373,816	4,630,742	3,872,678	1,255,099	964,587	2,429,523	9,541,705	156,581	22,354,355
Liabilities									
Deposits from customers	592,764	816,596	1,505,443	1,953,019	3,247,859	5,166,577	8,667,227	-	21,949,485
Derivative liabilities	-	3,688	-	-	-	-	-	-	3,688
Other borrowed funds	34,709	2,156	155,322	25,170	25,957	85,627	1,638	-	330,579
Other liabilities	-	-	-	-	-	-	-	416,152	416,152
Subordinated liabilities	-	82,244	-	80,379	-	-	-	-	162,623
Total liabilities	627,473	904,684	1,660,765	2,058,568	3,273,816	5,252,204	8,668,865	416,152	22,862,527
Net on-balance sheet liquidity gap	746,343	3,726,058	2,211,913	(803,469)	(2,309,229)	(2,822,681)	872,840	(259,571)	(508,172)

Notes to the financial statements

For year ended 30 June 2019

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

(ii) The table below shows the remaining contractual maturities of financial liabilities:

	On Demand	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	Over 3 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
The Group									
Financial liabilities									
Deposits from customers	14,808,668	735,372	840,477	1,594,544	1,221,787	2,600,723	1,254,872	-	23,056,443
Derivative liabilities	-	2,382	-	-	-	-	-	-	2,382
Other borrowed funds	-	-	160,051	25,529	11,076	1,689	-	-	198,345
Payable to fellow subsidiary	-	38,181	-	-	-	-	-	-	38,181
Other liabilities	15,113	-	-	-	-	-	-	609,137	624,250
Subordinated liabilities	-	-	-	-	-	-	-	-	-
30 June 2019	**14,823,781**	**775,935**	**1,000,528**	**1,620,073**	**1,232,863**	**2,602,412**	**1,254,872**	**609,137**	**23,919,601**
30 June 2018	13,394,650	675,956	1,150,332	1,260,469	1,493,190	3,332,713	1,778,436	321,304	23,407,050
30 June 2017	12,343,663	542,251	1,172,217	1,155,303	1,787,363	3,661,693	1,776,651	416,619	22,855,760

	Demand	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	Over 3 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
The Bank									
Financial liabilities									
Deposits from customers	14,816,725	735,372	840,477	1,594,544	1,221,787	2,600,723	1,254,872	-	23,064,500
Derivative liabilities	-	2,382	-	-	-	-	-	-	2,382
Other borrowed funds	-	-	160,051	25,529	11,076	1,689	-	-	198,345
Payable to fellow subsidiary	-	38,181	-	-	-	-	-	-	38,181
Other liabilities	15,113	-	-	-	-	-	-	608,963	624,076
Subordinated liabilities	-	-	-	-	-	-	-	-	-
30 June 2019	**14,831,838**	**775,935**	**1,000,528**	**1,620,073**	**1,232,863**	**2,602,412**	**1,254,872**	**608,963**	**23,927,484**
30 June 2018	13,405,037	675,956	1,150,332	1,260,469	1,493,190	3,332,713	1,778,436	321,154	23,417,287
30 June 2017	12,350,896	542,251	1,172,217	1,155,303	1,787,363	3,661,693	1,776,651	416,153	22,862,527

Notes to the financial statements

For year ended 30 June 2019

5. FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity risk analysis (Contd)

At 30 June 2019, 30 June 2018 and 30 June 2017, off-balance sheet financial facilities have contractual maturity dates not exceeding three years.

6 FAIR VALUE MEASUREMENT

6.1 Fair value measurement of financial instruments

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

The Group and the Bank

30 June 2019	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		Rs	**Rs**	**Rs**	**Rs**
Assets/(liabilities)					
Financial assets at FVTPL	10 and 11(b)	-	**1,636,239,968**	-	**1,636,239,968**
Financial assets at FVTOCI	11(a)	-	**1,911,240,884**	-	**1,911,240,884**
Derivative financial assets	29	-	**2,830,728**	-	**2,830,728**
Derivative financial liabilities	29	-	**(2,382,221)**	-	**(2,382,221)**
Fair value		-	**3,547,929,359**	-	**3,547,929,359**

30 June 2018	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		Rs	**Rs**	**Rs**	**Rs**
Assets/(liabilities)					
Trading assets	10	-	1,192,675,454	-	1,192,675,454
Available-for-sale financial assets	11	-	2,925,694,016	-	2,925,694,016
Derivative financial assets	29	-	1,006,361	-	1,006,361
Derivative financial liabilities	29	-	(531,529)	-	(531,529)
Fair value		-	4,118,844,302	-	4,118,844,302

30 June 2017	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		Rs	**Rs**	**Rs**	**Rs**
Assets/(liabilities)					
Trading assets	10	-	2,104,995,098	-	2,104,995,098
Available-for-sale financial assets	11	-	2,449,185,513	-	2,449,185,513
Derivative financial assets	29	-	4,713,177	-	4,713,177
Derivative financial liabilities	29	-	(3,688,085)	-	(3,688,085)
Fair value		-	4,555,205,703	-	4,555,205,703

Notes to the financial statements

For year ended 30 June 2019

6 FAIR VALUE MEASUREMENT (CONTD)

6.1 Fair value measurement of financial instruments (Contd)

There has been no transfer between Levels 1 and 2 in the reporting period and the two preceding years.

(i) Measurement of fair value of financial instruments

The methods used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

(ii) FVTPL and FVTOCI financial assets

The fair values of the Group's investments in Treasury Bills and Treasury Notes have been determined by reference to the mark to market prices at the reporting date.

Apart from the above financial assets, the other financial instruments are measured as described in the accounting policies associated to them.

6.2 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), the carrying amount is assumed to approximate fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the financial statements.

The table does not include the fair values of non-financial assets ((Note 6.3 below) and non-financial liabilities . The financial assets and financial liabilities are measured at level 3 on the fair value hierarchy.

	30 June 2019			
	The Group		The Bank	
	30 June 2019	30 June 2019	30 June 2019	30 June 2019
	Rs	Rs	Rs	Rs
Financial assets				
Financial assets measured at amortised cost:				
Cash and cash equivalents	4,117,331,280	4,117,331,280	4,117,331,280	4,117,331,280
Loan to and placement with banks	73,722,466	73,722,466	73,722,466	73,722,466
Loans and advances to customers	14,935,784,208	14,936,132,866	15,146,836,349	15,147,185,007
Other assets	166,829,863	166,829,863	204,853,033	204,853,033
Receivable from fellow subsidiary	-	-	-	-
Total financial assets	19,293,667,817	19,294,016,475	19,542,743,128	19,543,091,786
Financial liabilities				
Financial liabilities measured at amortised cost:				
Deposits from customers	23,056,443,423	23,111,633,140	23,064,500,010	23,119,689,727
Other borrowed funds	198,345,266	198,345,266	198,345,266	198,345,266
Subordinated liabilities	-	-	-	-
Payable to fellow subsidiary	38,180,968	38,180,968	38,180,968	38,180,968
Other liabilities	624,250,166	624,250,166	624,076,166	624,076,166
Total liabilities	23,917,219,823	23,972,409,540	23,925,102,410	23,980,292,127

Notes to the financial statements

For year ended 30 June 2019

6 FAIR VALUE MEASUREMENT (CONTD)

6.2 Fair value of financial assets and liabilities not carried at fair value (Contd)

	30 June 2018			
	The Group		The Bank	
	Carrying value	Total fair value	Carrying value	Total fair value
	Rs	Rs	Rs	Rs
Financial assets				
Held-to-maturity:				
Government securities	-	-	-	-
Financial assets at fair value through OCI				
Other securities	2,342,224	2,342,224	2,342,224	2,342,224
Financial assets at amortised cost				
Cash and cash equivalents	1,329,205,952	1,329,205,952	1,329,205,952	1,329,205,952
Loan to and placement with banks	314,467,714	314,467,714	314,467,714	314,467,714
Loans and advances to customers	11,177,109,838	11,178,298,788	11,404,531,039	11,405,719,989
Other assets	230,352,809	230,352,809	268,375,979	268,375,979
Receivable from fellow subsidiary	5,097,577,730	5,097,577,730	5,097,577,730	5,097,577,730
	18,148,714,043	18,149,902,993	18,414,158,414	18,415,347,364
Total financial assets	18,151,056,267	18,152,245,217	18,416,500,638	18,417,689,588
Financial liabilities				
Financial liabilities measured at amortised cost:				
Deposits from customers	22,336,114,499	22,404,453,158	22,346,501,200	22,414,839,859
Other borrowed funds	399,431,739	399,431,739	399,431,739	399,431,739
Subordinated liabilities	-	-	-	-
Other liabilities	670,972,416	670,972,416	670,822,416	670,822,416
Total liabilities	23,406,518,654	23,474,857,313	23,416,755,355	23,485,094,014

	30 June 2017			
	The Group		The Bank	
	Carrying value	Total fair value	Carrying value	Total fair value
	Rs	Rs	Rs	Rs
Financial assets				
Held-to-maturity:				
Government securities	-	-	-	-
Loans and receivables:				
Cash and cash equivalents	1,010,739,364	1,010,739,364	1,010,739,364	1,010,739,364
Loan to and placement with banks	31,882,936	31,882,936	31,882,936	31,882,936
Loans and advances to customers	16,356,199,941	16,345,543,840	16,596,257,505	16,585,601,404
Other assets	116,917,965	116,917,965	154,238,669	154,238,669
	17,515,740,206	17,505,084,105	17,793,118,474	17,782,462,373
Total financial assets	17,515,740,206	17,505,084,105	17,793,118,474	17,782,462,373
Financial liabilities				
Financial liabilities measured at amortised cost:				
Deposits from customers	21,942,251,035	22,057,891,041	21,949,484,950	22,064,644,714
Other borrowed funds	330,578,652	330,578,652	330,578,652	330,578,652
Subordinated liabilities	162,622,782	162,622,782	162,622,782	162,622,782
Other liabilities	416,618,996	416,618,996	416,152,496	416,152,496
Total liabilities	22,852,071,465	22,967,711,471	22,858,838,880	22,973,998,644

Notes to the financial statements

For year ended 30 June 2019

6 FAIR VALUE MEASUREMENT (CONTD)

6.3 Fair value measurement of non-financial assets

30 June 2019	Level 1	Level 2	Level 3	Total
The Group	**Rs**	**Rs**	**Rs**	**Rs**
Property, plant and equipment and investment properties:				
Land and buildings	-	-	1,547,960,527	1,547,960,527
Investment properties	-	-	66,460,000	66,460,000

30 June 2019	Level 1	Level 2	Level 3	Total
The Bank	**Rs**	**Rs**	**Rs**	**Rs**
Property, plant and equipment and investment properties:				
Land and buildings	-	-	1,317,901,260	1,317,901,260
Investment properties	-	-	66,460,000	66,460,000

30 June 2018	Level 1	Level 2	Level 3	Total
The Group	**Rs**	**Rs**	**Rs**	**Rs**
Property, plant and equipment and investment properties:				
Land and buildings	-	-	1,581,693,597	1,581,693,597
Investment properties	-	-	66,460,000	66,460,000

30 June 2018	Level 1	Level 2	Level 3	Total
The Bank	**Rs**	**Rs**	**Rs**	**Rs**
Property, plant and equipment and investment properties:				
Land and buildings	-	-	1,346,574,330	1,346,574,330
Investment properties	-	-	66,460,000	66,460,000

30 June 2017	Level 1	Level 2	Level 3	Total
The Group	**Rs**	**Rs**	**Rs**	**Rs**
Property, plant and equipment and investment properties:				
Land and buildings	-	-	1,608,618,900	1,608,618,900
Investment properties	-	-	66,460,000	66,460,000

30 June 2017	Level 1	Level 2	Level 3	Total
The Bank	**Rs**	**Rs**	**Rs**	**Rs**
Property, plant and equipment and investment properties:				
Land and buildings	-	-	1,368,439,633	1,368,439,633
Investment properties	-	-	66,460,000	66,460,000

The fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date. Further information is set out below.

Freehold land and buildings (Level 3)

Freehold land and buildings are revalued as indicated in note 3.6. The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. The last valuation was perfomed in the year ended 30 June 2017.

The appraisal are carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

The significant unobservable input is the adjustment for factors specific to the land and buildings in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Notes to the financial statements

For year ended 30 June 2019

7 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

• To comply with the capital and other requirements set by the Central Bank;

• To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

• To maintain a strong capital base to support the development of its business

For the Bank, capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Central Bank, for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

Previously, the Central Bank requires each bank to maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Capital Adequacy Ratio') at or above a minimum of 10%. The Bank's regulatory capital is divided into two tiers:

• Tier 1 capital: share capital, statutory reserve and retained earnings created by appropriations of retained earnings; and

• Tier 2 capital: qualifying subordinated loan capital, general banking reserve and unrealised gains arising on the fair valuation of property, plant and equipment.

Now with the implementation of Basel III since 01 July 2014, the Bank has to maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Capital Adequacy Ratio') at or above a minimum of 10%, a minimum total CAR plus capital conservation buffer of 11.875%. , a Common Equity Tier 1 (CET1) CAR of at least 6.5% and a Tier 1 CAR of at least 8%.

The Bank's regulatory capital is divided into the following two tiers:

• Tier 1 capital (going-concern capital): comprises of (i) Common Equity Tier 1 and (ii) Additional Tier 1 Capital

(i) The Bank's Common Equity Tier 1 (CET1) capital consists of the following:

(a) stated capital;

(b) statutory reserve;

(c) fair value reserve; and

(d) accumulated losses

(ii) The Bank has no Additional Tier 1 (AT1) capital as at 30 June 2019

• Tier 2 capital (gone-concern capital): qualifying subordinated loan capital, general banking reserve and unrealised gains arising on the fair valuation of property, plant and equipment.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

Notes to the financial statements

For year ended 30 June 2019

7 CAPITAL MANAGEMENT POLICIES AND PROCEDURES (CONTD)

The following table summarises the composition of regulatory capital and the ratios of the Bank as at 30 June 2019, 30 June 2018 and 30 June 2017 respectively. During the year ended 30 June 2018, the Bank complied with all of the externally imposed capital requirements to which it is subject. At 30 June 2019, capital adequacy ratio was 15.29% as compared to 16.87% at 30 June 2018 and 13.29% at 30 June 2017.

	The Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs'000	Rs'000	Rs'000
Tier 1 Capital			
Common Equity Tier 1 Capital: instruments and reserves			
Paid up share capital	**2,466,421**	2,466,421	6,670,858
Accumulated profit/(losses)	**(279,941)**	130,794	(4,063,891)
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surplus on land and building assets)	**5,087**	(20,120)	135568
Common equity Tier 1 Capital before regulatory adjustments	**2,191,567**	2,577,095	2,742,535
Common equity Tier 1 Capital: regulatory adjustments	**(296,095)**	(601,408)	(587,371)
Total regulatory adjustments to Common equity Tier 1 Capital	**1,895,472**	1,975,687	2,155,164
Additional Tier 1 Capital: instrument	**-**	-	-
Additional Tier 1 Capital: regulatory adjustments	**-**	-	-
Additional Tier 1 capital	**-**	-	-
Tier 1 Capital	**1,895,472**	1,975,687	2,155,164
Tier 2 Capital			
Tier 2 Capital: instruments and provisions			
Instruments issued by the Bank that meet the criteria for inclusion in Tier 2 Capital	**-**	-	-
Provisions and loan loss reserves	**170,507**	156,223	225,921
Surplus arising from revaluation of land and buildings owned by the Bank	**216,675**	195,931	195,931
Tier 2 Capital before regulatory adjustments	**387,182**	352,154	421,852
Tier 2 Capital: regulatory adjustments	**(4,103)**	(671)	(671)
Tier 2 Capital	**383,079**	351,483	421,181
Total Regulatory Capital (Rs)	**2,278,551**	2,327,170	2,576,345
Risk Weighted Assets (Rs)	**14,903,808**	13,794,028	19,384,800
Common Equity Tier 1 Capital Adequacy Ratio (%)	**12.72**	14.32	11.12
Tier 1 Capital Adequacy Ratio (%)	**12.72**	14.32	11.12
Capital Adequacy Ratio (%)	**15.29**	16.87	13.29

Notes to the financial statements

For year ended 30 June 2019

8(a) Cash and cash equivalents

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Cash in hand	**129,173,347**	158,848,687	237,029,017
Foreign currency notes and coins	**18,341,441**	20,053,665	14,205,287
Balances with banks in Mauritius and abroad	**688,458,916**	399,414,307	587,099,788
Unrestricted balances with the Central Bank (Note (a))	**1,870,257,145**	247,378,833	-
Loans to and placements with banks (Note (b))	**1,411,110,516**	503,510,460	172,405,272
	4,117,341,365	1,329,205,952	1,010,739,364
Expected credit losses	**(10,085)**	-	-
	4,117,331,280	1,329,205,952	1,010,739,364

(a) Unrestricted balances with the Central Bank represent amounts above the minimum cash reserve requirement ("CRR").

(b) Loans to and placements with banks are balances with original maturity periods up to three months.

8(b) Reconciliation of liabilities arising from financing activities.

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank statement of cash flows from financing activities.

	01 July 2018	Financing cash inflows	Financing cash outflows	30 June 2019
	Rs	Rs	Rs	Rs
Other borrowed funds (Note 19)	399,431,739	**3,447,450,602**	**(3,648,537,075)**	**198,345,266**
Subordinated liabilities (Note 20)	-	-	-	-
	399,431,739	**3,447,450,602**	**(3,648,537,075)**	**198,345,266**

9 LOANS TO AND PLACEMENTS WITH BANKS

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Placements with overseas banks	**73,838,811**	314,467,714	31,882,936
Expected credit losses	**(116,345)**	-	-
	73,722,466	314,467,714	31,882,936
Remaining term to maturity			
- Within 3 months	**2,420,944**	2,248,312	13,169,362
- Over 3 and up to 6 months	**-**	206,795,890	8,022,743
- Over 6 months	**71,417,867**	105,423,512	10,690,831
	73,838,811	314,467,714	31,882,936

10 TRADING ASSETS

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Securities held at FVTPL:			
Treasury bills	**1,620,255,263**	1,192,675,454	2,104,995,098
Remaining terms to maturity			
- Within 3 months	**669,851,525**	454,629,572	1,561,355,307
- Over 3 and up to 6 months	**117,771,505**	493,809,377	543,639,791
- Over 6 and up to 12 months	**832,632,233**	244,236,505	-
	1,620,255,263	1,192,675,454	2,104,995,098

Notes to the financial statements

For year ended 30 June 2019

11 INVESTMENT SECURITIES

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Financial assets at FVTOCI (Note (a) below)	1,911,240,884	-	-
Equity investments at FVTPL (Note (b) below)	15,984,705	-	-
Available-for-sale financial assets (Note (c) below)	-	2,928,036,240	2,451,527,737
	1,927,225,589	2,928,036,240	2,451,527,737

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Remaining terms to maturity			
- Within 3 months	152,863,450	304,082,735	406,241,284
- Over 3 and up to 6 months	-	302,130,163	-
- Over 6 and up to 12 months	271,660,621	531,869,073	439,024,771
- Over 1 and up to 3 years	563,849,078	862,961,495	1,080,502,336
- Over 3 and up to 5 years	525,788,426	193,257,536	-
- Over 5 years	413,064,014	733,735,238	525,759,346
	1,927,225,589	2,928,036,240	2,451,527,737

For the year ended 30 June 2017, part of the held to maturity securities was disposed before its maturity date and the remaining portfolio were therefore considered as tainted and reclassified to available for sale.

