ANNUAL REPORT 2019

MCB GROUP

SUCCESS BEYOND NUMBERS

ONLINE INVESTOR CENTRE

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- Opt-in for email alerts pertaining to earnings releases and corporate events
- Access financial reports and presentations

SCAN ME

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Dear Shareholder,

The Directors of MCB Group Limited are pleased to present its Annual Report for the year ended 30 June 2019.

The Annual Report was approved by the Board of Directors on 27 September 2019.

M G Didier HAREL
Chairperson

Pierre Guy NOEL
Chief Executive

Nou konviksion

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

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

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

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

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

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

Success Beyond Numbers

Our convictions

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

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

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

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

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

MCB Group at a glance

Our identity

MCB Group Limited (referred to as 'MCB Group Ltd' or 'Group') is the holding company of MCB Group, which consists of banking and non-banking subsidiaries and associates. Our main subsidiary, i.e. The Mauritius Commercial Bank Ltd (denoted as 'MCB Ltd', 'MCB' or 'Bank'), is the leading bank in Mauritius. Furthermore, the Group is recognised as a prominent financial services player in the region.

Our purpose-driven approach

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

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

Our reporting suite

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

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

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

Financial highlights

Financial performance

Net profit

Rs 9,482 m

+31.3%

	Rs m
Jun 19	9,482
Jun 18	7,221
Jun 17	6,702

Total assets

Rs 471 bn

+21.9%

	Rs bn
Jun 19	471
Jun 18	386
Jun 17	345

Shareholder value

Earnings per share

Rs 39.70

+31.2%

	Rs
Jun 19	39.70
Jun 18	30.26
Jun 17	28.10

Dividend per share

Rs 13.00

+30.0%

	Rs
Jun 19	13.00
Jun 18	10.00
Jun 17	9.25

Market positioning

Customer loans

Rs 235 bn

+13.9%

	Rs bn
Jun 19	235
Jun 18	206
Jun 17	177

Customer deposits

Rs 328 bn

+11.2%

	Rs bn
Jun 19	328
Jun 18	295
Jun 17	272

Capital & profitability metrics

Capital adequacy ratio

17.4%

+27 bps

	%
Jun 19	17.4
Jun 18	17.1
Jun 17	18.8

Return on equity

17.6%

+2.8 pp

	%
Jun 19	17.6
Jun 18	14.8
Jun 17	15.5

Efficiency & asset quality

Cost to income ratio

37.1%

-3.0 pp

	%
Jun 19	37.1
Jun 18	40.1
Jun 17	41.2

Gross NPL ratio

Rs 4.1%

-42 bps

	%
Jun 19	4.1
Jun 18	4.5
Jun 17	6.2

Board of Directors

Independent Non-Executive Directors

Didier HAREL *(Chairperson)*

Sunil BANYMANDHUB

Karuna BHOOJEDHUR-OBEEGADOO

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE

Georges Michael David LISING *(as from November 2018)*

Jean-Louis MATTEI

Alain REY

San T. SINGARAVELLOO *(as from November 2018)*

Non-Executive Directors

Navin HOOLOOMANN, C.S.K. *(until November 2018)*

Jean-Pierre MONTOCCHIO *(until November 2018)*

Jean Michel NG TSEUNG

Margaret WONG PING LUN

Executive Directors

Pierre Guy NOEL

Gilbert GNANY

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

Committees of the Board

Risk Monitoring Committee

Jean-Louis MATTEI *(Chairperson)*

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(until January 2019)*

Gilbert GNANY

Didier HAREL

Georges Michael David LISING *(as from January 2019)*

Jean Michel NG TSEUNG *(also acts as Secretary)* *(as from January 2019)*

Pierre Guy NOEL

Strategy Committee

Didier HAREL *(Chairperson)*

Sunil BANYMANDHUB

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE

Gilbert GNANY *(also acts as Secretary)*

Jean-Louis MATTEI

Pierre Guy NOEL

Remuneration, Corporate Governance and Ethics Committee

Didier HAREL *(Chairperson)*

Karuna BHOOJEDHUR-OBEEGADOO

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(as from November 2018)*

Navin HOOLOOMANN, C.S.K. *(until November 2018)*

Jean-Pierre MONTOCCHIO *(until November 2018)*

Pierre Guy NOEL

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

Audit Committee

Alain REY *(Chairperson as from March 2019)*

Sunil BANYMANDHUB *(Chairperson until March 2019)*

San T. SINGARAVELLOO *(as from December 2018)*

Margaret WONG PING LUN *(until December 2018)*

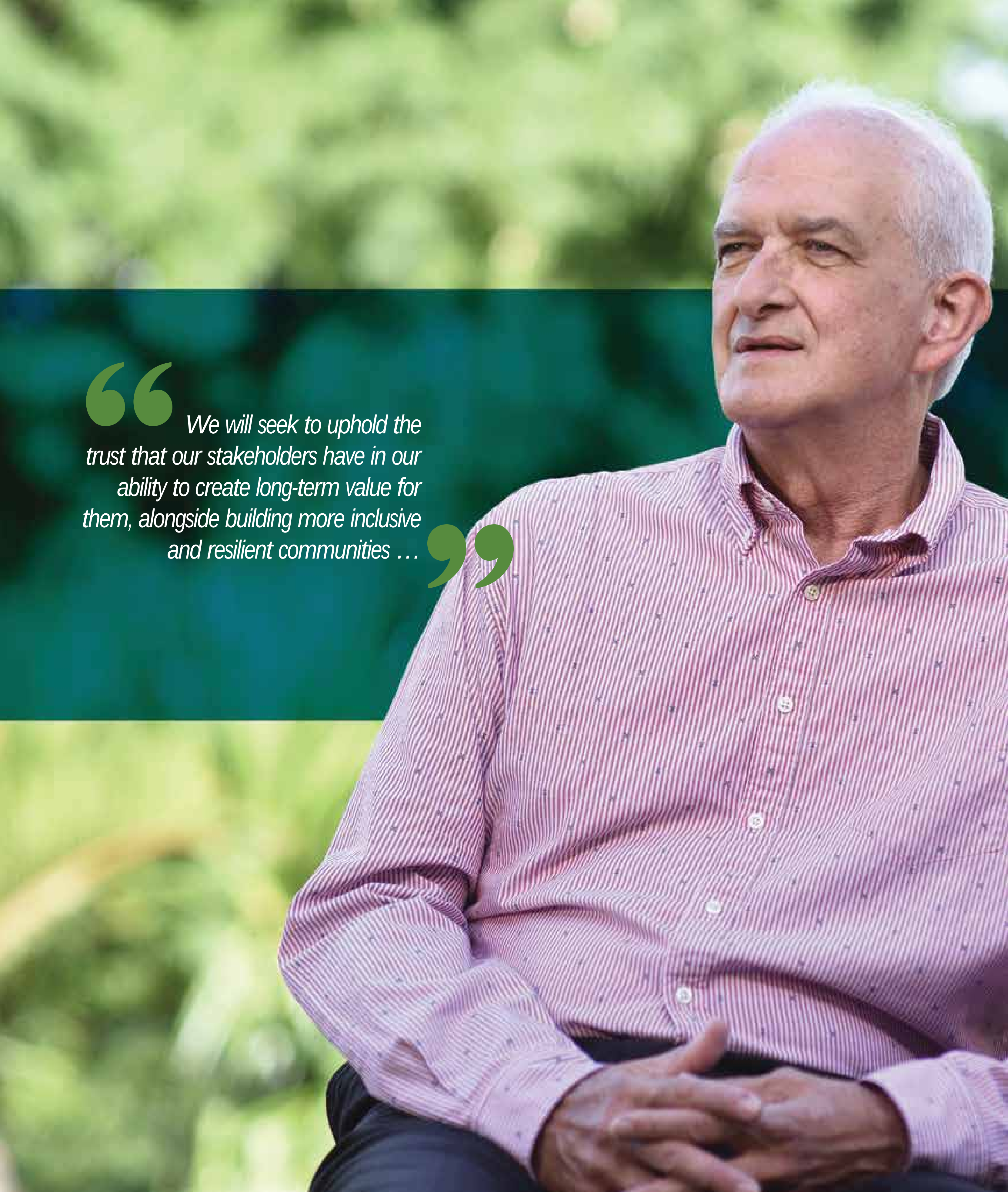
Secretary: MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Supervisory and Monitoring Committee

Didier HAREL *(Chairperson)*

Jean Michel NG TSEUNG *(also acts as Secretary)*

Pierre Guy NOEL



We will seek to uphold the trust that our stakeholders have in our ability to create long-term value for them, alongside building more inclusive and resilient communities …

Reflections from the Chairman

How do you look back on FY 2018/19?

It has been a particularly eventful and exciting year for us. We recorded a strong performance and pursued far-reaching initiatives to strengthen our foundations for sound and sustained business growth. While upholding our values and capitalising on our robust operating model, we undertook key investments to build an organisation which is worthy of the trust of our stakeholders.

Can you describe your main achievements?

During FY 2018/19, we delivered an excellent set of financial results. While our balance sheet sustained a notable expansion, attributable profit to shareholders increased by some 31% to attain Rs 9,482 million. Our performance reflects the continued success of our endeavours to broaden and diversify our revenue base at the level of both banking and non-banking entities. Indeed, earnings from foreign sources and non-banking operations contributed around 69% of Group results. We can also take pride from the fact that the Group has further improved its financial soundness ratios in support of its growth strategies. As a major achievement, our consolidated BIS and Tier 1 ratios have edged up to attain 17.4% and 15.8% respectively. Our cost to income ratio declined further, from 40.1% in the preceding financial year to 37.1% in FY 2018/19, while asset quality further improved in spite of the challenging context across some markets. We also maintained healthy funding and liquidity positions. Against this backdrop, the investment-grade rating of MCB Ltd was upgraded by Moody's Investors Service. This is, without any doubt, a proud accomplishment for us all. The upgrade should help us widen and deepen our regional expansion endeavours, while we continue to play a significant role in promoting the development of Mauritius.

On the business development front, while remaining alert to ongoing shifts across the operating landscape, the Group has actively and thoughtfully anchored its expansion drive on the basis of its three-pronged strategic orientations, which are to strengthen our domestic position, expand our non-bank activities and grow our international footprint. Group entities made noteworthy headway in accelerating business growth across key pillars, while further diversifying their market reach, notably on the African continent and beyond. As regard the banking cluster, MCB Ltd maintained its leadership position in the Mauritian banking sector. It executed its growth strategies across segments, helped notably by key innovations on the payments front. It pursued its regional diversification agenda, with commendable success achieved with respect to Energy and Commodities financing as well as international structured finance. As for our foreign banking subsidiaries, they have steadfastly pursued their initiatives to increase market positions in the retail and corporate fields. In the non-banking field, beyond improving our footprint across established areas, notably capital markets, we have reinforced our positioning as a regional hub for meeting the outsourcing needs of financial service providers, especially those in Africa, via our 'Bank of Banks' strategy. In addition to that, we gradually extended our footprint in new and emerging segments. Notably, we have reinforced our relationships with and stepped up our financial assistance to micro businesses and entrepreneurs. While capitalising on the expertise of key local and international stakeholders, our recently-established MCB Institute of Finance Ltd aims to provide students and professionals with the financial know-how via the delivery of dedicated courses. I believe that, going forward, this new entity should help to consolidate the Group's position as an integrated financial services provider and contribute to the development of the national 'Knowledge Hub' initiative.

> *"Our accomplishments indicate that our strategy is working ..."*

Our accomplishments indicate that our strategy is working in an environment which requires us to be permanently smart, innovative and disciplined in our approach and functioning. To achieve their objectives, the entities of the Group have continuously refined their value proposition with a view to stepping up service quality and addressing the increasingly demanding needs of their clients. In parallel, the Group sustained its efforts to enhance the competencies of its talent pool. We capitalised on a strong risk management and compliance framework to support our prudent and informed business expansion, while we fostered adherence to evolving local and international regulations, laws, codes and standards. In fact, our activities have been guided by our sound governance standards and practices, which are inherent in our values and processes. On another note, we strengthened synergies and collaboration amongst our different entities, which notably helped to step up our efforts and initiatives towards promoting our brand and sustaining our market visibility internationally.

Moreover, we have launched various business transformation and realignment projects to shore up inherent capabilities and nurture healthy foundations for future growth. Amongst the main projects underway, we have actively mobilised our resources to implement our Digital Transformation Programme, with MCB Ltd already benefitting in terms of the simplication of customer journeys and operational efficiency gains. At the same time, we have, amongst key realisations posted so far, made headway towards implementing an agile way of working within the organisation.

The last financial year was also marked by the dynamic engagement of our Group to purposefully rethink its status and identity within the economy and society in order to be relatively more impactful in its role as a responsible organisation. We implemented our ambitious Corporate Sustainability Programme, which is founded on our endeavour to revisit the notion of success beyond the financial performance mantra. In line with our 'Success Beyond Numbers' philosophy, key pillars that we have pursued are as follows: (i) the development of a vibrant and sustainable local economy; (ii) the protection and valorisation of our cultural and environmental heritage; and (iii) the promotion of individual and collective well-being. We have, at the same time, catered for a fitting operational and governance framework to underpin the conceptualisation and execution of initiatives.

Can you elaborate on your ambition to promote the interests and development of the people?

We continue to believe that the best investment that we can make is to develop our people and improve their level of engagement on an ongoing basis. We ensure that our employees acquire the necessary skills and competencies by means of proactive and bespoke learning opportunities, while furthering their professional advancement and resilience. We also aim to promote the well-being, empowerment and motivation of our people to help them pursue their ambitions and to bring the best out of them. Towards building strong and sustainable workforce capabilities, our organisation has, with the help of a renowned international consultant, moved forward to implement an HR Transformation Programme. The programme aims to embed world-class practices and processes towards (i) putting in place a robust talent management framework; (ii) promoting leadership development and cementing our attractive employer brand; (iii) entrenching a performance management framework which is conducive to result optimisation and talent development; (iv) fostering strategic talent acquisition to cater for current and future needs; and (v) boosting operational efficiency levels. While progress has, so far, been realised in terms of the development of key frameworks and an adapted operating model, we are also gearing up for the upcoming establishment of an MCB Leadership Academy, which will be a cornerstone of our HR Transformation Programme. The ultimate goal of the Academy is to bring our Group closer to becoming a learning organisation, whose objective is to create, acquire and transfer knowledge to build tangible and intangible value to stakeholders. It aims to enrich our work culture and champion change for the better of the organisation. The Academy will be pivotal in designing and delivering bespoke 'on-the-job' management training and soft skills modules, with a view to ensuring the ongoing development of current and future Group leaders.

"We continue to believe that the best investment that we can make is to develop our people and improve their level of engagement ..."

How has the organisation stood out?

The solid credentials of the Group have been rewarded and acknowledged in several ways. MCB Group Ltd has remained the strongest blue-chip company on the Official Market of the Stock Exchange of Mauritius during the year under review. We have consolidated our leadership position, with Rs 69 billion of market capitalisation posted as at 30 June 2019, accounting a market share of some 27%. While outstripping the market index, our share price has, in general, witnessed a notable increase during the last financial year and until recently. It achieved an all-time intra-day price high of Rs 300 in August 2019. Further reflecting our performance and as an improvement compared with last year's standing, MCB Group Ltd is now ranked 613th worldwide as per the latest Top 1000 World Banks listing of The Banker magazine, while retaining its status as the leading institution in East Africa. In another respect, the Group has been recipient of several awards. MCB Ltd won the 'Regional Bank of the Year - Southern Africa' award at the African Banker Awards 2019. Besides, the Bank was, for the sixth consecutive year, acclaimed 'Best Bank in Mauritius' at the Euromoney Awards. With regard to its corporate reporting, MCB Group Ltd has been the winner in the 'Governance' category at the PricewaterhouseCoopers Corporate Reporting Awards this year, which testified to our commitment for promoting transparency vis-à-vis our multiple stakeholders. In the same vein, I am proud to note that we made further headway with this year's Annual Report as gauged by our more comprehensive adherence to the integrated reporting principles. We have, indeed, posted an even more coherent display and appraisal of our ability to pursue our business growth and create stakeholder value. We achieved another major leap forward with the publication, for the first time, of a separate Sustainability Report. The latter provides an in-depth and illustrative overview of our efforts to contribute to the welfare and prosperity of societies and communities, alongside shedding light on our socio-economic impact in Mauritius.

What does the future hold for the Group?

Whereas we have made major strides in transforming our organisation, we are conscious that we cannot rest on our laurels in view of the increasingly dynamic and demanding context prevailing locally and abroad. Consistent with our risk appetite and while being guided by our robust governance framework, we will do what it takes to consolidate our position within existing markets and pursue our strategic intents across emerging segments exhibiting good business potential. The African continent will remain key to our business diversification endeavours, while we continue to adopt an opportunistic mindset in view of potentially interesting avenues beyond. On the operational front, we will embrace a clear vision and dedicated initiatives to instill a high-performance culture by continuously refining and optimising the way we function. We will also attend to the needs of our client base in an increasingly proactive and adapted manner. In addition to ensuring that business transformation and realignment programmes unfold in an efficient and timely manner, our attention will be devoted to the continued simplification and upgrade of our operating systems and processes with a view to further improving the productivity of our operations and sharpening our competitive edge.

As we move forward, we will actively pursue our digital transformation, from front to back end, which, we concur, is a sine qua non condition for us to remain relevant in the current business environment. The advent of

Big Data, Artificial Intelligence, Machine Learning, Blockchain technologies and other technological disruptions warrant that we remain on our toes, whilst deploying efforts towards accelerating the emergence of an ecosystem aimed at providing innovative and convenient propositions to our customers. Against this backdrop and while guarding any potential cyber risks, the Group is intent on incurring the necessary technology investments and re-engineering its business operations with a view to creating omni-channel and scalable digital experiences. In addition to tapping into impactful partnerships and ecosystems across industries, the onus will be on us to nurture a corporate culture and a mode of operation which are open to new ideas and are customer-driven, while being anchored on experimentation and an agile way of working. This is all the more essential given the rise of the millennials and Gen Z who, either as employees or customers, look for simplified and technology-centric opportunities, interactions and solutions that are best adapted to their mind-sets and behaviours. We are determined to rise up to this challenge!

In line with our purpose and values, we remain intent on bolstering our capabilities in order to implement more extensively our Corporate Sustainability Programme. Conscious of our prominent market positioning and our significance in furthering nationwide socio-economic development, we are aware of our roles and responsibilities to foster a better tomorrow for future generations. While collaborating with local partners and involving our employees, we will seek to uphold the trust that our stakeholders have in our ability to create long-term value for them, alongside building more inclusive and resilient communities, upholding the well-being and advancement of people, fostering a low-carbon economy and preserving a healthy natural environment. Let me add that we will remain transparent and outward-looking in our interactions and communications with our stakeholders. This involves enlightening them on the pragmatism and the basis of specific business decisions, while pointing out that embedding sustainability principles in our activities remains an ongoing journey in respect of which we do have additional grounds to cover.

On a concluding note …

On behalf of the Board, I would like to convey my sincere thanks to our esteemed customers for their continued trust in our ability to meet their goals and aspirations as well as to our valued shareholders who have remained fully invested in our growth. I wish also to express my unreserved gratitude to the Management team and to our employees across different entities and layers of the organisation for their passion, professionalism and hard work in driving the Group forward and making us succeed. I know that our organisation is being well managed and run, which provides us with reassurance when planning and strategising for the periods ahead. I would like to put on record my appreciation to my fellow Directors for their dedicated support and wise counsel in helping the Group to adapt to the constantly changing operating landscape, move in the right direction and achieve its strategic ambitions.

During the last financial year, we were saddened by the demise of our former Chairman, Gerard Hardy, who had joined the institution in 2002 as Vice-President of the Board of MCB Ltd, i.e. the Group's former holding entity, before being appointed to the Board of MCB Group Ltd as Chairman in March 2014 after the Group restructuring exercise. Gerard will be remembered for his leadership, high professional standards and for his significant contribution towards modernising the Group and steering it forward. On another note, I would like to take this opportunity to thank Navin Hooloomann and Jean-Pierre Montocchio for the strong acumen that they have brought to the Group, before leaving the Board in November 2018. In the same vein, allow me to express my warm welcome to San Singaravelloo and Michael Lising, who have both been appointed as members of the Board since then.

"We are conscious that we cannot rest on our laurels in view of the increasingly dynamic and demanding context …."

Looking ahead there is no doubt that the future holds much promise for our Group. While we are transforming the way we do business and interact with our stakeholders, we are fully conscious that we will be confronted to daunting challenges ahead. Alongside preserving the image, reputation and franchise of the Group, we intend to relentlessly pursue our growth strategy in an innovative, pragmatic and responsible manner, supported by our teamwork-driven culture and our quest for excellence.

M G Didier HAREL

About this annual report

Philosophy of the annual report

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

Icons used in this report

Read more in this Annual Report

Read more in the Sustainability Report on our website

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

Scope and boundary of reporting

Reporting period and contents

The report covers the period spanning 1 July 2018 to 30 June 2019. Material events taking place after this date and until approval by the Board of Directors of MCB Group Ltd on 27 September 2019 have also been communicated. The report contains insights on the operating context, the Group's business model and strategy, business performance, support to stakeholders, risk management and governance as well as financial performance and outlook for the short to medium term.

Operating businesses

The report sheds light on activities undertaken across the Group's local and foreign subsidiaries and associates. The nature and extent of information delivered depend on their materiality and relative significance to the Group and its stakeholders.

Reporting requirements

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

Assurance and independent assessment

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

Overview of key concepts

Value creation

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

Materiality determination

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

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

Read more in the Sustainability Report on our website

Our Mission

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

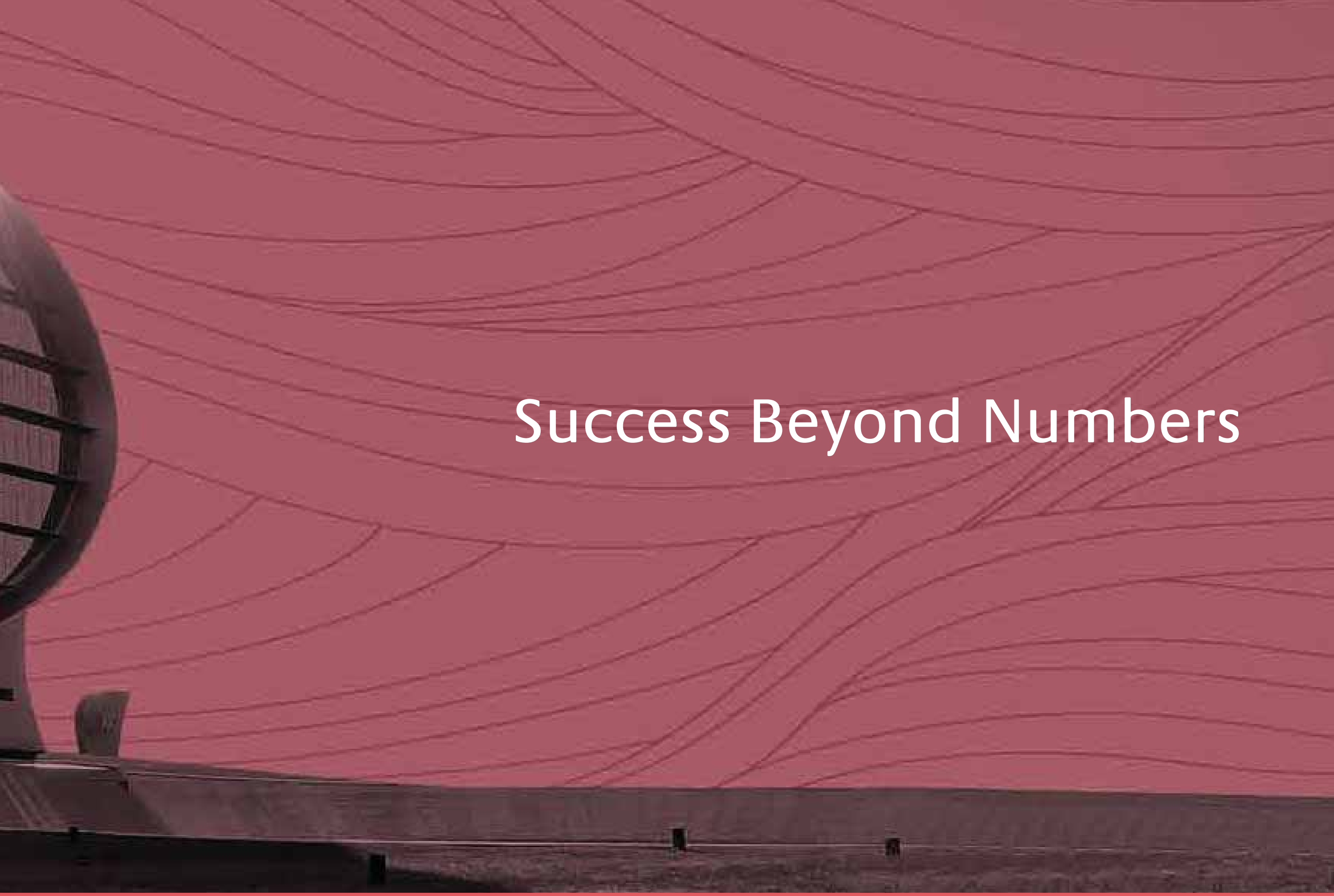
We will listen to them and help them achieve their goals

We will help people with ideas to be entrepreneurs

We will be worthy of our shareholders' confidence

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

And we will never go away



Success Beyond Numbers

Our Core Values

Integrity
Honest and trustworthy at all times

Customer care
Delivering unrivalled service

Teamwork
Working together towards a common goal

Innovation
Proactively seeking out new opportunities

Knowledge
Believing in lifelong learning

Excellence
Being the best we possibly can

Contents

al partou kot nou anvi

Eski enn loto so valer, li depann lor so groser ?
Ouswa li dan sa fasilite ki li donn nou al partou kot nou anvi ?

Does the value of a car live in its size, the make, the model?
Or is it in the freedom to choose our own path?

Our Corporate Profile

lev boner, travay, grandi

Moris... mo pei... Nou finn resi
Ansam nou'nn lev boner, travay, reve, grandi

Mauritius ... my country ... we did it!
We rose at dawn, we worked hard, we dreamt and grew


Good

Our corporate profile

Who we are

MCB Group is an integrated financial services provider. Building on its sound business model, the Group offers customised products and services to a wide range of clients through its local and foreign subsidiaries and associates. Through MCB Ltd, which was established in 1838, the Group has cemented its position as the leading banking sector player locally. In addition to that, the Group has actively diversified its activities across geographies, notably in the region, and broadened its footprint in the non-banking field. Listed on the Official Market of the Stock Exchange of Mauritius since its inception in 1989, MCB Group is one of the most traded stocks thereon, representing some 48% of market turnover[1] in FY 2018/19. We have the largest market capitalisation, with a share of some 27%[2]. The Group has a broad and diversified shareholder base, comprising around 14% of foreign shareholding.

Guided by our brand image ...

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

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

**Pertains to the servicing of financial obligations in Mauritius*

... we capitalise on our expertise ...

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

... to deliver on our strategic orientations

Our strategic foundations

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

- **Strengthen our domestic position**
- **Expand our non-bank activities**
- **Grow our international footprint**

Our supporting capabilities

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

[1]Excluding one-off transactions
[2]Excluding foreign-currency denominated, GBC1 and international companies

Our general positioning

~1,062,100
Clients

~1,150
Correspondent banks

3,617
Employees

49%
Female

Domestic market shares of MCB Ltd

Credit to the economy | Local currency deposits

■ MCB Ltd ■ Other banks

Our channels and digital platforms

60
Branches

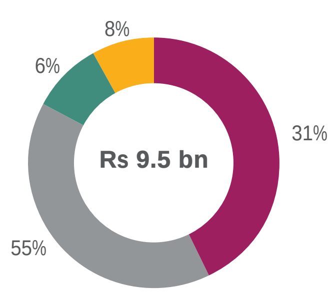
206
ATMs

~238,000
Internet Banking subscribers

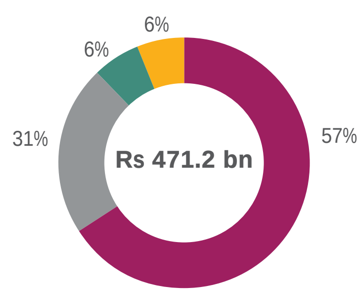
~263,000
JuiceByMCB subscribers

Breakdown of Group performance

Net profit



Assets



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

Our stock profile

>20,000
Shareholders

Rs 69 billion
Market capitalisation

Note: Figures above are as at 30 June 2019

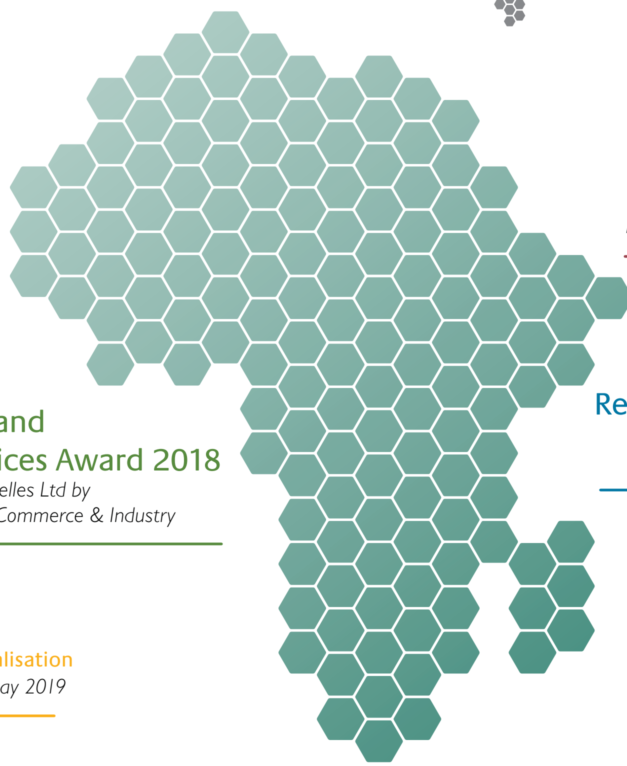
Our corporate profile

Accolades and recognition

World

613th in the world
in terms of Tier I capital
The Banker Top 1000 World Banks, July 2019

Africa



19th in Africa

1st in East Africa

in terms of Tier 1 Capital
The Banker Top 1000 World Banks, July 2019

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

Best Banking and Financial Services Award 2018
Awarded to MCB Seychelles Ltd by Seychelles Chamber of Commerce & Industry

Regional Bank of the year
Southern Africa
African Banker Awards 2019

81st in Africa in terms of market capitalisation
African Business Top 250 Companies, May 2019

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

Mauritius

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

Best Bank in Mauritius
Euromoney Awards for Excellence 2019

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

Best Private Bank in Mauritius
PWM/The Banker 2018

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

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

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

Our transparent and integrated business model

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

Our main areas of strength and differentiation

Client centricity

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

Governance and risk management

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

Technology and innovation

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

Human capital

We embrace a high-performance culture, underpinned by top quality talent and leadership management initiatives at all levels of the organisation. While adequately rewarding behaviours that we encourage, we ensure that each and everyone can realise their full potential and make a positive contribution to our organisation.