(a) **Financial assets at FVTOCI**

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Government Stocks	662,675,017	-	-
Treasury Notes	799,434,506	-	-
Corporate Bonds	449,131,361	-	-
	1,911,240,884	-	-

(b) **Financial assets at FVTPL**

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Equity investments	15,984,705	-	-

(c) **Available-for-sale financial assets**

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Government Stocks	-	1,181,223,567	525,759,346
Treasury Notes	-	1,722,403,482	1,900,881,328
Corporate Bonds	-	22,066,967	22,544,839
Other securities	-	2,342,224	2,342,224
	-	2,928,036,240	2,451,527,737

Notes to the financial statements

For year ended 30 June 2019

11 INVESTMENT SECURITIES (CONTD)

	The Group and the bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
(d) **Fair value reserve**			
Balance at start of year	**(21,739,662)**	145,675,619	-
Change in fair value of assets held at FVTOCI	**19,229,212**	-	-
Change in fair value of available-for-sale financial assets	**-**	(167,415,281)	145,675,619
Balance at end of year	**(2,510,450)**	(21,739,662)	145,675,619

12 LOANS AND ADVANCES TO CUSTOMERS

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Retail customers						
Credit cards	**84,571,104**	82,349,451	118,110,880	**84,571,104**	82,349,451	118,110,880
Mortgages	**2,805,144,743**	2,824,655,611	3,547,739,259	**2,805,144,743**	2,824,655,611	3,547,739,259
Other retail loans	**1,655,021,013**	936,760,692	1,339,325,441	**1,655,021,013**	936,760,692	1,339,325,441
Corporate customers	**10,633,424,422**	7,430,496,175	12,192,507,229	**10,844,476,563**	7,657,917,376	12,432,564,793
Entities outside Mauritius	**93,995,670**	102,396,952	216,606,981	**93,995,670**	102,396,952	216,606,981
Other	**5,909,256**	124,554,810	812,286,523	**5,909,256**	124,554,810	812,286,523
	15,278,066,208	11,501,213,691	18,226,576,313	**15,489,118,349**	11,728,634,892	18,466,633,877
Less allowance for credit impairment	**(342,282,000)**	(324,103,853)	(1,870,376,372)	**(342,282,000)**	(324,103,853)	(1,870,376,372)
Net	**14,935,784,208**	11,177,109,838	16,356,199,941	**15,146,836,349**	11,404,531,039	16,596,257,505

(a) Remaining term to maturity

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
- Within 3 months	**2,799,799,041**	2,811,108,198	6,881,018,344	**2,799,799,041**	2,811,108,198	6,881,018,344
- Over 3 and up to 6 months	**155,925,287**	264,320,671	703,437,135	**155,925,287**	264,320,671	703,437,135
- Over 6 and up 12 months	**169,291,379**	696,974,438	514,869,613	**169,291,379**	696,974,438	514,869,613
- Over 1 and up to 3 years	**1,653,146,694**	1,535,779,967	1,373,907,515	**1,653,146,694**	1,535,779,967	1,373,907,515
- Over 3 and up to 5 years	**1,638,719,303**	1,470,200,885	1,825,916,097	**1,638,719,303**	1,470,200,885	1,825,916,097
- Over 5 years	**8,861,184,504**	4,722,829,532	6,927,427,609	**9,072,236,645**	4,950,250,733	7,167,485,173
	15,278,066,208	11,501,213,691	18,226,576,313	**15,489,118,349**	11,728,634,892	18,466,633,877

Notes to the financial statements

For year ended 30 June 2019

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(b) Net investment in finance leases

	Up to 1 year	Over 1 up to 5 years	Over 5 years	Total
	Rs	Rs	Rs	Rs
The Group and the Bank				
2019				
Gross investment in finance leases	**258,553,111**	**620,176,483**	**73,046,453**	**951,776,047**
Less unearned finance income	**(48,949,967)**	**(80,239,542)**	**(3,719,030)**	**(132,908,539)**
Net investment in finance leases	**209,603,144**	**539,936,941**	**69,327,423**	**818,867,508**
2018				
Gross investment in finance leases	399,529,934	462,685,594	49,268,293	911,483,821
Less unearned finance income	(44,937,098)	(55,471,323)	(2,872,771)	(103,281,192)
Net investment in finance leases	354,592,836	407,214,271	46,395,522	808,202,629
2017				
Gross investment in finance leases	497,116,074	513,866,083	27,014,981	1,037,997,138
Less unearned finance income	(56,244,596)	(52,829,619)	(2,175,455)	(111,249,670)
Net investment in finance leases	440,871,478	461,036,464	24,839,526	926,747,468

A finance lease contract is prepared for these facilities which give the lessees the option to purchase the assets for a residual value at the conclusion of the lease arrangements. Finance leases are secured mainly by charges on the leased assets and/or corporate/personal guarantees. The lease period ranges from 1-15 years.

(c) Credit concentration of risk by industry sectors (Credit exposures to any one customer or group of connected counterparties for amounts aggregating more than 10% of Tier 1 capital)

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	**30 June 2019**	30 June 2018	30 June 2017
	Rs'000	Rs'000	Rs'000	**Rs'000**	Rs'000	Rs'000
Agriculture and Fishing	**710,879**	1,088,112	325,137	**710,879**	1,088,112	325,137
Manufacturing	**-**	-	351,755	**-**	-	351,755
Tourism	**251,486**	278,053	1,046,577	**251,486**	278,053	1,046,577
Construction	**475,533**	238,924	897,857	**686,585**	238,924	897,857
Financial and Business Services	**1,289,230**	925,743	-	**1,289,230**	925,743	-
Traders	**259,792**	-	100,476	**259,792**	-	100,476
Professional	**-**	-	-	**-**	-	-
Education	**-**	-	-	**-**	-	-
Others (Infrastructure, public non-financial, Personal, transport & Other Customers)	**185,931**	418,497	163,318	**185,931**	418,497	163,318
	3,172,851	2,949,329	2,885,120	**3,383,903**	2,949,329	2,885,120

Notes to the financial statements

For year ended 30 June 2019

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(d) Allowance for credit impairment

	Specific allowances for impairment	Portfolio allowance and general provision for impairement	Rescheduled advances allowances	Total
	Rs	Rs	Rs	Rs
The Group and the Bank				
Balance at 01 July 2016	1,773,577,417	200,370,960	-	1,973,948,377
(Reversal of)/Provision for credit impairment for the year (Note (d) (i) and (ii) below)	(103,966,923)	(889,364)	1,284,282	(103,572,005)
Balance at 30 June 2017	1,669,610,494	199,481,596	1,284,282	1,870,376,372
Shortfall on loan and advances settlement	(16,978,086)	-	-	(16,978,086)
(Reversal of)/Provision for credit impairment for the year (Note (d) (i) and (ii) below)	203,555,132	(24,009,911)	104,358	179,649,579
Specific provision reversed on carved out adjustment (Note (e) below)	(1,708,944,012)	-	-	(1,708,944,012)
Balance at 30 June 2018	**147,243,528**	**175,471,685**	**1,388,640**	**324,103,853**
Impact of IFRS 9 transition	**-**	**6,805,159**	**-**	**6,805,159**
(Reversal of)/Provision for credit impairment for the year (Note (d) (i) and (ii) below)	**22,618,360**	**(10,217,970)**	**(1,027,402)**	**11,372,988**
Balance at 30 June 2019	**169,861,888**	**172,058,874**	**361,238**	**342,282,000**

(i) **Portfolio provision**

For the years ended 30 June 2018 and 2017, the Bank made portfolio provision as per table below after offsetting collateral of liquid assets in the portfolio

	30 June 2019	30 June 2018	30 June 2017
	%	%	%
Sector			
Construction Housing	-	1.505	1.505
Commercial, Residential & Land parcelling	-	2.005	2.005
Tourism	-	2.005	2.005
Personal	-	2.005	2.005
Others	-	1.005	1.005

(ii) **Specific allowances for impairment**

When principal and interest are overdue by 90 days, loans are classified as non-performing. Allowances are provided for non-performing loans to reflect their net estimated recoverable amount.

Specific allowances are calculated using the carrying amount gross of interest receivable net of recoverable amount.

Notes to the financial statements

For year ended 30 June 2019

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(d) Allowance for credit impairment (Contd)

(iii) Allowance for credit impairment by industry sectors

	Gross amount of loans 30 June 2019	Non-Performing loans 30 June 2019	Expected credit loss stage 3 30 June 2019	Expected credit loss stage 1-2 30 June 2019	Restructuring allowances 30 June 2019	Total allowances for credit impairment 30 June 2019	Total allowances for credit impairment 30 June 2018	Total allowances for credit impairment 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Group								
Agriculture and Fishing	999,251,288	33,229,023	1,973,906	13,487,681	-	15,461,587	12,707,511	70,880,970
Manufacturing	633,071,394	168,619,720	123,915,733	9,783,577	5,800	133,705,110	117,713,763	88,040,997
Tourism	859,213,727	166,133,086	-	11,865,018	-	11,865,018	19,985,185	82,687,773
Transport	350,220,489	-	-	6,317,558	-	6,317,558	3,372,093	25,439,835
Construction	4,136,330,100	26,225,560	6,654,854	66,997,758	343,866	73,996,478	77,177,371	698,541,212
Financial and Business Services	4,945,850,445	271,232,059	21,228,477	17,588,214	-	38,816,691	34,167,906	39,047,305
Traders	1,028,811,324	18,348,133	7,174,271	15,813,288	-	22,987,559	18,324,818	640,989,316
Information Technology	29,754,170	1,043,807	66,287	184,143	-	250,430	494,467	2,468,235
Personal	1,394,744,818	7,911,240	3,377,845	18,164,654	11,572	21,554,071	21,569,087	180,384,067
Education	130,053,382	327,605	35,321	6,521,765	-	6,557,086	2,171,295	10,003,071
Professional	30,632,144	595,191	595,191	330,999	-	926,190	341,407	7,156,352
Others	740,132,927	16,720,365	4,840,003	5,004,219	-	9,844,222	16,078,950	24,737,239
	15,278,066,208	710,385,789	169,861,888	172,058,874	361,238	342,282,000	324,103,853	1,870,376,372

Notes to the financial statements

For year ended 30 June 2019

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(d) Allowance for credit impairment (Contd)

(iii) Allowance for credit impairment by industry sectors (Contd)

	Gross amount of loans 30 June 2019	Non-Performing loans 30 June 2019	Expected credit loss stage 3 30 June 2019	Expected credit loss stage 1-2 30 June 2019	Restructuring allowances 30 June 2019	Total allowances for credit impairment 30 June 2019	Total allowances for credit impairment 30 June 2018	Total allowances for credit impairment 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Bank								
Agriculture and Fishing	999,251,288	33,229,023	1,973,906	13,487,681	-	15,461,587	12,707,511	70,880,970
Manufacturing	633,071,394	168,619,720	123,915,733	9,783,577	5,800	133,705,110	117,713,763	88,040,997
Tourism	859,213,727	166,133,086	-	11,865,018	-	11,865,018	19,985,185	82,687,773
Transport	350,220,489	-	-	6,317,558	-	6,317,558	3,372,093	25,439,835
Construction	4,347,382,241	26,225,560	6,654,854	66,997,758	343,866	73,996,478	77,177,371	698,541,212
Financial and Business Services	4,945,850,445	271,232,059	21,228,477	17,588,214	-	38,816,691	34,167,906	39,047,305
Traders	1,028,811,324	18,348,133	7,174,271	15,813,288	-	22,987,559	18,324,818	640,989,316
Information Technology	29,754,170	1,043,807	66,287	184,143	-	250,430	494,467	2,468,235
Personal	1,394,744,818	7,911,240	3,377,845	18,164,654	11,572	21,554,071	21,569,087	180,384,067
Education	130,053,382	327,605	35,321	6,521,765	-	6,557,086	2,171,295	10,003,071
Professional	30,632,144	595,191	595,191	330,999	-	926,190	341,407	7,156,352
Others	740,132,927	16,720,365	4,840,003	5,004,219	-	9,844,222	16,078,950	24,737,239
	15,489,118,349	710,385,789	169,861,888	172,058,874	361,238	342,282,000	324,103,853	1,870,376,372

(e) Sale of portffolio of loans and advances

Pursuant to a Sale and Purchase agreement between MauBank Ltd and EAMC Ltd dated 30 june 2018, “EAMC” has acquired part of the portfolio of loans and advances for an agreed consideration as at that date.

Details of the fair value of the portfolio transferred are provided as hereunder:

	Rs
Loans and advances portfolio disposed	6,456,853,435
Fair value of consideration	4,747,909,423
Loss on disposal of loans and advances portfolio	(1,708,944,012)
Specific provision realised on disposal	1,708,944,012
Net loss on disposal	-

MauBank shall continue to retain the legal title to the receivables due in relation to the Loan Agreements, while, the economic benefit, the risk and rewards associated with same shall vest with EAMC Ltd.

In addition, Maubank Ltd shall continue to manage the portfolio in conformity with Applicable Laws, and also ensure the recovery functions for the ultimate economic benefit of the Buyer in consideration for the payment of a Management Fee and a Recovery Fee computed in accordance with the principles set out in the agreement.

Notes to the financial statements

For the year ended 30 June 2019

13(a) Property, plant and equipment

	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
The Group					
Cost/Valuation					
At 01 July 2018	1,608,618,900	553,824,287	489,273,482	12,066,870	2,663,783,539
Retirement	-	(386,178,097)	(190,572,755)	(142,665)	(576,893,517)
Reclassification	-	(27,528,658)	13,767,484	-	(13,761,174)
Additions during the year	-	51,348,068	7,437,668	4,250,000	63,035,736
Disposal during the year	(6,915,957)	-	-	(3,117,447)	(10,033,404)
At 30 June 2019	1,601,702,943	191,465,600	319,905,879	13,056,758	2,126,131,180
Depreciation					
At 01 July 2018	26,925,303	462,921,275	375,436,044	6,511,250	871,793,872
Retirement	-	(386,178,097)	(190,572,755)	(142,665)	(576,893,517)
Reclassification	-	(10,065,735)	6,855,572	-	(3,210,163)
Charge for the year	26,946,554	39,774,593	45,392,283	622,435	112,735,865
Disposal during the year	(129,441)	-	-	(1,922,426)	(2,051,867)
At 30 June 2019	53,742,416	106,452,036	237,111,144	5,068,594	402,374,190
Carrying amount					
At 30 June 2019	1,547,960,527	85,013,564	82,794,735	7,988,164	1,723,756,990

	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
The Group					
Cost/Valuation					
At 01 July 2017	1,608,618,900	543,215,943	471,493,354	15,641,291	2,638,969,488
Additions during the year	-	10,668,248	17,780,128	659,089	29,107,465
Disposal during the year	-	(59,904)	-	(4,233,510)	(4,293,414)
At 30 June 2018	1,608,618,900	553,824,287	489,273,482	12,066,870	2,663,783,539
Depreciation					
At 01 July 2017	-	428,169,789	331,608,348	8,325,306	768,103,443
Charge for the year	26,925,303	34,802,654	43,827,696	1,633,630	107,189,283
Disposal during the year	-	(51,168)	-	(3,447,686)	(3,498,854)
At 30 June 2018	26,925,303	462,921,275	375,436,044	6,511,250	871,793,872
Carrying amount					
At 30 June 2018	1,581,693,597	90,903,012	113,837,438	5,555,620	1,791,989,667

Notes to the financial statements

For the year ended 30 June 2019

13(a) PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
The Group					
Cost/Valuation					
At 01 July 2016	1,194,266,018	500,346,282	466,248,429	19,152,822	2,180,013,551
Additions during the year	5,354,466	42,869,661	5,244,925	750,000	54,219,052
Revaluation during the year	408,998,416	-	-	-	408,998,416
Disposal during the year	-	-	-	(4,261,531)	(4,261,531)
At 30 June 2017	1,608,618,900	543,215,943	471,493,354	15,641,291	2,638,969,488
Depreciation					
At 01 July 2016	51,193,013	391,031,158	288,877,790	8,798,275	739,900,236
Charge for the year	18,542,457	37,138,631	42,730,558	2,383,804	100,795,450
Disposal during the year	-	-	-	(2,856,773)	(2,856,773)
Revaluation during the year	(69,735,470)				(69,735,470)
At 30 June 2017	-	428,169,789	331,608,348	8,325,306	768,103,443
Carrying amount					
At 30 June 2017	1,608,618,900	115,046,154	139,885,006	7,315,985	1,870,866,045

13(a) PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
The Bank					
Cost/Valuation					
At 01 July 2018	**1,368,439,633**	**535,576,898**	**477,424,957**	**9,708,911**	**2,391,150,399**
Retirement	**-**	**(385,830,878)**	**(190,572,755)**	**(142,665)**	**(576,546,298)**
Reclassification	**-**	**(13,761,174)**	**-**	**-**	**(13,761,174)**
Additions during the year	**-**	**51,348,067**	**7,437,667**	**4,250,000**	**63,035,734**
Disposal during the year	**(6,915,957)**	**-**	**-**	**(3,117,447)**	**(10,033,404)**
At 30 June 2019	**1,361,523,676**	**187,332,913**	**294,289,869**	**10,698,799**	**1,853,845,257**
Depreciation					
At 01 July 2018	**21,865,303**	**451,268,486**	**369,898,331**	**6,345,563**	**849,377,683**
Retirement	**-**	**(385,830,878)**	**(190,572,755)**	**(142,665)**	**(576,546,298)**
Reclassification	**-**	**(3,210,163)**	**-**	**-**	**(3,210,163)**
Charge for the year	**21,886,554**	**38,133,442**	**41,423,195**	**622,435**	**102,065,626**
Disposal during the year	**(129,441)**	**-**	**-**	**(1,922,426)**	**(2,051,867)**
At 30 June 2019	**43,622,416**	**100,360,887**	**220,748,771**	**4,902,907**	**369,634,981**
Carrying amount					
At 30 June 2019	**1,317,901,260**	**86,972,026**	**73,541,098**	**5,795,892**	**1,484,210,276**

Notes to the financial statements

For the year ended 30 June 2019

13(a) PROPERTY, PLANT AND EQUIPMENT

The Bank	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
Cost/Valuation					
At 01 July 2017	1,368,439,633	525,066,812	459,644,829	13,283,332	2,366,434,606
Additions during the year	-	10,569,990	17,780,128	659,089	29,009,207
Disposal during the year	-	(59,904)	-	(4,233,510)	(4,293,414)
At 30 June 2018	1,368,439,633	535,576,898	477,424,957	9,708,911	2,391,150,399
Depreciation					
At 01 July 2017	-	419,796,760	327,645,020	8,159,619	755,601,399
Charge for the year	21,865,303	31,522,894	42,253,311	1,633,630	97,275,138
Disposal during the year	-	(51,168)	-	(3,447,686)	(3,498,854)
At 30 June 2018	21,865,303	451,268,486	369,898,331	6,345,563	849,377,683
Carrying amount					
At 30 June 2018	1,346,574,330	84,308,412	107,526,626	3,363,348	1,541,772,716

	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
The Bank					
Cost/Valuation					
At 01 July 2016	935,738,564	482,260,999	454,399,904	16,794,863	1,889,194,330
Additions during the year	-	42,805,813	5,244,925	750,000	48,800,738
Revaluation during the year	432,701,069	-	-	-	432,701,069
Disposal during the year	-	-	-	(4,261,531)	(4,261,531)
At 30 June 2017	1,368,439,633	525,066,812	459,644,829	13,283,332	2,366,434,606
Depreciation					
At 01 July 2016	43,622,792	385,761,467	286,488,846	8,632,588	724,505,693
Charge for the year	13,291,944	34,035,293	41,156,174	2,383,804	90,867,215
Disposal during the year	-	-	-	(2,856,773)	(2,856,773)
Revaluation during the year	(56,914,736)	-			(56,914,736)
At 30 June 2017	-	419,796,760	327,645,020	8,159,619	755,601,399
Carrying amount					
At 30 June 2017	1,368,439,633	105,270,052	131,999,809	5,123,713	1,610,833,207

The Group and the Bank's freehold land and buildings have been revalued by Prime Pillar Valuation Services Ltd, in April 2017. These valuations were based on market conditions prevailing at that time. If these freehold land and buildings were stated on the historical cost basis, the net book value would be as follows:

	The Group			The Bank		
	2019	2018	2017	**2019**	2018	2017
	Rs	Rs	Rs	**Rs**	Rs	Rs
Cost	**1,150,950,089**	1,150,950,089	1,150,950,089	**887,068,170**	887,068,170	887,068,170
Accumulated depreciation	**(108,850,762)**	(89,585,406)	(70,320,049)	**(85,474,751)**	(71,487,033)	(57,499,315)
	1,042,099,327	1,061,364,683	1,080,630,040	**801,593,419**	815,581,137	829,568,855

The valuation of the Group's and the Bank's freehold land and buildings is made every three years. Management is of the opinion that that has been no change in value of the Bank's freehold land and buildings in the year ended 30 June 2019.

Notes to the financial statements

For the year ended 30 June 2019

13(b) INTANGIBLE ASSETS

The Group and the Bank	Computer software Rs	Total Rs
Cost		
At 30 June 2016	560,222,851	560,222,851
Additions during the year	40,870,374	40,870,374
At 30 June 2017	601,093,225	601,093,225
Additions during the year	66,522,535	66,522,535
At 30 June 2018	**667,615,760**	**667,615,760**
Retirement	**(144,206,703)**	**(144,206,703)**
Reclassification	**13,761,174**	**13,761,174**
Additions during the year	**28,931,545**	**28,931,545**
At 30 June 2019	**566,101,776**	**566,101,776**
Amortisation		
At 30 June 2016	368,903,756	368,903,756
Charge for the year	34,223,240	34,223,240
At 30 June 2017	403,126,996	403,126,996
Charge for the year	43,880,264	43,880,264
At 30 June 2018	**447,007,260**	**447,007,260**
Retirement	**(144,206,703)**	**(144,206,703)**
Reclassification	**3,210,163**	**3,210,163**
Charge for the year	**44,440,351**	**44,440,351**
At 30 June 2019	**350,451,071**	**350,451,071**
Carrying amount		
At 30 June 2019	**215,650,705**	**215,650,705**
At 30 June 2018	220,608,500	220,608,500
At 30 June 2017	197,966,229	197,966,229

Notes to the financial statements

For the year ended 30 June 2019

14 INVESTMENT PROPERTIES

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Balance at start of year	**66,460,000**	66,460,000	69,350,000
Revaluation loss (Note 34)	**-**	-	(2,890,000)
Balance at end of year	**66,460,000**	66,460,000	69,350,000

No rental income was received and no operation expenses were incurred during the year under review towards the investment property (Year ended 30 June 2018 and 30 June 2017: Rs Nil). The investment properties were revalued independently by Prime Pillar Valuation Services Ltd, Chartered Valuer, during the year ended 30 June 2017 on a market value basis except for the property situated at Plaine Lauzun which has been revalued on a forced sales basis to be prudent due to absence of a seller's market.

The valuation of the Bank's investment properties is made every three years. Management is of the opinion that that has been no change in value of the Bank's investment properties in the year ended 30 June 2019.

15 INVESTMENT IN SUBSIDIARY

15.1 Unquoted and at cost

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Balance at end of year	**100,000**	100,000	100,000

15.2 Details of the subsidiary are as follows:

Name of subsidiary	Principal activity	Type of shares	% holding	30 June 2019	30 June 2018	30 June 2017
				Rs	Rs	Rs
MauBank Investment Ltd	Land promoter and property developer	Ordinary shares	100	100,000	100,000	100,000

15.3 The subsidiary was incorporated in the Republic of Mauritius on 17 March 2014 as a private company with liability limited by shares.

15.4 The Bank has 100% holding in MauBank Investment Ltd and the proportion of the voting rights in this subsidiary undertakings held directly by the Bank does not differ from the proportion of ordinary shares held.