Operational excellence

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

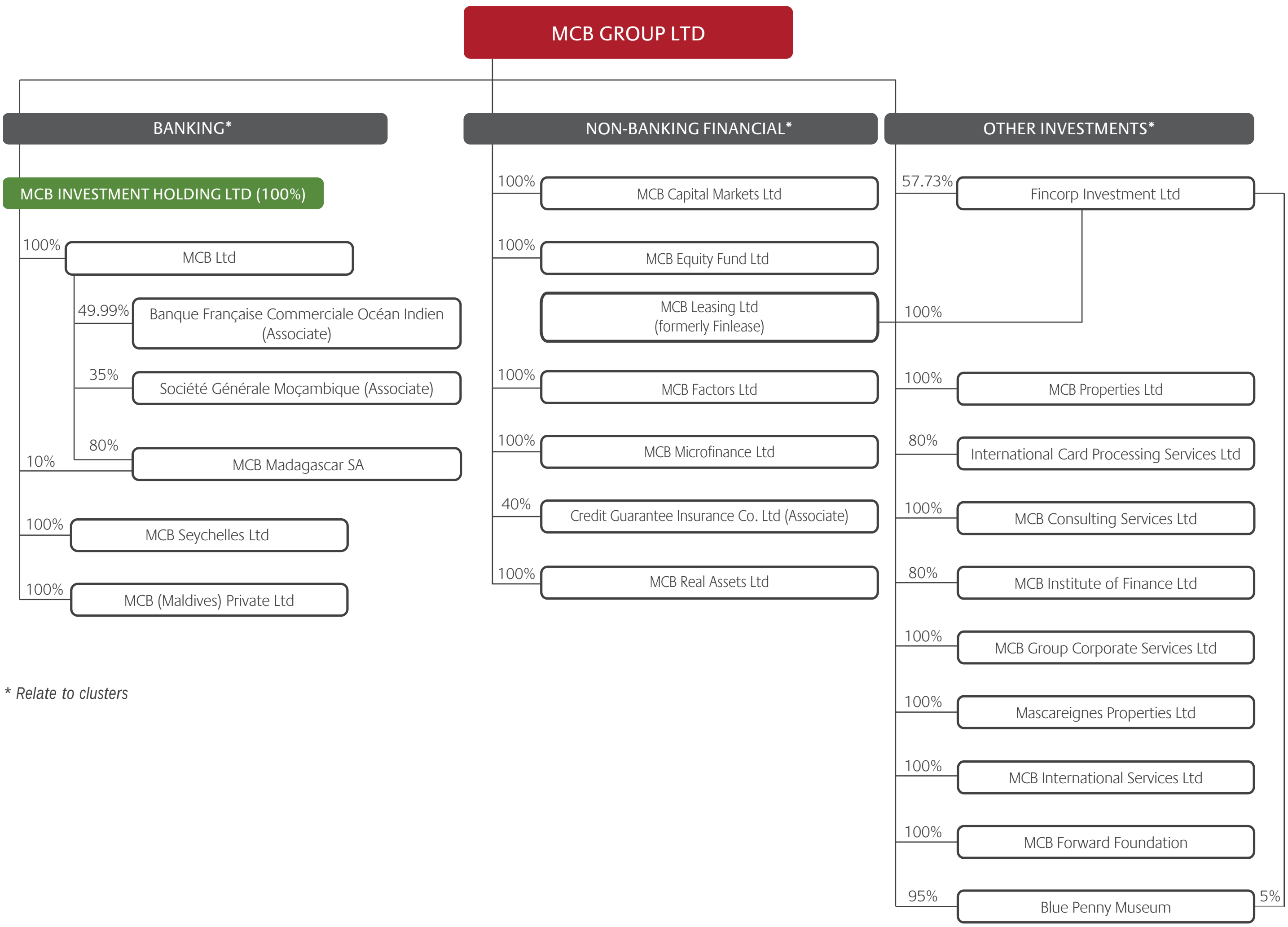
Sustainable approach

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

Our corporate profile

How we operate

Our strategy execution is underpinned by key pillars, which comprise entities, business lines, and coverage and support functions. Common frame-works and policies shape up the execution of our strategies and ensure that the Group works in an integrated way.



** Relate to clusters*

MCB Group Ltd is the ultimate holding company of the Group.

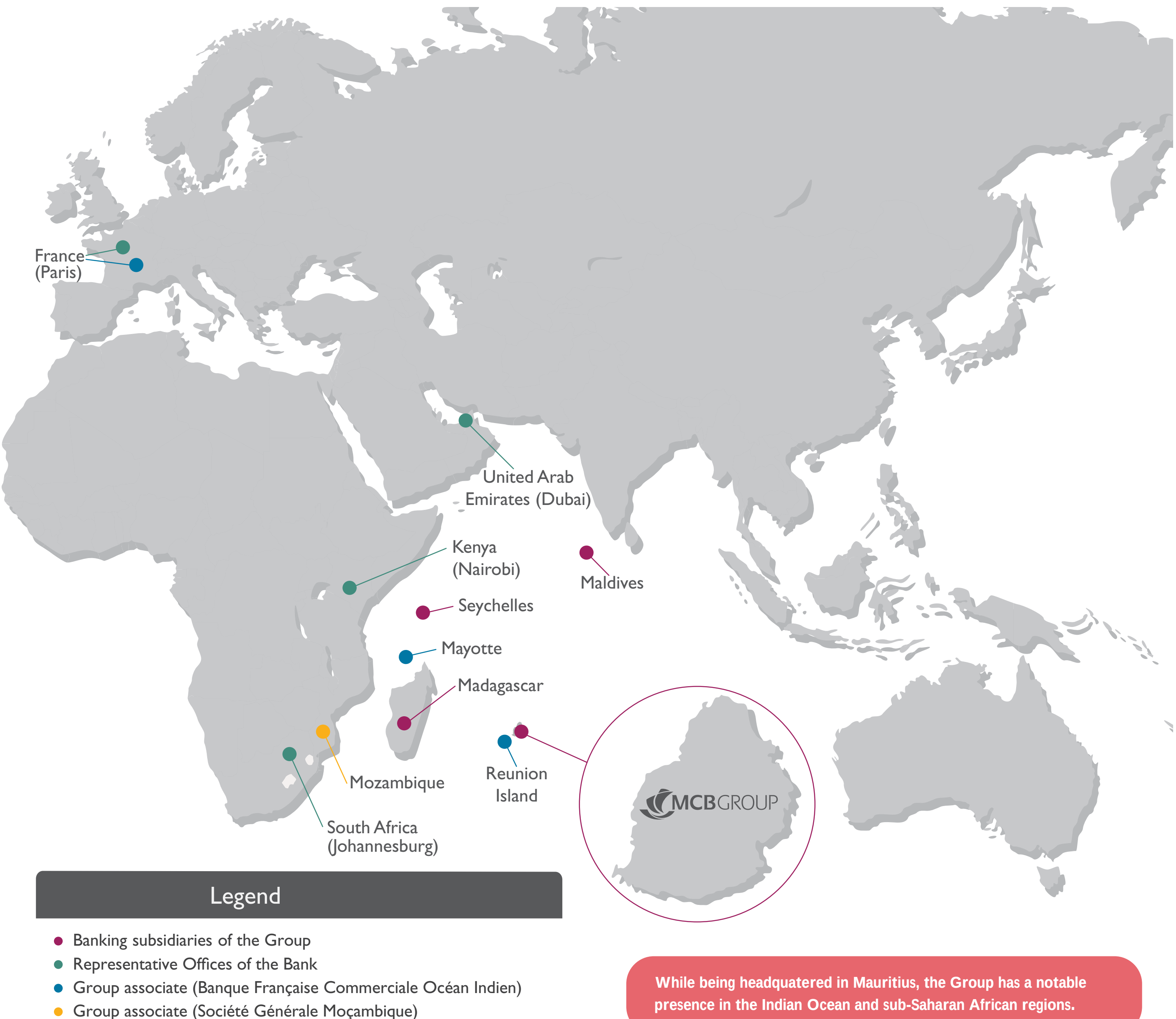
The subsidiaries and associates of the Group operate under three clusters, i.e. 'Banking', 'Non-banking financial', and 'Other investments'. **MCB Investment Holding Ltd**, a wholly-owned subsidiary of MCB Group Ltd, is the holding company of all the banking investments of the Group, namely MCB Ltd and overseas banking subsidiaries and associates.

In FY 2018/19, in collaboration with key partners, MCB Group launched the MCB Institute of Finance Ltd. It is dedicated to curating and providing the most relevant courses to develop the financial know-how of professionals and students alike.

Our market operations

Our functioning and positioning

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



While being headquatered in Mauritius, the Group has a notable presence in the Indian Ocean and sub-Saharan African regions.

Our corporate profile

Our clusters and entities

Banking

The Group is the market leader in the Mauritian banking sector via its main subsidiary, i.e. MCB Ltd, which is also actively involved in the region. Beyond Mauritius, the Group also leverages its overseas banking subsidiaries and associates.

MCB Ltd

Local

- We cater for the day-to-day and lifetime needs of our retail customers. In addition to credit facilities, convenient deposit facilities and adapted account packages are offered to individual customers across age and income groups.

- The Bank provides dedicated offerings as well as investment and wealth management solutions, which are geared towards the safeguard, growth and transmission of the assets of its affluent and high net worth client base.

- The Bank attends to the needs of large corporate and institutional clients in Mauritius by offering them flexible financial solutions as well as dedicated advice to meet their growth and capacity building ambitions. Recognising the significance of small and medium enterprises (SMEs) in the economic development of Mauritius, we provide them with tailored solutions to meet their growth endeavours and accompany them throughout their business development cycle.

- The Bank offers innovative payment solutions to help its overall clients manage their money on the go with convenience. Our clients have, at their disposal, multiple channels and platforms to realise their banking needs.

Foreign

- The Bank provides solutions to clients across sub-Saharan Africa, while also venturing beyond. The Bank is involved across the downstream, midstream and upstream Energy and Commodities financing, notably across Africa. We also offer structured project financing solutions to entities investing and doing business in Africa, while tapping into opportunities surfacing beyond. In this field, we offer financial solutions via bilateral lending, club deals and syndicated facilities to suit the requirements of our clients. Also, alongside capitalising on the status of Mauritius as an International Centre of repute and substance, the Bank positions itself to facilitate trade and investment between Africa and the rest of the world.

- We attend to the needs of foreign high net worth customers and external asset managers through tailored offerings.

- We actively promote the Group's 'Bank of Banks' initiative, by providing adapted solutions to financial institutions.

Overseas entities

- The Group's foreign banking subsidiaries in Madagascar, Maldives and Seychelles as well as its overseas associates, i.e. Banque Française Commerciale Océan Indien (BFCOI) – operating in Réunion Island, Mayotte and Paris – and Société Générale Moçambique, provide clients with banking solutions that are adapted to local market realities.

Non-Banking financial

The Group has gradually entrenched its participation in the non-banking financial services field.

Key entities

- **MCB Capital Markets Ltd** is the investment banking and asset management arm of MCB Group. Led by a dedicated and experienced team of specialists, the entity provides a broad range of investor services under one roof, notably including corporate finance advice, asset management, stockbroking, private equity, structured products and registry services. Based in Mauritius, the team works with clients wishing to start or grow their operations in Africa and helps them develop solutions that meet their financing, strategic and investment objectives.
- **MCB Factors Ltd** is a prominent oprator in the field of factoring in Mauritius. It offers innovative advisory and counselling solutions, while tailoring its factoring services to suit the business growth and cash flow requirements of its clients.
- **MCB Leasing Ltd** brings in a wealth of experience to position itself as a key market player. It offers a wide range of finance and operating leasing solutions, alongside offering attractive rates on fixed deposits.
- **MCB Microfinance Ltd** provides dedicated financial support to micro and small entrepreneurs towards assisting them to unleash their potential as well as implement their ideas and business plans.

Other investments

The Group is involved beyond the traditional financial services field, as gauged by its engagement across several business areas and ancillary undertakings. The Group also has dedicated structures to promote its actions in the Corporate Social Responsibity and philanthropic fields.

Key entities

- **International Card Processing Services Ltd (ICPS Ltd)** is a joint venture of MCB Group Ltd and Hightech Payment Systems (HPS), a leading payment software company present in more than 90 countries. Leveraging card business and technical specialists, ICPS provides state-of-the-art technology in Switching and Card Management Systems, while enabling banks to achieve economies of scale in outsourcing processing activities. Markets served span 20 countries in Africa and Asia.
- **MCB Consulting Services Ltd** provides companies with sustainable solutions to help them attain their innovation and business development goals. Its areas of specialisation include the provision of advisory services – which range from strategic planning and execution to risk management – business process reviews and organisation reviews, assistance in the selection, implementation and maintenance of Information Technology solutions, as well as the delivery of training services. The entity has been involved in 35 countries, notably across Africa, Middle East and Asia.
- **Fincorp Investment Ltd** is listed on the local stock exchange. It is an investment company with diversified interests.
- **MCB Institute of Finance Ltd** provides students and professionals with the financial know-how via dedicated courses, while promoting employability, professional growth and career advancement. It ambitions to become the African reference in the development of talents for the financial sector.

Read more in the 'Positioning ourselves for growth and success' section on pages 47 to 53

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

Our corporate profile

Our extensive and customised financial solutions

Through its banking and non-banking entities, the Group provides its clients in Mauritius, regionally and beyond with customised and innovative financial solutions as well as dedicated advice to meet their ambitions. We work closely alongside customers to understand their imperatives, challenges and priorities, while assisting them to design solutions adapted to their needs.

Personal financial services

Everyday Banking

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

Banking Channels

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

Payment Services

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

Financing Solutions

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

Savings & Investment

- Education plan/Retirement plan
- Local & international stockbroking
- Portfolio & wealth management
- Capital protected products
- Investment funds
- Exchange traded funds
- Custodian services
- Fixed deposits
- Distribution of life insurance plans, treasury bills & government bonds
- Credit-linked notes

- Intra-Group synergies are tapped into to provide clients with required solutions, e.g. provision of investor-related services and pursuance of the 'Bank of Banks' initiative. The Group positions itself as a regional hub in handling trade finance, payments outsourcing services amongst others, while also providing business solutions to financial service providers, notably in Africa.

Corporates & Institutions

Investment Related Services

- Structured products
- Structured credit
- Investment advisory services
  - Real assets
  - Private equity
- Securities & custodian services
- Brokerage services
- Investment management
- Dual currency deposits

Transactional Banking

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

Financing Solutions

- Short & long term loans
- Green loans
- Syndicated loans
- Bridging loans
- Private equity
- Mezzanine financing
- Project finance
- Capital financing
- Factoring
- Microfinance
- Operating & finance lease
- Asset-Based lending

International Trade Finance

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

Business Services

- Checking facilities
- Payroll services
- Secretarial services
- Share registry services

Foreign Exchange Services

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

Outsourcing & Advisory Services

- Payments outsourcing
- Consulting & project management services
- Corporate finance advisory

Payments & Cash Management Solutions

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

More information on our financial solutions is available on our website

What we deliver

Our value-creating business model

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

Inputs

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

Our core roles

- Financial intermediation
- Maturity transformation
- Business advisory and outsourcing

Our activities and operations

- Converting deposits and other funds into lending, leasing and factoring facilities to our clients
- Investing and trading in securities, forex and other financial assets
- Offering transactional, trade-related and risk-mitigation facilities
- Providing investor-related, asset management and corporate finance advisory solutions, as well as private banking and wealth management services
- Meeting the outsourcing needs of financial services providers by means of payments solutions and the provision of dedicated business review and transformation services
- Unleashing a range of other products and services spanning the non-financial field
- Undertaking dedicated actions to promote the welfare and development of the society

Our strategic imperatives

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

Delivering financial outcomes for the Group

[Interest income] − [Interest expense] + [Non-interest income = [Net fee and commission revenue + Trading revenue + Other revenue]] − [Staff costs] − [Other operating expenses and impairment charges] +

... create long-term value for our stakeholders

Outcomes

Shareholders and investors

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

Customers

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

Societies and communities

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

Authorities and economic agents

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

Employees

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

Pursuing our strategic intents in a judicious way

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

Executing our Corporate Sustainability Programme

Support a vibrant and sustainable local economy

Promote our cultural and environmental heritage

Invest in the individual and collective well-being

Read more in the 'Creating value in a sustainable way for the benefit of our stakeholders' section on pages 51 to 53

Read more in the Sustainability Report on our website

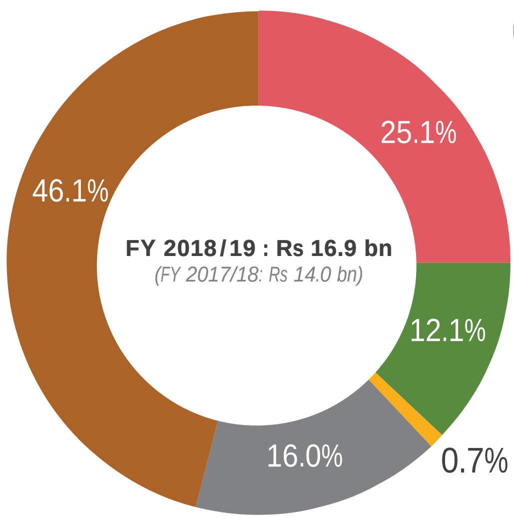
[Share of profits of associates] - [Income tax expense] = [Net profit] - [Dividends to shareholders] = [Retained earnings]

Our corporate profile

How we distributed value created

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

Wealth created by MCB Group



Employees

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

Retention to support growth

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

Authorities*

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

Providers of capital

We provide shareholders with adequate dividend payout.

Society

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

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

Read more in the 'Our strategic achievements and initiatives' section on pages 54 to 61

Read more in the Sustainability Report on our website

Delivering on our Strategic Objectives

lasante, ledikasion ek travay

Sikse, se lasante, ledikasion ek travay pou tou dimounn

Success is access to health, education and jobs for all

Mindful of the dynamic context, we will maintain our disciplined approach to the execution of our strategic plans …

Message from the Chief Executive

Can you shed light on the Group's performance?

We registered excellent results for the year ended June 2019, with further headway made at the level of both the banking and non-banking clusters, more particularly on the international front. Profit attributable to equity holders grew by 31.3% to reach Rs 9,482 million, with the combined share of foreign-sourced income and non-banking operations standing at 69% thereof. As a result, earnings per share rose from Rs 30.26 to Rs 39.70.

Underpinned by our diversification strategy, operating income increased by 19.3% to reach Rs 20,226 million. This was supported by a growth of around 21% in net interest income, which benefitted from enhanced performances across banking subsidiaries. In particular, MCB Ltd registered a significant expansion of its international loan book and improved yields on Government securities. Net fee and commission income grew by 10% to reach Rs 3,786 million as a result of enhanced contribution from MCB Capital Markets Ltd and higher revenues across banking subsidiaries, with strong growth recorded with regard to our Energy and Commodities business and payments services. In spite of a subdued performance in respect of profit on exchange and lower gains on disposal of investments by MCB Equity Fund Ltd, 'other income' grew by 25%, principally due to fair value gains on equity instruments at the level of MCB Ltd and higher contribution from entities in the non-banking segment, mainly MCB Consulting Services Ltd and MCB Real Assets Ltd.

On the back of initiatives to strengthen our human capital and uplift our technological readiness, operating expenses increased by 10.4%. Yet, in view of our robust performance on the revenue front, our cost to income ratio declined by 3.0 percentage points to 37.1%.

Whilst the Group's impairment charges rose by some 20%, the cost of risk in respect of loans and advances dropped marginally to 59 basis points of the latter. Asset quality further improved as gauged by our gross NPL ratio declining from 4.5% to 4.1%.

Notwithstanding a reduced contribution from Banque Française Commerciale Ocean Indien, Group results have also been supported by an increase of Rs 97 million in our share of profit of associates, explained by better performances by Société Générale Moçambique and Promotion and Development Group.

As another source of satisfaction, the Group has maintained robust foundations for the achievement of sound and sustainable business growth. We posted an improvement in our capital adequacy ratios, alongside maintaining healthy funding and liquidity positions.

Thanks to our sound credentials, Moody's Investors Service has upgraded the rating of MCB Ltd from Baa3/P-3 to Baa2/P-2. The agency acknowledged the Bank's disciplined and prudent expansion strategy, notably in Africa. Today, MCB exhibits the best long-term deposit rating amongst African commercial banks rated by the agency. We are confident that our improved credit profile will be a key element in assisting the Bank to further deepen and widen its regional footprint. In addition, as a testimony of the strong market confidence in our core fundamentals, MCB Ltd has, in April last, successfully secured a USD 800 million Dual Tranche Syndicated Term Loan Facility. This facility attracted commitments in excess of USD 1 billion from 24 participating banks spanning Europe, the Middle East and Asia. It represents the largest-ever syndicated facility in our history and marked our return onto the international debt markets after some 13 years.

What are the main business development realisations of the Group?

On the domestic front, MCB Ltd has consolidated its leadership position, while effectively responding to the needs of its individual and corporate clients. Toward this end, the Bank has continuously enriched its value proposition, underpinned by notable inroads made as regard its digital transformation and further innovation on the payments side. Beyond, the Bank has pursued its regional diversification agenda, with a significant expansion in exposures posted in respect of Energy and Commodities financing and international structured finance. The Group's foreign banking subsidiaries have pursued their business strategies across targeted markets, backed by an improved range of solutions, increased brand visibility and reinforced capabilities.

As for our non-banking entities, they expanded their activities and were increasingly involved beyond our local shores. While MCB Leasing Ltd and MCB Factors Ltd have maintained their prominent market positioning, MCB Capital Markets Ltd upheld its growth momentum in spite of the challenging operating environment. It completed a number of capital raising transactions locally and was increasingly active in advising African clients on their financing initiatives. The MCB range of funds, especially the USD-denominated fixed income funds, performed strongly relative to comparable funds, while assets under management increased year-on-year to reach USD 814 million despite a competitive environment. Indeed, the MCB Africa Bond Fund was ranked the top performing fund over a 3-year and 5-year horizon among more than 50 Africa focused funds tracked by Africa Global Funds.

Group entities have been actively reinforcing their foundations in order to be in a position to support sound and sustainable growth.

Message from the Chief Executive

Spanning the organisation as a whole, further progress has been made in showcasing our 'Bank of Banks' proposal aimed at positioning the Group as a regional hub for handling trade finance, payments and cards operations outsourcing services, alongside offering business solutions to financial service providers in Africa and Asia. MCB Consulting Services Ltd (MCBCS) dynamically pursued its progression in line with its 'positively disruptive' business strategy. As key achievements, it intervened in 7 new countries and signed new partnership agreements with global players. As for International Card Processing Services (ICPS), progress was made in providing multi-channel card and payment solutions to clients located in Mauritius, the Indian Ocean, Asia and key African economies.

Beyond, we have upheld our market diversification momentum, with a key development being the launch of our new Representative Office in the Dubai International Financial Centre. In addition, while MCB Microfinance Ltd made headway in fostering the financial inclusion and empowerment of small entrepreneurs, we established the MCB Institute of Finance Ltd which aims at promoting the financial know-how of professionals and students by way of offering in-class and on-line courses via renowned international partners.

How has the Group geared up to maintain its growth path?

Group entities have been actively reinforcing their foundations in order to be in a position to support sound and sustainable growth. While making allowance for applicable regulatory rules and compliance requirements, we strengthened our risk and capital management framework, making notable inroads in embedding a strong compliance culture throughout the organisation by means of regular training and reporting. Particular attention was also devoted to effectively handle and mitigate cyber risks, in view of their rising prominence, with further reinforcement of our relative processes and investment in more robust technological infrastructure.

In line with our already well established philosophy, we have continued to upgrade our technological platforms and have kept our business processes under constant review with a view to improving cutomer relationships and efficiency, while building the capacity to be in a position to offer our clients new products which are adapted to their ever evolving needs. Some of our major business units, like Treasury and Private Banking and Wealth Management, have undergone major transformation programmes aimed at enabling the Group to take due advantage of the positioning of Mauritius as an International Financial Centre and pursue its business development endeavours on the regional scene.

Our Digital Transformation Programme, which was initiated last year, is gaining momentum and is being scaled up to formulate innovative customer journeys, alongside contributing to improve our operational efficiency levels, enhance the quality of customer interactions and sharpen our competitive edge across dedicated segments. We made good progress in implementing an agile way of working at the level of MCB Ltd and we have set up a Change Management Office to provide the necessary structure to facilitate the implementation of ongoing initiatives. Also, we have established a Data Office to help enhance the quality and accessibility of the data infrastructure in support of our strategic thinking process, while our Customer Lab contributes towards research, encourages co-creation with customers and develops innovative solutions.

We remain committed to providing our employees with the right skills and competencies to perform to the best of their abilities ...

Via our HR Transformation Programme, we aim to implement world-class practices and processes to attract, develop and retain our employees, with due emphasis laid on talent management, our leadership brand and strategic talent acquisition. While setting the necessary building blocks to gear up our workforce capabilities, we remain committed to providing our employees with the right skills and competencies to perform to the best of their abilities via tailored learning opportunities. A key endeavour is to further their professional advancement and resilience towards adapting to the fast-changing and increasingly competitive environment.

As a major player within the local economy and our region, we are conscious of the key role we can play in living and promoting sustainable behaviour. Towards the end of last year, we launched our Corporate Sustainability Programme: 'Success Beyond Numbers'. This programme centres around three main pillars namely the development of a vibrant and sustainable local economy, the protection of the natural environment and promotion of our culture as well as the welfare of the society and its people. A number of initiatives have already been launched, including our 'Lokal is Beautiful' campaign aimed at local SMEs, and a comprehensive programme is currently being developed. Initial reaction to the programme from our staff has been very positive and has generated a very encouraging level of participation from them. It is hoped that we will be able to also rally our clients to this noble cause.

What is the way ahead for the Group?

While the global landscape remains testing, the economic conditions across countries where the Group is involved warrant close attention, although interesting growth avenues subsist in niche segments across the African continent. Group entities remain confronted by stiff competitive pressures across specific markets, partly linked to the advent of new technologies. Indeed, the increasing prominence and dissemination of digitalisation practices across industries is contributing to reimagine the way we conduct our operations and reshape the customer relationship model. In the same vein, we are being exposed to a digitally-savvy young population, with the Group called upon to provide adapted solutions to meet the needs and aspirations of its customers and employees. Mindful of the dynamic context, we will maintain our disciplined approach to the execution of our strategic plans on the back of reinforced capabilities. We will continue to focus on the strengthening of our domestic position, on expanding our non-bank activities and on growing our international footprint, with the African continent remaining a key focus area.

To pursue our expansion endeavours, we will enrich our value proposition and provide increasingly connected experiences to our customers while ensuring continuous reinforcement of our risk management, internal control and compliance frameworks. We will remain focused on implementing our three ongoing major initiatives namely our Digital Transformation Programme, the HR Transformation Programme and the Corporate Sustainability Programme.

As a major player within the local economy and our region, we are conscious of the key role we can play in living and promoting sustainable behaviour.

Against this backdrop and in line with the pipeline of opportunities at hand, we expect Group results to improve further in the coming financial year, albeit at a reduced pace given the strong performance achieved this year.

Your concluding remarks...

I would like to thank our valued customers for partnering with us and I acknowledge the unwavering trust of our shareholders in our ability to create sustainable value for them. Furthermore, I would like to thank the members of the various Boards of the Group for their valued insights, guidance and oversight to help the organisation to move forward and achieve its targets. On this front, I cannot but have a special thought for Gerard Hardy, our former Chairman, who passed away in March last. During the 14 years that he spent on the Boards of various companies within the MCB Group he provided us with the necessary strategic guidance and direction to steer the Group forward. Notably, he has in FY 2013/14, played an instrumental role in overseeing the smooth restructuring of our organisation, becoming the first Chairman of MCB Group Ltd.

Our strong set of results would not have been possible without the support and dedication of our staff and of the Management teams of all Group entities. I wish to thank them for contributing to making things happen and meeting our set objectives.