15.5 The cost of the investment is considered to be a reflection of its fair value.

Notes to the financial statements

For the year ended 30 June 2019

16 RECEIVABLE FROM FELLOW SUBSIDIARY

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	**30 June 2019**	30 June 2018	30 June 2017
	Rs	Rs	Rs	**Rs**	Rs	Rs
Receivable from EAMC Ltd						
- On sale of portfolio of loans and advances (Note 12 (e))	**-**	4,747,909,423	-	**-**	4,747,909,423	-
- On sale of other assets	**-**	349,668,307	-	**-**	349,668,307	-
	-	5,097,577,730	-	**-**	5,097,577,730	-

The receivable from fellow subsidiary carried interest at the rate of 5% p.a.

17 OTHER ASSETS

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	**30 June 2019**	30 June 2018	30 June 2017
	Rs	Rs	Rs	**Rs**	Rs	Rs
Mandatory balances with Central Bank (Note (i) below)	**1,817,364,475**	1,776,990,532	1,504,483,720	**1,817,364,475**	1,776,990,532	1,504,483,720
Due from the subsidiary (Note (ii) below)	**-**	-	-	**32,805,779**	32,805,779	32,103,312
Due from holding company (Note (ii) below)	**-**	18,923	33750	**-**	18,923	33,750
Due from fellow subsidiary (Note (iii) below)	**1,417,022**	-	-	**1,417,022**	-	-
Balances due in clearing	**27,203,982**	72,785,301	41,503,350	**27,203,982**	72,785,301	41,503,350
Project costs	**19,943,927**	22,651,845	43,272,615	**19,943,927**	22,651,845	43,272,615
Prepayments	**39,271,477**	42,028,172	37,079,951	**39,271,477**	42,028,172	37,079,951
Receivables	**59,316,073**	59,588,381	54,818,652	**64,533,464**	64,805,769	58,594,400
Repossessed properties	**33,386,886**	24,667,957	22,127,456	**33,386,886**	24,667,957	22,127,456
Others	**50,997,794**	76,723,954	10,675,166	**50,997,794**	76,723,955	10,675,167
	2,048,901,636	2,075,455,065	1,713,994,660	**2,086,924,806**	2,113,478,233	1,749,873,721

(i) At 30 June 2019, the minimum average cash balance to be maintained by the Bank as per the Banking Act 2004 amounted to **Rs 1,817,364,475** (2018: Rs 1,776,990,532 and 2017: Rs 1,504,483,720). These funds are not available for daily business.

(ii) The amount due from the subsidiary and holding company is interest free, unsecured and repayable on demand.

(iii) The amount due from the fellow subsidiary is interest free, unsecured and repayable on demand.

Notes to the financial statements

For the year ended 30 June 2019

18 DEPOSITS FROM CUSTOMERS

Retail, corporate and government

		The Group			The Bank		
		30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
		Rs	Rs	Rs	Rs	Rs	Rs
(a)	Demand	**3,252,489,722**	2,314,292,145	1,713,477,544	**3,260,546,309**	2,324,678,846	1,720,711,459
	Savings	**11,556,178,614**	10,930,328,866	10,630,184,951	**11,556,178,614**	10,930,328,866	10,630,184,951
	Time deposits	**8,247,775,087**	9,091,493,488	9,598,588,540	**8,247,775,087**	9,091,493,488	9,598,588,540
		23,056,443,423	22,336,114,499	21,942,251,035	**23,064,500,010**	22,346,501,200	21,949,484,950
(b)	Time deposits with remaining term to maturity:						
	- Within 3 months	**1,575,849,073**	1,825,733,535	1,436,349,355	**1,575,849,073**	1,825,733,535	1,436,349,355
	- Over 3 and up to 6 months	**1,594,543,996**	885,371,370	1,049,753,815	**1,594,543,996**	885,371,370	1,049,753,815
	- Over 6 and up to 12 months	**1,221,787,381**	1,467,458,076	1,761,406,085	**1,221,787,381**	1,467,458,076	1,761,406,085
	- Over 1 and up to 3 years	**2,600,722,661**	3,134,494,674	3,576,066,241	**2,600,722,661**	3,134,494,674	3,576,066,241
	- Over 3 and up to 5 years	**1,205,926,642**	1,731,484,333	1,730,834,295	**1,205,926,642**	1,731,484,333	1,730,834,295
	- Over 5 years	**48,945,334**	46,951,500	44,178,749	**48,945,334**	46,951,500	44,178,749
		8,247,775,087	9,091,493,488	9,598,588,540	**8,247,775,087**	9,091,493,488	9,598,588,540

19 OTHER BORROWED FUNDS

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Borrowings from the Central Bank	**198,345,266**	249,151,600	293,631,622
Borrowings from banks in Mauritius	**-**	150,027,940	34,709,455
Borrowings from non-bank financial institution	**-**	252,199	2,237,575
	198,345,266	399,431,739	330,578,652
Remaining term to maturity			
- Within 3 months	**-**	150,051,322	192,297,112
- Over 3 and up to 6 months	**185,580,629**	25,429,780	25,059,043
- Over 6 and up to 12 months	**11,075,553**	25,732,286	25,957,610
- Over 1 and up to 3 years	**1,689,084**	198,218,351	85,626,720
- Over 3 and up to 5 years	**-**	-	1,638,167
	198,345,266	399,431,739	330,578,652

The borrowings from the Central Bank is secured against government stocks whilst the borrowings from banks in Mauritius and from non-bank financial institution are unsecured.

Notes to the financial statements

For the year ended 30 June 2019

20 SUBORDINATED LIABILITIES

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Subordinated liabilities	-	-	162,622,782
Remaining term to maturity			
- Within 3 months	-	-	82,243,768
- Over 3 and up to 6 months	-	-	80,379,014
- Over 6 and up to 12 months	-	-	-
- Over 1 and up to 3 years	-	-	-
	-	-	162,622,782

21 OTHER LIABILITIES

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Cheques in clearance	**108,238,028**	99,847,496	50,710,378	**108,238,028**	99,847,496	50,710,378
Due on extinction of guarantees	**238,792,651**	349,668,307	-	**238,792,651**	349,668,307	-
Other payables and accruals	**299,664,623**	227,029,467	366,238,829	**299,094,507**	226,483,355	365,772,329
Provisions for other liabilities	**1,059,610**	-	-	**1,059,610**	-	-
	647,754,912	676,545,270	416,949,207	**647,184,796**	675,999,158	416,482,707

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS

Pension plan

The pension plan is a final salary defined benefit plan for senior employees and is wholly funded by the Bank. It provides for a pension at retirement and a benefit on death or disablement in service before retirement. The assets of the plan are held independently and administered by a private insurance company. Employee benefits obligations have been based on reports from Swan Life and Aon Hewitt Ltd dated 30 July 2019 and 19 August 2019 respectively.

(i) Amounts recognised in the statements of financial position:

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
Present value of funded obligations	**(183,612,772)**	(136,896,338)	(158,067,070)
Fair value of plan assets	**73,800,018**	71,681,369	59,653,685
Liabilities in the statement of financial position	**(109,812,754)**	(65,214,969)	(98,413,385)

(ii) Amounts recognised in the statements of profit or loss and other comprehensive income:

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
Current service cost	**6,046,445**	5,109,320	7,337,934
Past service cost	**36,000**	(35,529,000)	20,231,000
Scheme expenses	**20,000**	750,123	291,546
Cost of insuring benefits	**263,064**	263,064	218,550
Interest cost	**8,362,038**	8,153,005	5,413,760
Expected return on plan assets	**(4,424,414)**	(3,426,530)	(3,357,078)
Total included in pension and other costs	**10,303,133**	(24,680,018)	30,135,712
Actual return on plan assets	**3,628,713**	3,752,530	2,282,709

(iii) Movements in the liability recognised in the statements of financial position:

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
At start	**(65,214,969)**	(98,413,385)	(63,516,816)
Total expenses as above	**(10,303,133)**	24,680,018	(30,135,712)
Actuarial losses recognised in other comprehensive income	**(34,294,652)**	(10,631,732)	(12,178,053)
Employer contributions	**-**	19,150,130	7,417,196
At end	**(109,812,754)**	(65,214,969)	(98,413,385)

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(iv) Movements in defined benefit obligations:

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
At start	**(136,896,338)**	(158,067,070)	(113,980,692)
Current service cost	**(6,046,445)**	(5,109,320)	(7,337,934)
Interest cost	**(8,362,038)**	(8,153,004)	(5,413,760)
Actuarial losses	**(35,599,951)**	(2,128,944)	(11,103,684)
Past service cost	**(36,000)**	35,529,000	(20,231,000)
Benefits paid	**3,328,000**	1,033,000	-
At end	**(183,612,772)**	(136,896,338)	(158,067,070)

(v) Movements in the fair value of plan assets:

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
At start	**71,681,369**	59,653,685	50,463,876
Expected return on plan assets	**4,424,414**	3,426,530	3,357,078
Actuarial (losses)/gain	**1,305,299**	(8,502,789)	(1,074,369)
Employer contributions	**-**	18,931,130	7,417,196
Scheme expenses	**(20,000)**	(750,123)	(291,546)
Cost of insuring risks benefits	**(263,064)**	(263,064)	(218,550)
Benefits paid	**(3,328,000)**	(814,000)	-
At end	**73,800,018**	71,681,369	59,653,685

(vi) Analysis of amount recognized in Other Comprehensive Income:

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
Gains/(losses) on pension scheme assets	**(1,521,701)**	575,211	(1,074,369)
Experience gains/ (losses) on the liabilities	**(12,833,118)**	7,893,310	(1,918,958)
Changes in assumptions underlying the present value of the scheme	**(22,766,833)**	(10,022,253)	(9,184,726)
Change in effect of asset ceiling	**2,827,000**	(9,078,000)	-
	(34,294,652)	(10,631,732)	(12,178,053)

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(vii) Expected return on assets

The assets of the plan are invested in the deposit administration fund of Swan Life and Aon Hewitt Ltd. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above corresponds to a notional allocation of the underlying investments based on the long term strategy of the fund.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

(viii) Description of the pension plan

The Bank participates in a defined contribution (DC) pension plan which is administered by SICOM. Its contributions for DC employees are expensed to the income statement.

The Bank also operates a defined benefit pension plan administered by the trustees of Ex BAI Group Pension Fund. The Bank has no defined benefit liability at 30 June 2019 in respect of this plan (30 June 2018: Rs Nil and 30 June 2017: Rs 25,667,000).

Certain employees of the Bank, whose employment from Ex-National Commercial Bank (NCB) has been transferred to the Bank during the year ended 30 June 2016 pursuant to a transfer of undertaking, are previously covered under DBBA and DBML Plans, Defined Benefit Schemes held with the BAI Group Pension Funds. The Bank has not contributed any amount to the BAI Group Pension Funds of the Schemes since April 2015. The nil liability as at 30 June 2019 and 2018 have been arrived at based on the following methodology:

(a) The ex-members of the DB section (namely DBBA and DBML) of the BAI Group Pension Fund (BAIGPF) will be entitled to a transfer value calculated as at 30 June 2019 using the old DB formulae and assuming accrual cease date of 30 June 2015 valued on the transfer value basis determined by the Trustees of the Fund.

(b) The ex-members of DBBA have joined the DC scheme with SICOM in December 2018 but their respective transfer values and deemed accumulated contributions from 1 July 2015 to 30 November 2018 increased with interest have not yet been injected into the DC scheme. On the other hand, the ex-members of DBML have not yet joined the DC scheme with SICOM. It has therefore been assumed that they will join the DC scheme as from 1 July 2019 with their respective transfer values and deemed accumulated contributions from 1 July 2015 to 30 June 2019 increased with interest.

(c) For this year's exercise, the transfer values to which the ex-members of DBBA and DBML are entitled have been held as a liability as at 30 June 2019.

(d) In addition, both the DBBA and DBML pension schemes have surpluses at the valuation date (i.e. assets are higher than liabilities). It has been assumed that a limit on the net asset should be applied on these surpluses to reflect the possibility that these could be used by the trustees of the BAI Group Pension Fund to enhance benefits.

The DCUL members of BAIGPF have also joined the DC scheme with SICOM effective 1 December 2018. Their accumulated fund as at 30 June 2019 have been estimated by taking their accumulated fund from BAIGPF as at 30 June 2019 (which has not yet been transferred to the new scheme), their accumulated fund in the new DC scheme with SICOM (representing contributions plus interest as from December 2018) and adding their deemed accumulated contributions from 1 April 2015 to 30 November 2018 with interest.

The Bank has recognised a defined benefit liability of **Rs 37,389,000** in its balance sheet as at 30 June 2019 (30 June 2018: Rs 13,361,000 and 30 June 2017: Rs 17,710,000) in respect of any additional residual retirement gratuities or full retirement gratuities that are expected to be paid out of the Bank's cash flow to its employees under the Employment Rights Act (ERA) 2008.

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(viii) Description of the pension plan (Continued)

The Bank operates a final salary defined benefit pension plan for some of its employees. The plan exposes the Bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk (where the plan is funded): 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 (where the plan is funded and an annuity is paid over life expectancy): The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Bank has a residual obligation imposed by ERA 2008 on top of its 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.

In addition to above defined benefit plan, the Bank also has a defined plan administered by Swan Life. The Bank has recognised a net defined benefit liability of **Rs 72,423,754** in its balance sheet as at 30 June 2019 (30 June 2018: Rs 51,853,969 and 30 June 2017: Rs 55,036,385).

The assets of the plan are invested in the Deposit Administration Policy underwritten by Swan Life. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes. It is a long-term investment Policy which aims to provide a smooth progression of returns from one year to the next without regular fluctuations associated with asset-linked investments such as Equity Funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4% p.a.

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes

(a) DBBA Pension Scheme

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
Reconciliation of the Effect of the Asset Ceiling			
- Opening balance	**8,581,000**	-	-
- Amount recognised in P&L	**686,000**	-	-
- Amount recognized in OCI	**(2,537,000)**	8,581,000	-
- Closing balance	**6,730,000**	8,581,000	-
Allocation of Plan Assets at End of Year	**%**	%	%
- Equity – Overseas quoted	**-**	-	3
- Equity – Overseas unquoted	**-**	-	-
- Equity – Local quoted	**-**	1	19
- Equity – Local unquoted	**-**	3	-
- Debt – Overseas quoted	**-**	-	-
- Debt – Overseas unquoted	**-**	-	-
- Debt – Local quoted	**-**	-	-
- Debt – Local unquoted	**-**	-	7
- Property – Overseas	**-**	-	-
- Property – Local	**5**	3	4
- Investment Funds	**-**	-	14
- Cash and other	**95**	93	53
Total	**100**	100	100
Allocation of Plan Assets at End of Year	**%**	%	%
- Reporting entity's own transferable financial instruments	**-**	-	-
- Property occupied by reporting entity	**-**	-	-
- Other assets used by reporting entity	**-**	-	-
Principal Assumptions used at End of Year			
- Discount rate	**N/A**	N/A	3.50%
- Rate of salary increases	**N/A**	N/A	0.00%
- Rate of pension increases	**N/A**	N/A	0.00%
- Average retirement age (ARA)	**N/A**	N/A	60
- Average life expectancy for:			
- Male at ARA	**N/A**	N/A	19.5 years
- Female at ARA	**N/A**	N/A	24.2 years

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes (Contd)

(a) DBBA Pension Scheme (Contd)

Sensitivity Analysis on Defined Benefit Obligation at End of year

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
- Increase due to 1% decrease in discount rate	**N/A**	N/A	N/A
- Decrease due to 1% increase in discount rate	**N/A**	N/A	N/A

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period 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 cashflows

- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

	30 June 2019	30 June 2018	30 June 2017
- Expected employer contribution for the next year	**-**	-	-
- Weighted average duration of the defined benefit obligation	**-**	-	-

(b) DBML Pension Scheme

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
Reconciliation of the Effectof the Asset Ceiling			
- Opening balance	**497,000**	-	-
- Amount recognised in P&L	**40,000**	-	-
- Amount recognized in OCI	**(290,000)**	497,000	-
- Closing balance	**247,000**	497,000	-
Allocation of Plan assets at End of Year	**%**	%	%
- Equity – Overseas quoted	**-**	-	3
- Equity – Overseas unquoted	**-**	-	-
- Equity – Local quoted	**-**	1	19
- Equity – Local unquoted	**-**	3	-
- Debt – Overseas quoted	**-**	-	-
- Debt – Overseas unquoted	**-**	-	-
- Debt – Local quoted	**-**	-	-
- Debt – Local unquoted	**-**	-	7
- Property – Overseas	**-**	-	-
- Property – Local	**5**	3	4
- Investment Funds	**-**	-	14
- Cash and other	**95**	93	53
Total	**100**	100	100

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes (Contd)

(b) DBML Pension Scheme (Contd)

	30 June 2019	30 June 2018	30 June 2017
	%	%	%
The Group and the Bank			
Allocation of Plan assets at End of Year			
- Reporting entity's own transferable financial instruments	**-**	-	-
- Property occupied by reporting entity	**-**	-	-
- Other assets used by reporting entity	**-**	-	-
Principal Assumptions used at End of Year			
- Discount rate	**N/A**	N/A	3.50%
- Rate of salary increases	**N/A**	N/A	0.00%
- Rate of pension increases	**N/A**	N/A	0.00%
- Average retirement age (ARA)	**N/A**	N/A	60
- Average life expectancy for:			
- Male at ARA	**N/A**	N/A	19.5 years
- Female at ARA	**N/A**	N/A	24.2 years
Sensitivity Analysis on Defined Benefit Obligation at End of Year			
	Rs	Rs	Rs
- Increase due to 1% decrease in discount rate	**N/A**	N/A	N/A
- Decrease due to 1% increase in discount rate	**N/A**	N/A	N/A

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period 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 cashflows

	30 June 2019	30 June 2018	30 June 2017
- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.			
- Expected employer contribution for the next year	**-**	-	Rs Nil
- Weighted average duration of the defined benefit obligation	**-**	-	0 year

(c) Retirement Gratuities

	30 June 2019	30 June 2018	30 June 2017
The Group and the Bank			
Principal Assumptions used at End of Year			
- Discount rate	**3.1% - 6.1%**	6.90%	6.00%
- Rate of salary increases	**5.00%**	5.00%	4.00%
- Rate of pension increases	**N/A**	1.00%	1.00%
- Average retirement age (ARA)	**65**	65	65
- Average life expectancy for:			
- Male at ARA	**15.9 years**	15.9 years	15.9 years
- Female at ARA	**20.0 years**	20.0 years	20.0 years

Notes to the financial statements

For the year ended 30 June 2019

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes (Contd)

(c) Retirement Gratuities (Contd)

The Group and the Bank

Sensitivity Analysis on Defined Benefit Obligation at End of Year

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
- Increase due to 1% decrease in discount rate	**13,916,000**	9,290,000	9,243,000
- Decrease due to 1% increase in discount rate	**10,777,000**	4,837,000	5,671,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Employment Rights Act 2008 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the pension fund with reference to the Bank's share of contributions. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cashflows

	30 June 2019	30 June 2018	30 June 2017
- 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 Nil**	Rs 62,000	Rs 480,000
- Weighted average duration of the defined benefit obligation	**23 years**	23 years	23 years

(d) Defined benefit plan with Swan Life

	30 June 2019	30 June 2018	30 June 2017
The Group and the Bank			
Principal Assumptions used at End of Year			
- Discount rate	**4.90%**	5.80%	6.00%
- Future long-term salary increase	**5.00%**	5.00%	4.00%
- Future guaranteed increase	**- %**	- %	0.00%
- Post retirement mortality tables	**Swan Annuity Rates**	Swan Annuity Rates	Swan Annuity Rates
Amounts for the current and previous periods			
Defined benefit obligation	**(128,324,772)**	(105,121,338)	(87,650,070)
Plan assets	**55,901,018**	53,267,369	32,613,685
Deficit	**(72,423,754)**	(51,853,969)	(55,036,385)
Actuarial losses on plan liabilities	**(12,999,951)**	(8,582,944)	(10,426,684)
Actuarial gains/(losses) on plan assets	**(164,701)**	249,211	(170,369)
Sensitivity Analysis on Defined Benefit Obligation at End of Year			
	Rs	Rs	Rs
- Increase due to 1% increase in future long term salary assumption	**9,675,170**	8,166,075	7,392,892
- Decrease due to 1% decrease in future long term salary assumption	**8,591,144**	7,250,267	-
- Increase due to 1% decrease in discount rate	**9,172,478**	7,624,476	-
- Decrease due to 1% increase in discount rate	**8,006,423**	6,676,357	5,933,984

The sensitivity analysis above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

Future cashflows

	30 June 2019	30 June 2018	30 June 2017
- Expected employer contribution for the next year	**9,740,000**	9,200,000	Rs 9,000,000
- Weighted average duration of the defined benefit obligation	**7 years**	7 years	7 years

Notes to the financial statements

For the year ended 30 June 2019

23 STATED CAPITAL

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Issued, subscribed and paid up			
At start and of year	**2,466,420,956**	6,670,858,232	3,270,858,232
Issued during the year for cash (Note (ii) below)	**-**	-	3,400,000,000
Capital reduction (Note (i))	**-**	(4,204,437,276)	-
At end of year	**2,466,420,956**	2,466,420,956	6,670,858,232

(i) Following the shareholders' resolution dated 18 June 2018, the stated capital of the Bank was reduced by an amount of Rs 4,204,437,276, representing the accumulated losses of the Group at 30 June 2016 and which is not represented by the value of its assets, and brought to an amount of Rs 2,466,420,956. The number of shares in issue remains at 6,801,813,502. MauBank Holdings Ltd is the main shareholder of the Bank with a holding of 99.96%.