Pierre Guy NOEL
Chief Executive

Delivering on our strategic objectives

Introduction

Our positioning in FY 2018/19

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

Our underlying thinking and approach

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

Continuous monitoring and evaluation of our strategic positioning

The operating context

Our strategic objectives and intents

Our market development initiatives

Our financial performance

Key considerations

Our material matters inform and determine our strategic value drivers

We devote close attention to the needs/ aspirations of our stakeholders

We continuously gear up our inherent capabilities and, if need be, review our operating model in order to realise our objectives in a judicious manner

The operating context

Macroeconomic environment

Recent trends and developments

- Against the backdrop of the testing global landscape, growth in Mauritius remained in a challenging, yet resilient, zone. Real GDP growth at market prices is estimated at 3.8% in 2018, underpinned by a strong contribution from national investment. At the sectorial level, the figure reflects appreciable upturn in construction, expansions in the financial and business services, ICT and tourism industries, while being impacted by subdued performances by the domestic and export-oriented manufacturing industries. For 2019, growth should remain broadly unchanged on the back of the afore-mentioned dynamics, in particular given high public investment, though tourism should post a moderate expansion amidst the soft economic conditions prevailing in key markets. As for headline inflation, it pursued a downtrend to stand at 1.0% as at August 2019.
- As for sub-Saharan Africa, conditions are, as a whole, gradually recovering, with economic growth expected to reach 3.4% in 2019, from 3.1% in 2018. Whilst a less supportive external environment will continue to weigh on economic prospects, the foreseen recovery reflects notable growth in several non-resource intensive countries and higher commodity prices on average. Of note, while remaining volatile, oil prices have, on a point-to-point basis, declined during the last financial year, but have generally increased in recent weeks amidst geopolitical tensions.
- Mixed economic conditions have been observed across foreign countries where the Group is present. In Maldives, economic growth remains in a robust gear, driven by a solid expansion in tourism, commerce and construction activities. In Seychelles, macroeconomic fundamentals are generally sound, although growth is expected to narrow in 2019 given the country's vulnerability to external shocks. As for Madagascar, the economic context stayed generally favourable lately, notwithstanding uncertainties linked to the electoral cycle in the recent past. Moreover, GDP growth in Mozambique slowed in 2018 owing to lower mining output and is set to decelerate further in 2019 after tropical cyclones hit the country. In Reunion Island, growth narrowed lately, mainly due to lacklustre investment and a drop in exports, amidst the yellow vests movement.

Key economic indicators

Real GDP growth rate (%)	Average 2013-2017	2018*(e)*	2019*(f)*
Global economy	**3.5**	**3.6**	**3.2**
Sub-Saharan Africa	**3.5**	**3.1**	**3.4**
Mauritius	3.7	3.8	3.8
Madagascar	3.4	5.2	5.2
Seychelles	4.9	4.1	3.5
Mozambique	5.7	3.3	1.8
Reunion Island	2.6	1.7	-
Maldives	6.3	7.5	6.5

Selling rates of main currencies vis-à-vis the rupee	Value as at		Annual Average	
	30-Jun-18	30-Jun-19	FY 2017/18	FY 2018/19
USD	**35.3**	**36.0**	**34.5**	**35.2**
EUR	**41.1**	**40.9**	**41.1**	**40.1**
GBP	**46.3**	**45.6**	**46.4**	**45.4**

(e) estimate (f) forecast

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

Implications for our strategy and business activities

- Amidst the generally demanding context, the Group has adopted a thoughtful growth agenda, while reinforcing its market vigilance in order to adequately appraise and respond to the needs and expectations of its individual and corporate customers.
- Alongside further diversifying business activities across markets and regions, the Group has tapped into growth opportunities prevalent across niche segments and areas where it displays strategic competencies, after capitalising on its adapted value proposition.

Delivering on our strategic objectives

Market environment

Recent trends and developments

- Notwithstanding the challenging landscape, the banking and financial systems in Mauritius and our foreign presence countries have been characterised by healthy financial soundness metrics during the last financial year. The authorities remained particularly intent on modernising the monetary policy set-up, foreign exchange operations framework and payments system.
- Demand for credit has maintained an appreciable growth trajectory in Mauritius and our foreign presence countries, although moving at a relatively different pace. As for asset quality levels prevailing within the banking industries pertaining to the Group's presence countries, they have continued to be subject to pressures, albeit improving in Seychelles.
- In spite of remedial measures taken by the Bank of Mauritius via conduct of open market operations, relatively high liquidity levels have prevailed in the banking system in Mauritius. After having edged up for some time, yields on short-term securities have witnessed a relative decline in recent months amidst the persistence of imbalances within the money market. It can be added that high liquidity conditions have also warranted attention in our foreign presence countries.
- Of interest to both the banking and non-banking entities of the Group, competitive pressures remained relatively high in some markets. In Mauritius, such challenges subsisted mainly in the mortgage and cards segments, while operators enriched their digital and wealth management solutions. Banks also pursued their regional diversification strategies. Of significance also, the Bank of Mauritius has, as from 1 August 2019, offered Silver Savings Bonds and Silver Retirement Bonds for sale to enable the elderly improve return on savings and encourage savings towards retirement.
- Generally accommodative monetary policy conditions have been upheld in our other presence countries amidst easing inflationary pressures and mixed economic conditions. In Mauritius, the Bank of Mauritius has, in August last, cut the Key Repo Rate by 15 basis points to 3.35%, after making allowance for the worsening global economic outlook.

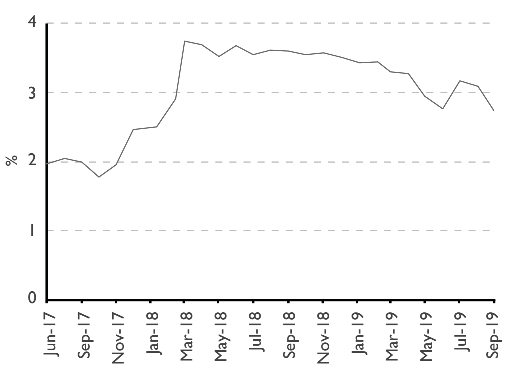
Key banking sector metrics

Loans & advances and NPL

	Loans and advances Y.o.y. growth (%)			NPL ratio (%)		
	Jun-17	Jun-18	Jun-19	Jun-17	Jun-18	Jun-19
Mauritius	1.9	5.8	7.6	7.1	5.5	5.6[1]
Madagascar	10.2	19.2	18.7	8.2	7.2	7.2
Maldives	10.0	13.4	8.2	9.6	8.9	9.6
Seychelles	11.2	17.1	20.7	7.2	6.0	3.4

Note:
(i) [1]Figure refers to Q1 2019
(ii) For comparative purposes, figures for gross loans in Mauritius prior to June 2019 have been adjusted, following the changes in reporting standards by the Bank of Mauritius

Average weighted yield – Government of Mauritius Treasury bills



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

Implications for our strategy and business activities

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

Legal and regulatory environment

Recent trends and developments

- The legal and regulatory environment facing the Group remains dynamic and is becoming increasingly demanding.
- Amongst key stipulations of interest to MCB: (i) the Guideline for the write-off of non-performing assets was revised to provide for a broad framework and specific requirements for the write-off process at financial institutions to ensure consistency and prudence across the exercise; and (ii) the Guideline on Credit Impairment Measurement and Income Recognition was amended to align prudential requirements pertaining to asset classification and provisioning requirements with advocated provisions of IFRS 9.
- To consolidate oversight of banking players and while gradually moving away from the current compliance-based set-up, the BoM embarked on the adoption of a full-fledged risk-based supervisory framework. It includes a specific module on Money Laundering/Fighting against Terrorism risks, which reflects the increasing emphasis being laid by the authorities to tackle such risks, as it can additionally be gauged by (i) the setting up, by the Central Bank, of a dedicated unit to monitor such matters by means of off-site surveillance and on-site examinations; and (ii) the passing of the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Act 2019, which amended various enactments with a view to meeting relevant international standards.
- The Office of the Ombudsperson for Financial Services has recently been set up, with the body mandated to, in particular, deal with complaints received from consumers of financial services and make an award for compensation where appropriate. In the same vein, the Bank of Mauritius has proceeded with the implementation of the recommendations of the 'Banking Your Future: Towards a Fair & Inclusive Banking Sector' report. The declared objective of the latter is to achieve a fairer and more inclusive banking sector, with specific instructions having been issued to banks after consultations with the Mauritius Bankers Association.
- On the fiscal front, the following are worth noting: (i) for banks in operation as at 30 June 2018, the special levy – which, effective year of assessment commencing 1 July 2019, is administered under the Value Added Tax Act – has been increased from 4% to 4.5% of leviable income (i.e. net interest income and other income from banking transactions with residents only) for operators having net operating income exceeding Rs 1.2 billion; and (ii) effective year of assessment starting 1 July 2019, the relief for tax credit available to banks on foreign sourced income will no longer be available, with corporate tax rates as follows: (a) a tax rate of 5% on the first Rs 1.5 billion of chargeable income; (b) 15% for amount exceeding Rs 1.5 billion; and (c) a reduced tax rate of 5% on the amount of the current year chargeable income exceeding that of the base year if the specified conditions are met.
- The Mauritius Deposit Insurance Scheme Act was approved by Parliament and received Presidential Assent in April 2019. It aims at better protecting the interests of depositors and to guarantee the repayment of their deposits, up to Rs 300,000 per insured depositor and per member institution, in case of failure of a bank or non-bank deposit-taking institution licensed by the Central Bank. Of note, however, the legislation has not yet been proclaimed, with the BoM currently working on its operational aspects.
- With regard to our foreign presence countries, Central Banks have pursued their efforts to strengthen the regulatory oversight of operators and consolidate their respective industries. This contributed to maintain financial stability, backed notably by the emphasis laid on strengthening compliance requirements, measures to combat anti-money laundering and financial education.

Implications for our strategy and business activities

- In the light of observed developments, the Group strived to appropriately ascertain the significance of legal and regulatory stipulations for relevant entities, while proactively engaging with regulators. Entities strengthened their risk management and compliance capabilities to ensure strict adherence to mandatory rules and advocated norms, backed by reinforced processes and frameworks.

Delivering on our strategic objectives

Technology and society

Recent trends and developments

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

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

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

Implications for our strategy and business activities

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

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

Positioning ourselves for growth and success

Overview

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

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

Our main strategic objectives

- Strengthen our domestic position
- Expand our non-bank activities
- Grow our international footprint

Embedding sustainability as a key value driver

Our key focus areas

General thrusts

- Maximise long-term value creation for our multiple stakeholders
- Preserve the image, reputation and franchise of the Group

Specific targets

- Help promote the socio-economic development of Mauritius
- Increase our share of foreign-source income, while positioning the Group as a competitive regional financial player
- Actively and thoughtfully pursue our Africa Strategy, alongside exploring business avenues beyond
- Enrich the appeal of our value proposition across markets, backed by an innovative mindset
- Capitalise on synergies and partnerships within the organisation and with external parties

Our promise to creating a differentiating customer experience

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

Delivering on our strategic objectives

Our governance and processes

General Framework	• MCB Group has a well-defined governance framework as well as coherent processes and practices to facilitate strategy elaboration, execution and review. The Board sets the strategic directions of the Group, approves strategic policies and ensures that they are communicated throughout the organisation. • The Board is assisted by the Strategy Committee which, *inter alia*, makes recommendations on development strategies, assesses strategic opportunities, follows up on Group-wide initiatives and ensures that strategy execution is backed by adequate resources and structures.
Key process	• While ensuring congruence with strategic directions set at Group level, the entities formulate their own strategic orientations, which are cast in a 3-year rolling plan and endorsed by the Board at the start of each financial year. • Alongside being subject to relevant regulatory and compliance requirements, the entities determine their strategic initiatives after taking on board the inherent specificities and exigencies of the markets in which they operate as well as the relevant challenges and opportunities characterising the businesses they pursue. • When contemplating their strategic directions, entities make allowance for the risk appetite, as formulated across segments, while considering their capital position as well as the scale and proficiency of their physical and human resources. In their functioning, entities capitalise on Group synergies, while the services of external consultants are selectively leveraged to provide entities with competent tools and guidance in order to sustain their thinking and decision-taking process. Of note also, key priorities and performance indicators are formulated with a view to providing clarity and direction towards supporting the smooth deployment of envisioned initiatives. Entities have their own strategic planning processes. In respect of banking entities, they have a similar planning process, with the one applied by MCB Ltd depicted as follows.

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

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

- The Strategic Planning and Budgeting Committee discusses options with business units to execute strategic priorities
- A consolidated 3-year plan and budget is finalised and presented by the CEO for validation by a joint Board of the Bank and of the Group

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

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

Strategic orientations and objectives across clusters and entities

Banking cluster

MCB Ltd

Our long-term destination

A strong and innovative regional financial player within a diversified Group

Our short to medium term strategic orientations

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

Our key objectives and strategic focus areas

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

Key pillars

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

Foreign banking subsidiaries

- Increase market shares across retail and corporate segments, while positioning the entities as trusted banking partners
- Expand activities across new and emerging customer segments, with the affluent market as a key focus area, while reinforcing proximity with small and medium enterprises
- Lay greater emphasis on the adoption of digital and innovative practices, backed by the implementation of mobile banking service and upgrades to multi-channel payment platforms (e.g. Internet Banking, ATMs, POS, E-commerce)
- Improve customer experiences and widen the range of offerings to enrich the value proposition, notably relating to card solutions, retail loan facilities as well as new offerings to boost the corporate segment, notably structured financing solutions
- Leverage solutions developed by MCB Ltd in the entities' presence countries, backed by service level agreements
- Expand physical footprint for increased market presence, while growing and modernising the branch network

Delivering on our strategic objectives

‘Non-banking financial’ and ‘other investments’ clusters

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

Zoom on selected entities

MCB Capital Markets Ltd

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

MCB Leasing Ltd

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

MCB Factors Ltd

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

MCB Microfinance Ltd

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

MCB Real Assets Ltd

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

International Card Processing Services Ltd

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

MCB Consulting Services Ltd

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

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

Our key foundations

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

Read more in the Sustainability Report on our website

The Group has a well-established governance and operational framework to ensure that engagement with stakeholders is managed in a transparent and impactful way, in alignment with international practices and regulatory stipulations. Stakeholders are kept informed about the Group's business and strategy on a regular basis through various channels. Their views and concerns, notably gathered through ongoing dialogues, meetings and surveys, are considered in the Group's decisions, with material issues escalated to the Board. The organisation's activities underlying its stakeholder value creation are anchored on sound foundations. The employees of MCB Ltd abide by the Bank's Code of Conduct and the National Code of Banking Practice. Reflecting its commitment to entrench applicable principles in its strategy and operations, MCB Ltd is an adherent to the United Nations Global Compact at participant level. The latter is the world's largest voluntary corporate responsibility initiative for businesses committed to aligning their operations and strategies with universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Since August last, MCB Ltd is one of the founding signatories of the Principles for Responsible Banking of the United Nations Environment Programme – Finance Initiative. The Principles provide the banking industry with a single framework that embeds sustainability at the strategic, portfolio and transactional levels across business areas, thus assisting operators in playing a leading role in achieving society's goals. MCB Group Ltd is one of the constituents of the sustainability index of the Stock Exchange of Mauritius which tracks the market price-performance of listed companies that demonstrate strong sustainability practices.

Delivering on our strategic objectives

Our Corporate Sustainability Programme

Our rethinking

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

Our vision and philosophy

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

Our Corporate Sustainability Programme

Our philosophy

Success Beyond Numbers

Our holistic investment towards making Mauritius prosper

Pillars

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

Key stakeholders directly and indirectly impacted

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

Key enablers supporting the operationalisation of the programme

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

Delivering on our strategic objectives

Our strategic achievements and initiatives

General overview

During FY 2018/19, entities of the Group pursued their business development amidst an exigent context. In addition to reinforcing its leadership position in servicing individual and corporate clients within the Mauritian banking sector, the Group preserved its prominent regional involvement, while making headway in the provision of non-bank financial services. Overall, alongside exercising market vigilance and catering for sensible risk management, the Group laid emphasis on the diversification of its exposures across segments and geographies, while upgrading capabilities in support of sustained market development. We continued to leverage synergies, with focus laid on (i) tapping into need-based cross-selling avenues; (ii) the replication of client solutions across geographies; and (iii) provision of bundled solutions emanating from business lines and entities, particularly in relation to investor-related services and the Group's 'Bank of Banks' value proposition. Notably, the Group continued to position itself as a regional platform for handling trade finance, payments outsourcing and undertaking consulting assignments for banking and financial services counterparts, operating notably in Africa.

Fostering our stakeholder engagement

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

Read more in the 'Our performance across entities' section on pages 62 to 82

Read more in the Sustainability Report on our website

Shareholders and investors

- We upheld the image and reputation of the Group as a strategically important player. Backed by further market diversification, enhanced customer service quality and solid risk management, the Group posted a strong growth of around 31% in net profit during the last financial year. Against this backdrop, we continued to generate comfortable earnings to reward our shareholders and investors, while delivering adequate dividends and maintaining attractive returns on investment.
- The Group promoted open communication with its shareholders in order to foster strong and transparent relationships with them. As a key priority, we fostered the availability of timely, concise and detailed information on the positioning and performance of the Group. Furthermore, we regularly engaged with shareholders to better understand their perspectives.
- We continued to hold open, constructive and regular dialogues with international rating agencies with a view to reporting on the performance and prospects of the Bank as well as its strategic orientations. Along the way, we shared dedicated analyses to provide comfort as regard our risk management and business growth foundations. The year under review saw the upgrade, by Moody's Investors Service, of the credit rating of MCB Ltd, thus further reinforcing its investment-grade profile.
- The Bank has successfully accessed global financial markets. This can, notably, be gauged by the raising of USD 800 million Dual Tranche Syndicated Term Loan Facility on international markets, which attracted significant market interest.

Read more in the 'Corporate Governance Report' on pages on 126 to 131 and the 'Group Financial Performance' section on pages 84 to 91

Customers

- Backed by a thorough understanding of exigencies and requirements across market segments, we provided clients with increasingly simplified and personalised financial solutions to help them meet their goals, thus contributing to their prosperity and financial well-being. We made further headway in building life-long relationships with clients, while accompanying them in good and bad times. We pursued the digitalisation of our operations and services, alongside improving the reach and appeal of our wide-ranging channels to allow customers undertake payments and transactions in an easier, faster and safer way.

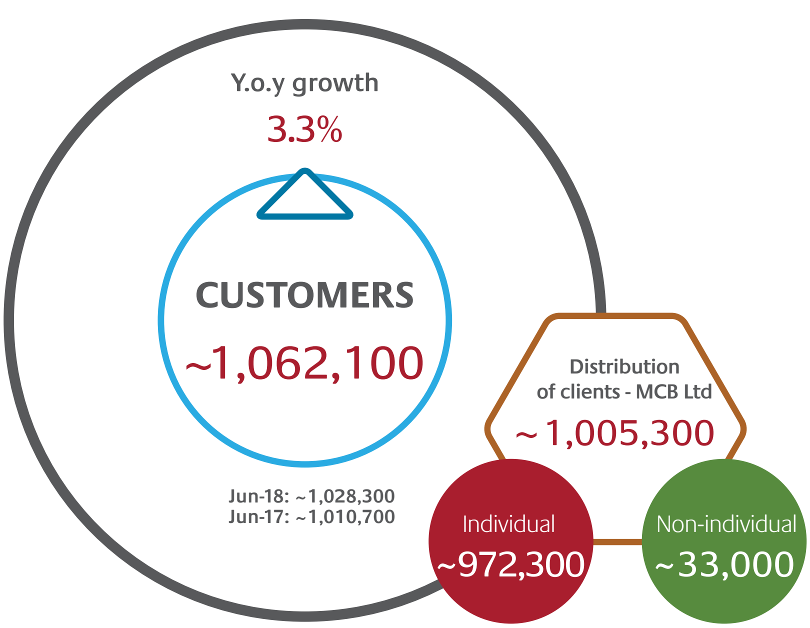
- We continued to adopt appropriate and carefully-designed communication and reporting channels vis-à-vis our customers to provide them with transparent and timely advice and information about our offerings and effectively attend to their queries. We regularly sought customer feedback on our solutions, notably via surveys and focus group discussions, towards improving our value proposition. We embraced dedicated initiatives to address customer complaints in an efficient and opportune manner. It is worth noting that 85% of customer complaints registered during FY 2018/19 have been resolved within less than 5 days as per estimates, which represents an improvement of five percentage points relative to the preceding year's outcome.

- We preserved the security and confidentiality of transactions, alongside upholding customers' trust in the organisation. Towards this end, we reinforced our internal platforms and processes, including our cyber risk management framework, to ensure the safety of our customers' information, while ensuring that they can use our channels in a dependable way.

- We have strengthened client relationships and our market visibility, mainly through the organisation of and participation in various promotional and commercial initiatives, as well as international seminars, conferences and roadshows. Such events enabled the Group to promote its capabilities and value proposition, while gaining insights on international business trends and dynamics. The Group reinforced linkages with carefully-chosen business operators and other stakeholders across the market place. We remained active on social media platforms such as Facebook, Twitter, YouTube, Instagram, and LinkedIn.

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

Customer base as at 30 June 2019



Deploying digital platforms

~263,000
subscribers to our 'JuiceByMCB' mobile banking platform

+46% y.o.y growth

+54% 3-year annualised growth

~238,000
Internet Banking subscribers

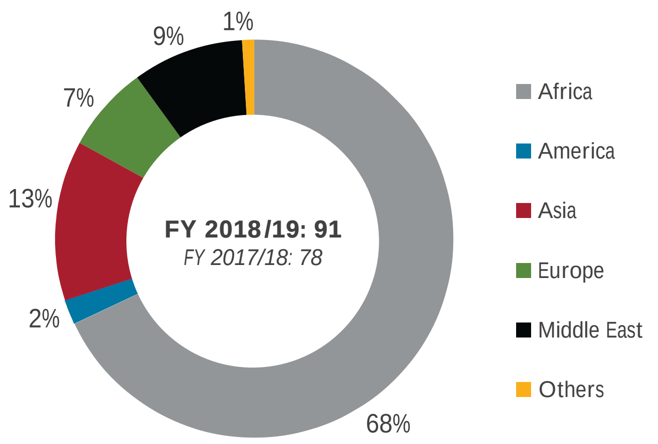
+15% y.o.y growth

+19% 3-year annualised growth

Note: Figures above are as at 30 June 2019

Delivering on our strategic objectives

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



Organisation of and participation in key events

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

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

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

Societies and communities

- The Group has continued to foster the well-being and progress of the societies and communities in which we live and operate. In Mauritius and across other presence countries, we partnered with relevant stakeholders, such as NGOs and public sector entities, towards promoting societal well-being. We provided support in key focus areas, notably community empowerment and preservation of the natural environment, arts and culture, youth development and sports, as well as education. In respect of the latter, it can be noted that our organisation has, so far, awarded 31 scholarships to Mauritian students ranked next in line with those eligible for the State of Mauritius scholarships on the Economics side at the Higher School Certificate examinations, while 34 students from Rodrigues have been awarded scholarships under the MCB Rodrigues Scholarship, enabling them to pursue tertiary studies at the University of Mauritius.

- Our corporate social responsibility activities are channeled via the MCB Forward Foundation, which is the dedicated vehicle responsible for the efficient and effective design, implementation and management of initiatives meant to embed the Group's engagement with the communities in which it operates. In FY 2018/19, consistent with the authorities' requirement for companies to set up an annual CSR Fund representing 2% of their chargeable income derived during the preceding year, an aggregate amount of around Rs 109.3 million was accordingly earmarked by the Group's local subsidiaries. In line with the Government policy that 50% of companies' CSR contributions for projects initiated prier to January 2019 be channeled to the Mauritius Revenue Authority, Rs 54.7 million were entrusted to the MCB Forward Foundation and spent on 15 projects, of which 13 are ongoing. The entity remained actively engaged into dedicated projects for the promotion of social welfare and empowerment through multiple areas of intervention. During the last financial year, particular attention was given to the provision of decent dwelling to families of beneficiaries. For instance, 15 households under the MCB Football Academy benefited from renovated housing arrangements.

- It is worth highlighting that no political donations were made during the year under review.

- By means of our personalised solutions and thoughtful channel distribution, we promoted financial inclusion in Mauritius, thus enabling our low-income customers to get access to credit and improve their conditions. We helped individual clients achieve their ambitions, including buying a home/car or paying for personal expenses. With regard specifically to the tailored financial solutions of MCB Ltd: (i) the low minimum balance for account opening and the fact that our savings account bundle bears no cost make the offer extensively accessible; (ii) parents are invited to open Junior accounts to encourage our young generation to be financially responsible and save from a young age; and (iii) our unsecured personal loan offer, which is also available to non-MCB customers, is often sought by low-income customers to cover for education and housing purposes. Furthermore, we provided innovative and customised solutions to SMEs as well as micro-enterprises and self-employed individuals, thus benefiting business people and households.

Attending to the needs of our customers across segments

Helping students

~Rs 1.3 billion

representing total student loans approved (under normal banking terms and the Government Guarantee Scheme), account for a market share of **66%** (over the period April 2013 - June 2019)

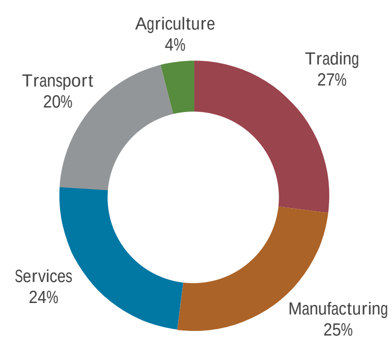
Helping entrepreneurs (MCB Microfinance Ltd)

~1,945 clients financed

~2,760 loans disbursed for

~Rs 528 million

(as at June 2019)



Note: Figures in pie-chart relate to outstanding loans

Delivering on our strategic objectives

- We made further inroads in preserving our cultural heritage, while promoting the dissemination of arts. We took the leading role in sponsoring and/or spearheading the materialisation of key projects aiming to promote local talents at various levels, including music, singing and dance, art and writing, photography, painting and sculpting, as well as theatre and performing arts. On another note, we encouraged the adoption of environment-friendly and energy-saving practices in our operations and business activities. Since May 2012, MCB Ltd adopted the Equator Principles, which is a voluntary and internationally recognised risk management framework, espoused by many financial institutions worldwide, for determining, appraising and managing environmental and social risks in project financing. This framework stands as the foundation and guiding principle of the Bank's Environmental and Social Policy, which articulates the principles, policies, roles and responsibilities through which the Bank ensures the environmental and social risks management of its lending activities, in particular regarding any project or undertaking entailing loans of an aggregate amount greater than or equal to USD 2 million and with maturity of at least 24 months. As a key strategic thrust, the Bank continued to monitor and assess its direct environment footprint in order to minimise the impact of its activities on the environment. The Bank remained committed to raising awareness amongst its employees and external stakeholders, while engaging with them to stimulate the adoption of sustainable habits and work towards environmental protection. We worked towards effectively managing our direct carbon footprint, driving eco-efficiency performance and greening the supply chain. For instance, the Bank seeks to ensure that all suppliers comply with sustainable procurement standards. Also, it actively promotes the use of e-statements by customers. The total number of customers subscribing thereto increased by nearly 6% during the year ended June 2019. In the same vein, in order to reduce the environmental impact of our activities and operations on the society and community, an electronic communication campaign was launched in July 2019 to encourage shareholders and bondholders to receive the soft copy of our Annual Report by email instead of the hard copy usually sent to them. A positive response was received from shareholders. Moreover, we encouraged environment-friendly and energy-saving investments, as it can particularly be gauged by the provision of the third edition of our preferential credit facilities termed as 'Green loans' (see pages 63 and 72 for more details).

Authorities and economic agents

- We assisted our presence countries in their endeavours to promote the development and modernisation of their respective economic sectors and financial jurisdictions. In Mauritius, alongside financing key projects shaping the economic landscape, the Bank helped to foster the sustained growth of the country's businesses. We have remained a dedicated and trusted partner for large corporates and investors, while upholding our commitment to accompany small and medium enterprises across a broad range of economic sectors by means of our tailored and modular solutions. Furthermore, the Bank helped to position the Mauritian jurisdiction as an International Financial Centre of substance and good repute, backed by support provided to businesses transiting through our country to conduct business across the African continent.