(ii) During the year ended 30 June 2017, the Government of Mauritius ("GOM"), through MauBank Holdings Ltd, injected Rs 3,400M in the form of new equity capital.

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Number	Number	Number
Issued, subscribed and paid up			
Number of shares at par value			
Number of shares of par value Rs 100 each	**3,839,624**	3,839,624	3,839,624
Number of shares of no par value			
At start of year / period	**6,797,973,878**	6,797,973,878	3,397,973,878
Number of shares of no par value issued during the year	**-**	-	3,400,000,000
	6,797,973,878	6,797,973,878	6,797,973,878
Total number of shares in issue	**6,801,813,502**	6,801,813,502	6,801,813,502

Both the Rs 100 par value and the no par value shares carry the same rights.

Each share confers on the holder the right to:

- one vote on a poll at a meeting of the Bank on any resolution;
- an equal share in dividends authorised by the Board; and
- an equal share in the distribution of the surplus assets of the Bank.

Notes to the financial statements

For the year ended 30 June 2019

24 STATUTORY RESERVE

Pursuant to the provision of the Banking Act 2004, a sum equal to no less than 15% of the profit after tax is transferred to a Statutory Reserve Account, until the balance in that reserve account is equal to the Bank's paid up capital. This reserve is not distributable. However, if there are accumulated losses, this transfer is not applicable.

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group and the Bank			
Balance at start of year	**1,619,995**	-	-
Transfer from profit or loss for the year	**-**	1,619,995	-
Balance at end of year	**1,619,995**	1,619,995	-

25 RETAINED EARNINGS/(ACCUMULATED LOSSES)

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at start of year	**135,936,241**	(4,071,936,443)	(4,204,437,276)	**130,793,712**	(4,073,999,197)	(4,205,256,592)
Impact of transition to IFRS 9	**(30,799,444)**	-	-	**(30,799,444)**	-	-
Adjustment on Capital reduction (Note 23(i))	**-**	4,204,437,276	-	**-**	4,204,437,276	-
Transfer from revaluation reserve	**(818,535)**	-	-	**(818,535)**	-	-
	104,318,262	132,500,833	(4,204,437,276)	**99,175,733**	130,438,079	(4,205,256,592)
(Loss)/profit for the year	**(342,804,772)**	13,879,741	142,608,617	**(346,537,471)**	10,799,966	141,365,179
Actuarial loss for the year	**(34,294,652)**	(10,631,732)	(12,178,053)	**(34,294,652)**	(10,631,732)	(12,178,053)
Deferred tax on actuarial loss	**1,714,733**	1,807,394	2,070,269	**1,714,733**	1,807,394	2,070,269
Net income available to shareholders	**(375,384,691)**	5,055,403	132,500,833	**(379,117,390)**	1,975,628	131,257,395
	(271,066,429)	137,556,236	(4,071,936,443)	**(279,941,657)**	132,413,707	(4,073,999,197)
Transfer to statutory reserve (Note 24)	**-**	(1,619,995)	-	**-**	(1,619,995)	-
Balance at end of year	**(271,066,429)**	135,936,241	(4,071,936,443)	**(279,941,657)**	130,793,712	(4,073,999,197)

26 GENERAL BANKING RESERVE

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Balance at start and end of year	**90,709,840**	90,709,840	90,709,840

The General Banking Reserve is designed to cover potential losses that are not captured under specific and general provisions. Transfers from retained earnings are made whenever necessary. This reserve is not distributable.

Notes to the financial statements

For the year ended 30 June 2019

27 (a) REVALUATION RESERVE

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at beginning of year	**426,370,194**	426,370,194	9,979,364	**435,402,187**	435,402,187	9,979,364
Transfer to retained earnings	**818,535**	-	-	**818,535**	-	-
Increase arising on revaluation of properties	**-**	-	478,733,886	**-**	-	489,615,805
Deferred tax liability arising on revaluation	**-**	-	(62,343,056)	**-**	-	(64,192,982)
Effect of tax rate change on Deferred tax liability arising on revaluation	**45,278,393**	-	-	**45,278,393**	-	-
Balance at start and end of year	**472,467,122**	426,370,194	426,370,194	**481,499,115**	435,402,187	435,402,187

27 (b) OTHER RESERVE

	The Group and theBank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Balance at beginning of year	**-**	-	-
Impact of transition to IFRS 9	**1,842,232**	-	-
Credit impairment charge on financial assets at FVTOCI during the year	**4,135,850**	-	-
Balance at start and end of year	**5,978,082**	-	-

28 CONTINGENT LIABILITIES

(a) *Legal matters*

As at 30 June 2019, cases entered against the Bank amounted to an aggregate contingent liability of Rs 1,003,066,715 as set out below. These cases include:

(i) A case entered by a client whose account has been non performing. The client is claiming Rs 487 Mn alleging inter alia that loans were disbursed without respecting the conditions present in the loan agreement. The Bank is advised that it has a strong case to resist the claim which is considered to be a delaying tactic for recovery action. The Bank has already initiated proceedings for recovery of the debt.

(ii) A case entered by a client whose account has been non performing. The client is claiming damages of Rs 200 Mn and seeking to prevent the Bank from taking recovery actions. The Bank is advised that it has a strong case to resist the claim which is considered to be a mere delaying tactic. The Bank has already initiated proceedings for recovery of the debt.

(iii) Cases entered by client for Rs 100 Mn claiming that the Bank has not acted in good faith for seizure of their properties.. The Clients entered a case claiming that bank has not acted in good faith while proceeding with seizure of the properties and to praying for a judgment that to declare the sale null and void. The Bank is advised that it has a strong case to resist both cases.

(iv) Industrial dispute claims against the Bank amount to approximately Rs 83 Mn. In the matter of Lutchmeenaraidoo vs MauBank Ltd, The ex-staff is claiming an amount of Rs 25 Mn from the Bank for an out of court settlement. This aforesaid amount includes interest which the ex-staff is not entitled for since he did not make mention of interest when lodging his plaint. The Bank is agreeable to settle the matter for the sum of MUR 8,297,942 as full and final settlement. The matter is now before the trial judge to determine the quantum.

(v) Actions entered against the Bank for transactions effected following emails of persons allegedly being hacked where claims amount approximately to Rs 12 Mn. The Bank is advised that it has a strong case to resist the claim.

Additionally, the Bank is involved in other disputes, law suits, claims that arise from time to time in the ordinary course of business. Except as discussed above, the Bank does not believe there are any other contingent liabilities that are expected to have any material adverse effect on its financial statements.

Notes to the financial statements

For the year ended 30 June 2019

28 CONTINGENT LIABILITIES (CONTD)

(b) Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	**Rs**	**Rs**
Acceptances on account of customers	**18,150,612**	44,524,077	10,593,843
Guarantees on account of customers	**1,170,568,786**	1,159,990,899	1,441,414,497
Letters of credit and other obligations on account of customers	**23,291,563**	34,683,478	13,876,038
Outward bills for collection	**88,978,744**	125,516,083	67,239,507
	1,300,989,705	1,364,714,537	1,533,123,885

29 DERIVATIVES

The fair value of derivative instruments are analysed as follows:

The Group and the Bank	**Notional principal amount**	**Fair value**	**Gain**	**loss**	**Net**
	MUR	**MUR**	**MUR**	**MUR**	**MUR**
30 June 2019					
Foreign exchange forward contracts	**154,939,098**	**157,742,293**	**2,803,195**	**-**	**2,803,195**
Foreign exchange swap contracts	**480,386,200**	**478,051,070**	**24,509**	**(2,359,639)**	**(2,335,130)**
Foreign exchange spot contracts	**29,055,631**	**29,036,073**	**3,024**	**(22,582)**	**(19,558)**
	664,380,929	**664,829,436**	**2,830,728**	**(2,382,221)**	**448,507**
30 June 2018					
Foreign exchange forward contracts	91,877,557	92,335,560	903,719	(445,716)	458,003
Foreign exchange swap contracts	119,306,916	119,294,698	46,451	(58,669)	(12,218)
Foreign exchange spot contracts	20,105,289	20,134,336	56,191	(27,144)	29,047
	231,289,762	231,764,594	1,006,361	(531,529)	474,832
30 June 2017					
Foreign exchange forward contracts	106,806,971	104,488,063	422,059	(2,740,966)	(2,318,907)
Foreign exchange swap contracts	301,519,924	304,863,924	4,291,118	(947,119)	3,343,999
Foreign exchange spot contracts	103,788,218	103,788,218	-	-	-
	512,115,113	513,140,205	4,713,177	(3,688,085)	1,025,092

30 CREDIT COMMITMENTS

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	**Rs**	**Rs**
Loans and other facilities			
Undrawn credit facilities	**2,260,463,823**	2,617,580,952	1,590,756,948

Notes to the financial statements

For the year ended 30 June 2019

31 NET INTEREST INCOME

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Interest income						
Loans and advances to customers	**754,706,133**	1,039,409,016	1,143,444,855	**768,834,487**	1,054,792,958	1,160,221,825
Commission on loans and advances to customers	**17,640,508**	23,733,641	17,153,652	**17,640,508**	23,733,641	17,153,652
Sale of portfolio of loans and advances and other assets (Note 16)	**113,124,328**	-	-	**113,124,328**	-	-
Investment Securities:						
- Government stocks	**49,613,674**	49,098,060	69,823,294	**49,613,674**	49,098,060	69,823,294
- Treasury notes	**34,205,542**	75,292,614	66,339,606	**34,205,542**	75,292,614	66,339,606
- Corporate Bonds	**15,798,219**	1,155,000	208,849	**15,798,219**	1,155,000	208,849
Placements	**20,182,325**	4,504,767	3,001,746	**20,182,325**	4,504,767	3,001,746
Trade finance	**37,175,651**	35,489,304	34,396,422	**37,175,651**	35,489,304	34,396,423
Total interest income	**1,042,446,380**	1,228,682,402	1,334,368,424	**1,056,574,734**	1,244,066,344	1,351,145,395
Interest expense						
Deposits from customers	**456,547,040**	529,898,971	766,379,530	**456,547,040**	529,898,971	766,379,530
Subordinated liabilities	**-**	2,363,014	14,979,340	**-**	2,363,014	14,979,340
Other borrowed funds	**383,452**	726,601	795,776	**383,452**	726,601	795,776
Others	**1,599,525**	1,966,857	2,785,543	**1,599,525**	1,966,857	2,785,543
Total interest expense	**458,530,017**	534,955,443	784,940,189	**458,530,017**	534,955,443	784,940,189
Net interest income	**583,916,363**	693,726,959	549,428,235	**598,044,717**	709,110,901	566,205,206

32 NET FEE AND COMMISSION INCOME

	The Group and the Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs
Fee and commission income			
Commission on guarantees	**19,978,562**	15,185,593	11,613,183
Commission on insurances and pensions	**12,389,647**	11,257,283	11,067,134
Commission on loans and advances to customers	**5,851,107**	6,539,177	5,595,415
Commission on savings	**32,180,106**	28,725,683	27,841,315
Commission on trade finance	**23,505,902**	20,242,790	21,191,007
Management fees from fellow subsidiary	**76,463,666**	-	-
Recovery fees from fellow subsidiary	**38,255,819**	-	-
Fee income from fellow subsidiary	**9,101,139**	-	-
Other fee income from fellow subsidiary	**29,837,852**	27,988,301	27,330,843
Total fee and commission income	**247,563,800**	109,938,827	104,638,897
Fee and commission expense	**42,882,639**	42,666,717	46,604,427
Net fee and commission income	**204,681,161**	67,272,110	58,034,470

33 NET TRADING INCOME

	The Group and the Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs
Foreign exchange transactions	**96,833,766**	88,058,032	82,260,153
Interest income on financial assets at FVTPL	**71,690,234**	45,055,017	74,839,239
Profit on sale of financial assets at FVTPL	**1,819,038**	676,284	1,180,934
Profit/(Loss) on revaluation of investment securities at FVTPL	**5,396,743**	(3,527,975)	(3,231,340)
Gain/(loss) on fair value of derivative (Note 29)	**448,507**	474,832	1,025,092
	176,188,288	130,736,190	156,074,078

Notes to the financial statements

For the year ended 30 June 2019

34 OTHER INCOME

	The Group and the Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs
Loss on revaluation of investment properties	**-**	-	(2,890,000)
Rental income	**25,281,281**	28,673,024	27,742,403
(Loss)/profit on disposal of property, plant and equipment	**(283,776)**	416,308	1,160,284
Profit/(Loss) on disposal of non banking and other assets	**778,140**	(14,281)	(47,544)
Dividend income	**181,082**	465,028	-
Long outstanding payables written back	**-**	172,716,112	-
	25,956,727	202,256,191	25,965,143

35 NET IMPAIRMENT LOSS/(REVERSAL) ON FINANCIAL ASSETS

	The Group and the Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs
Specific allowance for impairment (Note 12 (d))	**22,618,360**	203,555,132	(103,966,923)
Portfolio allowance and general provision for impairment (Note 12 (d))	**-**	(24,009,911)	(889,364)
ECL reversal	**(8,320,204)**	-	-
Rescheduled advances allowances (Note 12 (d))	**(1,027,402)**	104,358	1,284,282
Bad debts written off for which no provision were made	**-**	617,275	660,105
Bad debts recovered	**(12,538,692)**	(13,649,682)	(36,363,193)
	732,062	166,617,172	(139,275,093)

Notes to the financial statements

For the year ended 30 June 2019

36 PERSONNEL EXPENSES

	The Group and the Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs
Wages and salaries	**415,314,000**	375,759,123	287,528,513
Compulsory social security obligations	**16,188,691**	14,950,770	13,976,155
Defined contribution and benefit plan	**34,185,206**	(11,913,627)	40,166,654
Other personnel expenses	**75,523,033**	70,566,578	62,867,066
	541,210,930	449,362,844	404,538,388

37 OTHER EXPENSES

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Business promotion and marketing expenses	**24,754,489**	23,450,028	21,447,259	**24,754,489**	23,450,028	21,447,259
Travel expenses	**6,113,723**	8,283,419	4,770,076	**6,113,723**	8,283,419	4,770,076
Office operating expenses	**33,530,190**	33,805,934	30,997,909	**33,530,190**	33,805,934	30,997,909
Stationeries	**12,378,164**	12,901,607	9,490,393	**12,378,164**	12,901,607	9,490,393
General administration expenses	**16,853,524**	16,995,115	16,498,385	**16,848,158**	16,974,227	16,497,689
Professional fees	**51,034,142**	28,853,629	26,852,351	**50,552,142**	28,073,329	26,669,851
Insurances	**12,370,261**	7,164,242	6,044,857	**12,221,284**	7,019,455	5,899,165
Repairs and maintenance	**93,843,404**	93,652,822	102,370,255	**93,843,404**	93,652,822	102,370,255
Utilities	**46,684,356**	48,580,389	56,505,421	**46,684,356**	48,580,389	56,505,421
Training	**2,700,876**	4,134,870	10,145,635	**2,700,876**	4,134,870	10,145,636
Other operating expenses	**230,506**	4,376,523	2,381,775	**230,506**	4,376,523	2,381,775.00
	300,493,635	282,198,578	287,504,316	**299,857,292**	281,252,603	287,175,429

Notes to the financial statements

For the year ended 30 June 2019

38 INCOME TAX EXPENSE

(a) Income tax

The applicable tax rate in Mauritius is 15% for the year ended 30 June 2019 (2018 and 2017: 15%). In addition, the Bank is subject to 2% relating to Corporate Social Responsibility for the year ended 30 June 2019 (2018 and 2017: 2%). As at 30 June 2019, the Group had no income tax liability (2018: Rs Nil and 2017: Rs Nil), but instead had an income tax asset of Rs 6,920,064 (Note 38(c)) (2018: Rs 1,621,967 and 2017: Rs 17,544,346 at that date. At the reporting date, the Bank has net accumulated taxable losses of Rs 900,771,170 and Rs 1,422,950,442 which will expire on 30 June 2021 and 30 June 2023 respectively.

The Group is subject to the Advanced Payment Scheme (APS) and the Corporate Social Responsibility Fund (CSR Fund).

As per Section 50(H) of the Income Tax Act 1995 (Consolidated to Finance Act 2015), a Special Levy was calculated at 10% on chargeable income. No levy was paid in a year where the Bank incurred a loss or its book profit did not exceed 5% of its operating income in the preceeding year.

Following changes brought by the Finance Act 2018, special levy on banks falls under VAT Act 2018 as from assessment year 2019/2020 (accounting period 01 July 2018 to 30 June 2019). As per Section 53J of the VAT Act, special levy is calculated at 5.5% where leviable income is less than or equal to Rs 1.2 Billion or at 4.5% where leviable income is greater than Rs 1.2 billion. Leviable income means the sum of net interest income and other income from banking transactions with residents, before deduction of expenses. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

Under the APS, the Bank is required to submit an APS Statement and pay tax quarterly on the basis of either last year's income or the income for the current quarter.

Contribution to the CSR Fund is a rate of 2% on the chargeable income of the preceding financial year.

(b) Statement of profit or loss and other comprehensive income

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Income tax on adjusted profit for the year	**2,069,123**	1,695,104	1,371,580	**-**	-	-
Under/(Over)provision of income tax in prior year	**-**	899	(14,660)	**-**	-	-
Tax liability of prior years paid	**-**	118,397	-	**-**	118,397	-
Tax receivable expensed	**-**	15,000,000	-	**-**	15,000,000	-
Irrecoverable tax deducted at source of prior years expensed	**-**	123,600	-	**-**	123,600	-
Special Levy	**-**	-	-	**-**	-	-
Movement in deferred taxation	**352,286,635**	10,157,367	36,727,378	**352,833,568**	10,412,287	35,434,802
CSR contribution	**226,014**	182,997	20,892	**-**	-	-
Tax expense/(credit)	**354,581,772**	27,278,364	38,105,190	**352,833,568**	25,654,284	35,434,802

Notes to the financial statements

For the year ended 30 June 2019

38 INCOME TAX EXPENSE (CONTD)

(c) Statement of financial position

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at start of year	**(1,621,967)**	(17,544,346)	(24,546,102)	**(836,872)**	(15,834,563)	(23,152,238)
Income tax on adjusted profit for the year	**2,069,123**	1,695,104	1,371,580	**-**	-	-
Overprovision of income tax in prior year	**-**	899	(14,660)	**-**	-	-
Special Levy	**-**	-	-	**-**	-	-
CSR contribution payable	**226,014**	182,997	20,892	**-**	-	-
CSR paid during the year	**-**	-	-	**-**	-	-
Tax refund received during the year	**785,098**	2,543,451	8,152,238	**-**	834,563	8,152,238
Tax receivable expensed	**-**	15,000,000	-	**-**	15,000,000	-
Tax paid during the year	**(1,356,081)**	(1,097,982)	(128,514)	**-**	-	-
Tax deducted at source	**(7,022,251)**	(2,402,090)	(2,399,780)	**(5,457,034)**	(836,872)	(834,563)
Balance at end of year	**(6,920,064)**	(1,621,967)	(17,544,346)	**(6,293,906)**	(836,872)	(15,834,563)
Presented as follows:						
Current tax assets	**(6,920,064)**	(1,621,967)	(17,544,346)	**(6,293,906)**	(836,872)	(15,834,563)

(d) Deferred tax assets

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at start of year	**(380,941,082)**	(389,291,055)	(486,291,220)	**(380,128,812)**	(388,733,705)	(486,291,220)
Impact of IFRS 9 transition	**(2,052,158)**			**(2,052,158)**		
	(382,993,240)	(389,291,055)	(486,291,220)	**(382,180,970)**	(388,733,705)	(486,291,220)
Movement during the year						
- Charged to statements of profit or loss	**352,286,635**	10,157,367	36,727,378	**352,833,568**	10,412,287	35,434,802
- (Credited)/Charged to other comprehensive income	**(46,993,126)**	(1,807,394)	60,272,787	**(46,993,126)**	(1,807,394)	62,122,713
	305,293,509	8,349,973	97,000,165	**305,840,442**	8,604,893	97,557,515
Balance at end of year	**(77,699,731)**	(380,941,082)	(389,291,055)	**(76,340,528)**	(380,128,812)	(388,733,705)

Notes to the financial statements

For the year ended 30 June 2019

38 INCOME TAX EXPENSE (CONTD)

(d) Deferred tax assets (Contd)

The analysis of deferred tax assets is as follows:

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Accelerated tax depreciation	**12,884,655**	42,537,226	40,588,293	**12,393,932**	41,499,570	39,295,717
Provision for credit impairment	**(17,472,306)**	(55,097,655)	(317,963,983)	**(17,472,306)**	(55,097,655)	(317,963,983)
Retirement benefit obligations	**(5,490,638)**	(11,086,545)	(16,730,275)	**(5,490,638)**	(11,086,545)	(16,730,275)
Revaluation of building	**17,064,663**	62,343,056	62,343,056	**18,914,589**	64,192,982	64,192,982
Tax loss carried forward	**(84,686,105)**	(404,638,068)	(157,528,146)	**(84,686,105)**	(404,638,068)	(157,528,146)
Other timing difference	**-**	(14,999,096)	-	**-**	(14,999,096)	-
Balance at end of year	**(77,699,731)**	(380,941,082)	(389,291,055)	**(76,340,528)**	(380,128,812)	(388,733,705)

(e) Income tax reconciliation

The tax charge on the Group's and the Bank's profit/loss differs from the theoretical amount that would arise using the basic tax rate of the Group as follows:

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Profit before income tax	**11,777,000**	41,158,105	180,713,807	**6,296,097**	36,454,250	176,799,981
Tax at 17%	**2,002,089**	6,996,878	30,721,347	**1,070,336**	6,197,223	30,055,997
Non-allowable items	**37,690,061**	65,734,480	7,591,337	**36,730,200**	64,894,553	5,607,191
Exempt income	**(28,601,915)**	(313,563,517)	(228,386)	**(28,195,107)**	(312,993,232)	(228,386)
Deferred taxation	**352,286,635**	10,157,367	-	**352,833,568**	10,412,287	-
CSR contribution	**226,014**	182,997	20,892	**-**	-	-
Others	**(9,021,112)**	257,770,159	-	**(9,605,429)**	257,143,453	-
Tax expense	**354,581,772**	27,278,364	38,105,190	**352,833,568**	25,654,284	35,434,802

(f) Time lapse of tax losses

Tax losses lapses if not claimed within five years. Tax loss carried forward is as follows:

	Expiry date	Tax loss carried forward
		Rs
Year Ended		
30 June 2016	30 June 2021	900,771,670
30 June 2018	30 June 2023	1,422,950,442

Notes to the financial statements

For the year ended 30 June 2019

39 PROFIT FOR THE YEAR

	The Group			The Bank		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Profit for the year is arrived at after charging:						
Depreciation and amortisation	**157,176,216**	151,069,547	135,018,690	**146,505,977**	141,155,402	125,090,455
Directors' emoluments	**17,799,220**	21,961,779	17,692,755	**17,481,220**	21,193,779	17,692,755
Payable to auditors (including VAT):						
- Audit services	**4,048,000**	3,691,500	3,220,000	**3,910,000**	3,565,000	3,105,000
- Fees for other services	**4,629,009**	1,932,000	-	**4,629,009**	1,932,000	-
Staff costs (Note 36)	**541,210,930**	449,362,844	404,538,388	**541,210,930**	449,362,844	404,538,388
Operating lease rentals (Note 44(b(i))	**42,596,467**	48,526,213	66,671,969	**73,512,306**	79,474,130	97,619,888
and crediting:						
Rental income (Note 34)	**25,281,281**	28,673,024	27,742,403	**25,281,281**	28,673,024	27,742,403

40 (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share for the year ended 30 June 2019 and for the comparative years were calculated as follows:

The Group	**(Loss)/earnings per share (Rs)**	**(Loss)/profit for the year attributable to equity holders of the parent (Rs)**	**Weighted Average Number of shares used**
Year ended 30 June 2019	**(0.05)**	**(342,804,772)**	**6,801,813,502**
Year ended 30 June 2018	0.00	13,879,741	6,801,813,502
Year ended 30 June 2017	0.03	142,608,617	5,190,306,653

The Bank	**(Loss)/earnings per share (Rs)**	**(Loss)/profit for the year attributable to equity holders of the parent (Rs)**	**Weighted Average Number of shares used**
Year ended 30 June 2019	**(0.05)**	**(342,804,772)**	**6,801,813,502**
Year ended 30 June 2018	0.00	13,879,741	6,801,813,502
Year ended 30 June 2017	0.03	142,608,617	5,190,306,653

Notes to the financial statements

For the year ended 30 June 2019

41 RELATED PARTY TRANSACTIONS

Transactions and balances between the Group and its related parties are as follows:

	Directors and Key management personnel	Entities in which directors and key management personnel have significant interest	Entities holding at least 10% interest in the Bank
	Rs	Rs	Rs
Loans and advances			
At 30 June 2019	**52,024,466**	**-**	**-**
At 30 June 2018	32,304,673	-	-
At 30 June 2017	32,886,407	-	-
Deposits			
At 30 June 2019	**53,046,773**	**-**	**-**
At 30 June 2018	40,097,802	-	-
At 30 June 2017	36,405,714	-	-
Interest income			
Year ended 30 June 2019			
Loans and advances	**2,094,628**	**-**	**-**
Year ended 30 June 2018			
Loans and advances	868,002	-	-
Year ended 30 June 2017			
Loans and advances	1,013,512	-	-
Interest expense			
Year ended 30 June 2019			
Deposits	**922,633**	**-**	**-**
Year ended 30 June 2018			
Deposits	591,357	-	-
Year ended 30 June 2017			
Deposits	783,555	-	-
Management compensation (Short-term employee benefits)			
Year ended 30 June 2019	**84,345,090**	-	-
Year ended 30 June 2018	66,197,790	-	-
Year ended 30 June 2017	47,932,966	-	-

Notes to the financial statements

For the year ended 30 June 2019

41 RELATED PARTY TRANSACTIONS (CONTD)

The loans and advances with key management personnel are contracted at the Bank's preferential rates as available to all staff members.

Transactions and balances with the subsidiary, fellow subsidiary and holding company are as follows:

	30 June 2019	30 June 2018	30 June 2017
	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
	Rs	Rs	Rs
Subsidiary			
Balances:			
Loans and advances	**211,052,141**	227,421,201	240,057,564
Deposits	**(8,056,587)**	(10,386,700)	(7,233,914)
Amount due	**32,805,779**	32,805,779	32,103,312
Rental deposits	**6,000,000**	6,000,000	6,000,000
Transactions:			
Interest income	**(14,128,354)**	(15,294,933)	(16,776,971)
Rental expense	**36,000,000**	36,000,000	36,000,000
Fellow subsidiary			
Balances:			
Amount due on disposal of loans and advances portfolio	**-**	5,097,577,730	-
Deposits	**(14,238,767)**	-	-
Amount due on net collection of loans and advances (unsecured, interest free and repayable within one year)	**(38,180,968)**	-	-
Transactions:			
Interest income	**(113,124,328)**		
Management fee income	**(76,463,666)**	-	-
Recovery fee income	**(38,255,819)**	-	-
Other fee income	**(9,101,139)**	-	-
Holding company			
Balances:			
Loans and advances	**3,186,205,479**	-	-
Deposits	**(280,304,090)**	(2,650,886)	(2,195,994)
Amount due for expenses paid	**-**	18,923	33,750
Transactions:			
Interest income	**(86,205,479)**	-	-

The subsidiary had no transactions with the major shareholders (entities holding at least 10% interest in the Group).

42 EVENTS AFTER THE REPORTING PERIOD

There were no major events subsequent to the year end.

43 ASSETS PLEDGED

The following assets have been pledged as collateral to secure borrowing facilities from the Central Bank.

	The Group and the Bank		
	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Government stocks	**275,000,000**	500,000,000	646,100,000

Notes to the financial statements

For the year ended 30 June 2019

44 OTHER COMMITMENTS

(a) Capital Commitments

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
The Group			
Approved and contracted for	**37,994,688**	22,638,449	40,806,322
The Bank			
Approved and contracted for	**37,994,688**	22,638,449	40,806,322

(b) Operating Lease Commitments

(i) The Group and the Bank as a lessee

	The Group			The Bank		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs	Rs	Rs	Rs
Minimum lease payments under operating leases recognised in the consolidated statement of profit or loss and other comprehensive income for the year	**42,596,467**	48,526,213	66,671,969	**73,512,306**	79,474,130	97,619,888
At the reporting date, the Group and the Bank had outstanding commitment under non-cancellable operating leases, which fall due as follows:						
Within 1 year	**30,579,715**	28,603,432	26,530,289	**30,191,206**	64,214,923	62,173,859
After 1 period and before 5 years	**56,329,354**	44,116,365	53,377,290	**54,670,422**	42,492,399	87,788,290
After 5 years	**13,640,905**	15,268,310	20,737,526	**5,353,508**	6,557,438	11,603,180
	100,549,974	87,988,107	100,645,105	**90,215,136**	113,264,760	161,565,329

Operating lease payments represent rentals payable for office space. Leases are negotiated for an average of 5 years and rentals are fixed for an average of 5 years. The subsidiary has also rented land under operating lease.

(ii) The Group and the Bank as a lessor

Property rental income earned during the year was **Rs 25,281,281** (30 June 2018: Rs 28,673,024 and 30 June 2017: Rs 27,742,403). Properties held for rental have a committed tenant for 5 years.

At the reporting date, the Bank had contracted with tenants for the following future minimum lease payments.

	30 June 2019	30 June 2018	30 June 2017
	Rs	Rs	Rs
Within one year	**25,508,397**	16,510,896	15,126,106
After 1 year and before 5 years	**70,170,228**	54,660,897	31,737,271
After 5 years	**29,978,420**	43,246,144	25,349,336
	125,657,045	114,417,937	72,212,713

45 IMMEDIATE HOLDING COMPANY AND ULTIMATE SHAREHOLDER

The directors regard MauBank Holdings Ltd, a company incorporated and domiciled in Mauritius, as their immediate holding company and the Government of Mauritius as their ultimate shareholder.

NEVER CHICKEN OUT ON GROWTH OPPORTUNITIES

When Ziyaad first came to us, he wished to develop a poultry business but lacked the funds. Through our loan facilities and financial solutions, this proud business owner acquired the equipment to triple his thriving poultry production within 3 years.

Ziyaad Khodabukus,
Owner, Ziza Fresh Chicken

MANAGEMENT DISCUSSION & ANALYSIS

Management discussion and analysis

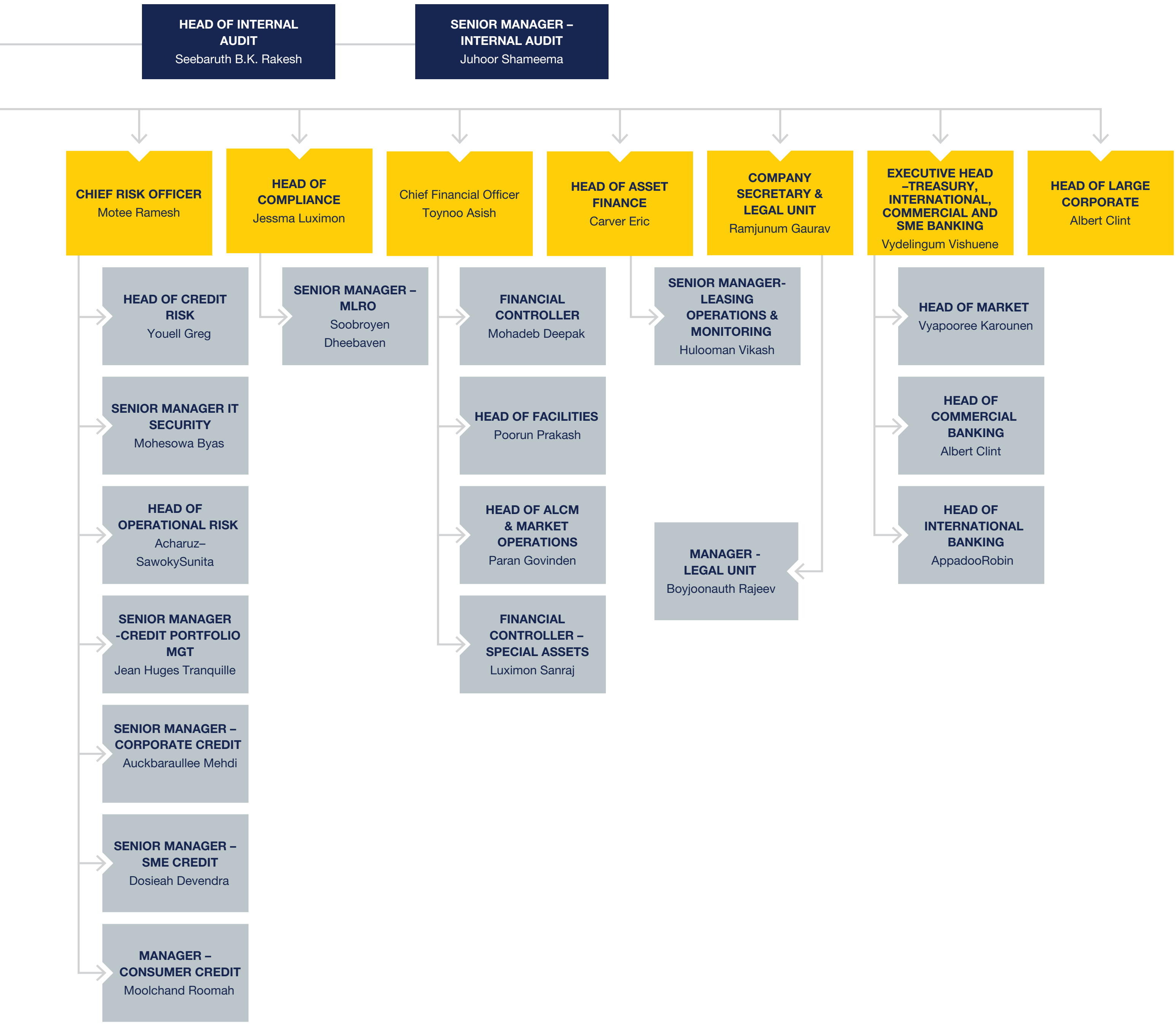
OPERATING MODEL

MauBank Ltd or the “Bank” has an existing Business Operating Model which is in compliance with good corporate governance policies, as illustrated hereunder:

BOARD OF DIRECTORS

- **CHIEF EXECUTIVE** – Premchand Mungar
  - **EXECUTIVE HEAD OF OPERATIONS** – Mardaymootoo Pillay Chedumbrum (Nanda)
    - **HEAD OF CENTRE OF EXCELLENCE** – Maoumar POOLOO
    - **SENIOR MANAGER CASH OPERATIONS** – Bulatoo Chundun
    - **HEAD OF CREDIT SERVICES UNIT** – Sawmy Premendra
    - **SENIOR MANAGER - CARD OPERATIONS** – Sooboopillay Vejanaden
    - **SENIOR MANAGER – CDD / CONTACT CENTRE** – Durbarry Rabindrasing
    - **MANAGER - TRADE FINANCE** – Sooben Maivin
  - **CHIEF INFORMATION AND DIGITAL OFFICE** – TBA
    - **ACTING HEAD INFORMATION & TECHNOLOGY SERVICES** – Muhem Vimen
    - **HEAD OF IT APPLICATIONS** – Khodabocus Sayyad
    - **HEAD OF IT PROJECTS & INNOVATION** – Ally Rahemeea
  - **HEAD OF CORPORATE, AFFAIRS, BRAND MANAGEMENT AND MARKETING** – Saddul Anouchka
    - **MANAGER COMPLAINTS** – Rungasamy Raatna
    - **MANAGER MARKETING** – Kodai Ramkeesoon Seetul
  - **EXECUTIVE HEAD OF HR** – Rawoteea Y. Rajesh
    - **SENIOR MANAGER HR** – Kadir BaccusYoushrine Farzana Maulaboksh
    - **LEARNING ACADEMY SENIOR MANAGER** – Aufia Yacoob
    - **SENIOR MANAGER – IT EBANKING** – Salim Sohawon
    - **SAFETY & HEALTH OFFICER** – Nursimulu Arti
  - **EXECUTIVE HEAD OF CONSUMER BANKING** – Ramakrishna Bhagawan
    - **HEAD - CLIENT SERVICES & OPERATIONS** – Seebocus Nitianund
    - **REGIONAL HEAD** – LatoucheJoana, MurdayYogen
    - **SENIOR MANAGER CREDIT & COLLECTION RETAIL & SME** – RugoonauthBharati
    - **HEAD OF MOBILE SALES** – Preshan Boyroo
    - **PRIVATE BANKING & WEALTH MANAGEMENT** Senior Manager – Cuttignane Kamla
  - **HEAD OF SPECIAL ASSET MANAGEMENT** – Beebeejaun Asif
  - **EXECUTIVE HEAD OF SME BANKING** – Kundan Anil
    - **HEAD OF SALES SME BANKING BUSINESS** – RamphulBacha Vimla
    - **HEAD OF SME DEDICATED CELL** – Ramkelawon Hemant

Note: Ramjunum Gaurav –Company Secretary since 29 April 2019


HEAD OF INTERNAL AUDIT Seebaruth B.K. Rakesh
SENIOR MANAGER – INTERNAL AUDIT Juhoor Shameema
CHIEF RISK OFFICER Motee Ramesh
HEAD OF COMPLIANCE Jessma Luximon
Chief Financial Officer Toynoo Asish
HEAD OF ASSET FINANCE Carver Eric
COMPANY SECRETARY & LEGAL UNIT Ramjunum Gaurav
EXECUTIVE HEAD –TREASURY, INTERNATIONAL, COMMERCIAL AND SME BANKING Vydelingum Vishuene
HEAD OF LARGE CORPORATE Albert Clint
HEAD OF CREDIT RISK Youell Greg
SENIOR MANAGER IT SECURITY Mohesowa Byas
HEAD OF OPERATIONAL RISK Acharuz–SawokySunita
SENIOR MANAGER -CREDIT PORTFOLIO MGT Jean Huges Tranquille
SENIOR MANAGER – CORPORATE CREDIT Auckbaraullee Mehdi
SENIOR MANAGER – SME CREDIT Dosieah Devendra
MANAGER – CONSUMER CREDIT Moolchand Roomah
SENIOR MANAGER – MLRO Soobroyen Dheebaven
FINANCIAL CONTROLLER Mohadeb Deepak
HEAD OF FACILITIES Poorun Prakash
HEAD OF ALCM & MARKET OPERATIONS Paran Govinden
FINANCIAL CONTROLLER – SPECIAL ASSETS Luximon Sanraj
SENIOR MANAGER- LEASING OPERATIONS & MONITORING Hulooman Vikash
MANAGER - LEGAL UNIT Boyjoonauth Rajeev
HEAD OF MARKET Vyapooree Karounen
HEAD OF COMMERCIAL BANKING Albert Clint
HEAD OF INTERNATIONAL BANKING AppadooRobin

Management discussion and analysis (Contd)

FINANCIAL REVIEW

KEY FINANCIAL INDICATORS

Area of Performance	01 JULY 2018 TO 30 JUNE 2019	01 JULY 2017 TO 30 JUNE 2018	01 JULY 2016 TO 30 JUNE 2017
	TWELVE MONTHS	TWELVE MONTHS	TWELVE MONTHS
	Rs'm	Rs'm	Rs'm
Net Interest Income	**598.04**	709.11	566.21
Non Interest Income	**470.07**	445.21	385.74
Operating Income	**1,068.11**	1,154.32	951.95
Operating Expense (including depreciation)	**(1,061.09)**	(951.24)	(914.42)
Profit before impairment loss	**7.03**	203.07	37.52
Impairment (loss)/reversal	**(0.73)**	(166.62)	139.28
Profit after impairment loss but before taxes	**6.30**	36.45	176.80
Income tax expense	**(352.83)**	(25.65)	(35.43)
(Loss)/profit after Tax	**(346.54)**	10.80	141.37
Total Assets	**26,824.18**	26,590.89	26,229.92
Total Advances	**15,489.12**	11,728.63	18,466.63
Total Deposits	**23,064.50**	22,346.50	21,949.48
Shareholders Equity	**2,763.78**	3,103.21	3,268.65
Tier 1 Capital	**1,895.47**	1,975.69	2,155.16
Total Regulatory Capital	**2,278.55**	2,327.17	2,576.35
KEY RATIOS			
Cost to Income Ratio	***99.34%***	*82.41%*	*96.06%*
Return on Equity	***(12.54%)***	*0.35%*	*4.32%*
Return on Total Assets	***(1.29%)***	*0.04%*	*0.54%*
Net Impaired Loans/Total Loans	***4.59%***	*5.96%*	*32.29%*

The table above shows the financials for the year ending 30 June 2019 against the previous reporting periods namely for the year ended 30 June 2018 and the year ended 30 June 2017.

BANK'S PERFORMANCE

The financial statements presented both the Bank and its subsidiary figures, that is, inclusive of the financial position and performance of MauBank Investment Ltd. However, for the purpose of the current Management Discussion and Analysis, only the Bank's financials have been taken into consideration.

MauBank Ltd ended the year ended 30 June 2019 with a profit before tax and impairment of Rs 7.03 Mn against Rs 203.7 Mn in 2018 and Rs 37.52 Mn in 2017. The drop in profit was anticipated following the sale of a net portfolio of loans and advances of Rs 5.1 Bn as at 30 June 2018. The sale of the non-performing advances resulted in a significant improvement in the quality of asset portfolio, liquidity position and Capital Adequacy Ratio of the Bank.

Operating income for the year ended 30 June 2019 was Rs 1,068.11 Mn compared to Rs 1,154.32 Mn for the year 2018 and Rs 951.95 Mn for the year 2017.

- **Interest income**

The Bank's interest income was Rs 1,056.57 Mn against Rs 1,244.07 Mn for the year 2018 and Rs 1,351.15 for the year 2017.

- **Interest expense**

The Bank's interest expense amounted to Rs 458.53 Mn compared to Rs 534.96 Mn for the year ended 30 June 2018. The reduction in interest expense is largely attributed to the review of the deposit base for high priced products. Though total deposits has increased from Rs 22.35 Bn at 30 June 2018 to Rs 23.10 Bn at 30 June 2019, the mix of deposit products has changed. At 30 June 2019, savings and demand deposits represented 64% of the deposit portfolio whilst time deposit accounted for 36% of the portfolio compared against 59% and 41% respectively at 30 June 2018. The Bank continues to adopt a prudent approach towards liquidity management. Other than actively monitoring its assets and liabilities maturity mismatch, the Bank also ensures that it has a relatively large stable deposit base, while keeping sufficient liquid assets to meet unforeseen liquidity requirements. As at 30 June 2019, 35.23% of the Bank's assets, or 41.48% of the Bank's deposit base, were invested in liquid assets.

Management discussion and analysis (Contd)

FINANCIAL REVIEW (CONTD)

BANK'S PERFORMANCE (CONTD)

- **Net interest income**

Net Interest Income (NII) for the year ended 30 June 2019 was Rs 598.04 Mn from Rs 709.11 Mn in 2018. This was attributed to a drop in interest income resulting from the sale of a net portfolio of loans and advanvces of Rs 5.1 Bn as at 30 June 2018.