Helping the economies where we are involved to prosper

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

Contribution to value added

~4% of the total value added generated by the economy

~55% of total value added by the banking sector

Creating jobs on the nationwide scale

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

~35% of the employment in the banking sector

Paying taxes in support of Government revenue mobilisation

~10% of total corporate tax paid across the economy

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

~50% of special levy paid by banks

Direct contribution of MCB Seychelles to the Seychellois economy (year 2018)

~1.5% of the total value added generated by the economy

~25% of the total value added generated by the financial sector

~11% of employment in the financial sector

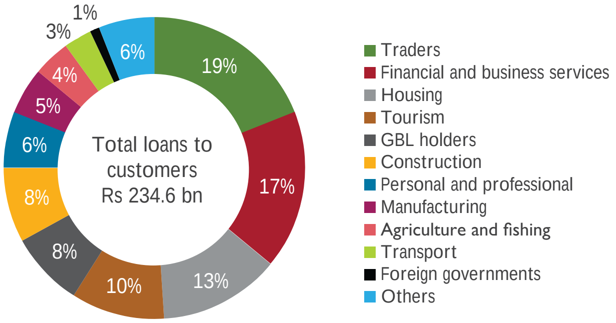
Note:

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

Delivering on our strategic objectives

Helping businesses and economic sectors to grow

Distribution of our loan book



Helping productive sectors

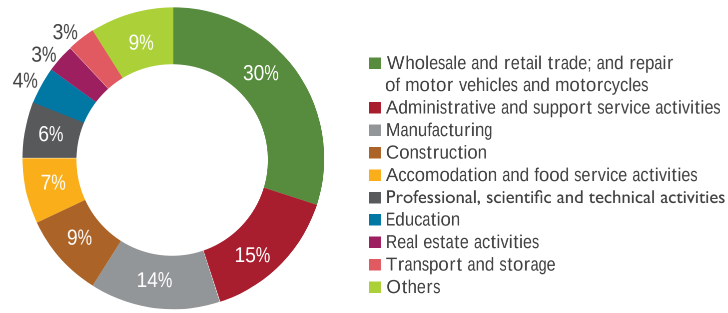
Rs 116 billion representing our corporate loan book as at 30 June 2019, towards enabling industries to achieve their ambitions

Attending to the needs of SMEs across sectors (MCB Ltd)

Helping small and medium enterprises

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

Distribution of loans to SMEs as at June 2019



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

Employees

- As key endeavours during the last financial year towards embedding our position as an employer of choice, we pursued our efforts to attract, develop and retain talents as well as empower them to deliver their best, alongside further developing and leveraging the collective skills, knowledge and experience of our staff. Concomitantly, the Group engaged with staff at different levels to adequately understand and respond to their needs. On a more holistic note and as a major undertaking for the period, the Group has pursued the implementation of its HR Transformation Programme (see page 66). The aim is to reinforce human resource frameworks and processes, in support of enhanced performance deliveries and business growth.
- The subject matters to which the Group is exposed to are getting more complex and client solutions increasingly sophisticated. Against this backdrop and backed by a forward-looking approach, we remained intent on bringing about relevant upgrades to our learning framework and culture. Overall, dedicated programmes to step up the quality of our human capital include the conduct of training courses and lectures held by international experts at our Learning and Development Centre. Employees benefit from technical training as well as courses meant to develop soft skills, either delivered in-class or on-line. Worth noting, our range of courses has lately been enriched with those provided by the MCB Institute of Finance.
- Capitalising on its fair and robust remuneration philosophy, the Group strived to reward its employees adequately, in line with market conditions and meritocracy principles. Also, the Group provides a range of fringe benefits to its employees to help them in their personal life. In addition to that, our employee share option scheme (see page 108) provides eligible employees with the opportunity to partake in the growth and prosperity of the Group, through acquisition of its shares.
- The Group continued to work towards entrenching a balanced and diversified workforce in terms of gender, age group and experience in order to tap into a wide range of knowledge, skills and specialist competencies in view of creating the right conditions to achieve business strategies. In addition, the Group maintained a stimulating work context by fostering secured and healthy environments. While being compliant to legal and regulatory requirements, the Occupational Safety and Health Policy of MCB Ltd aims to foster a sound working environment and system of work for the benefit of its employees, as far as it is reasonable. Moreover, the Bank further deployed programmes to uphold the overall well-being of its employees. In addition to dedicated wellness initiatives, the Bank further implemented its Flexible Working Arrangement (FWA) initiative to support its staff. Lately, this was enriched with the 'Work from Home' arrangement, initiated on a pilot basis. The arrangement aims to help employees maintain a healthy work-life balance, while working from the comfort of their home and avoiding undue time to be spent in the traffic.

General stability of our workforce as at 30 June 2019

Employee retention rate **95.2%**

Employee turnover rate **5.6%**

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

Delivering on our strategic objectives

Our performance across entities

Banking cluster

MCB Ltd

Financial performance

In spite of the challenging operating context prevailing in Mauritius and abroad, the Bank recorded a solid financial performance. Net profit for the year increased by nearly 30%, with the Bank's contribution to Group results amounting to Rs 8,338 million. This outcome was underpinned by a rise of 21.2% in net interest income, which was essentially linked to the solid expansion of our loan book, notably attributable to our international activities. Non-interest income rose by 14.7% on the back principally of the continued rise in net fee and commission income, whereas 'other income' increased by 23.6% mainly driven by the significant fair value gains on equity instruments now included in the 'statement of profit or loss' following the adoption of IFRS 9. However, a subdued performance was recorded in respect of profit on exchange, reflecting unfavourable market conditions. Our cost to income ratio declined by 3.3 percentage points to attain 33.7%, in spite of operating expenses edging up by 8.6% on the back of initiatives to strengthen our human resource and digital capabilities.

Our business development

The financial performance of the Bank was supported by sustained and thoughtful efforts to execute its business expansion agenda. The Bank delivered on its strategic focus areas by strengthening its leading banking position on the local scene and pursuing its regional diversification endeavours across key growth pillars. At the same time, the Bank continued to mobilise the necessary resources to build sustainable capabilities for growth, with guiding considerations being customer focus, an engaged and agile workforce, seamless operations, an innovative culture as well as a robust risk and compliance framework. On the operational front, the Bank pursued business transformation and realignment initiatives with notable organisation-wide ramifications, aimed at supporting strategic endeavours and laying foundations for the future.

As another underpinning of its growth ambitions, the Bank successfully signed and closed a general syndication for a USD 800 million Dual Tranche Syndicated Term Loan Facility, obtained from a consortium of banks spanning Europe, Middle East and Asia. The objective is to help the Bank execute on its African ambitions, while further optimising and diversifying its funding profile.

Looking ahead, while coping with the demanding operating landscape and adopting a disciplined approach, the Bank will resolutely move forward to uphold its balanced business growth and key financial soundness metrics. Essentially, it will pursue the execution of its three-pronged strategic objectives, namely to extend its frontiers, deliver a world-class customer experience through digital, and nurture its values and deliver on its brand promise. While being currently well embarked on multiple initiatives towards building the bank of the future, we will further bolster our ability to tap into growth opportunities surfacing locally and in the region.

Delivering on our growth pillars

Extend our frontiers, while consolidating existing markets

Local – Corporate

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

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

- We made further inroads in attending to the needs of companies leveraging Mauritius as an International Financial Centre (IFC) of repute and substance. In the wake of the testing operating landscape facing its customers, the Bank has maintained its thoughtful business growth agenda and broadened its involvement vis-à-vis global business entities, trusts and foundations after capitalising into the positioning of Mauritius as a gateway for conducting business with other regions. Our market development initiatives were underpinned by the delivery of adapted solutions and enhanced client interactions.

- Backed by a thorough understanding of client requirements, the Bank has cemented its positioning as the foremost service provider for SMEs in Mauritius, alongside continuously enriching its value proposition. In this respect, the organisation has, in the wake of its Digital Transformation Programme, launched a digital platform to simplify the end-to-end journey for SME Account Opening and materially improve the customer experience (see page 71). Moreover, we strengthened the SME ecosystem with the launch of the MCB Business Introducer Program in line with our engagement to empower entrepreneurs. It is a platform whereby we facilitate direct interactions of SMEs with local Accounting firms with a view to forging new business relationships. Based on their expertise, these firms help SMEs structure their business and uplift internal processes, towards better managing their day-to-day accounting needs. In the same vein and reflecting its commitment to promote responsible banking, while providing its clients of an ecosystem of services, the Bank has, in the context of its 'Lokal is Beautiful' proposition, introduced a dedicated scheme aimed at improving access to finance to Mauritian entrepreneurs who can demonstrate the positive impact that their activities can yield on the welfare of the society and nation (see page 72).

Patrick Beauduin

Well-known speaker, Patrick Beauduin, hosted a conference for our SME customers in July. He analysed the impacts of digital evolution on the ways in which brands communicate to their customers.

Delivering on our strategic objectives

Local - Individuals

- During FY 2018/19, MCB has remained exposed to heightened competitive pressures across several segments. Yet, the Bank pursued its strategic intents and maintained its prominent market positioning across age and income groups. Alongside reflecting our strong brand, such headway was underpinned by our sound business development trajectories, strengthened operational capabilities, innovative technologies, active on-the-field presence, and continuously refined value proposition. As a key focus area, the Bank stepped up its efforts to upgrade and promote its digital channels vis-à-vis its client base. We have remained active on the payments scene by allowing clients to make and accept payments in a quick and hassle-free way via multiple channels (see page 68).

- Within the mass and mass affluent segments, in addition to strengthening our prominent footprint in respect of education loans, we have, as a key achievement, consolidated our leadership market position in mortgage. Our market share for housing loans stood at around 37% as at end-June 2019, on the back of a growth of nearly 11% in our loan book. Alongside leveraging digital channels and simplifying the end-to-end customer journey for obtaining or refinancing a housing loan (see page 71), MCB refined the appeal of its mortgage solution, which has been further customised to meet different client needs. Overall, the Bank continued to adapt and promote its tailored offerings, with a case in point being the ‘Neo Bundle’, which aims at giving customers an enriched experience through a package of products and services. Moreover, we further endeavoured to encourage our customers to save and invest. Alongside distributing the Group offerings (including notably investment solutions), we have redesigned our ‘Rupys’ savings account, which is dedicated to clients under 18 years old.

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

Regional and international fronts

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

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

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

- The Bank has, in close connection with the Group, remained an active promoter of the 'Bank of Banks' initiative, which consists of providing a palette of adapted solutions to financial institution counterparts, notably those operating in Africa. The Group partnered with and assisted some 91 financial institutions worldwide, including over 60 in Africa and spanning 24 countries in FY 2018/19. We enabled clients to gain access to state-of-the-art services offered by various entities, thus helping them to underpin capacity building and business growth initiatives, while accessing industry best practices.

- MCB took dedicated initiatives in view of positioning itself as a reference in the region for premium banking and wealth management expertise, in line with a key growth pillar, which is to expand private banking into Africa and beyond. In spite of being confronted by a challenging operating environment amidst unsteady financial market conditions, total assets under management increased, while our international clients edged up, with major inroads made being across Europe and Middle East. This performance was backed by our sophisticated value proposition as well as active brand and relationship-building exercises. On the marketplace, we have reinforced our status as a trusted lifetime partner vis-à-vis our client base by delivering bespoke solutions, notably those that are geared towards the safeguard, growth and transmission of customer assets. In addition, MCB set out to further position itself as a unique point of contact for serving External Asset Managers, Multifamily Offices and independent financial advisors, while offering a suite of differentiated investment and banking solutions, from transactional to multi-asset class trading.

Africa Forward Together seminar

Our Africa Forward Together seminar, bringing together C-Suite delegates and decision-makers from Africa and beyond.

Delivering on our strategic objectives

Key projects underpinning our business growth agenda

HR Transformation Programme

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

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

Private Banking and Wealth Management Transformation Programme

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

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

Treasury Realignment Programme

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

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

World-class customer experience through digital

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

Pursuing our Digital Transformation Programme

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

- During the last financial year, we reinforced the operationalisation of our Digital Factory to spearhead our digital transformation. The Digital Factory is anchored on a culture of start-up, while favouring a co-creation paradigm and fully engaging the employees of the organisation. It is integral of our objective to becoming an agile organisation and fostering the next phase of our growth journey. It serves as an incubator for embedding truly customer-centric operations across the Bank by redefining and digitizing end-to-end customer journeys, backed essentially by business process reviews and reengineering.

Digital Factory

MCB aims to deliver world-class experiences to its customers, through its Digital Factory.

Delivering on our strategic objectives

Enriching our payments value proposition

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

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

Juice, tro fasil!

JuiceByMCB was launched in Seychelles in October 2018.

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

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

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

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

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

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

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

Nurture our values and deliver on our brand promise

- The Bank remained actively engaged in disseminating its core values across different layers of the organisation to foster an alignment of actions being deployed to achieve common goals. It strived to ensure that such values are continuously lived up and transposed into the day-to-day attitudes, behaviours and activities of its employees.

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

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

Read more in the 'Creating value in a sustainable way for the benefit of our stakeholders' on pages 51 to 53

Our Digital Transformation Programme

Key objectives pursued

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

Our Digital Factory

Key aspects of an innovative mode of operation

General overview

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

Human capital

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

Structure and mechanisms

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

- Integration of the overall MCB community, while facilitating a culture shift at work; staff consulted and integrated into designing solutions and fully supported on the changes
- Adoption of cutting-edge information tools such as omnichannel and workflow tools
- Establishment of Advanced Analytics practice to (i) address business-related use cases and problem statements; (ii) disseminate and sharing knowledge on best practices in the field across the organisation; (iii) collaborate with relevant stakeholders to set-up the long-term vision for data collection, hosting and processing; and (iv) foster the use of sophisticated data mining and analysis as well as modelling techniques to better understand customer behaviour towards providing actionable insights to business units
- Setting up of a Data Office to help MCB leverage data as strategic asset, while contributing to improve the quality and accessibility of the data infrastructure
- Setting up of a Customer Lab to bridge the gap between the organisation and people (i.e. the customers and employees) – through Design Thinking, the lab is acting a beacon for the organisation by contributing research, encouraging co-creation with customers and seeking innovative solutions
- Setting up of Change Management Office (CMO) to drive the adoption of new customer journeys across the organisation – the unit (i) provides the structure to effectively implement the changes required to successfully deliver the new journeys; (ii) anticipates, assesses and caters for the impact of changes on resources; and (iii) provides colleagues with the tools and training needed to implement the changes

<u>Main accomplishments</u>

- Headway made towards implementing an agile way of working across MCB as a whole to trigger a fast-moving organisation, while seeking to generate higher team productivity and morale, faster time to market and better service quality
- Launch, so far, of two digital platforms under our Mortgage Customer Journey and SME Account Opening Customer Journey – customers applying for housing loans through the online platform, which is effected within 10 minutes, can now benefit from new features such as an 'Approval in Principle' within 48 hours and a relatively faster housing loan disbursement, while new SME customers are able to open their business accounts within 2 working days. This has contributed to reduce the number of branch visits for our customers and ensured that clients enjoy a simple and transparent application journey. In fact, since October last year, our Mortgage digital on-boarding platform has processed more than 350 applications, with the figure for the SME platform standing at some 950
- Other achievements:

+25
Analytical models
developed by Analytics Squad

3
Data domains launched
by Data Office

+200
Customers Interviews/
Tests conducted

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

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

298
Colleagues trained on
new processes in all branches

Delivering on our strategic objectives

Selected initiatives executed across the Corporate Sustainability Programme

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

'Lokal is Beautiful' report

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

More information on our 'Lokal is Beautiful' report is available on our website

Strengthening the SME ecosystem

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

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

VIBE Moris®

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

'Green loans' to clients

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

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

'Social leave' for employees

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

Foreign banking subsidiaries

MCB Madagascar

Financial performance

- In FY 2018/19, MCB Madagascar posted a remarkable growth of more than 60% in loans and advances to customers on the back of the onboarding of several key corporate clients across various industries, with the manufacturing sector a key case in point. This contributed to a rise in net interest income, albeit at a relatively lower rate of 30%, after factoring in a marginal rise in interest rate pertaining to customer deposits and higher interbank borrowing in local currency. Operating income edged up by a significant extent, after making allowance for (i) higher net fee and commission income emanating essentially from the bank's trade finance activities and cards business; and (ii) increased profit arising from dealing in foreign currencies owing to augmented turnover and the relative weakening of the Ariary against the euro and the US dollar. As for operating expenses, they registered a major rise on the back of ambitious measures taken to strengthen capabilities for growth, marked notably by the increase in headcount, the expansion in the branch network and other investments as well as higher legal charges and consultancy fees towards other entities of the MCB Group. Overall, in spite of the above-mentioned achievements, attributable profits of MCB Madagascar increased by only 4% to reach MGA 6.1 billion, after bearing in mind the fact that the bank had registered major net recoveries in respect of the net impairment of financial assets during the preceding financial year. Consequently, MCB Madagascar contributed Rs 53.8 million to Group results in FY 2018/19.

Main initiatives and achievements

- The bank made significant inroads in the corporate segment by either onboarding new customers or increasing its share of wallet with existing clients on account of superior service quality and improved speed of execution as regard service delivery. To reinforce its presence in the country and support its business development ambitions, the bank opened new branches in the regions of Tuléar, Ambatobe and Nosy Be. These branches, which are equipped with ATMs and include lounges for Personal Banking and Corporate Banking customers, offer a modern and customer-friendly banking environment. MCB Madagascar has upheld its market visibility and promoted its brand image through the organisation of roadshows in branches to showcase its value proposition and the launch of promotional campaigns to encourage card usage. To support its business strategy, the bank made further progress in enhancing the efficiency of its operations, notably through the upgrade of its Internet Banking platform and Core Banking System, while a new tool has been leveraged for the regular and judicious monitoring of sales. In addition, continuous efforts have been devoted to gear up customer service levels through human capacity building initiatives. In this respect, the bank has invested in intensive training courses for its staff, notably covering anti-money laundering, compliance and customer service, amongst others. Moreover, in view of the increased focus to develop this segment, a Head of Retail was recruited to take care of initiatives related to the execution and management of relevant strategic focus areas.

Welcome to Nosy Be

MCB Madagascar opened its 11th branch in Nosy Be in December.

Delivering on our strategic objectives

MCB Maldives

Financial performance

- During the financial year, a major expansion was registered in respect of the bank's deposits base on the back of efforts to boost and diversify its funding and liquidity position, while the loan book declined on a point-to-point basis, reflecting the prudent approach adopted for the deployment of credit facilities in the wake of the challenging operating environment and early debt settlements by some customers. Notwithstanding such dynamics, MCB Maldives registered an appreciable growth in net interest income, mainly attributable to (i) releases in interest suspense subsequent to recoveries on various non-performing loans; (ii) a rise in investment in securities amidst the active deployment of liquidity management initiatives; and (iii) higher placements with banks. As for operating income, it posted a strong growth of 13%, spurred by an increase in net fee and commission income linked to retail banking fees and card transactions as well as a significant hike in profit on exchange as a result of increased turnover and higher margin on related transactions. On the other hand, operating expenses increased by 12% due to additional staff recruitment to support business development initiatives as well as higher management and consultancy fees. Notwithstanding heightened impairment charges associated with a more prudent approach to provision coverage on NPLs – with recovery efforts being pursued in a testing economic landscape – attributable results for the year registered an appreciable increase of 12% to stand at MVR 30 million, with the bank contributing around Rs 68.0 million to Group results.

Main initiatives and achievements

- In line with its risk appetite, the bank laid increased emphasis on established corporates with proven track record, alongside ensuring that it adopts a prudent and selective approach with a view to promoting a sound and efficient customer onboarding exercise. MCB Maldives has partnered with a number of leading hotel groups, while leveraging its unique selling propositions. It offered several products and services not available at other banks to the latter clients, in addition to providing them with a streamlined process with a view to onboarding their expatriate personnel, as part of ongoing strategies to develop the retail segment and position the bank as a trusted partner in this field. Headway on this front can be further gauged by the bundled package that the bank offers to its affluent customers, while it is, furthermore, on course to set up a new business segment to provide more enriching experiences to its mass affluent segment. To support its strategic thrusts, MCB Maldives adopted dedicated moves to bolster the quality of its human capital. A new performance management method has been adopted and key recruitments across important positions have been undertaken across the bank. The latter also sustained its investment in human capital development by conducting several training programmes, either in-class, online or via placements, notably spanning trade finance, e-commerce, cards as well as health and safety. Importantly, the bank engaged with MCB Group to be part of its HR Transformation Programme, to further improve talent management and underpin the adoption of best practices, notably in terms of HR policies and procedures. The bank further streamlined its back-office activities and upgraded its systems and processes to foster enhanced operational efficiency and customer service levels.

MCB Seychelles

Financial performance

- In FY 2018/19, while the overall deposit base witnessed a double digit growth on the basis notably of competitive interest rates offered, MCB Seychelles posted a significant growth of 24% in its loan portfolio. In addition to further inroads realised in serving retail customers, the latter outcome was mainly driven by the expansion in long-term corporate loans provided to finance various projects being undertaken within the tourism, construction and trading sectors in particular. Against this backdrop, net interest income grew by 9%, which is relatively lower than the above-mentioned loan book expansion, to the extent that the latter has mainly occurred during the second half of the financial year. Whilst a decline was registered in profit arising from dealing in foreign currencies, operating income rose by 8%, backed by a sustained increase in net fee and commission income due mainly to higher card-related transactions and loan-related fees. Operating expenses grew substantially, largely on account of investment in human capital, while being additionally impacted by higher depreciation and amortisation charges as well as increases in management fees. Overall, after factoring in a fall in net impairment of financial assets amidst noticeable headway made in improving the quality of the bank's portfolio and a major rise in income tax expense, partly linked to a one-off tax credit recorded in the preceding financial year, attributable profits for the year increased by 4% to reach SCR 82.9 million. As a result, the bank contributed Rs 210.5 million to the Group profits.

Main initiatives and achievements

- The bank pursued its business growth, while enriching its suite of products and services. It launched the 'JuiceByMCB' mobile banking application, thus providing customers with a comprehensive set of online banking and payment services. Reflecting the bank's commitment to supporting the rapid growth of the Seychelles main business district, the newly-relocated Providence Branch was inaugurated in February 2019, portraying a more modern and spacious layout, while incorporating an appealing palette of offerings for both individual and corporate customers. On another note, the bank further broadcast its value proposition via digital display screens that have been installed throughout its branch network. The entity fostered greater brand visibility through the participation in and sponsorship of various commercial initiatives and events. It signed up as the Official Partner of the local team for the 10th Indian Ocean Island Games and was the main sponsor of the first International Golf Tournament in Seychelles. From an operational efficiency perspective, MCB Seychelles upgraded its infrastructure to optimise the performance of its banking system with a view to providing seamless service to its growing client base. Capacity building was also fostered by means of employees getting the opportunity to avail of online courses, including those offered by MCB Institute of Finance. Furthermore, MCB Seychelles launched its first InnovChallenge, which is a competition giving employees the opportunity to present innovative ideas that can be transformed into efficiency improvement initiatives for the bank.

Brand new Providence branch

The doors of the new Providence branch in Seychelles opened in February.

Delivering on our strategic objectives

Foreign banking associates

Banque Française Commerciale Océan Indien (BFCOI)

- Amidst heightened competitive pressures and the challenging economic landscape, BFCOI's loan book grew by around 4% to reach EUR 1.6 billion, while its deposit base remained fairly stable. Consequently, after making allowance for a major rise in borrowings and the higher cost of funding, the bank posted a growth of 2% in its net interest income. Net fee and commission income grew by 11%, on the back of an increase in the volume of general banking transactions and credit-related fees. Against this backdrop, operating income increased by 7%, in spite of the fact that the bank benefitted from one-off profit emanating from the disposal of an investment during the preceding financial year. For its part, operating expenses hiked by 10% on account of capacity building initiatives put into place and the fact that the bank had, during FY 2017/18, registered a non-recurring credit in the form of the write-back of excess pension provisions for Mayotte. Impairment charges increased significantly owing to a rise in specific provisions and expected credit losses recorded in relation to Stage 2 customers following adoption of the IFRS 9. Overall, profits attributable to shareholders fell by 42%, in view of the non-recurring items referred to above. When excluding the latter, results would have remained flat. During FY 2018/19, BFCOI contributed Rs 241.2 million to Group results. It remained comfortably capitalised, with capital adequacy ratio of 16.3% as at 30 June 2019, of which 13.2% by way of Tier 1 capital.

Société Générale Moçambique

- While reaping the benefits of business development strategies executed over time, including reinforced customer acquisition efforts, Société Générale Moçambique saw its overall loan book expanding by more than two and a half times during the last financial year on the back of rising exposures to corporates operating across various economic sectors. As for deposits from customers, they grew by 26%. Consequently, in spite of a point-to-point decline in investment in Government securities and a fall in average yields thereon, net interest income increased by 18%, with this outcome being also significantly boosted by a major decline in interest expense amidst the drop in interest rates. As for operating income, it rose by 33%, on the back of net fee and commission income more than doubling owing to improved trade finance activities as well as higher corporate and transaction-related fees, while profit on exchange edged up as a result of the greater volumes of deals struck. Whilst human resource expenses and depreciation costs increased on the heels of higher salaries and investments incurred to underpin the expansion of the branch network, operating expenses declined by 17%, owing mainly to lower amortization and rental costs as well as a relative fall in technical and management fees. Overall, after making allowance for major net recoveries in respect of credit impairment charges, the bank posted a small profit, thus contributing Rs 0.7 million to Group results during the year under review. As another source of satisfaction, the bank stayed firmly capitalised, with both Tier 1 ratio and capital adequacy ratio standing at 22.8% as at 30 June 2019. Of note, in May 2019, the bank increased its share capital by MZN 500 million (around USD 8 million) to meet regulatory requirements and support its growth strategies.

Non-banking financial cluster

MCB Capital Markets Ltd and its subsidiaries (MCBCM)

- In FY 2018/19, consolidated revenue and profit after tax amounted to Rs 453 million (FY 2017/18: Rs 392 million) and Rs 231 million (FY 2017/18: Rs 173 million) respectively. MCBCM's results continued to be driven primarily by the successful completion of corporate finance transactions, while a slight increase in assets under management was recorded.

Corporate Finance Advisory

- The Corporate Finance Advisory team continued to build its track record and successfully completed landmark transactions, with an overview provided below:

- Carried out 7 capital raising transactions for local and foreign corporate clients
- Arranged approximately Rs 9 billion in debt capital market transactions for local clients
- Acted as Advisor to Teyliom, a diversified group based in Ivory Coast, on structuring and arranging a EUR 45 million financing package, comprising both equity and quasi equity, towards the construction of a chain of business hotels in West Africa
- Advised NMC Healthcare LLC, the leading private provider of health care services in the Middle East, on a USD 30 million private debt placement
- Advised MMI Holdings, one of the largest financial services groups in South Africa, on the disposal of its Mauritian subsidiary

- Looking ahead, MCBFA will maintain focus on its two key objectives, namely providing bespoke solutions to its corporate clients' financing and strategic issues as well as developing the local debt capital markets. Amongst other things, this means establishing transparent risk-based pricing across the MUR yield curve, introducing innovative and flexible financing instruments, and broadening the spectrum of financing options available to borrowers.

Investment Management

- Gathering retail assets proved to be challenging for MCB Investment Management (MCBIM) in FY 2018/19, in the wake of the launch of Government-backed securities at relatively attractive rates and the opening of the secondary market in Government paper to the general public. Specifically, growth in our retail funds was held back by the Government's Jubilee Bond issue, which raised some Rs 9 billion in the last quarter of the financial year and the offering of Government bills and bonds across the retail network. We estimate that take-up of Government paper by retail investors amount to approximately Rs 35-40 million per week.
- MCBIM, in partnership with the African Development Bank, launched the African Domestic Bond ETF, the first multi-jurisdictional African fixed income ETF, in September 2018. The fund aims to give investors access to local currency African fixed income markets through a cost effective vehicle listed on the Stock Exchange of Mauritius. The ETF, and the asset class it provides access to, has outperformed its global peers since launch and continues to generate significant interest, as can be seen from the following table. The fund paid an interim USD denominated dividend of USD 0.58 per share (~5.8% dividend yield) in April 2019 and intends to pay a dividend every six months.

Delivering on our strategic objectives

Fund	Asset Class	Total return (18 Sep 2018 to 30 Aug 2019)
African Domestic Bond Fund (ADBF)	Fixed Income	17.04%
Emerging Market Local Currency (EMLC)	Fixed Income	9.05%
Emerging Market Hard Currency (EMB)	Fixed Income	13.95%
US High Yield (HYG)	Fixed Income	6.22%
US Investment Grade (LQD)	Fixed Income	16.40%
S&P 500 (SPY)	Equity	2.65%

Source: Bloomberg

- Other MCB funds that performed strongly in FY 2018/19 include the MCB Cash Management Fund, which generated an annualised USD return of 3.05% to 30 June 2019 and the MCB Overseas Fund, which generated a return of 5.9% in MUR for the same period.
- Looking ahead, growth in retail assets under management is likely to remain under pressure following the issuance of new Government-backed securities in July 2019, namely the Silver Savings Bond and the Silver Retirement Bond, which are expected to raise Rs 8 billion. Nevertheless, we are confident that our funds will remain appealing to investors seeking to diversify their investments. In the coming years, we will continue to rationalise our range of funds in order to focus our investment managers' efforts on areas where they have particular strengths and are able to generate above market returns for clients. These include African local currency fixed income, USD cash management as well as Mauritian equities and fixed income.

Stockbroking

- This financial year saw a relatively difficult trading environment as total market value traded registered a 23% decline compared to FY 2017/18. This resulted in lower brokerage revenues of approximately 20% year-on-year. On the positive side, MCB Stockbroking maintained its leading position in terms of market share on account of an increase in foreign activity, which represented over one third of total market turnover. Operating income was down 21% after making allowance for smaller underwriting transactions, which were partly compensated for by higher distribution income from the placing of a capital-protected note, that raised close to Rs 300 million from individual investors. The issue of the Golden Jubilee Bond in March 2018 and the opening of the secondary market in sovereign debt to the general public have resulted in individuals becoming more active in seeking attractive yields for their savings. Indeed, Government-backed securities have so far been more attractively priced than commercial bank deposits. This change in behaviour has created an opportunity for MCB Stockbroking to innovate by introducing the first Credit-Linked Note to the general public through a listing on the Stock Exchange of Mauritius.

Registry & Transfer Agent

- MCB Registry and Securities produced notable results with revenue growth of 15% from the high base of FY 2017/18. The results were driven by sustained corporate activity in both the debt and equity capital markets. The company has, this year, embarked on an investment plan for both its human capital and technology to be able to sustain revenue growth in the coming years.

Private Equity

- MCB Equity Fund is a USD 100 million evergreen fund that provides expansion capital to established businesses with solid growth prospects, healthy profitability and strong management teams in Africa. The fund counts MCB Group Ltd as its sole Limited Partner and is managed by MCB Capital Partners Ltd, a wholly owned subsidiary of MCB Capital Markets Ltd.

- Assets under management, on a fair value basis, stood at Rs 3.2 billion as at 30 June 2019 while the Net Asset Value of MCB Equity Fund Ltd rose from Rs 3.6 billion in FY 2017/18 to Rs 3.7 billion in FY 2018/19. During the financial year, the fund realised net profits of Rs 10 million from the disposal of its financial assets. Unrealised gains in the fair value of its financial assets amounted to Rs 62 million. Dividend income amounted to Rs 31 million in FY 2018/19 compared to Rs 33 million in FY 2017/18.