- **Non-interest income**

Other income and non-interest income relates mainly to management fee and recover fee income on the loans and advances portfolio sold last year, gain on foreign exchange, gain on disposal of investment securities and rental income from the Bank's properties. Last year, the Bank wrote back long outstanding payables totaling Rs 172.72 Mn.

- **Non-Interest expenses**

Non-Interest expenses for the year ended 30 June 2019 was Rs 1,061.09 Mn against Rs 951.24 Mn in 2018, an increase of 11.55%.

The increase in non-interest expense is attributable to expenditure incurred in improving the bank's processes and the continuous investment towards the bank's vision, mission, strategic pillars and core values.

- **Net impairment loss on financial assets**

Net impairment charge on financial assets amounted to Rs 0.73 Mn for the year ended 30 June 2019. This arose on loans and advances (impairment reversal of Rs 1.17 Mn) and with the application of IFRS 9 on on other financial assets as well (impairment charge of Rs 1.90Mn). Net impairment charge for the year ended 30 June 2018 was Rs 166.62 Mn, arising on loans and advances. The decrease in net impairment charge on loans and is attributable to the sale of a net non-performing loans and advances portfolio of Rs 5.1 Bn on 30 June 2018, as a result of which the impact of IFRS 9 has not been significant in the year ended 30 June 2019. The non-performing loan ratio stood at 4.77% at 30 June 2019 against 5.96% at 30 June 2018. In order to continuously manage the non-performing advances, the forum on non-performing advances, continues to meet regularly to monitor the asset quality of the Bank and to ensure that the ratio is maintained to an acceptable level. Relentless efforts are being deployed to optimize recovery actions to realise collaterals and /or personal guarantees of shareholders/directors to maximize realizable value of assets of impaired accounts.

- **Taxation**

The Bank reported a tax charge of Rs 352.83 Mn for the year ended 30 June 2019, relating mainly to the reversal of deferred tax assets resulting from the change in corporate tax rate applicable to banks from 15% to 5% effective from assessment year commencing 01 July 2020. The Bank had no liability towards Corporate Tax and Corporate Social Responsibility for the year ended 30 June 2019 due to tax loss carried forward as at that date.

ASSETS

- **Total assets**

The Bank's total assets stood at Rs 26,824.18 Mn compared to Rs 26,590.89 Mn at 30 June 2018 and Rs 26,229.92 Mn at 30 June 2017, an increase of 1.05%.

- **Capital adequacy**

The Capital Adequacy Ratio (CAR) of the Bank increased to 15.29% at 30 June 2019, well above the regulatory minimum of 11.875%, against 16.87% at 30 June 2018. Loans and advances growth

- **Loans and advances growth**

As at 30 June 2019, the Bank's gross loans and advances portfolio stood at Rs 15,489.12 Mn compared to Rs 11,728.63 Mn for the year ended 30 June 2018 and Rs 18,466.63 Mn for the same period as at 30 June 2017. The increase is mainly attributable to a loan of Rs 3.1 Bn made by the Bank to its holding company during the year.

- **Credit risk exposure**

Credit risk occurs mainly in the Bank's credit portfolios comprising retail lending, corporate lending, treasury and financial institutions wholesale lending. Credit risk is explained as the risk of loss arising from failure of borrower or counterparty to meet his financial obligations. Credit risk is among the most common cause of bank failures, causing virtually all regulatory environment to prescribe minimum standards.

The Bank has a comprehensive Risk Governance Structure which promotes sound risk management for optimal risk-reward trade off. The Board Credit Committee at MauBank Ltd guarantees that the Bank's credit policy limit is respected at all times.

- **Credit quality and provision for credit losses**

Provision for credit losses on loans and advances stood at Rs 342.28 Mn against Rs 324.10 Mn at 30 June 2018 and Rs 1,870.38 Mn at 30 June 2017.

Management discussion and analysis (Contd)

FINANCIAL REVIEW (CONTD)

BANK'S PERFORMANCE (CONTD)

- **Securities**

The Bank's investment portfolio stood at Rs 3,547.48 Mn against Rs 4,120.71 Mn as at 30 June 2018 and Rs 4,556.52 Mn as at 30 June 2017, decrease attributed to disposal of securities towards optimizing the yield of the Bank's assets base.

LIABILITIES

- **Deposits**

Total deposits increased slightly from Rs 22.35 Bn at 30 June 2018 to Rs 23.06 Bn at 30 June 2019. However, the Bank is pursuing its strategy of shifting towards lower cost deposit products. At 30 June 2019, savings and demand deposits represented 64% of the deposit portfolio whilst time deposit accounted for 36% of the portfolio compared against 59% and 41% respectively at 30 June 2018.

RISK MANAGEMENT

Risk encompasses the possible threats to which the Bank is exposed to and the potential impact that these may have on the Bank. Risk management is the process of identifying, assessing and responding to risks, and communicating the outcomes of these processes to the appropriate parties in a timely manner.

Since risk management is directed at uncertainty related to future events and outcomes, it is implied that all business planning exercises and business activities across the Bank encompass some form of risk management. On one hand, Risks can permeate from diverse sources within the Bank and also from outside the Bank, and go upward and on the other hand, it can start from top and go down the ladder. MauBank has laid down its Risk Management policy which spells out the methodology and technique for managing risk across the Bank.

RISK MISSION

MauBank is committed towards embedding a risk culture in the Bank and continues to embrace risk management as a core competency that allows it to optimize risk-taking through objectivity and transparency.

RISK PHILOSOPHY

MauBank values a rigorous risk management as an integral part of its day-to-day business operations along and also as part of its business growth strategy. With a dynamic approach to risk management, MauBank remains committed towards ensuring effective and efficient risk processes and optimal returns within its set risk appetite.

RISK GOVERNANCE

The risk governance structure outlines the key responsibilities for decisions on risk taking and risk oversight in the Bank.

In addition to defining clear and comprehensive risk management roles and responsibilities using the three lines of defense model, the Bank's risk framework establishes governance, escalation, and reporting processes around risk exposures, risk decisions, and risk events. A strong governance regime provides assurance to stakeholders (Board Risk Management Committee and the Board) who delegate risk-taking authority to the business lines.

From first-line businesses and support functions, risk information flows to the second line, and then to the Board Risk Management Committee. The latter is guided by its Terms of Reference.

The key responsibilities of the Board and the Board Risk Management committee are guided by the Bank of Mauritius Guidelines.

MauBank is guided by the different risk policies that have been developed and approved by the Board of Directors. Responsibility for implementing the risk policy guidelines laid by the Board of Directors for quantifiable risks throughout the Bank lies with the Bank's Management through the different Business Owners and divisions. The risk functions regularly report to the Operational Risk Forum (ORF), Credit Risk Forum (CRF), Monitoring Forum (MF) and Board Risk Management Committee (BRMC). Related Parties' credits are discussed at the Conduct Review Committee level. Credit related activities above Rs40 Million are discussed at the Board Credit Committee and below Rs40 Million threshold, credits are deliberated at four different level of authority.

RISK MANAGEMENT FRAMEWORK

The Risk Management Policy of the Bank contains the Risk Management Framework. This framework provides the foundation for ensuring that the outcomes of risk taking are consistent with the Bank's business activities, strategies and risk appetite. It is based on transparency, management accountability and independent oversight, which is comprehensive enough to capture all risks that the Bank is exposed to and has flexibility to accommodate any changes in business activities.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

RISK APPETITE FRAMEWORK

Within the Risk Management Framework, the Risk Appetite is embedded through policies, procedures, limits setting, operational guidelines as well as methodologies and tools for risk measuring, monitoring and reporting.

RISK DEFENSE MODEL

The risk framework operates on the concept of 'the three lines of defense model'. The three lines of defense model creates a set of layered defenses that align responsibility for risk taking with accountability for risk control and provide effective, independent risk oversight and escalation. In the three lines of defense model, the assignment of risk management roles is clear and comprehensive in order to prevent gaps, ambiguities, or overlaps in responsibility. More specifically, the business units are the first line of defense, independent risk management unit and compliance unit are the second line of defense, and internal audit is the third line of defense.

The first line of defense comprises the business operations that execute and support the execution of the Bank's mission. These first line units are responsible for both the operational activities that result in risk as well as control of the resulting risks. The first line "owns" and "manages" its risk in the sense that it is accountable for both positive and negative outcomes and is empowered to manage the distribution of outcomes.

The second line of defense comprises independent risk management and compliance functions which provide independent risk assessment and compliance risk taken by the first line of defense. While the business has the deepest understanding of its environment, operations and objective, the second line offers a perspective based on expertise in risk management. The second line's responsibility for establishing a common framework for risk management and compliance culture creates benefits in terms of both efficiency and effectiveness.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation, a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

A strong compliance culture helps the Bank to live up to its purpose, strategy and values because it builds trust and protects the Bank's brand; meet the compliance obligations; and protect the Bank from loss or reputational damage.

The third line of defense is the Internal Audit which provides assurance to senior management and the Board of Directors that first and second line risk management and control activities are effective.

RISK MANAGEMENT PROCESS

The risk management policy and framework of the MauBank explains the process of risk management as the systematic and continuous identification and evaluation of risks as they pertain to the Bank, followed by action risk strategies such as: terminate, transfer, accept or mitigate each risk.

The risk management process is as follows:-

(a) Risk identification

(b) Risk assessment and measurement

(c) Risk mitigation and control

(d) Risk reporting

Based on this approach and to maintain sound operations and generate stable earnings, the Board sets its risk appetite through limits in the risk policies for the amount of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, and Country risk which are within the prudential guidelines. Other non-quantifiable risks like Compliance Risk, Strategic Risk and Reputational risk are assessed and monitored on a qualitative basis.

The Board monitors the risk exposures through the Board Risk Management Committee and through other various Board Sub-Committees. Moreover, the various Management Committees meet frequently to comprehensively measure, evaluate and monitor the occurrence and management of each type of risk.

Risk management is focused on the following major areas:

CREDIT RISK

Credit risk is the risk of the Bank suffering financial loss if any of its customers or market counterparties fails to fulfil their contractual obligations to the Bank.

The Bank has in place a Credit Risk Policy Guide (CRPG) which sets out its credit risk appetite, risk exposure limits and parameters for risk taking. The policy is approved by the Board and subject to regular review. The Board delegates its credit sanctioning powers to five separate and distinct Credit Sanctioning Forums, namely:

1) Board Credit Committee (BCC)

2) Management Credit Forum (MCF)

3) Credit Forum (CF)

4) Lease Forum (LF)

5) Fast Track Credit Forum (FTCF)

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

CREDIT RISK (CONTD)

The overall credit process includes comprehensive credit policies on judgmental credit underwriting, automatic credit adjudication, risk measurement, credit training and continuous loan review and audit process.

CREDIT RISK MEASUREMENT

(a) Loans and advances

The Bank has developed and implemented retail and corporate scoring and rating models for assessing and measuring credit quality from CRISIL Ltd (India), a subsidiary of Standard & Poor (India). The credit rating and scoring tools is kept under review and upgraded as and when deemed necessary.

The Bank has a rating tool for its borrowers which is based on a 10-point Grading Scale, benchmarked on international rating norms per the requirement standards of CRISIL Ltd (India).

Credit quality is assessed using established criteria in the Credit Risk Policy Guide (CRPG) and external market data from Mauritius Credit Information Bureau (MCIB). Credit facilities are monitored on portfolio basis primarily based on their delinquency status.

The credit risk measurement operates to control and monitor credit performance of borrowers through on-going credit review, loan classification, collection, credit risk mitigation including realisation of collateral, and provision of impairment on problem loans as required by the Bank's credit policy and procedures and regulatory guidelines.

(b) Credit related commitments

Credit related commitments include bank guarantees, documentary letters of credit, standby letters of credit and undrawn commitments on legally bound facilities. Their credit risk is similar to loans except for documentary letters of credit which are usually short-term and self-liquidating and carry a low level of credit risk and capital charge, as defined under the Bank of Mauritius guidelines.

	As at 30 June 2019 (Rs)	As at 30 June 2018 (Rs)	As at 30 June 2017 (Rs)
Credit related commitments	**3,561,453,528**	3,982,295,489	3,123,880,833

(c) Bank placements and lending to banks

For the Bank's placements or lending to banks, external credit ratings from international credit rating agencies such as Standard & Poor's, Moody's and Fitch are used to assist in the credit risk exposures on top of internal credit analysis. The instruments help to diversity risk exposures and income streams, and to maintain a readily available source of liquidity for the Bank from time to time.

(d) Risk limit monitoring and control

MauBank has an established framework to manage, control and limit concentration of credit risk towards individual counterparties, groups, industry sectors and countries.

Concentration of risk from large exposures to individual customers or related groups are managed by setting limits as a percentage of the Tier 1 Capital as defined by the Bank of Mauritius guidelines, the Bank's internal portfolio limits and exposures to industry sectors and countries under the Credit Risk Policy Guide (CRPG) to achieve a balanced portfolio. These limits are monitored and reviewed on a quarterly basis by the Credit Risk Forum (CRF) and escalated to the Board Risk Management Committee (BRMC).

RELATED PARTY TRANSACTIONS

Credit exposure to any single borrower / group of closely – related customers who are related parties to the financial institution is governed by the Bank of Mauritius Guideline on Credit Concentration Risk.

Notwithstanding the above regulatory compliance requirement on related party transactions, the Bank has its internal policy governing transactions with its related parties.

Both internal and regulatory limits are monitored on quarterly basis at the Credit Risk Forum (CRF) and escalated to the Board Risk Management Committee (BRMC).

Exposure of the Bank's top six related parties as at 30 June 2019 were Rs 211.05 Mn, Rs 179.33 Mn, Rs 8.52 Mn, Rs 7.16 Mn, Rs 5.82 Mn and Rs 5.55 Mn. These balances represented 11.13%, 9.45%, 0.45%, 0.38%, 0.31% and 0.29% respectively of the Bank's Tier 1 capital. The total top six related parties represented Rs 417.43 Mn or 22.01% of Tier 1 capital.

OPERATIONAL RISK

MauBank has adopted the definition of operational risk of Basel II as 'the risk of loss resulting from inadequate or failed internal processes, people and system or from external events'. It includes legal risk but exclude strategic and reputational risk (and resultant losses). These are covered under Pillar 2 of the Basel II accord.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

OPERATIONAL RISK GOVERNANCE

The Board Risk Management committee is a sub-committee of the board having mandate in line with the Bank of Mauritius Guidelines. This committee is chaired by a member of the board and has the Chief Executive Officer as one of the members. The Chief Risk Officer is a regular attendee of this committee. The minutes of the Board Risk Management Committee is escalated to the Board of Directors who takes cognizance amongst others, of the Operational Risks exposures of the Bank. The Bank is guided by its Operational Risk Policy which is approved by its Executive Committee, Board Risk Management Committee and Board of Directors.

The Operational Risk Management Unit is equipped with a team headed by the Head of Operational Risk reporting to the Chief Risk officer and the Operational Risk Forum.

This Forum is held regularly and stands guided by its Terms of Reference which is approved by its Executive Committee and the Board Risk Management Committee. Matters related to Medium, High and Critical risks are addressed in this committee and recommendations are made to address any weaknesses captured by business units from their day to day operations and also any key risks as identified from the RCSA. The minutes of the Operational Risk Forum is escalated to the Board Risk Management Committee.

During the Financial Year 2018/19, MauBank embarked on an independent review of its operational risk framework by an appointed external consultant. This review was in line with the bank's vision to move towards international best practices by adopting the Basel II principles on operational risk management.The implementation of the recommendations made by the consultant is currently in progress.

OPERATIONAL RISK CULTURE AND AWARENESS

As part of its on-going effort to strengthen the operational risk culture across the bank, training was delivered by the appointed consultant in different sessions during end of 2018 and beginning of 2019. 107 officers across a wide range of grades thus benefited from the training programme.

LOSS DATA CAPTURE AND REPORTING SYSTEM

The Bank collects data for all operational risk losses pertaining to operational errors and internal control failures including 'near misses' in its Loss Data Capture system. The collection and analysis of the Bank's own loss data provides vital information to management and provide basis for operational risk management and mitigation. It is an on-line system available to all business users across the Bank and acts as a radar for capturing operational risk incidents. It is an important pillar in the operational risk framework.

OPERATIONAL RISK CAPITAL CHARGE UNDER BASEL II AND III

MauBank has adopted the Basic Indicator Approach (BIA) for the computation of its capital charge for operational risk. The BIA uses the Bank's total gross income as its risk indicator. The total operational risk regulatory capital under the Basic Indicator Approach is the average of 15% of the gross income over the last three years.

BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY

As part of its on-going effort to ensure that business operations is not interrupted, MauBank has its Business Continuity Plan (BCP) tested every year. The BCP document consists of:

- identification of critical business processes, including those where there is dependence on external vendors or other third parties;
- identification of alternative mechanisms for rapid resumption of services, with special focus on critical business processes;
- location of off-site back-up facilities at a reasonable distance from the impacted operations to reduce risk of having both primary and back-up records and facilities unavailable simultaneously; and regular reviews and testing of the contingency plans

MARKET RISK

Market risk is defined as the risk of losses from on and off-balance sheet positions due to adverse movements in market prices. Market risk stems from all positions included in the Bank's trading book as well as foreign exchange risk positions in the statement of financial position.

MauBank Ltd applies different risk management policies and procedures in respect of the market risk arising from its trading and banking books. The Bank has in place a Market Risk Management Policy and Framework.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

MARKET RISK MEASUREMENT AND MONITORING

Market risk exposure for different types of transactions is managed within risk limits and policies as approved by the Board and monitored through Asset and Liability Committee (ALCO).

Early warning signals and alerts are raised on different levels of exposures of the banking book activities to foreign exchange risk, interest rate risk, and liquidity risk. Stress testing and sensitivity analysis covering shocks and shifts in interest rates on the Bank's on- and off-balance sheet positions are performed regularly.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the Bank's earnings and economic value will be adversely affected with the movements in the foreign exchange rate. ALCO is the forum in which foreign exchange and treasury matters are discussed and analyzed. The overall Foreign Currency Exposure has been within the regulatory limit of 15% of Tier 1 Capital. Bank has in place an overall limit for the major currencies and exotic currencies. The Stop Loss limit and Dealers' limit are set and reviewed by ALCO.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank fails to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfil commitments to lend. It is the risk that the Bank will be unable to continue operating as a going concern due to lack of funding.

LIQUIDITY RISK MANAGEMENT

The Bank manages its Liquidity risk through an established Liquidity Risk Management Policy and Framework, which conforms to the Central Bank's directives and Basel III liquidity risk norms. The Liquidity Risk Management Policy and Framework is approved by the Board of Directors as recommended by the Board Risk Management Committee.

The Asset and Liability Committee (ALCO), which is chaired by the Chief Executive Officer, is empowered to provide strategic directions and take important decisions with regard to liquidity and market risk management. Matters discussed at ALCO are reported to the Board Risk Management Committee which is a sub-committee of the Board.

The three lines of defense risk model is applied for liquidity risk management. The first line of defense, the Money Market Unit of the Treasury Front Office manages liquidity risk on a daily basis through cash flow projections and intra-day update of the cash flow whilst the Asset Liability Capital Management (ALCM) Unit monitors the liquidity risk limits post end of day. Liquidity risk limits and tolerance levels are contained in the Liquidity Risk Management Policy and Framework as approved by the Board of Directors.

The policy, through the establishment of key control ratios, ensures that the Bank maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. The policy also ensures that the Bank can meet on-going liquidity obligations and liquidity stress situations. Moreover, the policy also covers the contingency funding plans of the Bank to meet any funding mismatches.

The second line of defense, being the Risk and Compliance functions, ensure that the first line has adequate internal controls in place for liquidity risk oversight and that the Bank is complying with the regulatory norms from a liquidity risk perspective respectively.

The third line of defense is the Internal Audit, carries out independently a review and validation of the effectiveness of the Liquidity risk management framework.

The Bank through its set of procedures has embedded control mechanism in-built in its processes to manage liquidity risk. A set of control reports are available to mitigate the operational risk related to liquidity risk management. The methodology used to manage intra-day liquidity risks is through continuous update of the Cash Flow with the actual and expected flows occurring during the day. This allows Money Market Unit to ensure that there is sufficient balance in Current Account at the Central Bank to meet payment and settlement obligations at all times.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

LIQUIDITY RISK APPETITE AND TOLERANCE MANAGEMENT

In line with Principle 2 of Basel III on liquidity Risk, the Bank articulates its liquidity risk tolerance that is appropriate for its business strategy and its role. The Bank is guided by its approved risk appetite and tolerance levels.

The risk tolerance is reviewed once a year by ALCM and approval is sought from Board through ALCO and BRMC. ALCM performs the stress test on a monthly basis and compares the impact against the risk tolerance of the Bank. ALCM also makes available the results of the stress testing analysis to ALCO and to Board Risk Management Committee. Internal limit setting and controls are put in place in accordance with the MauBank's articulated risk tolerance limit.

During the Financial year July 2018 to June 2019, the Bank has managed its liquidity on a prudent basis to ensure that sufficient cash reserve relative to the statutory minimum is maintained at all times. The average cash reserve ratio of the Bank during this financial period was within the liquidity risk tolerance limit set and well above the regulatory ratio.

The Bank prepares cash flow projections on a daily basis for measuring and managing its net refinancing risk. Projections cover not only the assets and liabilities as they exist in the balance sheet at a particular time but also flow from planned future activities.

Liquidity concentration risk associated with large individual depositors, is monitored in ALCO on a monthly basis. A regular assessment is made of top 25 individual depositors for the purpose of deposit concentration risk.