MCB Leasing Ltd

- During the year under review, MCB Leasing Ltd's operations continued to be impacted by a highly competitive commercialenvironment and by high levels of liquidity in the market. The lease portfolio grew by 1.9% to reach Rs 4,173 million (2018: Rs 4,094 million), with the finance lease portfolio down by 0.7% to Rs 3,479 million whilst operating leases increasing by 17.4% to now stand at Rs 693.8 million. Despite a flat finance lease portfolio, net interest income grew by 11.8% to Rs 98.1 million as a result of the refinancing of a shareholder loan at the end of the previous financial year leading to a reduction of interestexpense of Rs 7.9 million as well as a marginal drop in the cost of deposits. Other income (comprising principally operatinglease income net of depreciation charges on leased assets) increased by Rs 13.6 million to Rs 76.1 million in line with thesignificant growth of the operating lease portfolio. Altogether, operating income increased by 16.0% to reach Rs 174.1 millionfor the year ended 30 June 2019. On the expenses side, operating costs increased by 3.6%, up Rs 2.7 million to Rs 76.8 million,the increase in staff expenses on the back of some capacity building initiatives during the year, being compensated to a large extent by a significant drop in impairment charges as a result of a closer monitoring of underperforming leases. Furthermore,the tax charges dropped by more than 50% to Rs 7.3 million due to the recent changes in legislation. As a result of the above,with operating income growing faster than operating expenses, net profit increased by 44.0% from Rs 62.9 million to Rs 90.6 million.

MCB Factors Ltd

- MCB Factors Ltd is positioned as a prominent player in the field of factoring in Mauritius. In addition to offering full salesledger administration service to its customers, the entity provides funding against the assignment of trade receivables. Onthe domestic market, both recourse and non-recourse factoring are proposed, with the latter implying protection againstdebtors' insolvency. On the international front, Mauritian importers and exporters are offered import and export factoringsolutions. MCB Factors contributed Rs 48.3 million to Group results for the year under review. For FY 2019/20, emphasis is being laid on improving customer experience, enhancing risk management and further diversifying the palette of invoice finance products.

MCB Microfinance Ltd

MCB Microfinance celebrates its third anniversary

As it celebrated its third anniversary, this subsidiary of MCB Group also relocated its main office to Curepipe.

- As part of MCB Group's pledge to fostering the financial inclusion and empowerment of small entrepreneurs, MCB Microfinance Ltd was launched in July 2016 as a wholly-owned subsidiary of MCB Group Ltd. Its aim is to facilitate access to business loans for micro-enterprises and self-employed individuals. Clients have access to two types of micro-loans: (i) working capital loans, which aim at meeting the working capital needs such as raw materials or stock; and (ii) investment loans, which are targeted to meet the capital spending requirements of businesses. The entity lays due emphasis on customer proximity, with its Relationship Officers dedicated to spending adequate time on the field to suitably understand the characteristics and requirements of clients with a view to offering them customised solutions that suit their repayment capacities.

- As at 30 June 2019, MCB Microfinance has disbursed 2,762 loans, corresponding to a gross amount of some Rs 528 million. 55% of the loans disbursed were investment loans, with the remaining being working capital loans. It is worth highlighting that the performance of MCB Microfinance has been better than what was initially projected, with a significant gross loan portfolio of around Rs 274 million being posted as at 30 June 2019. It can be recalled that, in March 2017, MCB Microfinance had extended its activities to Rodrigues, with the opening of an office and the recruitment of two Relationship Officers. As at 30 June 2019, 188 micro-loans have been disbursed in Rodrigues, corresponding to a gross amount of Rs 24 million. Whilst MCB Microfinance registered a small loss of around Rs 4.2 million in FY 2018/19, it is moving further towards break-even point on the basis of its business development momentum.

Delivering on our strategic objectives

MCB Real Assets Ltd

• In October 2017, MCB Group announced its real estate investment strategy, whereby the Group will act as seed investor for the acquisition of prime real estate assets with a view to giving investing customers access to an attractive income yielding asset class. The real estate investment activity is conducted through MCB Real Assets (MCBRA), a wholly owned subsidiary of MCB Group Ltd. Simultaneously, MCBRA announced the completion of the EUR 58.8 million acquisition of a 84.4% stake in Compagnie des Villages de Vacances de L'Isle de France Limitée (COVIFRA), owner of the Club Med hotel resort located at La Pointe aux Canonniers, Mauritius (the 'Resort'). As part of the transaction, MCBRA entered into a triple net lease with Club Med S.A.S.

• COVIFRA is listed on the Development and Enterprise Market of the Stock Exchange of Mauritius. MCBRA's shareholding of COVIFRA currently stands at 93.4%, having acquired an additional 9% stake as part of a mandatory offer to the minority shareholders and a subsequent rights issue. In FY 2018/19, MCBRA received dividends of MUR 75 million from its investment in COVIFRA. During the last financial year, COVIFRA undertook a refurbishment and extension of the Resort, which involved major renovation works and the construction of 108 additional rooms, taking the total to 394. The construction was completed in November 2018 at a cost of approximately MUR 1.6 billion, which was financed by the rights issue of MUR 260 million and additional debt. MCBRA subscribed fully to its pro-rata share of the rights issue and to some excess shares. In FY 2018/19, COVIFRA's Management team also focused on optimising the cost of debt of the company. As part of this exercise, EUR 15 million of bank debt was refinanced by a 10-year bond issue. COVIFRA's investment property was valued independently by Jones Lang LaSalle (Pty) Ltd at EUR 99 million, which resulted in a fair value gain of approximately EUR 3 million.

• During FY 2018/19, total contribution of MCB Real Assets to Group results amounted to Rs 207 million.

• Over time, MCBRA intends to sell down its investments to third parties.

Credit Guarantee Insurance Co. Ltd

• This associate, in which MCB has a 40% stake, is a joint venture with La Prudence Holding and provides credit insurance services to its customers by ensuring protection in respect of their trade receivables. For the year ending 30 June 2019, the contribution to Group results stood at around Rs 0.3 million.

Other investments cluster

Fincorp Investment Ltd

• Fincorp Investment Ltd (Fincorp) is an investment company which is listed on the Official Market of the Stock Exchange of Mauritius Ltd. Its financial performance is directly correlated to that of its two main investments, namely MCB Leasing Limited ('MCB Leasing' and formerly Finlease Company Limited), its 100% owned leasing company, and Promotion and Development Limited (PAD), which is an investment company that is also listed on the local bourse and in which Fincorp Investment Ltd has a 46.4% stake.

• Fincorp posted a consolidated profit after tax of Rs 213 million for the financial year ended 30 June 2019 compared to a loss of Rs 8.7 million last year. While benefitting from the improved results of MCB Leasing as explained earlier, this was mainly driven by an upturn in the performance of PAD, whose contribution to Fincorp group's results shifted from a loss of Rs 42.2 million in FY 2017/18 to a profit of Rs 152.0 million. This is mainly explained by an enhanced performance of its subsidiary, Caudan Development Ltd (Caudan) and of its associates, notably at the level of Medine Ltd (Medine). Caudan's results were favourably impacted by the fair value gains from the revaluation of its investment property. For its part, after having incurred significant losses linked to impairment of its milling assets in FY 2017/18, Medine this year recorded a significant increase in profits from the sale of land, fair value gains from the revaluation of its investment properties, as well as lower operating losses following reduced overheads.

• On the whole, Fincorp made a contribution of Rs 122 million to MCB Group results, after deduction of minority interest of 43%, compared to a negative contribution of Rs 5.0 million in FY 2017/18. The net assets value per share amounted to 53.98 at June 2019, representing a rise of 2.5% from last year's value of Rs 52.65.

International Card Processing Services Ltd

- As part of the Group strategy, ICPS has, over the past decade, positioned itself as a prominent player providing multi-channel card, mobile and e-commerce payment solutions across the value chain of issuing, acquiring and switching by providing connectivity to existing card associations. In the midst of the fourth industrial revolution and the wide-ranging adoption of digitally-enabled technologies, ICPS is constantly reviewing its model. The aim is to continue building a robust open platform around payment, notably encompassing a broadening range of digital products with analytics, backed by investment in research and development, with a view to providing the best innovative solutions and services to hosted banks. Today, ICPS acts as an enabler for its clients located in Mauritius, the Indian Ocean, key African economies and Asia, providing an end-to-end integration of services and functionalities. Leveraging the new version of its payment system as well as its talented and committed workforce, ICPS is pursuing heavy investments in technology and developing its pipeline of talents. With proven capabilities in consultancy, business operations outsourcing, training, system implementation, a Card personalisation bureau service and information security advisory services, the company has extended its footprint in 20 markets across Africa and Asia. Despite the challenging regulatory landscape and demanding industry standards, ICPS has sustained a strong business growth, with a turnover of Rs 287 million in FY 2018/19. For the first time, the company entered the South East Asian market, with a first bank on-boarded for payment processing. In the year ahead, ICPS will maintain its diversification and transformation strategy to succeed in this dynamic operating environment.

MCB Consulting Services Ltd

- Established in June 2014 as a fully-owned subsidiary of MCB Group Ltd, MCB Consulting Services offers consulting services, articulated around the four pillars of any company (i.e. process, people, technology and strategy) to organisations, mainly those operating in the financial sector. Over the last five years, this now truly international company – manned by around 90 employees of different nationalities – has undertaken more than 450 assignments (including above 130 over the last financial year) in 35 different countries (with 7 new countries, including Canada and Cambodia, adding up since June 2018). During the year under review, turnover exceeded the USD 7 million threshold, while profit after tax shot up by 82%, in line with set objectives, to attain around USD 714,000. Broadly speaking, this performance was underpinned by the diversification of activities in terms of countries of operations, new clients and economic sectors. Interestingly, the following are worth highlighting: (i) our sources of revenue are predominantly spread across 4 distinct regions, i.e. English-speaking Africa, French-speaking Africa, Indian Ocean and Middle East; (ii) no country and/or client represents more than 10 % of our total revenue; and (iii) income from the non-financial sector now accounts for 5 % of our total turnover. In addition, our financial results have been supported by several other enablers, with key areas of satisfaction relating to the following: (i) handful of newly-signed strategic partnership agreements with global software vendors and consulting firms; (ii) the successful launch of new services, with positive client feedback being recorded; (iii) the consolidation of our mainstream line of business (i.e. Temenos-related products) through the signature of high-profile contracts in the more sophisticated traditional markets; and (iv) the ability to recruit locally and outside Mauritius.

- Looking ahead, our judiciously crafted business development strategy, the uniqueness of our value proposition in this market space, our competent staff and our commitment to serve clients should, despite some typical headwinds, remain key enablers for consolidating our business, in alignment with our says-it-all tagline which highlights our role as being positively disruptive in the markets in which we operate. To pursue our growth, we will notably take advantage of our new brand identity, which was unveiled in June last after a thorough exercise that benefited from the technical expertise of an independent specialised firm.

Delivering on our strategic objectives

MCB Institute of Finance Ltd

- The Group believes in fully appreciating the realities, opportunities and challenges that financial professionals face in a complex, fast-paced and ever evolving environment. Similarly, we seek to pursue our ambitions by capitalising on an adequately trained and technically competent employee base. Mindful of such a context and fortunate to have found a reputable local firm sharing the same vision, MCB Institute of Finance (MCBIF) was incorporated in February 2019. It aims to become a place where great minds converge, ideas sparkle and knowledge and cooperation lay the groundwork for a strong and reliable network between students and professionals. While positioning itself as a generic curator with a marquee line of specialisation in banking and finance, MCBIF offers an interesting combination of in-class and on-line courses that are offered by carefully selected partners, notably Université Paris II Panthéon-Assas, Emeritus Institute of Management and Retail Banking Academy. Since April 2019, taking advantage of these partnership agreements, 11 courses have been launched, while a major conference (around the banking mediation, Fintech as well as Data & Artificial Intelligence themes) was held in last July. Overall, after around four months of existence, it is interesting to note that the total registered number of students has exceeded by 215% the initially planned number of annual registrations. The above, alongside forthcoming courses and partnerships that are in the pipeline, confirm that, in fine, MCBIF can legitimately aspire at becoming an African reference in the emergence and support of financial sector talents.

Launch of MCB Institute of Finance Ltd

Born out of a shared vision of the MCB Group and Uniciti Education Hub, MCBIF provides the most relevant courses to develop the financial know-how of professionals and students alike.

MCB Forward Foundation

- The MCB Forward Foundation is the Group's vehicle responsible for fulfilling its corporate social responsibility. Its vision is to be instrumental in the creation of sustainable value for the social, environmental and economic well-being of society through the provision of human, logistical and financial resources in support of specific initiatives. For the year under review, an aggregate amount of around Rs 54.7 million was entrusted to MCB Forward Foundation to be leveraged for spending on relevant projects, after making allowance for the Government policy that 50% of CSR contributions by local entities for projects initiated prior to January 2019 should be channelled to the Mauritius Revenue Authority (MRA). This official measure has jeopardised the execution of long-term projects that the Group had earmarked for the promotion of social welfare and empowerment. In fact, no full-fledged 'appel à projets' could be initiated by the Group for the year under review. For the current financial year, the share of CSR contributions to be channelled to the MRA is set to rise to 75%, thus further curtailing the level of financial resources available to the MCB Forward Foundation to comprehensively implement its CSR programme.

Blue Penny Museum

- This company, which runs the museum located in the Caudan Waterfront, represents one of the contributions of MCB Group Ltd to the promotion of arts and culture, and, more generally, the protection of the national heritage of Mauritius.

Pierre Guy NOEL
Chief Executive

Group Financial Performance

Sikse, se proteksion
nou lanvironnman pou nou ban zanfan

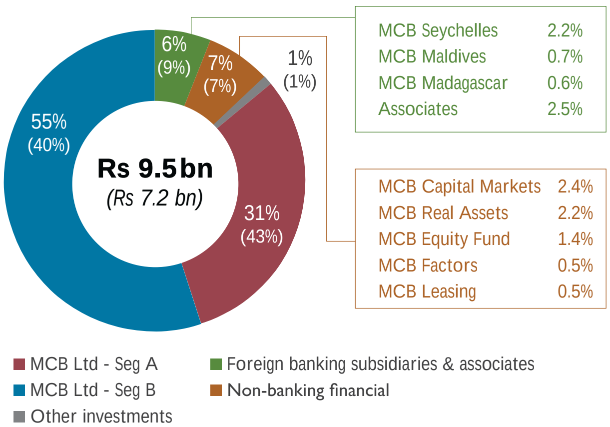
Success is protecting our environment
for future generations

proteksion nou lanvironnman

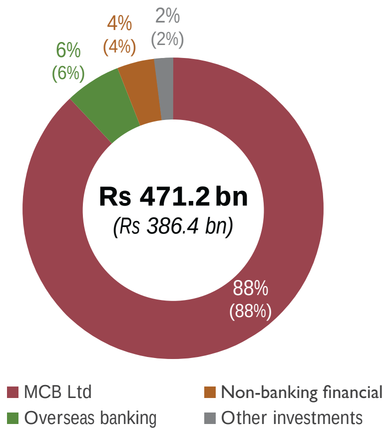
Group financial performance

Group financial summary

Contribution to Group profit



Asset Breakdown by cluster



Key financial indicators

	Jun-19	Jun-18	Jun-17	Jun-16	Jun-15
Statement of profit or loss (Rs m)					
Operating income	20,226	16,951	15,506	14,404	13,214
Operating profit	11,119	8,819	8,054	7,607	6,526
Profit before tax	11,523	9,126	8,392	8,342	6,900
Profit attributable to ordinary equity holders of the parent	9,482	7,221	6,702	6,626	5,722
Statement of financial position (Rs m)					
Total assets	471,161	386,370	345,210	317,705	280,013
Total loans (net)	234,007	204,236	171,887	166,697	168,222
Investment securities	126,204	88,747	74,730	62,735	50,689
Total deposits	331,500	297,719	274,863	255,262	221,140
Subordinated liabilities	5,572	5,592	5,587	5,620	5,596
Other borrowed funds	56,886	14,373	5,968	5,193	7,806
Shareholders' funds	56,254	51,306	45,949	40,730	35,933
Performance ratios (%)					
Return on average total assets	2.2	2.0	2.0	2.2	2.2
Return on average equity	17.6	14.8	15.5	17.3	17.1
Loans to deposits ratio	72.9	70.9	64.8	68.1	79.6
Cost to income ratio	37.1	40.1	41.2	40.1	41.8
Capital adequacy ratios (%)					
BIS risk adjusted ratio	17.4	17.1	18.8	18.3	17.1
of which Tier 1	*15.8*	*15.3*	*16.6*	*15.3*	*14.1*
Asset quality					
Non-performing loans (Rs m)	10,559	9,734	10,882	10,704	10,755
NPL ratio (%)	4.1	4.5	6.2	6.2	6.2

Note: Capital adequacy ratios are based on Basel III

Overview of results

Profit

Rs 9,482 million (+2,261million)

Although the operating context remained challenging across markets, the Group posted a strong performance for the year ended June 2019, underpinned by the active and thoughtful execution of its diversification strategy. Operating income recorded an increase of 19.3% to reach Rs 20,226 million, with a broad-based improvement in performance observed across the banking and non-banking clusters, more particularly on the international front. This has contributed to a growth of 31.3% in attributable profits to stand at Rs 9,482 million, with the combined share of foreign-sourced income and non-banking operations standing at 69% thereof.

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

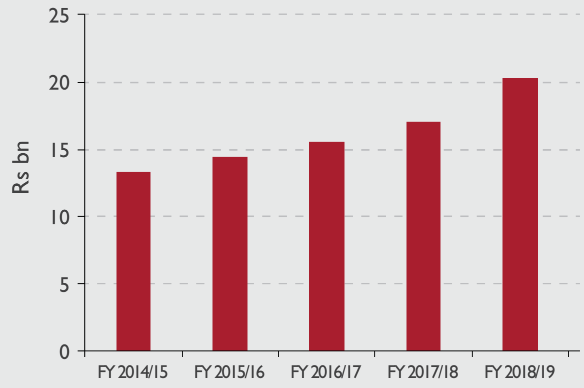
More information on financial soundness is available in the 'Risk and Capital Management Report' on pages 142 to 146

At Company level, dividend income amounted to Rs 3,370 million for the period under review. After allowing for operating expenses of Rs 164 million, profit for the Company stood at Rs 2,923 million for the period ended 30 June 2019. Overall, total assets of the Company amounted to Rs 13,890 million as at 30 June 2019, with investments in subsidiaries and associates standing at Rs 11,232 million.

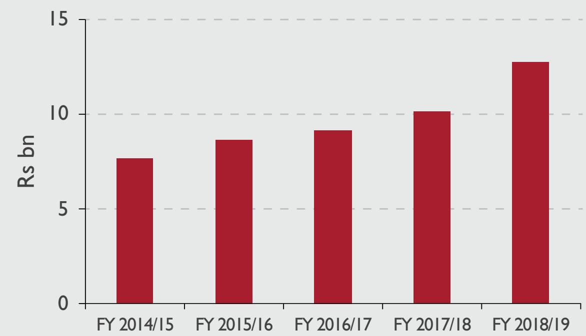
Outlook for FY 2019/20

Looking ahead, the Group will pursue its expansion strategy anchored on sound foundations, backed by continued investment in human capital and technology amongst others. While paving the way for the next development phase, we aim to further improve our resilience in the face of the highly dynamic operating environment characterised by challenges on various fronts, be they regulatory, technological or economic. Against this backdrop, supported by our activities in the region in particular, Group results should improve further in FY 2019/20, albeit at a reduced pace given the strong performance achieved this year.

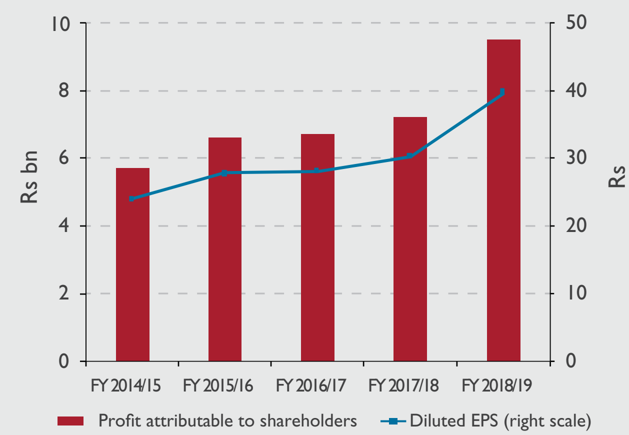
Operating income



Operating profit before provisions



Profit attributable to shareholders



Group financial performance

Income statement analysis

Net interest income	As a % of average earning assets	
Rs 12,957 million	FY 2017/18	FY 2018/19
(+2,228 million)	3.5%	3.6 %

A growth of 20.8% was recorded in net interest income reflecting:

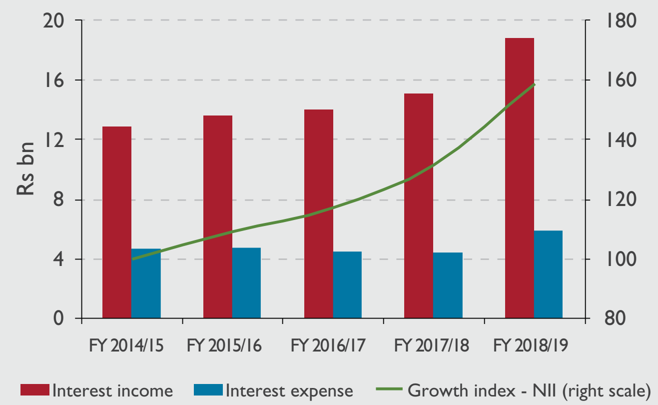
- An increase of 24.7% in interest income to Rs 18,841 million on the back of improved performances across banking subsidiaries, notably at the level of MCB Ltd, which witnessed a significant increase in its international loan portfolio and improved yields on Government securities.
- A rise of 34.2% in interest expense to Rs 5,885 million, mainly due to an increase in borrowings at the level of MCB Ltd to support its international business growth.

Non-interest income	As a % of operating income	
Rs 7,270 million	FY 2017/18	FY 2018/19
(+1,048 million)	36.7%	35.9%

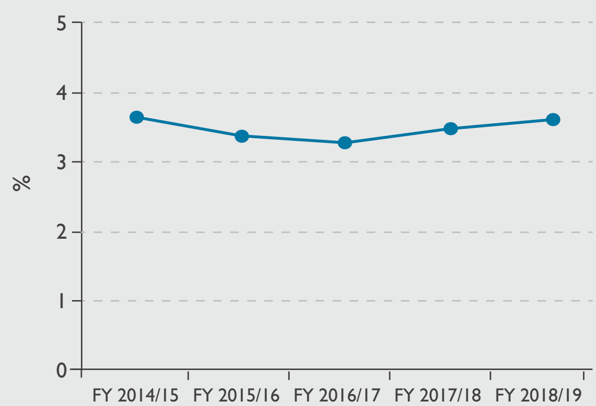
Non-interest income went up by 16.8% on account of:

- A growth of 10.3% in net fee and commission income to Rs 3,786 million, reflecting enhanced contribution from MCB Capital Markets Ltd and higher revenues across banking subsidiaries, with notable growth being registered in respect of the Energy & Commodities business and payment services at the level of MCB Ltd.
- A rise of 24.9% in 'other income' - in spite of a subdued performance in profit on exchange and lower gains on disposal of investments by MCB Equity Fund Ltd - mainly driven by:
    - Fair value gains on financial instruments at the level of MCB Equity Fund Ltd and, in particular, MCB Ltd, with the latter posting significant gains on equity instruments, now included in the 'statement of profit or loss' following the adoption of IFRS 9.
    - Higher contribution from entities in the non-banking segment, in particular MCB Consulting Services Ltd and MCB Real Assets Ltd, the latter benefiting from increased rental income and fair value gains on its investment property.

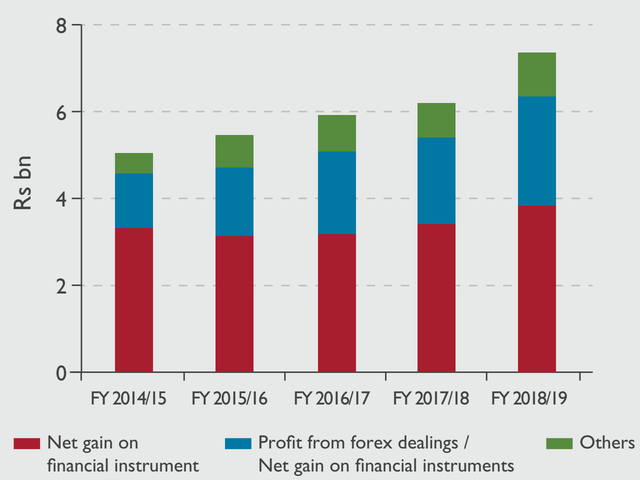
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 7,511 million	**FY 2017/18**	**FY 2018/19**
(+709 million)	40.1%	37.1%

Operating expenses increased by 10.4% reflecting:

- A rise of 13.1% in staff costs, which represented 57% of the cost base, on the back of the Group's sustained efforts to reinforce its human capital and higher performance bonus amidst increased profitability.
- A growth of 3.6% in depreciation and amortisation costs following continued investment in technology.
- An increase of 8.4% in other expenses, following higher advertising and marketing costs as well as a rise in other software and IT related costs.

Operating income having grown at the higher pace of 19.3%, our cost to income ratio improved by 3.0 percentage points.

Impairment charges	As a % of loans and advances	
Rs 1,597 million	**FY 2017/18**	**FY 2018/19**
(+267 million)	0.61%	0.59%

Whilst impairment charges registered a growth of 20.1%, the cost of risk in relation to loans and advances dropped marginally to 59 basis points of the latter.

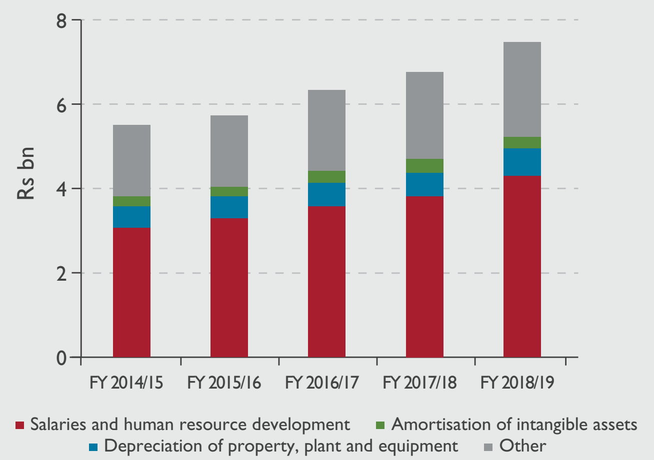
Share of profit of associates	As a % of profit for the year	
Rs 404 million	**FY 2017/18**	**FY 2018/19**
(+37 million)	4.2%	4.2%

Notwithstanding a reduced contribution from BFCOI, our share of profit of associates grew by Rs 97 million, on the back of improved performances of Société Générale Moçambique and Promotion and Development Group.

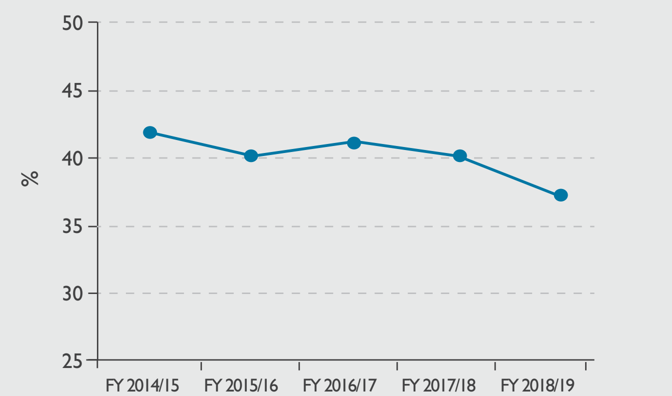
Tax expenses	Effective tax rate	
Rs 1,930million	**FY 2017/18**	**FY 2018/19**
(+46 million)	20.7%	16.8%

Whilst profit before tax improved by 26.3%, tax expenses increased by only 2.4%, notably reflecting the higher proportion of foreign sourced earnings, which bear a lower effective tax rate, at the level of MCB Ltd.

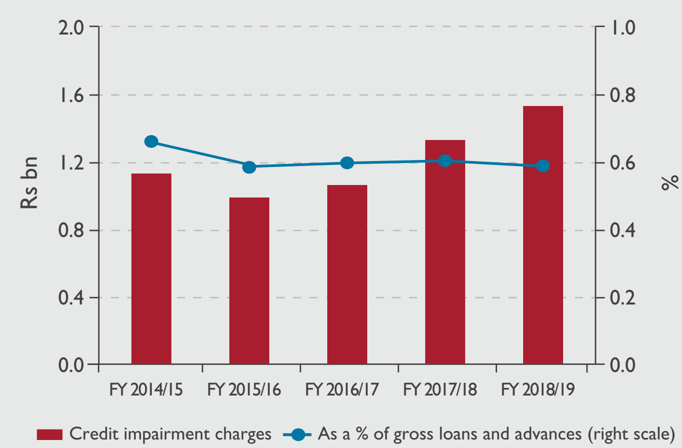
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges*



Relate to loans & advances (including corporate notes)

Group financial performance

Financial position statement analysis

Gross loans	Gross NPL ratio	
	FY 2017/18	FY 2018/19
Rs 241.6 billion		
(+30.6 billion)	4.5%	4.1 %

Gross loans of the Group recorded a year-on-year growth of 14.5% in FY 2018/19, with most banking subsidiaries posting an increase in their loan book. Specifically, gross loans at the level of MCB Ltd registered an increase of 14.0%, largely explained by the continued expansion in its foreign activities, with related credit to customers increasing by 32.5%, mainly associated with the Energy & Commodities business and structured project financing activities. At domestic level, notwithstanding an increase of around 8% in the retail segment, mainly underpinned by growth in mortgages, the overall loan portfolio expanded by only 2.7%, reflecting the still challenging operating context and the recourse to other financing instruments by some operators. Indeed, exposures through corporate notes at Bank level rose further to Rs 17.3 billion, up from Rs 7.0 billion last year.