The Bank mainly monitors and manages its liquidity risk through the Liquidity Coverage Ratio (LCR) and Maturity Mismatch Profile of Assets and Liabilities/Gap Analysis Report.

Liquidity Coverage Ratio (LCR) represents a standard that is designed to ensure that MauBank has an adequate inventory of unencumbered high quality assets (HQLA) that consist of cash or assets convertible into cash at little or no loss of value in market, to meet its liquidity requirements for a 30 days' liquidity stress period.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

DISCLOSURE OF LIQUIDITY COVERAGE RATIO

LCR common disclosure template quarter ending June 2019 - Consolidated basis in MUR

	(Consolidated either in MUR or USD)	**TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)**	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	**5,305,975,560**	5,305,975,560
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	*Stable deposits*		
4	*Less stable deposits*	*9,725,462,238*	*972,546,224*
5	Unsecured wholesale funding, of which:		
6	*Operational deposits (all counterparties)*	**4,332,729,461**	1,083,182,365
7	*Non-operational deposits (all counterparties)*	**1,778,369,614**	805,550,082
8	*Unsecured debt*		
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	*Outflows related to derivative exposures and other collateral requirements*		
12	*Outflows related to loss of funding on debt products*		
13	*Credit and liquidity facilities*	**2,144,303,720**	215,635,321
14	Other contractual funding obligations		
15	Other contingent funding obligations	**643,487,456**	493,927,690
16	**TOTAL CASH OUTFLOWS**	**18,624,352,489**	3,570,841,682
CASH INFLOWS			
17	Secured funding (e.g. reverse repos)		
18	Inflows from fully performing exposures	**2,535,494,386**	2,037,870,647
19	Other cash inflows	**495,409,348**	495,409,348
20	**TOTAL CASH INFLOWS**	**3,030,903,734**	2,533,279,995
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**	**5,305,975,560**	5,305,975,560
22	**TOTAL NET CASH OUTFLOWS**		1,037,561,687
23	**LIQUIDITY COVERAGE RATIO (%)**		511.39%
24	**QUARTERLY AVERAGE OF DAILY HQLA**		5,305,975,560

The Bank had an average HQLA of Rs 5.3 Billion and maintained an average liquidity coverage ratio of 511.39% over the last 3 months to 30 June 19 that was well above the regulatory requirement of 80% and within the Bank's liquidity tolerance level.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

MATURITY MISMATCH PROFILE OF ASSETS AND LIABILITIES/GAP ANALYSIS

Bank uses gap analysis method to determine fund excess or shortage at selected maturity dates. Maturity is assessed on the basis of the terms and conditions of funding or loan instruments as well as on the basis of behaviour of customers, assessed from their past history and current relationship with the Bank.

STRESS TESTING AND SCENARIO ANALYSIS

MauBank conducts stress tests on a regular basis for a variety of short-term and protracted institution specific and market-wide stress scenarios (individually and in combination) to identify sources of potential liquidity strain and to ensure that current exposures remain in accordance with the Bank's established liquidity risk tolerance. The Bank uses stress test outcomes to adjust its liquidity risk management strategies, policies and positions and to develop effective contingency plans. As at 30 June 2019, the stress test carried by the bank showed that the Bank was comfortable under various stress scenarios.

INTEREST RATE RISK

Interest rate risk represents the adverse impact that may occur on profits and market value of assets and liabilities due to fluctuation in interest rates.

The methodology adopted by the Bank to measure interest rate risk exposures arising from its banking book positions is consistent with that set forth by the Bank of Mauritius for reporting interest rate risk exposures which consists principally of interest rate risk sensitivity analysis and stress testing.

Bank uses the 'earnings perspective' and 'economic value' perspective for interest rate sensitivity analysis.

The economic value of an instrument represents an assessment of the present value of its expected net cash flows, discounted to reflect market rates. By extension, the economic value of a Bank can be viewed as the present value of the Bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance sheet positions. In this sense, the economic value perspective reflects one view of the sensitivity of the net worth of the Bank to fluctuations in interest rates.

Under the economic value perspective, MauBank analyses the impact of changes in interest rate on the economic value of Bank's assets, liabilities, and off-balance sheet positions. This exercise is taken in the Bank's ICAAP exercise on an annual basis.

STRESS TESTING

The Bank conducts simple stress tests to provide standardized measures of Interest Rate Risk in the Banking Book (IRRBB), involving an across the board interest rate shock of 200 basis points up or down.

The analysis of the IRRBB involves:

- an assessment of the Bank's tools and methodologies which include both quantitative and qualitative factors, used for the measurement of the overall interest rate risk; and
- an assessment of whether the standardized measure accurately reflects the true IRRBB of the Bank.

COUNTRY RISK

Country risk refers to the probability that changes in the business environment in another country where the Bank is doing business may adversely impact its operations or payment for imports resulting in a financial loss. Country risk also includes sovereign risk, which is a subset of risk specifically related to the government or one of its agencies refusing to comply with the terms of a loan agreement. Causes of country risk include political, macroeconomic mismanagement, war or labour unrest resulting in work stoppages.

In assessing the risk of a country, the Bank considers both quantitative and qualitative factors of the country.

COUNTRY EXPOSURE LIMITS

Country exposure limits are reviewed and approved by the Board. The Bank sets exposure limits for individual countries to manage and monitor country risk. Country exposure limits apply to all on- and off- balance sheet exposures to foreign obligors.

COUNTRY RISK MEASUREMENT AND MONITORING

On and off-balance sheet exposures are measured in line with the Bank of Mauritius Guideline on 'Standardized Approach to Credit Risk'.

Bank gathers in a timely manner, information about developments in exposed countries that may have a bearing on the country risk assessment though various sources, for example MauBank relies on ratings by External Credit Rating Agencies for country risk limits setting.

In line with the Bank of Mauritius guideline on Country Risk, the Bank makes a provision towards its country risk exposures, if required based on risk assessment.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

REPUTATIONAL RISK

Reputational risk is the risk that the Bank could lose potential business because its character or quality has been called into question.

BUSINESS AND STRATEGIC RISK

Strategic business risk is a possible cause of loss that might arise from the following sources:

(a) The original strategic plan may be successfully implemented and may be sufficiently flexible and robust to withstand the impacting risks encountered during implementation. However, having arrived at the new desired position, the organisation might discover that the position is no longer optimal. This could occur because market conditions have changed during the timescale required for implementation.

(b) Strategic drift is a risk that all organisations face when they cannot deliver their intended strategic objectives because they have no means of monitoring their progress.

(c) As the timescale considered increases, the degree of uncertainty also increases. As uncertainty increases, the number of long-term issues that can impact on the strategy implementation process also increases. These long-term issues represent strategic risks.

(d) Unforeseeable strategic risk is a fundamental characteristic of strategic risk management in that the comprehensive management of these unforeseeable issues is generally beyond the control of a single organisation and its management. Responding to such risks therefore involves the application of constant monitoring to determine their effect on the business.

MauBank uses the following methods of strategic risk management:

- Business planning
- Monitoring of Performance against Objectives as per five year plan
- Assessment of external (industry and macroeconomic) environment
- Readjustment of plans

COMPLIANCE RISK

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

MauBank has adopted the general principles of the Basel Committee on Banking Supervision on Compliance and the Compliance Function in Banks and it stands guided by its Compliance Policy, as approved by the Board of Directors, which sets out the principles and standards for compliance and management of compliance risks in MauBank with the objective to help business and support units manage effectively compliance risks and obligations inherent in their respective areas.

The Compliance Function operates independently as per its mandate, with direct access to the Board Audit Committee and the Board of Directors.

The general approach to mitigate compliance risk at MauBank is as follows:

1. Establish an appropriate framework covering proper management oversight, system controls and other related matters.
2. Establishing written guidance to staff on the appropriate implementation of policies and procedures.
3. Keeping abreast of regulatory changes and ensure implementation and adoption.
4. Ongoing monitoring of compliance with existing rules and regulations and internal policies.
5. Periodical training to staff on the applicable laws, rules and standards.

CAPITAL MANAGEMENT

The Capital Adequacy framework is supported by a Board approved Internal Capital Adequacy Assessment Process (ICAAP) which encompasses capital planning for current and future periods, taking into consideration strategic focus and business plan and assessment of all material risks under stress conditions.

The Bank's Capital Management Objectives, amongst others, is to provide sufficient capital for the banking business to achieve its strategic objectives, taking into account the regulatory, economic and commercial environment in which it operates.

The other objectives when managing capital are:

- To comply with the capital requirements as set by the regulator;
- To safeguard the Bank's ability to continue its business as a going concern;
- To maximize returns to shareholders and optimize the benefits to stakeholders; and
- To maintain a strong capital base to support the development of its business.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

CAPITAL MANAGEMENT (CONTD)

Capital adequacy and the use of eligible capital are monitored regularly by Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by Bank of Mauritius for supervisory purposes. The required information is submitted to the Bank of Mauritius on a quarterly basis.

As at 30 June 2019, the total capital base stood at Rs 2,278,551,000 compared to Rs 2,327,170,000 for the year ended 30 June 2018 and the total risk weighted assets stood at Rs 14,903,808,000 compared to Rs 13,794,028,000 at 30 June 2018.

CAR was at 15.29% as at 30 June 2019 compared to 16.87% at 30 June 2018.

BASEL II APPROACHES

MauBank has adopted the following approach for determining the regulatory capital requirements under the Bank of Mauritius Basel II guidelines for Pillar 1.
(a) Credit risk : Standardised approach
(b) Market risk: Standardised approach
(c) Operational risk: Basic Indicator approach

As part of its ICAAP, MauBank has conducted stress testing under various historical and stress test scenarios to assess the impact of stress on its capital position. The methodology for the stress testing is approved by the Board of Directors. The results of stress testing are reported to the Board of Directors and the Bank of Mauritius.

BASEL III

The Basel III regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress, and the introduction of two global liquidity standards.

MauBank's Capital Structure for the last three years is as shown on page 113.

TECHNOLOGY RISK MANAGEMENT

Information Security and Risk Management

Information risk is about managing risks of breach of confidentiality and integrity of bank's information and information assets (systems). A dedicated unit of the Bank has been handled the task to perform independent risk assessments and monitoring of Information Risks.

Information Risk Measurement and monitoring

A quantitative measurement framework has been put in place to measure effectiveness of key security controls. Key Risk Indicators are measured on a monthly basis to actions are taken to ensure that effectiveness of controls remain at acceptable level.

Cybersecurity

As part of the plan to strengthen its resilience with respect to Cyber-threats, various projects are being implemented:

Phishing Simulations

Emails are the main entry vector used in cyber-attacks, in this context, monthly phishing simulation attacks are carried out. Phishing simulation is supported on a security awareness course to increase users awareness of cybersecurity.

Advanced Threat Protection

Advanced Threat Protection system has being deployed across the Bank, this a technical control to help protect endpoints and network of the bank against advanced threats like ransomware.

Security Incident Response Plan

A security incident handling framework is being implemented to formalize the Bank's response to potential cyber-attacks. High risk and high impact security incidents are being identified and response plans formalized accordingly.

SWIFT Consumer Security Programme

The Bank has implemented security controls to comply with the SWIFT Consumer Security Programme within prescribed delays imposed by SWIFT.

PCI DSS Implementation

The Bank is implementing control requirements of the Payment Card Industry Data Security Standard with the objective to secure cards related processes and systems.

Management discussion and analysis (Contd)

MANAGEMENT COMMITTEES

The daily affairs and running of the Bank have been delegated to management. Issues are discussed, risks and reward trade-offs are analysed, and decisions are taken unanimously in different management forums. These forums meet regularly and comprise Senior Management and Management Cadres from different units.

All matters discussed and decisions taken are escalated to the monthly meeting of the Board of Directors for information.

1. EXECUTIVE COMMITTEE

The EXCO acts on behalf of the board and exercise all powers and perform such duties for the Bank in relation to the day to day management, operation and, control and governance of the business in conformity with manuals, policies, procedures and authorities. The committee meets on a monthly basis to review the progress towards the strategic plan, mission and vision of the Bank. The committee is chaired by the CEO and all departmental executives are permanent members of the committee

2. ASSET AND LIABILITY MANAGEMENT COMMITTEE ("ALCO")

ALCO meets monthly to oversee the Bank's liquidity risk, interest rate risk, foreign exchange risk management and treasury matters. The role of ALCO is to set and oversee board policy for managing the Bank's statement of financial position based on a detailed analysis of risk return trade off; develop guidelines and limits for operating units and treasury; monitor that those limits are adhered to and that the strategy of the Bank is in line with the Bank's budget and risk management objectives. ALCO monitors the interest margin between assets and liabilities, the cash flow position and liquidity ratio, deposit concentration and also manages the earnings at risk by conducting stress test scenarios and changing market conditions.

3. OPERATIONS RISK FORUM

This Forum meets regularly to review the operational risk exposures of the Bank. Operational risk is managed within the Bank's operational risk framework, using the Risk Control and Self-Assessment (RCSA) and its loss data capture system as the two main pillars to capture operational risk. The Forum is chaired by the Chief Executive Officer with members coming from various Business units. Its mandate is derived from the Bank of Mauritius guideline on Operational Risk and the Banks' Operational Risk Management Policy. This Forum also assists the Board Risk Management Committee (BRMC) in fulfilling its oversight responsibilities relating to operational risk.

4. CREDIT RISK FORUM

The Credit Risk Forum aims at monitoring the Bank's exposure to credit risk, ensuring that such risk stays within the Bank's credit policy and credit risk appetite. Credit Risk Forum assists the BRMC in fulfilling its oversight responsibilities in credit related matters. Its mandate has been derived from the Bank of Mauritius Guideline on Credit Risk Management, Basel document on principles of credit risk management and industry's best practices

5. PORTFOLIO MONITORING FORUM

This forum meets regularly to review the credit portfolio of the Bank for the sake of identifying any adverse trends in the portfolio at an early stage and recommending timely corrective action to prevent any deterioration thereof. It also reviews and monitors portfolio level action plans deemed appropriate to prevent or mitigate deterioration of the overall credit portfolio and hence safeguard the Bank against potential credit losses.

6. CREDIT SANCTIONING FORUMS

The Bank has four distinct management forums whose role are to consider requests for credit facilities in line with the Bank's defined overall credit risk strategy and have the authority to make a final decision on approval or rejection of proposed credit transactions within the power entrusted to them by the Bank's credit policy.

The approval powers of the CSF are in accordance with the provisions of the Bank's Credit Policy Guide (CPG).

7. NPA FORUM (NPA)

The NPA Forum reviews the non-performing accounts, type and course of actions for recovery. This forum ensures that all non-performing accounts are captured and that there are clear cut strategies on its recoveries. In this context, the forum makes suitable recommendations on appropriate recovery actions and on the prevention of non-performing accounts based on trend analysis. This Forum meets on a quarterly basis.

8. ACCOUNT MONITORING FORUM (AMF)

The AMF acts a sub forum of the NPA Forum where all accounts under the watchlist and the non-performing list are reviewed. The forum monitors and agrees action plans as deemed appropriate to safeguard the Bank against potential losses. This Forum meets on a monthly basis.

Management discussion and analysis (Contd)

MANAGEMENT COMMITTEES (CONTD)

9. PROCUREMENT COMMITTEE

The Committee consider and evaluate any request for the procurement of goods or hiring of services for the Bank in accordance with the Bank's policy guidelines as set out in its Administrative and Policy Manual.

10. HEALTH AND SAFETY FORUM

Safety and Health are fundamental values for MauBank and they are therefore fully integrated into the way the Bank conduct business and our personal actions. The Bank undertake to ensure the safety of our customers, employees, contractors, and visitors by integrating safety and health in our processes and ensuring compliance with relevant aspects of the Occupational Safety and Health Act. Providing a safe and healthy working environment can only be accomplished through efforts by management and all employees., which devolve on everyone, from top management to the individual worker. This is the essence of the Bank's internal responsibility system and its goal is a safe workplace with zero incident.

11. PROJECT STEERING COMMITTEE

The Project Steering Committee is a high level powered committee which ensures projects are aligned with organisational strategy, makes good use of assets, and meets budget. It assists with resolving strategic level issues and risks pertaining to all projects in the Bank. This Committee meets on a monthly basis. Heads of units report on the various tasks assigned to them and progress and problem encountered, if any.

Projects progress such as delays, reschedule, and issues are reported to the Executive Committee.

The Project Management Committee handles the projects at a micro level whereas the Project Steering Committee looks at them at a macro level.

THE WAY FORWARD

With the above background, the team at MauBank will continue to strive towards excellence in an endeavour to deliver better service quality every year to its present and prospective customers.

DISCLAIMER

Several forward-looking statements relating to the Bank's business strategy, plans and objectives have been embedded in the Management Discussion and Analysis document. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Readers of the document are therefore advised not to place undue reliance on the forward-looking statements as a number of factors may cause actual results to differ from targets, expectations and estimates made initially. MauBank does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

ADMINISTRATIVE INFORMATION

LEASING FACILITIES THAT ALWAYS COMES IN HANDY

After 12 years of manufacturing and selling of handicraft products, Andrew wanted to use a unique design technique that would open up innovative business opportunities. We believed in him and offered tailor-made financial solutions.

Andrew Rock,
CEO, Wood Carving Ltd

Administrative Information

Board of Directors

The composition of the Board, as at 30 June 2019, is as follows:

MR BURKUTOOLA Mahmadally
Independent Director and Chairman (Appointed on 29 March 2019)

Mr Burkutoola is an Associate of the Institute of Chartered Secretaries and Administrators. He has studied at the Kensington College of Business in Holborn, London and the London Guildhall University in Moorgate, London. He is currently working as a Management Consultant and Project Manager.

He carries over 30 years of experience at managerial level in finance, administration, aviation, shipping, corporate governance and banking sectors. He started his career as a Semi Senior Auditor with Deloitte Kemp Chatteris and moved through various areas in the financial, banking, insurance, corporate governance, ICT/BPO, logistics, aviation and sectors and quality assurance; he has occupied senior positions abroad and locally. Mr Burkutoola was an Independent Director on the Board of SBM Bank (Mauritius) Ltd from June 2015 to February 2018.

Mr LALLOO Said
Independent Director and Chairman (Resigned on 01 October 2018)

Mr. Lalloo served at directorate level in the Finance Department of the African Development Bank ("ADB") from 1981 to 1991 following a long career in the public sector, as Chief Accountant at the Ministry of Finance from 1971 to 1980 and at the Government Audit Department for 16 years up to 1970. He represented the Ministry of Finance at board level as Chief Accountant on a number of parastatal bodies, boards and companies.

He returned to Mauritius in 1992 and has since been serving as Director or Chairman on a number of organisations, namely:

- *Chairman of the National Housing Development Corporation ("NHDC") from 1993 to 2000,*
- *Director of the State Investment Corporation ("SIC") from 1994 to 2004,*
- *Director of the National Investment Trust ("NIT") from 1994 to 2005 serving as Chairman in 2003 and 2004*
- *Chairman of the Financial Services Commission ("FSC") from November 2005 to March 2012, and*
- *Chairman of the National Commercial Bank ("NCB") from March 2015 to December 2015.*

Mr Lalloo is a fellow member of the Association of Chartered Certified Accountants. He resigned on 01 October 2018 as director and chairman.

Mr MUNGUR Premchand
Chief Executive Officer and Executive Director (Appointed on 23 November 2018)

Mr Premchand Mungar is a banker with more than 36 years of experience at managerial and executive levels of commercial, offshore, development banking as well as of financial services.

He has worked with the African Trade and Development Bank (TDB) Group, a multilateral financial institution and the financial arm of the Common Market for Eastern and Southern Africa (COMESA), based in Nairobi, Kenya for 16 years where he was engaged in institutional transformation, corporate strategy and policy formulation, and also formed part of TDB's executive committees. In 2017, he ended his career at the Group as the General Counsel and Senior Director, but continued as a Senior Adviser to the TDB Group after his return to Mauritius. Prior to that, Mr Mungar was with the SBM and State Bank International in Mauritius.

Since December 2017, he serves as an independent non-executive member of the Board of Directors of the Financial Services Commission Mauritius, where he is also the Chairperson of the Audit and Risk Committee.

Mr Mungar holds a Master's Degree in Finance and Financial Law from the University of London, and an LLB from the University of Mauritius. He is a qualified attorney and has been a member of the Mauritius Law Society since 1995.

He has been credited with several commendations and was awarded the 2016 President's Excellence Award in recognition of his outstanding contributions to the affairs of the TDB Group.

Administrative Information (Contd)
Board of Directors (Contd)

Mr NAGARAJAN Sridhar
Chief Executive Officer and Executive Director (Resigned on 01 October 2018)

Mr. Nagarajan is an engineering graduate with Masters in Business Administration. He has over 20 years of banking experience, of which the 15 years were with Standard Chartered Bank Plc of UK, in various businesses, franchise building and governance roles. In this capacity, since 2008, he had been overseeing the formulation and successful implementation of the bank's Mauritius strategy, which included leveraging Mauritius as a hub for Africa and unlocking the franchise's potential as a global financial centre.

In September 2015, Mr. Nagarajan joined Mauritius Post and Cooperative Bank ("MPCB") as its CEO. In January 2016, he successfully oversaw the transfer of undertaking of National Commercial Bank with MPCB to form MauBank Ltd, with over 650 employees.

For several years, Mr. Nagarajan held the posts of Vice Chairman of the Mauritius Bankers Association ("MBA") and Chairman of the International Banking Sub-Committee of the MBA. He has also been the Vice-Chairman of Global Finance Mauritius ("GFM"), an industry body representing banks, institutional investors, law firms, accounting firms and management companies in Mauritius.