The quality of our credit portfolio improved further during the year. Gross NPL ratio declining to stand at 4.1% while net NPL ratio stood at 2.9%.

Funding	Loans to funding ratio	
	FY 2017/18	FY 2018/19
Rs 396.0 billion		
(+76.3 billion)	66.0%	61.0%

Total deposits of the Group increased by 11.3% to attain Rs 332 billion as at 30 June 2019, supported by a broad based increase across banking subsidiaries. In particular, MCB Ltd recorded a rise of 10.1%, following a growth of 15.6% in foreign currency deposits and 7.0% in rupee-denominated deposits. 'Other borrowed funds' increased by Rs 42.5 billion, in line with initiatives undertaken by MCB Ltd to promote a sound and diversified funding base to support its international business. In addition to the syndicated term loan facility of USD 800 million, the Bank had recourse to credit facilities of USD 150 million obtained from Development Financial Institutions in order to finance long-term projects domestically and in the region.

June 2019	Exposures	
	Rs m	Y.o.y. growth (%)
Loans to customers	**234,579**	**13.9**
Agriculture and fishing	9,410	7.1
Manufacturing	12,987	10.8
of which EPZ	*3,924*	*(19.5)*
Tourism	23,481	(12.6)
Transport	8,309	44.9
Construction	17,775	5.7
Traders	44,658	8.8
Financial and business services	39,652	40.7
Personal and professional	44,283	6.1
of which credit cards	*1,224*	*18.2*
of which housing	*30,495*	*10.9*
Global Business Licence holders	17,858	12.1
Others	16,165	75.8
Loans to banks	**7,033**	**38.6**
Total	**241,612**	**14.5**

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

Loans and advances as at June 2019	Rs m	Y.o.y. growth (%)	Mix (%)
Retail customers	45,504	6.6	18.8
Credit cards	*1,232*	*18.0*	*0.5*
Mortgages	*30,495*	*10.9*	*12.6*
Other retail loans	*13,777*	*(2.7)*	*5.7*
Corporate customers	115,864	4.0	48.0
Entities outside Mauritius*	71,568	44.1	29.6
Government	1,643	(26.7)	0.7
Banks	7,033	38.6	2.9
Total loans	**241,612**	**14.5**	**100.0**
Corporate notes	18,833	167.2	-
Total loans and advances	**260,445**	**19.4**	**-**

** Relate to MCB Ltd*

Off balance sheet items as at 30 June 2019	Rs m	Y.o.y. growth (%)
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	69,003	15.2
Commitments	6,503	(4.0)
Others	1,799	(9.0)
Total	**77,305**	**12.7**

Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 182.8 billion	**FY 2017/18**	**FY 2018/19**
(+38.2 billion)	37.4%	38.8%

Liquid assets of the Group grew by 26.4% during the last financial year. This was characterised by: (i) an increase of 24.4% in cash and cash equivalents, including placements, mainly through money market instruments; (ii) a rise of 32.2% in investment securities (excluding shares and corporate notes); and (iii) a growth of 9.2% in mandatory balances with Central Bank.

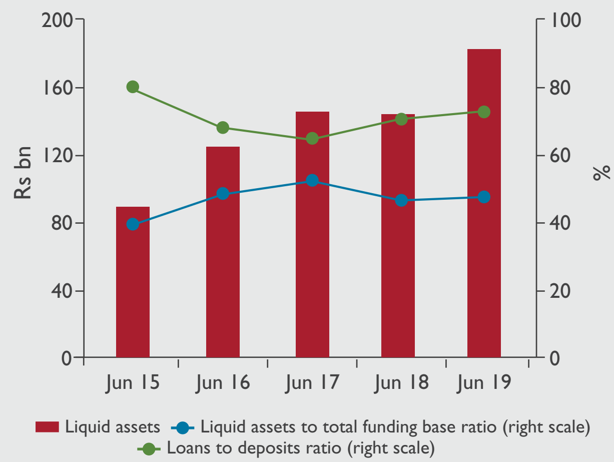
Overall, the above-mentioned liquid assets as a percentage of the funding base stood at 46.2% as at 30 June 2019 (FY 2017/18: 45.2%).

Shareholders' funds	Return on equity	
Rs 56.3 billion	**FY 2017/18**	**FY 2018/19**
(+5.0 billion)	14.8%	17.6%

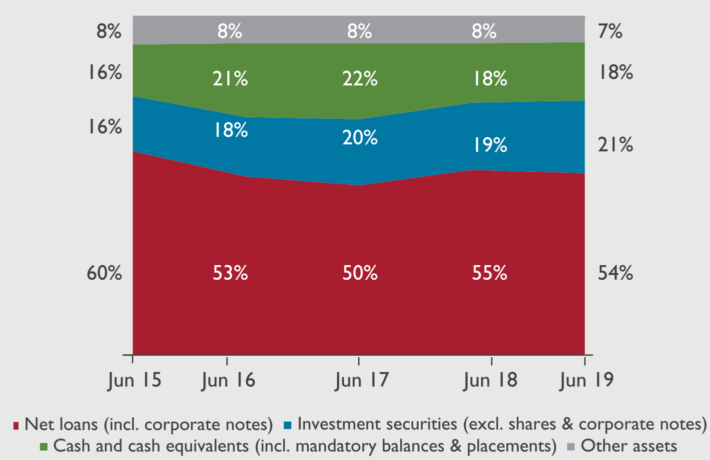
In line with the strong performance of the Group, a final dividend of Rs 7.60 was declared in September to be payable in December 2019 following an interim dividend of Rs 5.40 per share paid in July, bringing the total dividend per share to Rs 13.00. This represents a growth of 30% compared to previous year, with the dividend payout ratio standing at some 33% of earnings.

Shareholders' funds increased by 9.6%, after accounting for retained earnings of Rs 6.9 billion for the year and the impact of adopting IFRS 9, by way of an adjustment to the opening balance of retained earnings and other reserves. The Group maintained comfortable capitalisation levels with the BIS ratio standing at 17.4% as at 30 June 2019, of which 15.8% by way of Tier 1.

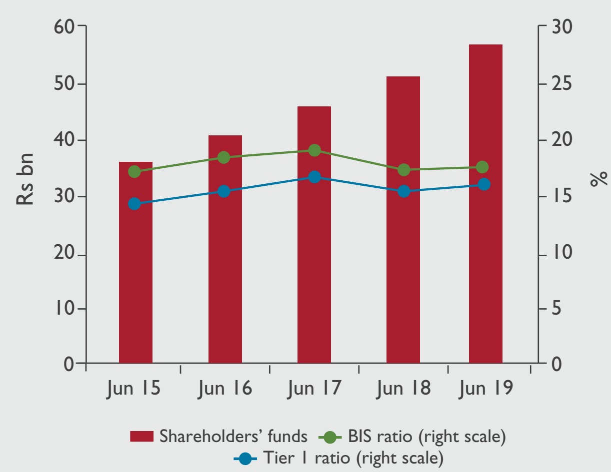
Liquidity position



Evolution of assets mix



Shareholders' funds and capital adequacy

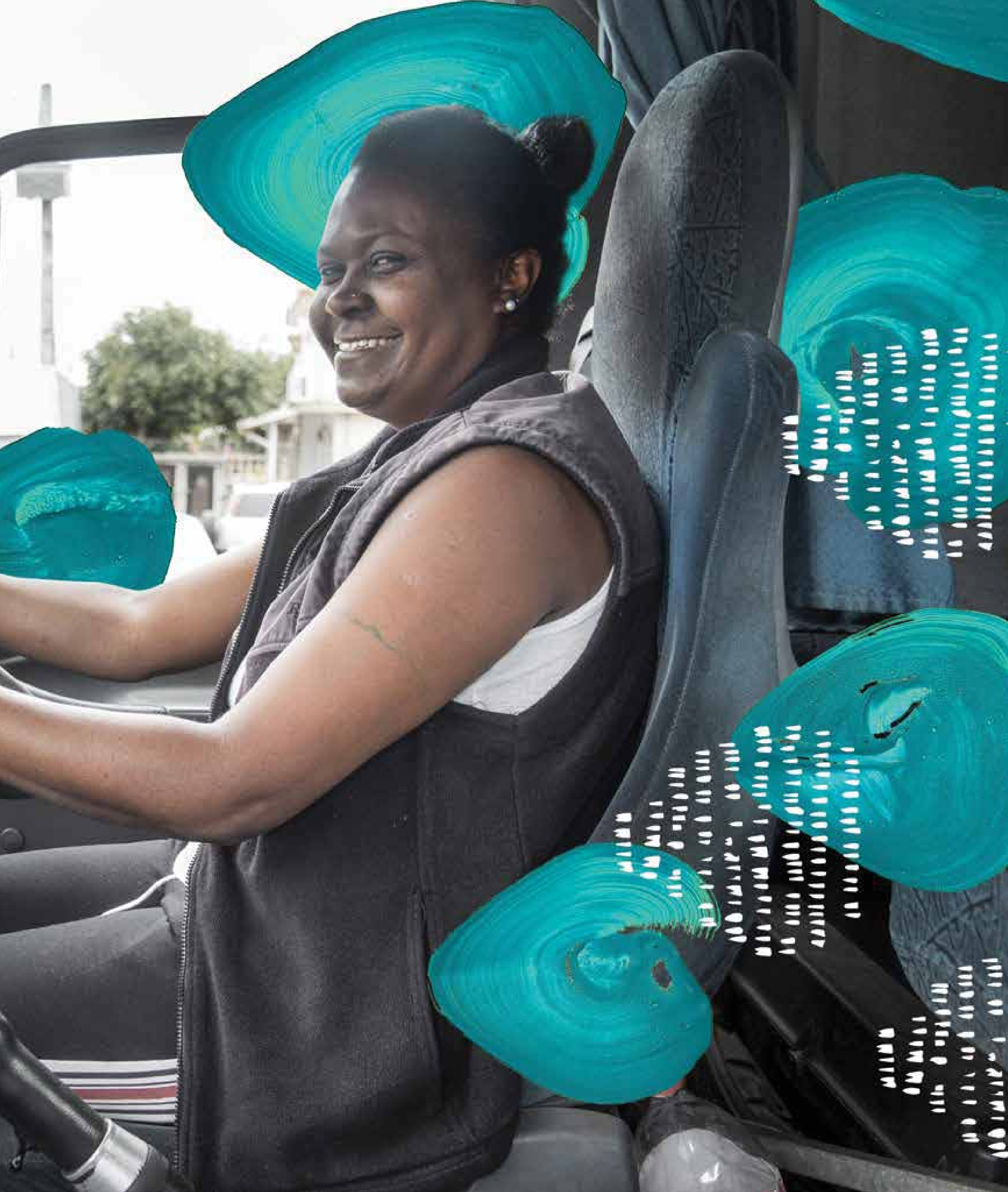


Corporate Governance Report

Sakenn gagn mem sans

Sikse, se ki sakenn gagn mem sans dan lavi

Success is equality being everyone's utmost priority



Corporate governance report

Our philosophy

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

Strong commitment to ethics and values

- Dedicated Board Committee overseeing ethical conduct across the Group
- Application of the Group's 'Code of Ethics', approved and monitored by the Board
- Whistleblowing Policy allowing employees to report matters of concern in strict confidentiality

Strict compliance to rules and regulations

- Adherence by Group entities to the provisions of legislations, rules and regulations in countries where they operate
- Compliance by relevant domestic entities with the National Code of Corporate Governance for Mauritius (2016)
- Compliance with international reporting requirements as applicable
- Adoption of the underlying Basel principles by banking subsidiaries

Robust risk governance and internal control

- Ring-fencing of activities, as gauged by the segregation of banking and non-banking operations
- Board responsible for oversight and monitoring of risk profile against risk appetite through adapted frameworks
- Provision of independent assurance by both internal and external auditors

Continuous multi-stakeholder engagement

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

Governance structure

Governance framework

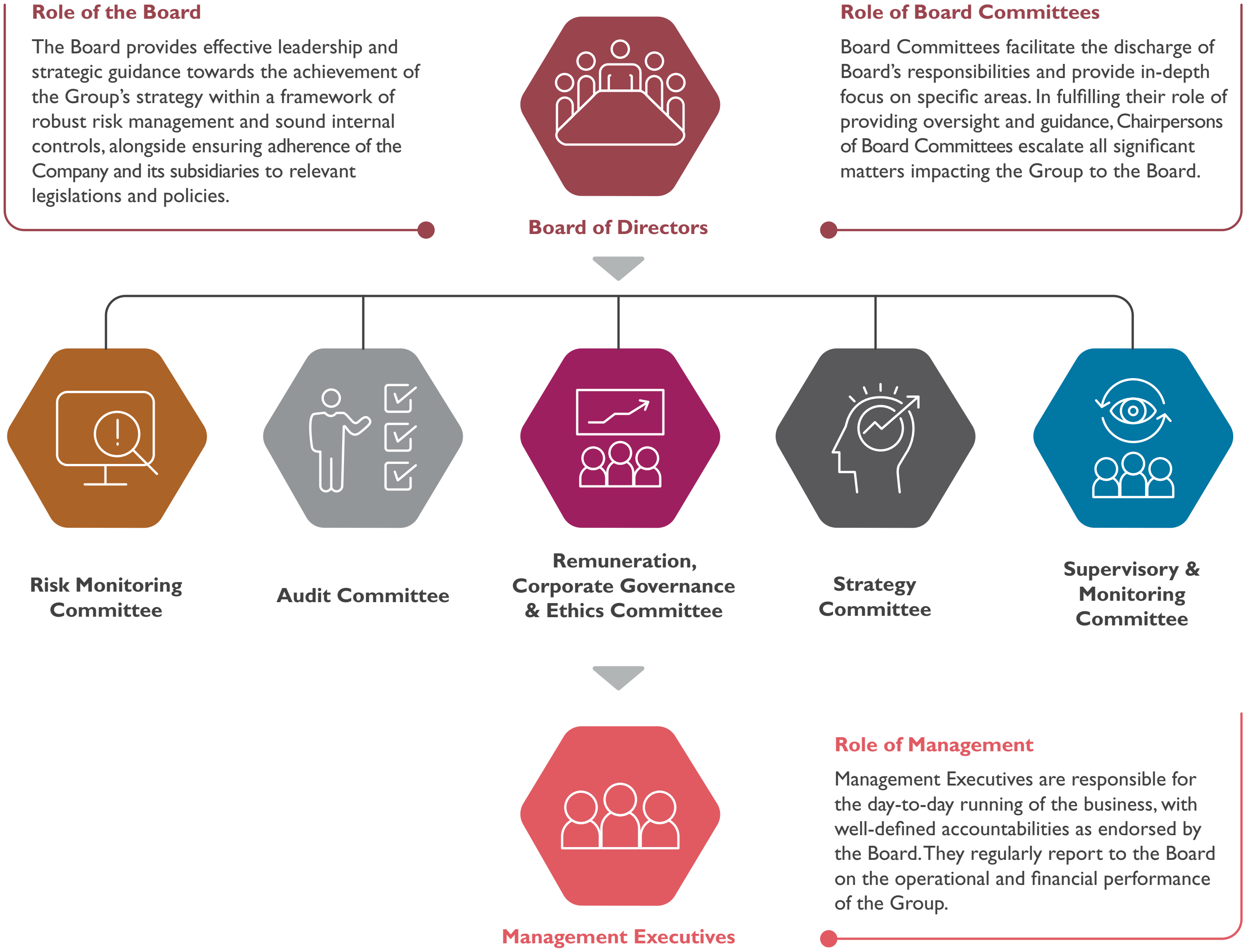
MCB Group Ltd is led by a committed and unitary Board, which is collectively responsible for the overall leadership and oversight of the organisation. The Group operates within a well-established governance framework, which enables delegation of authority and clearly defined mandates, without removing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

Role of the Board

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

Role of Board Committees

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



Role of Management

Management Executives are responsible for the day-to-day running of the business, with well-defined accountabilities as endorsed by the Board. They regularly report to the Board on the operational and financial performance of the Group.

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

Corporate governance report

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

Key roles and responsibilities

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

Company Secretary

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

More information on the key roles is available on the website

Constitution of MCB Group Limited

The Constitution of MCB Group Ltd conforms to the provisions of the Companies Act 2001 of Mauritius and the Listing Rules of the Stock Exchange of Mauritius Ltd. There are no clauses of the Constitution deemed material enough for specific disclosure. A copy of the Constitution is available on the website.

The Board

Mandate

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

Key facts

12 Number of directors	**4** Average length of tenure (years)*
9 Number of meetings	**92%** Average meeting attendance

* MCB Group Ltd has been in operation since April 2014

Responsibilities

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

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

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

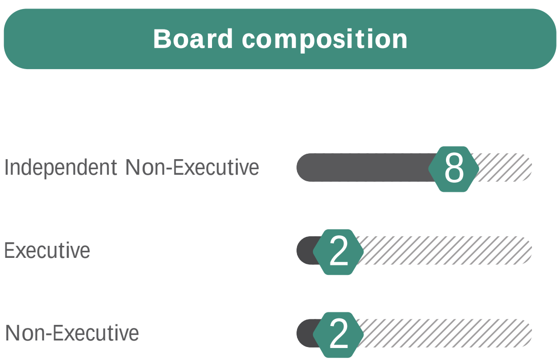
Corporate governance report

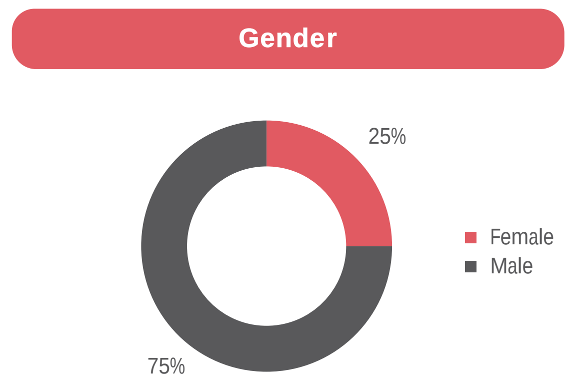
Composition and meetings

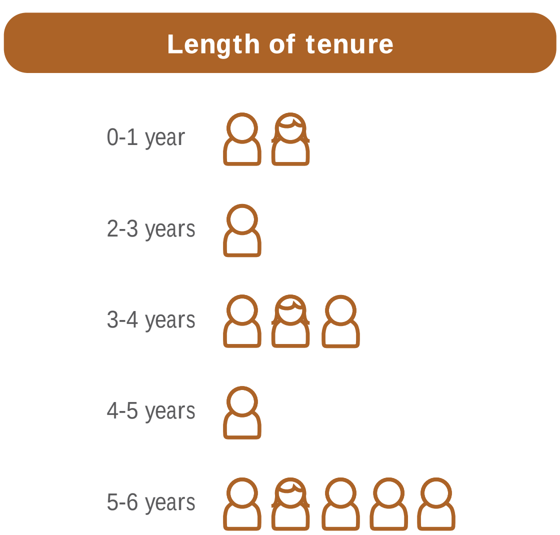
Composition

As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors, of which at least two executive and two independent directors. The Chairperson of the Board may be independent. The Board, assisted by the Remuneration, Corporate Governance and Ethics Committee (RCGEC) regularly reviews the Board size, structure and composition, including the independence status of the non-executive directors. Since the last Annual Meeting held in November 2018, Mr Navin Hoolooman and Mr Jean-Pierre Montocchio have retired and there have been two new appointments, namely Mr Michael Lising and Mrs San T. Singaravelloo. In the same vein, Mr Didier Harel, Mr Jean-Louis Mattei and Mrs Karuna Bhoojedhur-Obeegadoo have been re-elected as directors, in line with the Companies Act 2001 and the Group's Constitution.

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



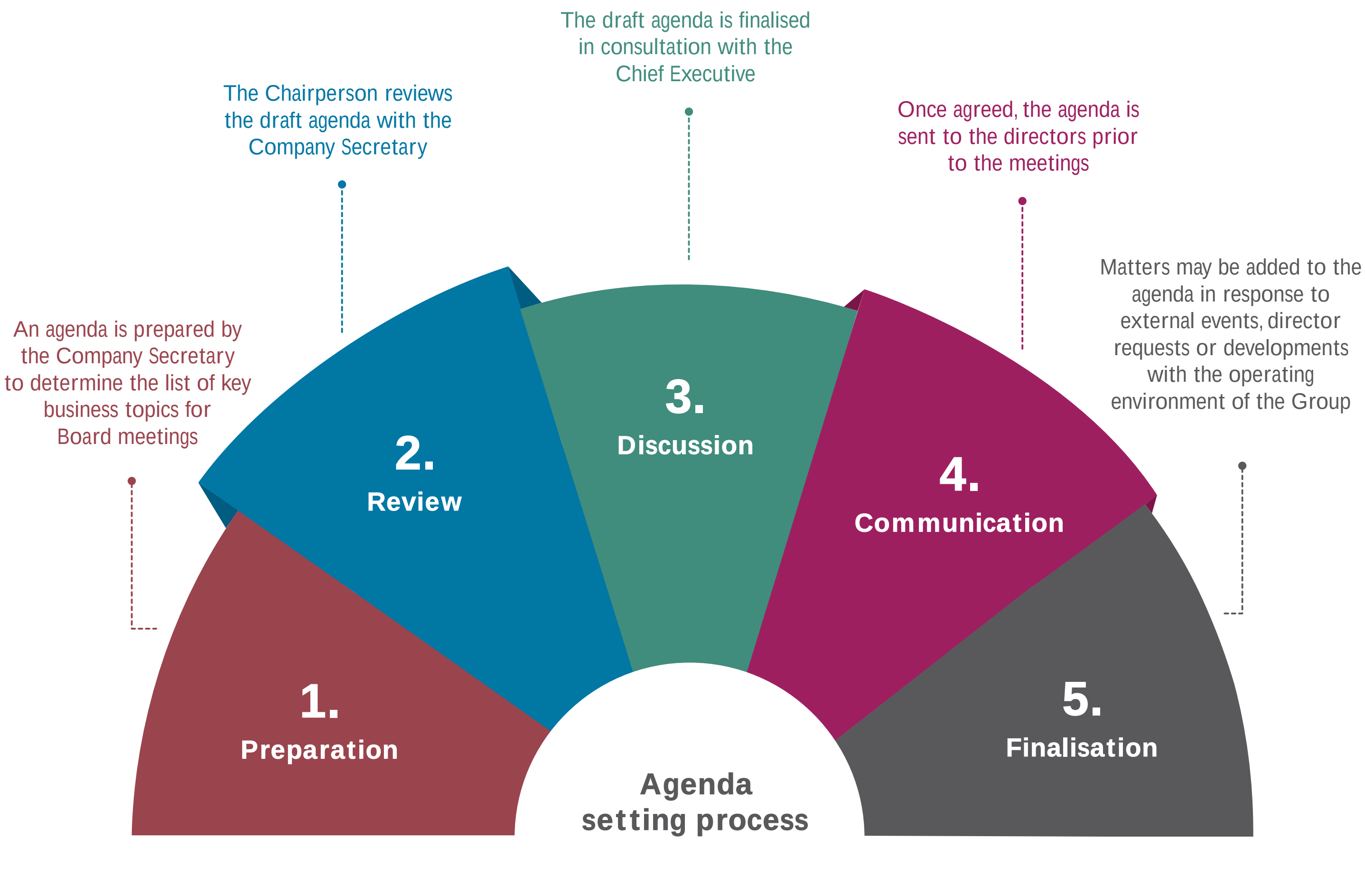




Note: MCB Group Ltd has been in operation since April 2014

Meetings

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



Corporate governance report

Board attendance

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

Members	Board member since	Board status	Meeting attendance
Didier HAREL ***(Chairperson as from September 2016)***	**November 2015**	**Independent Non-Executive Director**	**9/9**
Sunil BANYMANDHUB	April 2014	Independent Non-Executive Director	7/9
Karuna BHOOJEDHUR-OBEEGADOO	November 2015	Independent Non-Executive Director	6/9
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	November 2014	Independent Non-Executive Director	8/9
Georges Michael David LISING	November 2018	Independent Non-Executive Director	4/4
Jean-Louis MATTEI	April 2014	Independent Non-Executive Director	8/9
Alain REY	November 2015	Independent Non-Executive Director	9/9
San T. SINGARAVELLOO	November 2018	Independent Non-Executive Director	4/4
Navin HOOLOOMANN, C.S.K (*until November 2018*)	April 2014	Non-Executive Director	5/5
Jean-Pierre MONTOCCHIO (*until November 2018*)	April 2014	Non-Executive Director	4/5
Jean Michel NG TSEUNG	November 2016	Non-Executive Director	9/9
Margaret WONG PING LUN	April 2014	Non-Executive Director	8/9
Gilbert GNANY	April 2014	Executive Director	9/9
Pierre Guy NOEL	April 2014	Executive Director	9/9

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

Board focus areas

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

Strategy and performance

- Reviewed and approved the strategic orientations and budget plans of all the banking and non-banking subsidiaries of the Group
- Monitored the progress of key ongoing projects namely relating to Digital Transformation and HR Transformation as well as the revamping of the Treasury and MCB Private Banking & Wealth Management functions
- Discussed the launch of the Corporate Sustainability Programme (Success Beyond Numbers) and briefed on related initiatives
- Assessed the development of the growth pillars of MCB Ltd
- Monitored the setting up of Dubai representative office and of the MCB Institute of Finance Ltd

Governance and risk

- Reviewed and approved the structure, size and composition of the Board and Board Committees
- Assessed the need to carry out a Board evaluation exercise and approved the appointment of an external consultant
- Discussed recommendations made by an external consultant on the Group's risk management framework
- Briefed on Anti-Money Laundering and Combating the Financing of Terrorism

Financial

- Assessed and monitored the Group's financial performance against budget
- Reviewed regularly reports from the Audit and Risk Monitoring Committees
- Approved declaration of interim and final dividends

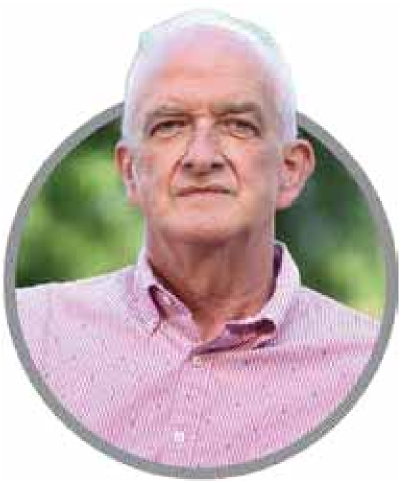
Recurrent agenda items

- Approved the minutes of proceedings
- Reviewed reports from Chairpersons of Committees
- Reviewed and approved the Group's consolidated accounts on a quarterly basis
- Debriefed on the Annual Meeting of Shareholders
- Updated on developments in the operating environment

Directors' profiles

The Board comprises 12 directors who have a proven track record in various fields. Profiles of directors who held office at the end of the financial year as well as their directorships in other listed companies (where applicable) are given hereafter. Unless otherwise stated in their respective profile, directors reside in Mauritius.

Chairperson



Didier HAREL – Age 67
Independent Non-Executive Director

Date of first appointment: November 2015

Qualifications: BSc in Chemical Engineering and Chemical Technology (UK) and MBA (France)

Skills and experience: Didier has a track record of over forty years in the downstream sector of the oil industry, having worked for the EXXON and TOTAL Groups. He started his career with Esso in Mauritius in 1974 and was appointed as Managing Director of Esso Reunion in 1982. He joined the TOTAL Group in 1988 where he was entrusted several international assignments, initially as Managing Director of TOTAL in Zambia and Zimbabwe and subsequently as Managing Director and Chief Executive Officer of major TOTAL Refining & Marketing subsidiaries in South Africa and in the United Kingdom. He also shouldered an array of senior executive positions in the marketing and logistics arena at TOTAL's Africa and Middle East Head Office in Paris and within TOTAL France, the home-based marketing and distribution company of the group. He was seconded in 2012 by TOTAL S.A as Chairman and CEO of Société Anonyme de Gestion des Stocks Stratégiques, the national oil compulsory stock obligation entity for France.

Board Committee memberships: Risk Monitoring Committee; Remuneration, Corporate Governance and Ethics Committee (*Chairperson*); Strategy Committee (*Chairperson*); Supervisory and Monitoring Committee (*Chairperson*)

Directorships in other listed companies: Sun Ltd; Terra Mauricia Ltd

Executive Directors

Pierre Guy NOEL – Age 63
Chief Executive

Date of first appointment: April 2014

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

Skills and experience: From 1981 to 1991, Pierre Guy worked at De Chazal Du Mée & Co. where he became a partner in financial consultancy. He joined MCB in 1992 as Planning and Development Consultant before being appointed General Manager of the Bank in 1996. Following the organisation's restructuring, he became the Chief Executive of MCB Group Ltd in April 2014. He is a Board member of several companies within the Group namely Banque Française Commerciale Océan Indien, MCB Madagascar, MCB Seychelles, MCB Maldives, MCB Investment Holding Ltd, MCB Capital Markets Ltd, MCB Equity Fund Ltd, MCB Consulting Services Ltd, MCB Factors Ltd, International Card Processing Services Ltd, Credit Guarantee Insurance Co. Ltd, MCB Microfinance Ltd and MCB Institute of Finance amongst others, acting either as Chairperson or Director. He was appointed to the Board of MCB Ltd in 2005 and was a Director thereof until March 2014 when he joined the Board of MCB Group Ltd following the Group's restructuring exercise.

Board Committee memberships: Risk Monitoring Committee; Remuneration, Corporate Governance and Ethics Committee; Strategy Committee; Supervisory and Monitoring Committee

Directorship in other listed companies: Compagnie Des Villages De Vacances De L'Isle De France Limitée (COVIFRA)

Gilbert GNANY – Age 57
Chief Strategy Officer

Date of first appointment: April 2014

Qualifications: 'Licence ès Sciences Economiques (Economie Mathématique)', 'Maîtrise en Econométrie' and 'DESS en Méthodes Scientifiques de Gestion et Calcul Economique Approfondi' (France)

Skills and experience: Gilbert previously worked as Senior Advisor on the World Bank Group's Executive Board where he was responsible for issues relating mainly to the International Finance Corporation and to the private and financial sectors. Prior to joining the World Bank, he was the MCB Group Chief Economist and Group Head of Strategy, Research & Development after having been the Economic Advisor to the Minister of Finance in Mauritius. During his career, he has been involved in various high-profile boards/committees. Amongst others, he chaired the Stock Exchange of Mauritius Ltd, the Statistics Advisory Council and the Statistics Board as well as having been a member of the Board of Governors of the Mauritius Offshore Business Activities Authority, a director of the Board of Investment and of the Mauritius Sugar Authority. He was also a member of the IMF Advisory Group for sub-Saharan Africa, a member of the Senate of the University of Mauritius and a director of the Financial Services Institute. He is currently a Board member of several companies within the Group namely MCB Capital Markets Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar, MCB Microfinance Ltd and MCB Consulting Services Ltd amongst others. On the institutional side, he is an external IMF expert in statistics, in particular on data dissemination standards and strategy and is also a member of the Financial Services Consultative Council. Furthermore, he is the Chairperson of the Economic Commission of Business Mauritius which serves, *inter alia*, as a platform for public-private sector dialogue.

Board Committee memberships: Risk Monitoring Committee; Strategy Committee (*also acts as Secretary*)

Directorships in other listed companies: Promotion and Development Ltd; Caudan Development Ltd; COVIFRA, Medine Ltd

Directorships in listed funds: MCB India Sovereign Bond ETF; African Domestic Bond Fund

Independent Non-Executive Directors

Sunil BANYMANDHUB – Age 70

Date of first appointment: April 2014

Qualifications: BSc (Honours) in Civil Engineering, Master's degree in Business Studies and Chartered Accountant (UK)

Skills and experience: Sunil has occupied senior positions in the private sector in Mauritius prior to launching his own transport company in 1990. In 2001, he joined the CIM Group, a company engaged in financial and international services, from which he retired as Chief Executive Officer in 2008. During his career, he has been involved in various private sector organisations. Amongst others, he was President of the Mauritius Employers' Federation. He was a member of the Presidential Commission on Judicial Reform, headed by Lord Mackay of Clashfern, a former UK Lord Chancellor. He is currently a director of a number of domestic and global business entities, acting either as Chairperson or board member, and is also Adjunct Professor at the University of Mauritius.

Board Committee memberships: Audit Committee (*Chairperson until March 2019*); Strategy Committee

Directorships in other listed companies: Fincorp Investment Ltd; New Mauritius Hotels; Blue Life Ltd

Karuna BHOOJEDHUR – OBEEGADOO Age 58

Date of first appointment: November 2015

Qualifications: BSc (Hons) in Actuarial Science and Fellow of the Institute and Faculty of Actuaries (UK)

Skills and experience: Karuna started her career at the M&G Reinsurance Company in London (now Swiss Re) in 1985 prior to joining the State Insurance Company of Mauritius Ltd (SICOM) as Actuary and Manager of the Life, Pensions and Actuarial departments in 1990 when she was also appointed Actuarial Advisor to the National Pensions Fund and member of its Investment Committee.

She has been the Chief Executive of the SICOM Group from 1996 to 2017 and is a director of various companies within the group. In the past, she has served as director on the board of several companies, including State Bank of Mauritius Ltd, National Mutual Fund Ltd, First Republic Fund Ltd, Cyber Properties Investment Ltd, Mauritius Housing Company Ltd, National Housing Development Company Ltd, China Index Fund Ltd and China Actis Ltd. She was also a Founding Member of the National Committee on Corporate Governance and of the Board of Investment. She is currently a director of MCB Equity Fund Ltd, a subsidiary of MCB Group Ltd.

Board Committee membership: Remuneration, Corporate Governance and Ethics Committee

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE – Age 68

Non-Resident

Date of first appointment: November 2014

Qualifications: 'Diplôme de l'Institut d'Etudes Politiques de Paris' (France) and MBA (USA)

Skills and experience: Jean-Jacques started his career in 1977 as Financial Advisor at Deep River Beau Champ prior to joining the World Bank Group in 1980 under the Young Professionals Program. He integrated the International Finance Corporation where he worked on agro-industrial projects in several countries in West Africa. Since 1987, he acted as Principal Operations Officer within the World Bank successively for Europe, Central Asia, Latin America and the African region, whilst being responsible for the Health, Nutrition and Population (HNP) projects undertaken in various countries therein. Moreover, he was appointed as Cluster Leader of the World Bank's HNP Division for West Africa in 2008 before acting as the Sector Manager for the African region in 2011-2012 when he was also a member of the HNP Sector Board worldwide.

Board Committee memberships: Risk Monitoring Committee (*until January 2019*); Strategy Committee; Remuneration, Corporate Governance and Ethics Committee

Georges Michael David LISING – Age 47

Date of first appointment: November 2018

Qualifications: BSc (Honours) in Accounting and Financial Analysis and Chartered Accountant (UK)

Skills and experience: Michael has a long experience in the retail industry. He currently heads the Lising Group and occupies the position of Managing Director. Prior to joining the Lising Group, Michael has worked for Ernst & Young (UK) and De Chazal du Mee (Mauritius) where he was responsible for various consultancy projects and conducted assignments for the World Bank in Rwanda, Tanzania, Madagascar and Burkina Faso.
He was previously on the Council of the University of Mauritius and was in the Executive Committee of Young Presidents Organisation. He is also a director of MCB Factors Ltd.

Board Committee membership: Risk Monitoring Committee

Jean-Louis MATTEI – Age 72
Non-Resident

Date of first appointment: April 2014

Qualifications: 'Diplôme d'Etudes Supérieures en Droit Privé', 'Diplôme du Centre d'Etudes Supérieures de Banque' and 'Diplôme de l'Institut d'Etudes Politiques de Paris' (France)

Skills and experience: Jean-Louis has accumulated wide-ranging experience in the banking sector, having worked for Société Générale Group for some 40 years. Over this period, he has shouldered an array of high-level responsibilities within the group, acting as Chairperson, Director or Chief Executive Officer, in its various offices based worldwide. In 1998, he took charge of Société Générale international retail banking operations and built the group's international network, particularly in Northern Africa and in the sub-Saharan region as well as in Eastern Europe. Prior to his retirement in 2013, he was a member of the Executive Committee of Société Générale Group.
He is a member of the Board of Agence Française de Développement and also acts as Chairperson of its Audit Committee and Risk Committee.

Board Committee memberships: Risk Monitoring Committee (*Chairperson*); Strategy Committee

Alain REY – Age 60

Date of first appointment: November 2015

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

Skills and experience: Alain has acquired wide financial experience, having been Manager at Citibank NA (Paris) and Regional Corporate Manager at Barclays Plc in Mauritius. He also has a long experience in the textile industry and was namely Financial Director at Corotex, General Manager at Shape Fabrics Ltd and has served as Senior Vice President and Chief Financial Officer at Novel Denim Holdings Ltd, a NASDAQ listed company. He has also been the Chief Executive Officer at Compagnie de Mont Choisy Ltée, a company involved in agricultural and property development activities. He was previously a director of AfrAsia Bank Ltd, State Bank of Mauritius Ltd and SBM Holdings Ltd.

Board Committee membership: Audit Committee (*Chairperson as from March 2019*)

Directorships in other listed companies: Terra Mauricia Ltd; Ciel Textile Ltd; New Mauritius Hotels Ltd

San T. SINGARAVELLOO – Age 46

Date of first appointment: November 2018

Qualifications: BSc Economics and Statistics (South Africa), BSc (Hons) Operation Research (South Africa), LLM International Business Law (France) and Fellow of the Institute of Faculty of Actuaries (UK)

Skills and experience: San is a qualified actuary with over 20 years of experience across the sub-Saharan Africa region, the UK and the Netherlands. Her experience spans an array of disciplines namely pension, healthcare, life insurance and general insurance, with particular interest in business development in new markets. She has worked for various regional and international companies including Old Mutual (Cape Town), Hymans Robertson Actuaries and Consultant (Glasgow), PwC (London and Amsterdam), ABN Amro (Amsterdam), The UK Pension Regulator (UK) and Anglo Mauritius/CIM Insurance (Mauritius). She currently heads the Aon Global Benefits Africa Unit and is a director of Anglo African Investments Ltd. She is also a member of the Institute of Directors of Southern Africa (IODSA).

Board Committee membership: Audit Committee

Non-Executive Directors

Jean Michel NG TSEUNG – Age 51

Date of first appointment: November 2016

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

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

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

Margaret WONG PING LUN – Age 65

Date of first appointment: April 2014

Qualifications: BA (Honours) in Business Studies and Chartered Accountant (UK)

Skills and experience: Prior to her recent retirement as Lecturer in Accounting and Finance at the University of Mauritius which she joined in 1991, Margaret was a Senior Manager at De Chazal Du Mée's Consultancy Department. She was formerly a member of the Listing Executive Committee of the Stock Exchange of Mauritius Ltd. She was appointed to the Board of MCB Ltd in 2004 and was a Director thereof until March 2014, after which she joined the Board of MCB Group Ltd following the restructuring of the Group. She is currently a Board member of several companies within the Group namely Fincorp Investment Ltd, MCB Factors Ltd, MCB Real Assets Ltd and COVIFRA, acting either as Chairperson or Director.

Board Committee membership: Audit Committee (*until December 2018*)

Directorships in other listed companies: Terra Mauricia Ltd; Fincorp Investment Ltd; COVIFRA

Remuneration philosophy

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

Employees

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

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

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

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

The Group provides a range of fringe benefits to its employees to help them in their personal life. Examples of such benefits at the level of MCB Ltd are as follows:

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

Corporate governance report

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

	Management	Other Employees	Total
Number of options granted in October 2018	**139,436**	**544,992**	**684,428**
Initial option price (Rs)	268	241.25	-
Number of options exercised to date	77,478	129,712	207,190
Value (Rs)*	20,764,104	31,293,020	52,057,124
Percentage exercised	55.6	23.8	30.3
Number of employees	17	626	643
Available for the 4th window and expiring in mid-October 2019	**61,958**	**415,280**	**477,238**

**Based on initial option price*

Directors

Executive directors

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

Non-executive directors

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

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

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

Remuneration and benefits received (Rs '000)	From the holding company	From subsidiaries	Total
Didier HAREL	2,857	-	2,857
Sunil BANYMANDHUB	1,032	60	1,092
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	838	-	838
Navin HOOLOOMANN, C.S.K. *(until November 2018)*	234	-	234
Georges Michael David LISING *(as from January 2019)*	285	35	320
Jean-Louis MATTEI	1,019	-	1,019
Jean-Pierre MONTOCCHIO *(until November 2018)*	234	156	390
Karuna BHOOJEDHUR-OBEEGADOO	494	50	544
Jean Michel NG TSEUNG	9,800	14,445	24,245
Alain REY	641	62	703
San T. SINGARAVELLOO (*as from January 2019)*	310	-	310
Margaret WONG PING LUN	476	280	756
Total Non-Executive	***18,220***	***15,088***	***33,308***
Pierre Guy NOEL	37,103	-	37,103
Gilbert GNANY	19,467	-	19,467
Total Executive	***56,570***	***-***	***56,570***
Total (Non-Executive and Executive)	**74,790**	**15,088**	**89,878**

Directors' interests and dealings in securities

With regard to directors' dealings in the Group's securities, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests of directors, which is available for consultation to shareholders upon written request to the Company Secretary. Upon their appointment, all new directors are required to notify in writing to the Company Secretary their holdings as well as the holdings of their closely related parties in the Group's securities.

The following tables give the interests of the directors in the Group's listed securities as at 30 June 2019 as well as related transactions effected by the directors during the financial year. None of the directors had any interest in the securities of the subsidiaries of MCB Group Ltd other than in the equity of Fincorp Investment Ltd.

Corporate governance report

Interests in MCB Group Ltd shares as at 30 June 2019	Number of shares	
	Direct	Indirect
Sunil BANYMANDHUB	2,200	-
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	88	-
Gilbert GNANY	257,102	30,000
Georges Michael David LISING	11,722	45,245
San T. SINGARAVELLOO	-	5,000
Jean Michel NG TSEUNG	18,423	-
Pierre Guy NOEL	1,185,625	28,542
Alain REY	4,840	-
Margaret WONG PING LUN	500	81,675

Transactions during the year	Number of shares			
	Purchases		Sold	
	Direct	Indirect	Direct	Indirect
Gilbert GNANY	30,000	-	-	-
Pierre Guy NOEL	16,166	-	-	-
Margaret WONG PING LUN	-	4,900	-	-

Interests in MCB Group Ltd Subordinated Notes as at 30 June 2019	Number of notes	
	Direct	Indirect
Gilbert GNANY	-	200

Interests in Fincorp Investment Ltd as at 30 June 2019	Number of shares	
	Direct	Indirect
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	550	-
Gilbert GNANY	69,000	-
Pierre Guy NOEL	750,166	32,250
Margaret WONG PING LUN	-	10,000

Directors' service contracts

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

Related party transactions

The Board is ultimately responsible for establishing and implementing appropriate policies on conflicts of interests and related party transactions and for administering the process for handling the transactions within the Group. Assisted by the Remuneration, Corporate Governance and Ethics Committee, the Board exercises this responsibility, through:

- monitoring and reporting by Senior Management within the Company and its subsidiaries in respect of related party transactions;
- regular review of related party exposures, including those pertaining to Senior Management at the level of the Company and its subsidiaries; and
- formal review and ratification of the Conflicts of Interest and Related Party Transactions Policy as applicable.

Related party transactions of the Group were conducted in line with relevant internal policies and guidelines. For related party transactions, please refer to Note 38 of the Financial Statements.

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

Board Committees

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

Risk Monitoring Committee (RMC)

Mandate

The RMC assists the Board in setting up risk mitigation strategies and in assessing and monitoring the risk management process of MCB Group Ltd and all its subsidiaries. It also advises the Board on risk issues and monitors the risk of the different portfolios against the set risk appetite of the subsidiaries.

Key facts

6 Number of directors	**3-4** Average length of tenure (years)
4 Number of meetings	**96%** Average meeting attendance

Composition and meetings

As per its Charter, the RMC shall consist of at least three members, including the Chief Executive, with a majority of non-executive directors. The Chairperson of the Committee shall be a non-executive director and shall not be the Chairperson of the Board. The RMC meets at least quarterly and on an ad hoc basis when required.

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

Members	Committee member since	Board Status	Meeting attendance
Jean-Louis MATTEI *(Chairperson)*	**July 2014**	**Independent Non-Executive Director**	**3/4**
Didier HAREL	February 2016	Independent Non-Executive Director	4/4
Georges Michael David LISING	January 2019	Independent Non-Executive Director	2/2
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(until January 2019)*	February 2015	Independent Non-Executive Director	2/2
Jean Michel NG TSEUNG *(also acts as Secretary)*	January 2019	Non-Executive Director	2/2
Gilbert GNANY	July 2014	Executive Director	4/4
Pierre Guy NOEL	July 2014	Executive Director	4/4

Focus areas in FY 2018/19

Key topics discussed

- The Group's risk appetite
- Risk management framework of the Group and its subsidiaries
- Risk policies of the Group and its subsidiaries
- Reports from the Group's banking entities and non-banking subsidiaries covering the principal risks (notably credit, market, liquidity) and actions taken to mitigate them
- Adequacy of capital, funding and liquidity requirements of the Group and of the banking subsidiaries
- Risk portfolios of the banking subsidiaries against set limits
- Key risks of specific non-banking subsidiaries
- Progress on the implementation of IFRS 9
- Asset quality metrics of the Group

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

Audit Committee (AC)

Mandate

The AC assists the Board in overseeing MCB Group Ltd and its subsidiaries in matters relating to the safeguarding of assets, the monitoring of internal control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

Key facts

3 Number of directors	**3-4** Average length of tenure (years)
8 Number of meetings	**84%** Average meeting attendance

Composition and meetings

As per its Charter, the AC shall consist of a minimum of three non-executive members, with a majority of independent directors from whom the Chairperson shall be nominated. The Chairperson of the Board and the Chief Executive shall not be a member of the AC. The Committee meets at least four times a year corresponding to the Company's quarterly reporting cycle and on an ad hoc basis when required. Moreover, the Committee also holds consultations with the Chairpersons of Audit Committees of subsidiaries as deemed appropriate.

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

Members	Committee member since	Board Status	Meeting attendance
Alain REY *(Chairperson as from March 2019)*	**February 2016**	**Independent Non-Executive Director**	**8/8**
Sunil BANYMANDHUB *(Chairperson until March 2019)*	July 2014	Independent Non-Executive Director	7/8
San T. SINGARAVELLOO	December 2018	Independent Non-Executive Director	4/4
Margaret WONG PING LUN *(until December 2018)*	July 2014	Non-Executive Director	2/4

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

Focus areas in FY 2018/19

Key topics discussed

- Interim and audited consolidated financial statements published by the Group with recommendations made to the Board
- Reports from internal and external auditors and actions taken accordingly
- Internal and external audit reports of all subsidiaries
- Compliance plan and report of all subsidiaries
- Operational risk review
- Adequacy of allowance for credit impairment
- Audit plans of internal and external auditors
- Audit fees for external auditors

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

Corporate governance report

Remuneration, Corporate Governance and Ethics Committee (RCGEC)

Mandate

The RCGEC assists the Board with respect to all remuneration aspects, corporate governance matters and nomination of directors and senior executives of MCB Group Ltd. Moreover, it oversees succession planning by regularly reviewing the related plan for Group senior executives and continuously updating a pipeline of directors' profiles, for discussion at Board meeting.

Key facts

4 Number of directors	**3-4** Average length of tenure (years)
5 Number of meetings	**97%** Average meeting attendance

Composition and meetings

As per its Charter, the RCGEC shall consist of at least three members, the majority of whom shall be independent non-executive directors. The Chairperson shall be a non-executive director and shall normally be the Chairperson of the Board. The Chief Executive may be a member of the Committee. The Committee meets at least twice a year and on an ad hoc basis when required.

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

Members	Committee member since	Board status	Meeting attendance
Didier HAREL *(Chairperson)*	**September 2016**	**Independent Non-Executive Director**	**5/5**
Karuna BHOOJEDHUR-OBEEGADOO	February 2016	Independent Non-Executive Director	4/5
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	November 2018	Independent Non-Executive Director	2/2
Navin HOOLOOMANN,C.S.K *(until November 2018)*	July 2014	Non-Executive Director	2/2
Jean-Pierre MONTOCCHIO *(until November 2018)*	July 2014	Non-Executive Director	2/2
Pierre Guy NOEL	July 2014	Executive Director	5/5

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

Focus areas in FY 2018/19

Key topics discussed

- Re-election and appointment of directors as Board members
- Board and Board Committees composition
- Group's general remuneration policy
- Appointment of senior executives and Board members at subsidiaries' level
- Review of the 'Corporate Governance Report' forming part of the Annual Report
- Board evaluation exercise to be carried out by external consultant
- Committee Charters and policies for approval by the Board

More information on the Remuneration, Corporate Governance and Ethics Committee Charter is available on the website

Strategy Committee (SC)

Mandate

The SC assists the Board in overseeing the business strategy of MCB Group Ltd and its subsidiaries and measures the latter's performance against set objectives whilst ensuring that capital allocation is appropriate. In addition, it helps the Board in assessing major financial and investment plans and other material issues that affect the development of the Group.

Key facts

6 Number of directors	**2-3** Average length of tenure (years)*
5 Number of meetings	**97%** Average meeting attendance

*SC was set up in November 2016.

Composition and meetings

As per its Charter, the SC shall consist of at least five members with a majority of non-executive directors. The Chief Executive shall also be a member of the Committee. The Chairperson of the Committee shall be a non-executive director and shall normally be the Chairperson of the Board. The Committee meets at least four times in a year and on an ad hoc basis when required. The Chairperson of MCB Ltd and Chief Executives of entities of the Group may be invited to attend SC's meetings as and when required.

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

Members	Committee member since	Board status	Meeting attendance
Didier HAREL *(Chairperson)*	**November 2016**	**Independent Non-Executive Director**	**5/5**
Sunil BANYMANDHUB	November 2016	Independent Non-Executive Director	4/5
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	November 2016	Independent Non-Executive Director	5/5
Jean-Louis MATTEI	November 2016	Independent Non-Executive Director	5/5
Gilbert GNANY *(also acts as Secretary)*	November 2016	Executive Director	5/5
Pierre Guy NOEL	November 2016	Executive Director	5/5

Focus areas in FY 2018/19

Key topics discussed

- The Group's international expansion strategy and related opportunities
- Funding and capital allocation within the Group
- Progress of key strategic initiatives across the Group
- Setting up of Dubai representative office and of the MCB Institute of Finance Ltd
- Group's long-term strategy

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

Corporate governance report

Supervisory and Monitoring Committee (SMC)

Mandate

The SMC assists the Board in overseeing the overall management of MCB Group Ltd and its subsidiaries as well as in providing direction and guidance on major policy matters. It also monitors and measures the Group's performance against set objectives, in line with the strategic orientations.

Key facts

3 Number of directors	**2** Average length of tenure (years)*
10 Number of meetings	**93%** Average meeting attendance

**SMC was set up in July 2017.*

Composition and meetings

As per its Charter, the SMC shall consist of a minimum of three members, including the Chairperson and the Chief Executive. Chief Executives of the subsidiaries of MCB Group Ltd may be invited to attend SMC's meetings as required. The SMC shall meet regularly and on an ad hoc basis when required.

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

Members	Committee member since	Board status	Meeting attendance
Didier HAREL *(Chairperson)*	**July 2017**	**Independent Non-Executive Director**	**10/10**
Jean Michel NG TSEUNG *(also acts as Secretary)*	July 2017	Non-Executive Director	8/10
Pierre Guy NOEL	July 2017	Executive Director	10/10

Focus areas in FY 2018/19

Key topics discussed

- Implementation of approved strategies and major policies
- Progress made on major transformation projects
- Major investment decisions
- Capital injection in some subsidiaries as well as the funding structure of MCB Group and its subsidiaries
- Legal, operational and compliance issues of MCB Group
- Follow-up on the recommendations of the various Board Committees

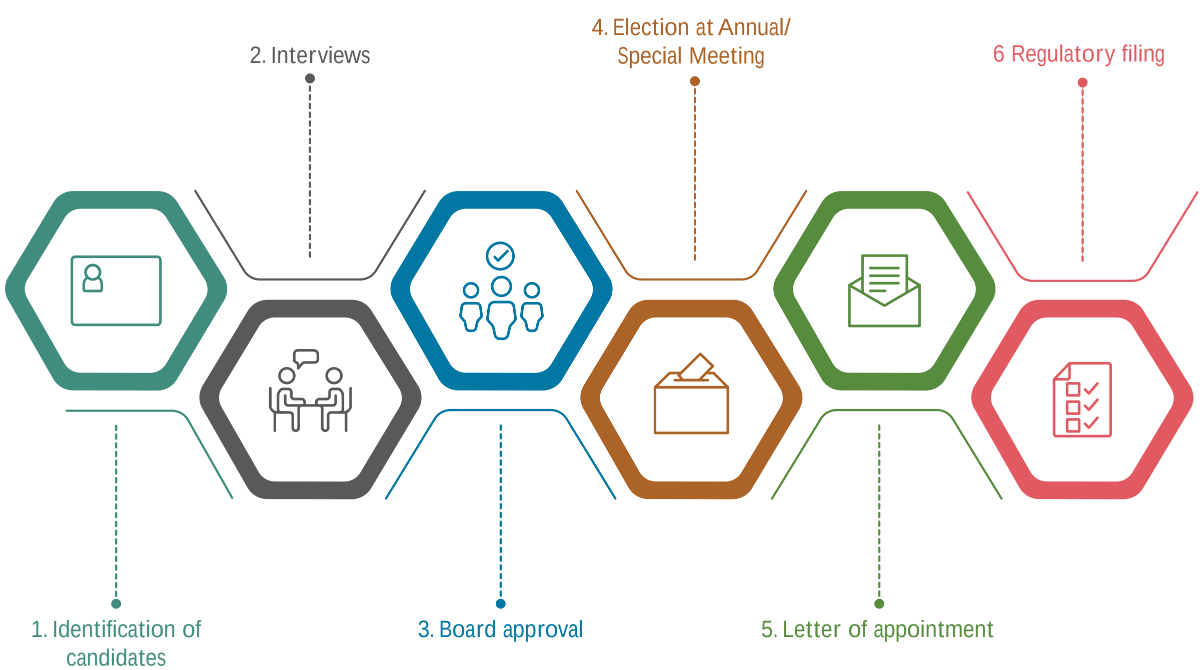
More information on the Supervisory and Monitoring Committee Charter is available on the website

Board effectiveness

Nomination process

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

Nomination and appointment process



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

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

Board induction and training

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

Induction/training programme

Induction pack

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

One-to-one briefings

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

Presentation sessions

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

Ongoing professional development & training

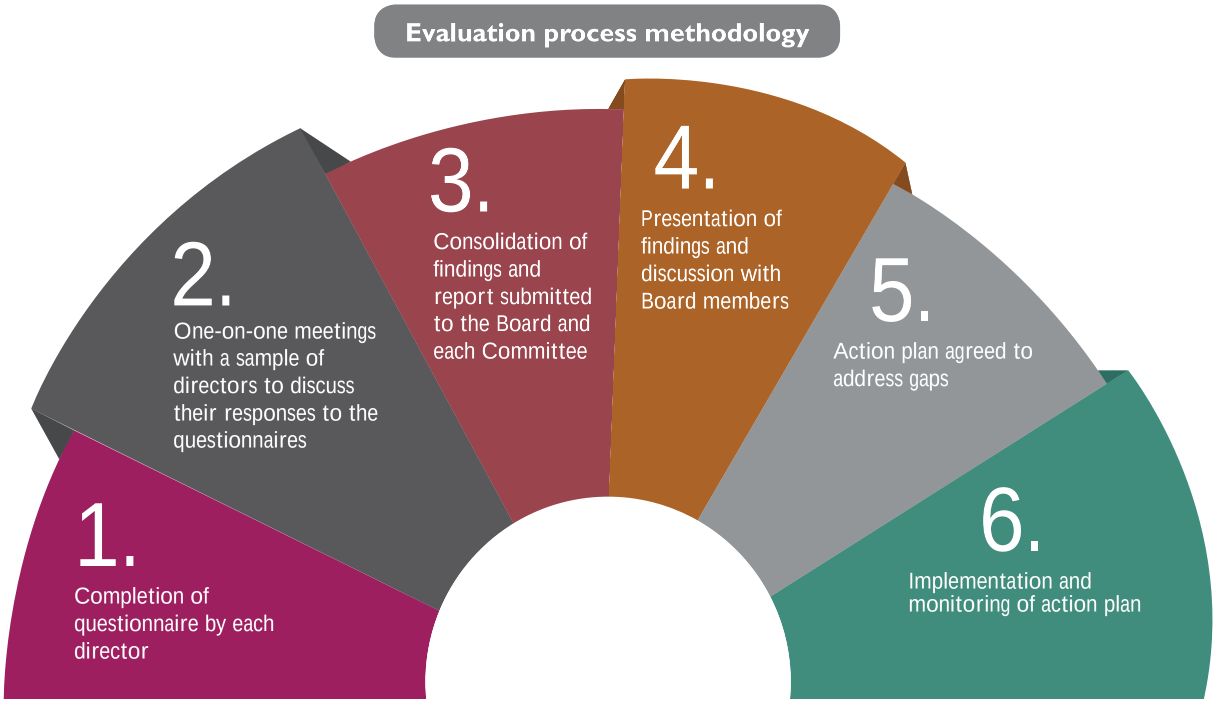
Enable directors to update their skills and knowledge, by providing insight into specific areas of strategic focus and current topics of interest as well as other training with respect to specific requirements of directors

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

Board/Director's performance

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

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



Risk governance

Risk management and internal control

The Board has the ultimate responsibility to maintain robust risk management and internal control systems, which it regularly reviews to cater for new emerging risks and threats emanating from the operating context. In this respect, the Board, supported by the Risk Monitoring Committee, ensures that the necessary structures, processes and methods for identification, evaluation and monitoring of the principal risks faced by the Group are integrated into the latter's overall risk governance framework. The Board has received assurance, through the regular reporting by the Chairpersons of relevant Committees, on the adequacy of the risk management arrangements during the year under review. The Group is in the process of implementing some few changes to the risk management framework based on the recommendations from an external consultant.

Corporate governance report

The Board ensures that the internal control framework in place results in an acceptable level of risk exposure whilst guaranteeing compliance with internal established policies and procedures and relevant laws and regulations. The Board is assisted in its responsibility by the Audit Committee, which oversees the effectiveness of the Group's internal control systems. The Internal Audit as well as the Permanent Control and Compliance functions regularly report to the Audit Committee, which also receives feedback from Audit Committees of subsidiaries.

In addition, the Committee receives reports from the Company's external auditor and has a discussion with the latter without Management being present to ensure that there are no unresolved material issues of concern. Based on the work performed by internal and external auditors, reviews by Management and regular reporting from the Chairperson of the Audit Committee, the Board is of opinion that the internal control systems are adequate and effective.