He is presently the Chairman of SME Equity Fund Ltd, a dedicated SME equity support fund created from shared resources of the MBA member banks & the Government of Mauritius. He is also the Chairman of the SME Development Sub-Committee of the MBA Board.

Mr GOKHOOL Ashvin Jain
Independent Director

Mr. Gokhool is a Fellow Member of The Association of Chartered Certified Accountants (UK), a Certified Financial Consultant (USA), an Associate Member of The Association of Certified Fraud Examiners (USA), a Chartered Member of the Chartered Institute of Logistics and Transport (UK), a Member of the Mauritius Institute of Public Accountants ("MIPA") and a Founder Member of The Institute of Certified Public Accountants of Rwanda ("ICPAR"). He is a qualified stockbroker from the Stock Exchange Commission (Australia) and also holds an Auditor's Licence from the Financial Reporting Council (FRC).

Mr. Gokhool is the Managing Partner at KSi (Mauritius), Public Accountants & Business Advisers and Managing Director of AG Consultants Ltd, Financial and Management Consultants. Both are member firms of Morison KSi (UK). Since 1987, he successively worked for Deloitte (Mauritius), PricewaterhouseCoopers (Mauritius, Paris and London), Mauritius Tourism Promotion Authority, Tourism Authority, Tourism Employees Welfare Fund. He also served as Advisor to the Minister of Agriculture, Food Technology & Natural Resources and the Minister of Tourism and Leisure. He is an Independent Financial Analyst and worked with the Restructuring Working Group of the National Resilience Fund at The State Investment Corporation.

Mr Gokhool is currently the Chairman of Morison KSi Africa and has recently been appointed on the International Board of Directors of Morison KSi. Since 2015, he is the Chairman of the National Transport Corporation Board. He is an independent non-executive Director at the Bank as well as the Chairman of the Audit Committee.

Mr NICOLAS Jean Marie Cyril
Independent Director

Mr. Nicolas holds a Diploma in Marketing Management, South Africa and a Diploma in Human Resource, South Africa. He is a Registered trainer with MQA since 1988 and President of the Indian Ocean Marketing Association. He is also a Director of Effective Coaching Ltd and has recently been appointed as Consultant for the JSI "Johannesburg School of Investment" and Director of Secret Hope Ltd (a recycling company).

Mr NILAMBER Anoop
Non Executive Director

Mr. Nilamber is currently the Chief Executive Officer of Airports of Mauritius Ltd. He was previously an Economic Advisor at the Ministry of Finance and Economic Development. Prior to joining the government, Anoop was a Corporate Finance Banker at HSBC in France and at the Mauritius Commercial Bank. In Paris, Anoop was also a Part-time Lecturer in Finance at Universite Pantheon Assas (Paris II) where he graduated in Banking and Finance.

Administrative Information (Contd)

Management Team (Contd)

Dr PALIGADU Dharamraj
Non-Executive Director (Resigned on 06 August 2019)

Dr Paligadu is currently Director at the Ministry of Finance and Economic Development and is responsible for inclusive development sector. He is also the Director of MauBank Ltd and director of Mauritius Multisports Infrastructure Limited.

He worked at the ex- Management Audit Bureau ("MBA") at the Ministry of Finance for 10 years. He also served as Assistant Accountant General at the Treasury Department for around 4 years from 2001. He was responsible as Assistant Director-Debt Management Unit for managing the overall debt portfolio of the Central Government as from 2004 to 2008. He has been serving in different sections at the Ministry of Finance.

He has been a Board member of different parastatal organisations. He has been part time lecturer at the University of Mauritius, University of Technology Mauritius and Open University and lecturing for Master degrees. He is a holder of a PhD from Aligarh Muslim University and holds an Advanced Diploma in Management Research from the All India Management Association-Centre for Management Education, an MBA from theUniversity of Mauritius and is a Fellow of ACCA.

Dr Paligadu was Board Member of the following Institution:-

- *National Remuneration Board*
- *Central Depository and Settlement System (CDS)*
- *Trade Union Trust Fund*
- *Appravasi Ghat Trust Fund*
- *Local Development Fund*
- *Unified Local Government Service Board*
- *Maurice Ile Durable Fund*
- *Employees Welfare Fund and acting Chairman from January 2015 to 9th April 2015*
- *Mauritius Post and Cooperative Bank Ltd*
- *Member of the Treasury Foreign Currency Management Fund*

Mr PUTCHAY Vassoo Allymootoo
Non Executive Director (Resigned on 05 September 2019)

Mr Putchay is currently the Permanent Secretary at the Ministry of Health and Quality of Life. Prior to joining the Ministry of Health and Quality of Life, he served as Permanent Secretary at the Ministry of Business, Enterprise and Cooperatives. From the year 2000 to 2014, he served in various Government Departments as Deputy Permanent Secretary. He represents the Ministry on the Boards of Directors of the Development Bank of Mauritius and Enterprise Mauritius.

From June 2008 to December 2011, he was the Secretary to the Commission at the Independent Commission Against Corruption ("**ICAC**").

He has been the '*répondant national*' and a member of the Executive Committee of the '*Agence Intergouvernementale de la Francophonie*' from 2001 to 2004, in matters relating to human resources development.

He holds a Diploma in Public Administration and Management, a Degree in Economics and Management Studies and a Master in Business Administration.

Mr CODABUX Muhammad Javed
Independent Director

Mr Javed Codabux is currently working as Manager at D & S Lines Ltd (Accredited Agent for Jubilee Insurance). Prior that, he has worked as Accountant at African Reinsurance Corporation, as Internal Auditor at Lamco International Insurance and Cheribinny Ltd.

Mr Codabux holds an Executive Master in Business Administration ("EMBA") with First Class (Hons) from India. He is holder of a Higher National Diploma in Business Finance, BTEC, EDexcel Level 5 – EDEXCEL University (UK) under the program of Resource Development International (RDI) U.K.. Mr. Codabux has also completed several ACCA papers. He has followed sevral courses in Accounting & Auditing, Insurance, Reinsurance and Corporate Governance Mr. Codabux is also a fellow of the Mauritius Institute of Directors.

Administrative Information (Contd)
Management Team (Contd)

Mr MUNGAR Premchand
Chief Executive Officer and Executive Director (Appointed on 23 November 2018)

Please refer to Board of directors section above.

Mr NAGARAJAN Sridhar
Chief Executive Officer and Executive Director (Resigned on 21 September 2018)

Please refer to Board of directors section above.

Mr VYDELINGUM Vishuene
Nominated Deputy Chief Executive since 05 August 2019

From 20 March 2019 to 02 August 2019 - Executive Head – Treasury, International Banking, Commercial & SME Banking

Licensed Stockbroker – Mauritius Stock Exchange, Ingenieur Maitre en Banque et Finance avec specialisation en Marches Derives (IUP).

Joined the Bank on 20 March 2019.

Has 20 years' experience in Banking mainly in Corporate Banking and Treasury Management, Country Management Committee Member from October 2007 to June 2016 and Member of various Regional council and Leadership committee at Barclays Bank.

Mr TOYNOO Yougeshsingh (Asish)
Chief Financial Officer

Mr Toynoo holds an MSc in International Banking and Bsc in Accounting. He is also a member of The Chartered Association of Certified Accountants. Prior to joining the Bank in Oct 2016, he occupied the following posts :

- *Head of Asset, Liability and Capital Management at HSBC from July 2013 to Sept 2016*
- *Manager – Treasury Finance & Operations at HSBC from January 2007 to July 2013*
- *Senior Bank Examiner at Bank of Mauritius from October 2002 to January 2007*

Mr CHEDUMBRUM Mardaymootoo Pillay (Nanda)
Executive Head - Operations

Mr Chedumbrum holds a certificate in International Programme on Development Banking, and a certificate on Operational Risk Management.

He has over 40 years of experience in the banking sector at various operations levels, and at Management level.

Mr RAWOTEEA Yasdeo (Rajesh)
Executive Head – Human Resource

Mr Rawoteea possesses an MBA from UTM, a Bachelor in Business Information Technology from University of Sunderland, a Certificate in Banking Studies (UOM), and also holds a Project Leader Certificate, Senior Level from Team Synthesis - UTM, and a Graduate certificate in Card Fraud & Risk Management.

He has 33 years of experience in Banking, at various level including Retail Banking, Project Leadership and implementation of IT, Card Technologies and Electronic Delivery Channels, and is leading since last 7 years, the Strategic Human Resource Management., and HR Transformation while overseeing IT eBanking and Channel.

Mr MOTEE Ramesh
Chief Risk Officer

Mr Motee holds a Diplôme d'Etudes Supérieures Spécialisées, Université de Poitiers, and is Fellow Member of The Chartered Association of Certified Accountants (FCCA). He commands extensive experience having held various senior positions within entitities operating in the banking and financial sector over the past 34 years.

Mrs LUXIMON - MATHUR Jessma
Head of Compliance

Mrs Mathur holds a Bachelor of Science (Hons) degree in Mathematics, is a Certified Project Leader and an Accredited Mediator. She has over 16 years experience in the Banking sector, mainly in the Compliance and Anti-Money Laundering fields.

Mrs SADDUL Anouchka
Head of Corporate Affairs, Brand Management and Marketing

Anouchka is a Management with Law graduate, and also holds qualifications in Personnel Management and in Public Health. She has over 20 years of diverse experience in Marketing, Communications, Media and Public Relations in both Government bodies and the private sector, and is a member of the Chartered Institute of Public Relations.

Mr KUNDAN Anil Kumar
Executive Head - SME Banking

Mr Kundan possess a Bachelor of Arts, a Diploma in Automobile Engineering and is a Certified Associate of Indian Institute of Bankers (Part 1).

He has 35 years of experience in the banking sector, of which 10 years at Management level.

Administrative Information (Contd)
Management Team (Contd)

Mr PRABHU Sudheer
Executive Head – Chief Information and Digital Officer

Mr Prabhu holds a Bachelor degree in Commerce (1st Class) from Karnataka University, is a Certified Information Systems Auditor (CISA (non-practicing), ISACA, Illinois, USA and also holds a Diploma in Software Technology from NIIT.

He has more than 25 years of experience in international banks especially in Technology and Operations. Mr Prabhu resigned on 31 March 2019.

Mr BHAGAVAN Ramakrishna
Executive Head – Retail Banking

A Management Graduate in Marketing, Mr Bhagavan comes with a rich experience of over 20 years in the Retail Banking and Wealth Management space. Mr Bhagavan is a Consumer Banking veteran, having worked with global banking brands namely HSBC, Kotak Bank and IDFC Bank in India, prior to joining MauBank in October 2017. Mr Bhagavan has led various functions of consumer banking namely Branch Banking, Distribution and Network Management, Wealth Management, Digital Banking Initiatives, Payment Solutions , P&L Management and Product positioning at different stages of his illustrious career. He has been instrumental in turning around and launching new businesses, growing existing ones, elevating employee /client Satisfaction levels and building growth strategies in his current and earlier roles.

Mr APPADOO Yogendra
Head of International Banking

Mr. Appadoo has over 27 years of experience in various business sectors.

Holder of a Msc in Finance, he has more than 19 years of proven experience in the banking sector in both domestic and international segments. He has also served as director in a number of companies in the energy and power sector. He resigned from the bank's services on 15 March 2019.

Mr CARVER Jean Clifford Eric
Head of Asset Financing

Jean Clifford Eric Carver holds a Master in Business Administration (MBA), specialised in Marketing Management from the University of Technology, Mauritius and a Bachelor of Commerce (B.com) from the University of Pune, India.

He holds the post of Head of Asset Finance within the Bank since January 2018. He has been awarded 1st Marketing, Salesmanship and Publicity in the Principal's special award. He is also an affiliate member of the Chartered Institute of Marketers since 2009. He was previously employed at Tsusho Capital (Mauritius) Limited, a subsidiary of Toyota Motor Corporation, as General Manager. He had undergone leadership program for Toyota Africa and was selected as most promising leaders. He has 13 years of experience in the service sector including 8 years in banking and 7 years in Asset Finance.

Mr VYAPOOREE Govinden Modeliar
Head of Markets

Mr Vyapooree has over 15 years of experience in the financial services sector and has extensive trading experience on forex, securities, derivatives, hedge funds and investment management.

He holds an MBA from the Heriot Watt University and is an associate of the Chartered Institute of Marketing UK. He also holds the ACI dealing qualification.

Mr ALBERT Clint
Head of Commercial Banking

Clint Albert started his banking career in 1989 after completing his higher studies.

Over the years he has worked at various levels in different Banks, gaining valuable expertise through on the job training and other courses/training attachments.

He has gradually climbed up the ladder and taking positions at Management level for the last 20 years, while at the same time consolidating a vast network of customer relationships.

Today this seasoned banker is heading the Commercial Department of the Bank, managing a portfolio of mid segment corporate customers.

Mr BEEBEEJAUN Muhammad Asif
Head of Special Asset Management

Mr Beebeejaun holds a BSc financial services/ACIB – UMIST England

He brings 27 years of banking experience from different Business Units, of which almost 11 years at Senior Management Level. Asif joined Maubank from Barclays Bank Mauritius Ltd, where he worked as Senior Corporate Credit Manager in the Credit Business Unit and Head Of Commercial in the Business Banking Unit. Prior to Barclays, he was at The Mauritius Commercial Bank Ltd, as Credit Analyst Corporate and Relationship Manager Business Banking.

Administrative Information (Contd)

Management Team (Contd)

Mr MUHEM Dharmarajan

Acting Head – Information & Technology Services (As from 01 April 2019)

Mr Muhem holds an MBA (University of Leicester) with specialisation in IT, a Certificate in Banking Studies & Computer Programming and a Diploma in Management (University of Leicester). He is also a Data Centre Design Certified Professional, Certified Project Leader and a Business Continuity Certified Specialist. Has 27 years banking experience.

Mr Seebaruth Rakesh (B.K)

Head of Internal Audit

Mr Seebaruth is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and holds a BSc (Hons) in Accounting.

He joined the Bank on 03 June 2019.

He has over 20 years of exposure in the field of auditing, accounting, finance and global business. He has worked in Big Four accounting and auditing firms and lead several audits in various sectors including asset management, banking, insurance, manufacturing, retailing and telecommunications.

Mr Ramjunun Gauravsingh

Company Secretary and Manager Legal

LLB Hons, LLM in International Financial Law

Mr Ramjunum joined the Bank in April 2019 as Company Secretary and Manager Legal . Prior to joining the Bank, Mr Ramjunum was practising as a barrister at law at Madun Gujadhur Chambers which he joined in January 2016. He had also previously worked as legal manager at the Financial Intelligence unit (Mauritius) from September 2010 to September 2013.

Mr Ramjunum is a law graduate from the University of Mauritius and was called at Bar of England and Wales in 2014 and to Bar of Mauritius in 2016. He also holds an LLM in International financial Law from the University of Manchester.

Mr Youell Peter Gregory

Head of Credit Risk

Mr Youell has over 20 years of International banking experience from different Business Units, of which almost 11 years at Senior Manager and Director Level. He joined Maubank from Barclays Africa Group, where he was the Head – Wholesale Credit Capability & Portfolio for Africa Region. He joined the Bank on 05 November 2018.

Mrs NUJEEBUN Shameema Bibi Khan

Senior Manager Internal Audit

Mrs Nujeebun is an FCCA and Certified project leader.

She has over 20 years of experience in the banking field and was acting Head of Internal Audit from 01 March 2018 to 2 June 2019.

Mrs PROSAND Ashiti

Company Secretary and Legal

LLB Hons, LLM in International Business Law, ACIS

Miss Prosand was the Secretary to the Board of Directors and overviewed the Legal Department at MauBank Ltd. She joined the Bank in June 2016 and previously worked at Standard Chartered Bank, Mauritius, in the same capacity and held various other roles in their Legal and Compliance Department.

Ms. Prosand is a law graduate from the University of Mauritius and holds a Masters Degree in International Business Law from the University of Manchester. She is also an Associate of the Institute of Company Secretaries and Administrators (ICSA), UK. She resigned from the bank's services on 15 March 2019.

Mr AGRAWALLA Anup Kumar

Head of Wealth Management

Mr Agrawalla holds a PGDBA from ITM Bangalore and prior to that, earned the degree of bachelor with honours in Commerce.

He has spent entire 19 years of his professional career mainly in consumer banking, life insurance and wealth management businesses across product, digital and distribution functions.

He joined MauBank from the Singapore headquartered DBS Bank where he was last based in Mumbai and was responsible for Investments, FX and non-resident business along with overall remit for customer experience and research. He resigned from the bank's services on 30 April 2019.

Mr MUSSAI Satish

Head of Large Corporate and Debt Restructuring

Mr Mussai holds an MBA in finance and a Bachelor degree in Commerce from University of Delhi. He has more than 25 years in the banking sector, Satish has held various senior positions in credit risk management, debt restructuring, corporate recovery and corporate relationship management. Satish held the post of Corporate Credit Director in his last assignment in an international bank. He resigned from the bank's services on 26 April 2019.

Administrative Information (Contd)

BRANCH MANAGERS AT 30 JUNE 2019

JUGNAUTH, Ravin Kumar
Place D'Armes

BUNDHOO, Mohammad Khalid
Curepipe

GUNGADIN Kesha
Goodlands

NANDOO Farhana
Rose Hill

DWARKA, Anoukshada
St Pierre

LUCKHEE Adesh
Pope Hennessy

RAMCHURN PURMESSUR, Reena
Rose Belle

ANSEREEGADOO Dony
Mahebourg

CHAN CHUEN Francois Jerome
Grand Bay

JOYGOPAUL Hemlata
Triolet

RANDHA GHOORAH Hemlata
Riviere Du Rempart

HUNGLEY Gary
Ebene

VELLIEN Sharon
Quatre Bornes

HURRYPAUL RAMPERSAD, Jaya
Lallmatie

LAKHOA Uttam
Flacq

ADJODHYA Kaushalbye
Vacoas

RAFFAUT Robert
Terre Rouge

RAMMA Meetabye
Rodrigues

Administrative Information (Contd)

DELIVERY CHANNELS AT 30 JUNE 2019

PLACE D'ARMES Branch 1 Queen Street Place D'Armes Port Louis Tel 405-9400 Fax 404-0333	ROSE BELLE Branch Royal Road, Baramia Rose Belle Tel 405-9400 Fax 404-0333	QUATRE BORNES Branch Cnr St Jean & Osman Avenue Quatre Bornes Tel 405-9400 Fax 404-0333
CUREPIPE Branch Royal Road Curepipe Tel 405-9400 Fax 404-0333	MAHEBOURG Branch Corner Delices & Marianne Streets Mahebourg Tel 405-9400 Fax 404-0333	LALLMATIE Branch Corner Royal & Tagore Roads Lallmatie Tel 405-9400 Fax 404-0333
GOODLANDS Branch Royal Road Goodlands Tel 405-9400 Fax 404-0333	GRAND BAIE Branch Richmond Hill Complex Grand Bay Tel 405-9400 Fax 404-0333	FLACQ Branch Flacq Shopping Mall Flacq Tel 405-9400 Fax 404-0333
CHEMIN GRENIER Branch Royal Road Chemin Grenier Tel 405-9400 Fax 404-0333	TRIOLET Branch Royal Road, Anand Square 8th Mille, Triolet Tel 405-9400 Fax 404-0333	VACOAS Branch Independence Street Vacoas Tel 405-9400 Fax 404-0333
ROSE HILL Branch 477 Royal Road Rose Hill Tel 405-9400 Fax 404-0333	Riviere DU REMPART Branch Riverside Shopping Complex Riviere du Rempart Tel 405-9400 Fax 404-0333	TERRE ROUGE Branch Royal Road Terre Rouge Tel 405-9400 Fax 404-0333
ST PIERRE Branch Kendra Commercial Centre St Pierre Tel 405-9400 Fax 404-0333	EBENE Ground Floor, Bramer House Cybercity Ebene Tel 405-9400 Fax 404-0333	RODRIGUES Branch Rue Max Lucchesi Port Mathurin, Rodrigues Tel 405-9400 Fax 404-0333
Pope Hennessy Branch Pope Hennessy Street Port Louis Tel 405-9400 Fax 404-0333		

Administrative Information (Contd)

FOREIGN CORRESPONDENTS

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3 Simmonds Street
Johannesburg 2001
South Africa

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International Financial Institution Group
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400051
India

MIZUHO CORPORATE BANK LTD
10-30 Nihonbashi-Kakigaracho
2 Chome Chuo-Ku
Tokyo 103-8528
Japan

CREDIT SUISSE
Uetlibergstrasse 231
PO Box 400
CH-8070 Zurich

NATIONAL BANK OF CANADA
National Bank Tower
600 da la Gauchetiere Street West
5th Floor
Montreal, Quebec H3B 4L3

ANZ NATIONAL BANK LIMITED
ANZ Centre
23-29 Albert St Auckland
Wellington
New Zealand 6010

YES BANK LIMITED
Part Ground Floor, Tower 2
Indiabulls Finance Centre
Senapati Bapat Marg Lower Parel
Mumbai, Maharashtra 400013
India

JP MORGAN CHASE BANK, N.A
18/ F JP Morgan Tower
138 Shatin Rural Committee Road
Shatin, New Territories
Hong Kong

BANK ALJAZIRA
Olaya Street
P.O Box 20148-Riyadh 11455
Saudi Arabia

JP MORGAN CHASE BANK
Wholesale Account Services
10420 Highland Manor Drive
2nd Floor, Tampa
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SOCIETE GENERALE PARIS
16, Rue Hoche
92972 Paris La Defence Cedex
France

ABSA BANK
International Financial Institution
2nd Floor, absa Towers North
180 Commissioner Street,
Johannesburg 2001
South Africa

AGRICULTURAL BANK OF CHINA
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33/F, ABC Tower, 9 Yincheng Road
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India