More information is available in the 'Risk and Capital Management Report' on pages 136 to 184

Information governance

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

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

External auditors

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

Non-audit services

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

Auditors' fees and fees for other services

	2019		2018	
	The Group	The Company	The Group	The Company
	Rs '000	Rs '000	Rs '000	Rs '000
Audit fees paid to:				
PricewaterhouseCoopers	22,269	1,090	20,454	1,055
BDO & Co	3,624	-	2,724	-
Other firms	-	-	1,715	-
Fees for other services provided by:				
PricewaterhouseCoopers	10,057	-	3,619	86
BDO & Co	-	-	86	86
Other firms	-	-	250	-

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

Corporate governance report

Directors of MCB Group Ltd subsidiaries

The Board composition of the subsidiaries is given hereafter, with the corresponding Chairpersons as well as Chief Executives or Managing Directors (where applicable) sitting on the respective Boards being mentioned. Changes in the Board composition during the financial year 2018/19 and to date are also highlighted.

MCB INVESTMENT HOLDING LTD

Pierre Guy NOEL *(Chairperson)*
Jean-François DESVAUX DE MARIGNY
Jean Michel NG TSEUNG *(Chief Executive)*

THE MAURITIUS COMMERCIAL BANK LTD

Jean-François DESVAUX DE MARIGNY
(Chairperson as from December 2018)
Jean-Philippe COULIER *(until December 2018)*
Priscilla BALGOBIN-BHOYRUL *(until December 2018)*
Jonathan CRICHTON
Raoul GUFFLET *(Deputy Chief Executive)*
Uday Kumar GUJADHUR
Philippe LEDESMA
Alain LAW MIN *(Chief Executive)*
Jean Michel NG TSEUNG
Simon Pierre REY

MCB MADAGASCAR SA

Jean-François DESVAUX DE MARIGNY *(Chairperson)*
Gilbert GNANY *(as from August 2018)*
Raoul GUFFLET
Jean Philippe LEBON *(Managing Director) (until July 2019)*
Jean Michel NG TSEUNG
Pierre Guy NOEL
Rony RADAYLALL *(Deputy Managing Director)*
(Acting Managing Director since August 2019)
Patrick RAZAFINDRAFITO

MCB (MALDIVES) PRIVATE LTD

Pierre Guy NOEL *(Chairperson)*
Jean-François DESVAUX DE MARIGNY
Gilbert GNANY
Raoul GUFFLET
Désiré LEO *(Managing Director)*
Laila MANIK
Jean Michel NG TSEUNG

MCB SEYCHELLES LTD

Pierre Guy NOEL *(Chairperson)*
Regis BISTOQUET *(Deputy Managing Director)*
Jean-François DESVAUX DE MARIGNY
Gilbert GNANY
Raoul GUFFLET
Bernard JACKSON *(Managing Director)*
Jean MAMET *(until March 2019)*
Jean Michel NG TSEUNG

MCB INTERNATIONAL SERVICES LTD[1]

Jean-François DESVAUX DE MARIGNY *(Chairperson)*
Regis BISTOQUET
Gilbert GNANY
Bernard JACKSON
Jean Michel NG TSEUNG *(as from April 2018)*

MASCAREIGNES PROPERTIES LTD[1]

Pierre Guy NOEL *(Chairperson)*
Regis BISTOQUET
Jean-François DESVAUX DE MARIGNY
Gilbert GNANY
Raoul GUFFLET
Bernard JACKSON
Jean MAMET *(until March 2019)*
Jean Michel NG TSEUNG

MCB CAPITAL MARKETS LTD

Pierre Guy NOEL *(Chairperson)*
Couldip BASANTA LALA *(as from November 2018)*
Bertrand DE CHAZAL
Gilbert GNANY
Rony LAM YAN FOON *(Chief Executive Officer)*
Jeremy PAULSON-ELLIS
Gilles TRANCART *(as from November 2018)*

MCB INVESTMENT SERVICES LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Akesh UMANEE

MCB INVESTMENT SERVICES (RWANDA) LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Asante TWAGIRA

MCB REGISTRY & SECURITIES LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Marivonne OXENHAM
Vimal ORI

MCB STOCKBROKERS LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Jeremy PAULSON-ELLIS
Shivraj RANGASAMI *(Managing Director)*

MCB CAPITAL PARTNERS LTD[2]

Gilbert GNANY ***(Chairperson)***
Couldip BASANTA LALA *(as from November 2018)*
Rony LAM YAN FOON
Joël LAMBERT *(until April 2019)*
Bernard YEN

MCB INVESTMENT MANAGEMENT CO. LTD[2]

Gilbert GNANY ***(Chairperson)***
Couldip BASANTA LALA *(as from November 2018)*
Ameenah IBRAHIM *(Managing Director)*
Rony LAM YAN FOON
Michaël NAAMEH
Jeremy PAULSON-ELLIS
Gilles TRANCART *(as from November 2018)*

MCB STRUCTURED SOLUTIONS LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Joël LAMBERT *(until April 2019)*
Vimal ORI

CM DIVERSIFIED CREDIT LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Joël LAMBERT *(until April 2019)*
Vimal ORI

CM STRUCTURED FINANCE LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Anish GOORAH
Vimal ORI

CM STRUCTURED PRODUCTS LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Joël LAMBERT *(until April 2019)*
Vimal ORI

MCB LEVERAGED SOLUTIONS LTD[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Joël LAMBERT *(until April 2019)*
Shivraj RANGASAMI

MCB EQUITY FUND LTD

Bertrand DE CHAZAL ***(Chairperson)***
Karuna BHOOJEDHUR-OBEEGADOO *(as from December 2018)*
Jean MAMET *(until December 2018)*
Pierre Guy NOEL

Corporate governance report

MCB FINANCIAL ADVISERS[2]

Gilbert GNANY *(Chairperson)*
Rony LAM YAN FOON
Joël LAMBERT *(until April 2019)*

MCB FACTORS LTD

Margaret WONG PING LUN *(Chairperson)*
Jean-Philippe COULIER *(as from February 2019)*
Koomaren CUNNOOSAMY
Jean-Mée ERNEST *(Managing Director)*
Michael LISING *(as from February 2019)*
Pierre Guy NOEL

MCB LEASING LTD [3]

Bernard D'HOTMAN DE VILLIERS *(Chairperson)*
Mulk Raj GUNGAH *(Managing Director)*
Martine Stephanie IP MIN WAN
Alain LAW MIN
François MONTOCCHIO
Jean Michel NG TSEUNG *(until December 2018)*
Anju UMROWSING-RAMTOHUL *(as from July 2018)*

MCB MICROFINANCE LTD

Pierre Guy NOEL *(Chairperson)*
Paul CORSON
Jean-Philippe COULIER *(as from March 2019)*
Gilbert GNANY
Aurélie LECLEZIO *(Chief Executive Officer)*
Alain REY

FINCORP INVESTMENT LTD

Jean-Pierre MONTOCCHIO *(Chairperson)*
Sunil BANYMANDHUB
Herbert COUACAUD, C.M.G. *(until December 2018)*
Jean-Philippe COULIER *(as from December 2018)*
Bashirali Abdulla CURRIMJEE, G.O.S.K. *(until December 2018)*
Michel DOGER DE SPEVILLE, C.B.E. *(until December 2018)*
Marivonne OXENHAM
Margaret WONG PING LUN *(as from December 2018)*

INTERNATIONAL CARD PROCESSING SERVICES LTD

Pierre Guy NOEL (Chairperson)
Jean-Michel FELIX
Mohamed HORANI
Samir KHALLOUQUI
Angelo LETIMIER
Khevin SEEBAH *(Chief Executive Officer as from November 2018)*

MCB CONSULTING SERVICES LTD

Pierre Guy NOEL *(Chairperson)*
Jean-Michel FELIX *(Chief Executive Officer)*
Gilbert GNANY
Angelo LETIMIER

MCB INSTITUTE OF FINANCE LTD

Pierre Guy NOEL *(Chairperson)*
Marc DESMARAIS
Jean-Michel FELIX
Gilbert GNANY
Thiery SAUZIER

MCB PROPERTIES LTD

Pierre Guy NOEL *(Chairperson)*
Gilbert GNANY

MCB REAL ASSETS LTD

Margaret WONG PING LUN *(Chairperson)*
Pierre Guy NOEL
Gilbert GNANY

MCB GROUP CORPORATE SERVICES LTD

Pierre Guy NOEL *(Chairperson)*
Gilbert GNANY
Marivonne OXENHAM *(Managing Director)*

COMPAGNIE DES VILLAGES DE VACANCES DE L'ISLE DE FRANCE LTEE[4]

Margaret WONG PING LUN *(Chairperson)*
Gilbert GNANY
Robert IP MIN WAN
Pierre Guy NOEL
Jean Marc ULCOQ

BLUE PENNY MUSEUM

Philippe A. FORGET *(Chairperson)*
Jean-François DESVAUX DE MARIGNY
Raoul GUFFLET
Damien MAMET
Pierre Guy NOEL

MCB FORWARD FOUNDATION

Didier HAREL *(Chairperson)*
Jean-Philippe COULIER *(until December 2018)*
Jean-François DESVAUX DE MARIGNY *(as from December 2018)*
Gilbert GNANY
Alain LAW MIN
Madeleine de MARASSE ENOUF
Pierre Guy NOEL

[1] Incorporated in Seychelles
[2] A subsidiary of MCB Capital Markets Ltd
[3] A subsidiary of Fincorp Investment Ltd
[4] A subsidiary of MCB Real Assets Ltd as from October 2017

Corporate governance report

Directors of subsidiaries' remuneration

The directors of subsidiaries, who did not sit on the Board of MCB Group Ltd during the financial year, received the following remuneration and benefits.

Renumeration and benefits received (Rs '000)	2019	2018
Executive (Full-time)	186,617	164,595
Non-executive	10,744	10,062
	197,361	**174,657**

Shareholder relations and communication

The Board is committed to promoting an open and transparent communication with shareholders to ensure that they receive the correct and adequate information while upholding trustworthy relationships with them. The Group maintains an ongoing dialogue with shareholders while providing them with the opportunity to share their views. Shareholders are kept abreast of all material business developments that influence the Group in a transparent and timely manner through various communication channels. In addition to official press announcements and, occasional press conferences, the Group's website provides for an adapted and comprehensive self-service interface.

MCB Group Ltd Website

The 'Investor Centre' section on the MCB Group's website, regarded as the first port of call for investors, enables the latter to have access to a comprehensive set of corporate documents and publications in a timely manner, e.g. quarterly financial and Group Management statements, dividends and other corporate announcements as well as earnings call, analyst meeting, annual meeting and roadshow presentations. Moreover, shareholders can raise questions and submit their feedback online as well as sign up to register for email alerts. A latest add-on to the website has been the 'Shareholder Calculator' tool, which assists shareholders in computing the value and change in their holding over time.

The Board considers the Annual Meeting as an important corporate event and shareholders are encouraged to attend to express their views and receive feedback from Board members directly on the Group's financial performance and strategic directions. In case a shareholder cannot attend, votes can still be cast on all resolutions through completion of the proxy form.

Considering its diverse range of shareholders and investors with different communication and engagement needs, there are dedicated teams within the Group to attend to their requirements.

Individual shareholders

The Group's Company Secretary oversees communication with retail shareholders, in collaboration with the Group's Registrar and Transfer Agent, MCB Registry and Securities Ltd. The latter caters for the information needs of retail shareholders that range from the sending of relevant correspondences to responding to their queries in a timely manner, in strict compliance with applicable rules and regulations. The Company Secretary escalates feedback from retail shareholders to the Board.

Institutional investors

The primary responsibility of the Group's Investor Relations (IR) Unit is to act as the point of contact for institutional investors and to manage and develop relationships with existing and potential investors, with a view to achieving a stable and diversified shareholder base and to support high liquidity in and fair valuation of MCB Group shares. During the financial year, the IR Unit has worked on a comprehensive engagement programme with the aim of promoting active dialogue with investors to keep them abreast of the Group's strategy and financial performance as well as developments in the operating context. In this respect, the Group communicated with investors through its quarterly earnings calls and half-yearly analyst meetings as well as through conference calls and one-to-one meetings arranged outside the reporting cycle. Besides, Group Executives engaged with existing and potential investors from different countries through international roadshows. Internally, the IR unit provides regular reports to Group Executives and directors on key market trends and investor sentiment in general. An outline of the Investor Relations programme carried out during the last financial year is set out below:

Activity	Jul 18	Aug 18	Sept 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19
Group Management Statement			Full year results		Interim Q1 results			Interim half year results			Interim Q3 results	
Earnings Calls				Earnings conference call	Earnings conference call			Earnings conference call			Earnings conference call	
Analyst meetings				Analyst meeting				Analyst meeting				
Roadshows				Roadshow in United States					Roadshow in Dubai			Roadshow in United Kingdom
Annual Meeting					Annual meeting of Shareholders							
Conference calls/meetings	Conference calls and investor meetings are organised on request throughout the financial year											

In FY 2018/19, the key topics discussed between Group Executives and investors revolved around, but not limited to the following themes.

- Financial performance and outlook
- Funding & liquidity
- Drivers of foreign currency loan book expansion
- Progress on strategic orientations
- Impact of IFRS 9
- Implications of the changes in tax regime
- Competitive landscape
- Relevant measures of the National Budget 2019-2020
- Sustainability

Corporate governance report

Shareholder information

Shareholding profile

The Group has a diversified ownership base of more than 20,000 shareholders, with foreign shareholding accounting for around 14% of the total. As at 30 June 2019, outstanding ordinary issued capital of MCB Group Ltd amounted to Rs 2.6 billion, comprising 238.9 million ordinary shares. The following tables set out the 10 largest shareholders and ownership of ordinary share capital by size and type as at 30 June 2019.

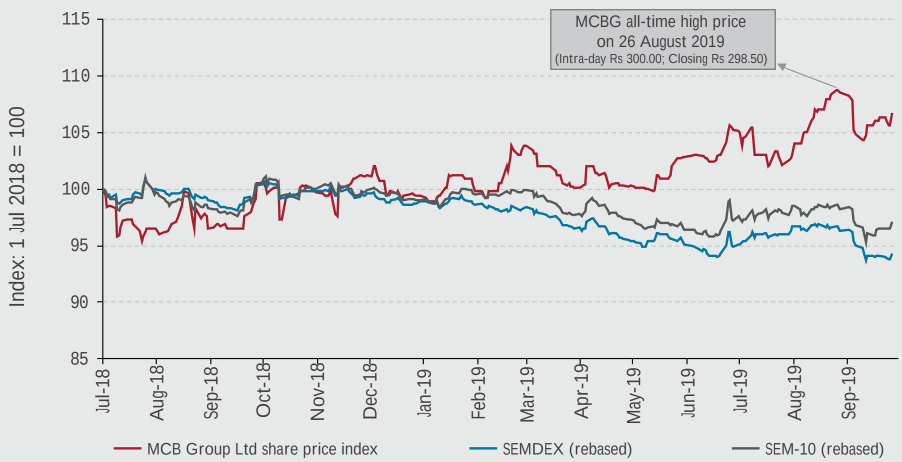
Largest shareholders	Number of shares owned	*% Holding*
National Pensions Fund	16,500,966	*6.9*
Swan Life Ltd	8,042,906	*3.4*
Promotion and Development Limited	7,190,573	*3.0*
State Insurance Company of Mauritius Ltd	5,224,503	*2.2*
BNYM Lux SA A/C Eastspring Investments SICAV-FIS	4,431,200	*1.9*
MUA Life Ltd	2,862,923	*1.2*
Policy Ltd	2,513,535	*1.1*
New Mauritius Hotels Group Superannuation Fund	2,305,158	*1.0*
The Bank of New York Mellon	2,193,286	*0.9*
The Mauritius Commercial Bank Ltd Superannuation Fund	2,161,824	*0.9*

Size of shareholding	Number of shareholders	*% Holding*	Number of shares owned	*% Holding*
1-500 shares	13,523	*66.2*	1,447,789	*0.6*
501-1,000 shares	1,469	*7.2*	1,098,512	*0.5*
1,001-5,000 shares	2,570	*12.6*	6,230,630	*2.6*
5,001-10,000 shares	836	*4.1*	5,988,806	*2.5*
10,001-50,000 shares	1,315	*6.4*	29,750,377	*12.5*
50,001-100,000 shares	320	*1.6*	22,941,328	*9.6*
Above 100,000 shares	393	*1.9*	171,443,219	*71.8*
Total	**20,426**	***100.0***	**238,900,661**	***100.0***

Category	Number of shareholders	*% Holding*	Number of shares owned	*% Holding*
Individuals	19,351	*94.7*	109,376,665	*45.8*
Other Corporate Bodies	817	*4.1*	43,425,750	*18.1*
Investment and Trust Companies	170	*0.8*	36,108,046	*15.1*
Pension and Provident Funds	70	*0.3*	32,164,414	*13.5*
Insurance and Assurance Companies	18	*0.1*	17,825,786	*7.5*
Total	**20,426**	***100.0***	**238,900,661**	***100.0***

Key stock market indicators

Performance of MCB Group share price against the market

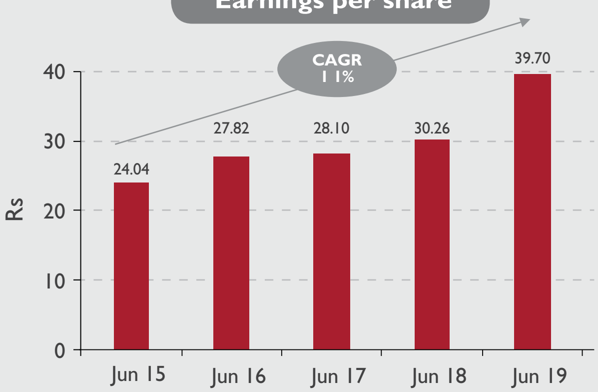


Market capitalisation as at 30 June 2019:

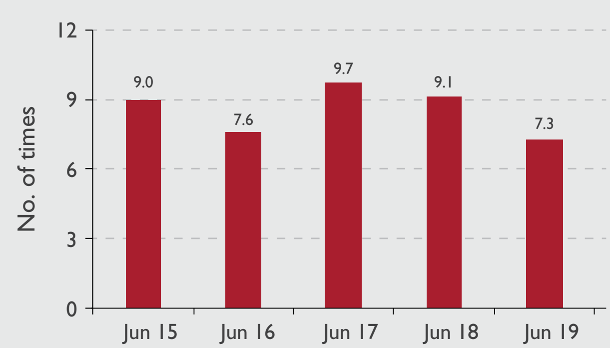
Rs 69.0 billion, representing **27.3%** of SEMDEX[1]

Share price Year ended 30 June 2019	Value of shares traded FY 2018/19	Constituent of SEMSI[3]
• High: Rs 290.00 • Average: Rs 274.47 • Low: Rs 262.00 • Closing: Rs 289.00	**Rs 4,891 million**, representing some **48%**[2] of market	MCB Group Ltd is a constituent of the Stock Exchange of Mauritius Sustainability Index (SEMSI)

Earnings per share



Price Earnings ratio

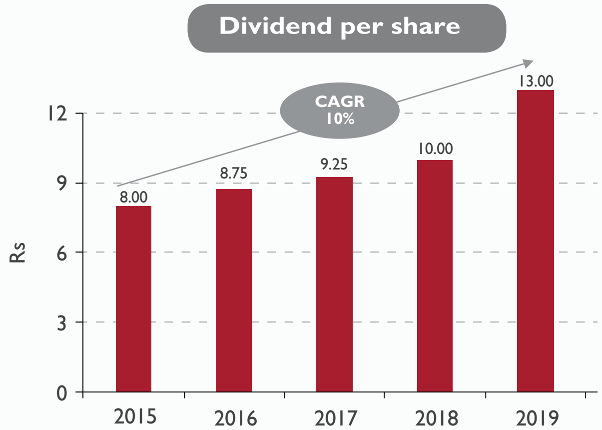


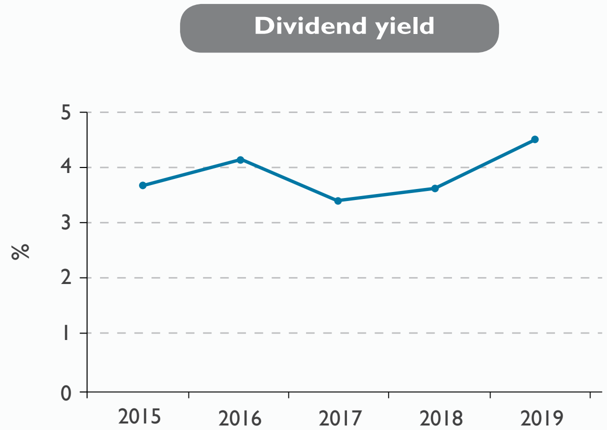
[1] *excludes foreign currency denominated, GBC1 and international companies*
[2] *excludes one-off transactions*
[3] *SEMSI tracks the price-performance of companies demonstrating strong sustainability practices against a set of environmental, social and governance criteria.*

Corporate governance report

Dividend policy

MCB Group Ltd seeks to distribute around 30% of its profits in the form of dividends. An interim dividend is declared in June and paid in July, while a final dividend is declared in September and paid in December. An interim dividend of Rs 5.40 per share was paid in July 2019, while a final dividend of Rs 7.60 per share was declared in September 2019 and will be paid in December 2019. Dividend per share for the year under review stood at Rs 13.00, representing a rise of 30.0% as compared to FY 2017/18. As such, dividend yield stood at 4.5% while dividend cover was 3.1 times for the period ended 30 June 2019.

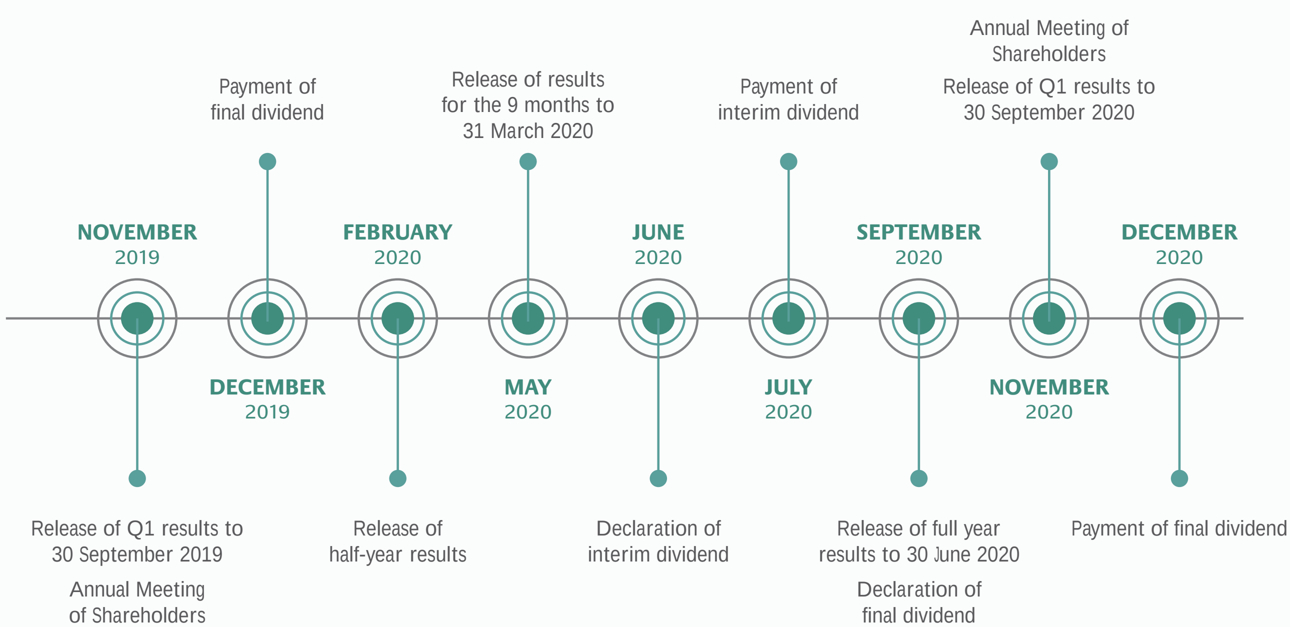




Shareholders agreements

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

Shareholders' diary



Important shareholder and registrar information

REGISTRAR AND TRANSFER OFFICE
MCB REGISTRY & SECURITIES LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbrs.enquiries@mcbcm.mu

INVESTOR RELATIONS UNIT
12th Floor MCB Centre
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5134 / (230) 202 5558
Email: investor.relations@mcbgroup.com

ONLINE INVESTOR CENTRE

Help us to protect the environment while also benefiting from easy access to up-to-date information

- Register to receive your shareholder communications electronically
- Opt-in for email alerts pertaining to earnings releases and corporate events
- Access financial reports and presentations

SCAN ME

OR VISIT

investor.mcbgroup.com

Statement of Directors' responsibilities

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Group.

In preparing those Financial Statements, the directors are required to:

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

The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The directors 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. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group.

The directors report that:

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

On behalf of the Board.

M G Didier HAREL
Chairperson

Pierre Guy NOEL
Chief Executive

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

Name of Public Interest Entity ('the PIE'): MCB Group Limited
Reporting Period: 1 July 2018 to 30 June 2019

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

M G Didier HAREL
Chairperson

Pierre Guy NOEL
Chief Executive

27 September 2019

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

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

Notes:

[1] *'Our Corporate Profile' can be found on pages 20 to 34*
[2] *'Risk and Capital Management Report' can be found on pages 136 to 184*
[3] *'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 36 to 82*
[4] *'Group financial performance' provides an assessment of the Group's results and can be found on pages 84 to 91*
[5] *'Sustainability report' provides an overview of our Corporate Sustainability Programme and our engagement with various stakeholders and is available on our website*

Company Secretary's certificate

Name of Public Interest Entity ('the PIE'): MCB Group Limited
Reporting Period: 1 July 2018 to 30 June 2019

In our capacity as Company Secretary, we hereby certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 of Mauritius in terms of section166(d).

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

27 September 2019

Risk and Capital Management Report

Donn enn lame bann biznes

Sikse, se donn enn lame bann biznes,
ki li gran, ki li tipti...

Success is empowering business, big, small, old and new

Risk and capital management report

Introduction

Our philosophy

Our general approach

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

Our key objectives

- Alongside complying with industry best practices, good corporate governance standards and applicable statutory and regulatory requirements, the Group places prudent and informed risk-taking at the centre of each decision. It ensures that risks faced are effectively identified, assessed, monitored and managed within acceptable levels. It sets out to continuously improve the risk-return profile of its activities, while creating conducive conditions for tapping into market development opportunities.

Our integrated risk management approach

- While entities are accountable to manage the risks faced at their respective levels, the risk management framework of MCB Group Ltd provides guidance for achieving sustainable business growth within the precinct of the Group-wide risk appetite.
- The framework, which sets requirements in terms of responsibility, accountability, independence and transparency, ensures that a holistic, coordinated and systematic approach to risk management is adopted across the organisation.

Key directions formulated by the Group's risk management framework for its entities

Articulation of an overall framework that calibrates and harmonises risk management policies and processes	Guidance on the adoption of a dependable and coherent approach to identify, mitigate and manage risk	Promoting the general alignment of methodologies used to manage risks faced	Ensuring alignment in terms of the attitudes and behaviours of employees towards assuming and managing risk

Foundations and focus areas

General orientations

- Ensuring that our risk management principles are anchored on advocated industry norms and good corporate governance principles
- Adherence by entities to sound capitalisation, asset/exposure quality and funding/liquidity management principles
- Establishment of strong governance frameworks, with clearly-defined and segregated authorities, accountabilities and responsibilities taking for on and managing risk
- Establishment of clear risk appetite which sets out the types and levels of risk that the Group is willing to take
- Availing strong, coherent and harmonised risk management processes, policies, limits and targets
- Catering for an adequate balance between risk and reward considerations

Governance framework

- Ultimate responsibility of the Board of MCB Group Ltd for risk management, with responsibilities delegated to its sub-committees
- Direct oversight exercised by the Boards of entities and their relevant committees
- Effective delegation of authority from the Board of each entity to its management and risk functions, with the scoping of the latter depending on the nature and depth of relevant operations and activities
- Well-defined intra-Group service delivery and collaboration in support of effective risk management, as gauged by MCB Ltd providing *inter alia* internal audit and compliance services to other entities where appropriate

Other key foundations

- Regular review and update of risk management practices to ensure consistency with business activities and relevance to financial strategies, while catering for changes in the economic and market landscapes
- Adoption of policies and processes that are clear and simple to be understood and executed, alongside ensuring that they are well-documented and disseminated across all layers of the Group
- Adherence to a common set of behaviours, attitudes, skills and guiding courses of action that are integrated throughout the Group in support of coherent decision-taking at all levels of the organisation
- Ensuring that the price charged for solutions is reasonable in relation to the relative riskiness of the exposure

Risk and capital management report

Positioning and performance of the Group

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

General moves

- In FY 2018/19, the entities of the Group upheld their healthy business development and preserved their financial soundness, while diversifying portfolios across segments and geographies. Against this backdrop and as a major achievement, Moody's Investors Service has upgraded the credit rating of MCB Ltd in July last, with our long-term deposit rating improving from Baa3 to Baa2. This upgrade reflects improvements in MCB's profitability and asset quality metrics as well as strong capital levels. The agency acknowledged its sound business model, alongside underscoring its disciplined expansion strategy, notably in Africa.

- In support of the above, entities of the Group capitalised on their robust risk management and internal control frameworks, which enabled them to identify, monitor and mitigate risk exposures in a consistent manner. Alongside improving the efficiency of processes and upgrading information systems, we tapped into enhanced synergies amongst relevant functions and entities. As a major undertaking, Group entities moved forward to ensure their readiness for the timely implementation of IFRS 9, notably the adoption of 'Expected Credit Loss' (ECL) models to determine allowances for credit impairment.

- Of key significance in view of its business development momentum and market diversification endeavours, MCB Group has invested in a digital platform to help further enhance its risk management framework, thus enabling the organisation to: (i) consolidate the Enterprise Risk Management methodology adopted across subsidiaries; (ii) formalise the documentation of the Group's Risk Register comprising a description of each risk together with the measurement and recording of the inherent and residual risk exposures around key themes, namely Strategic, Financial, Operational and Compliance; and (iii) monitor the residual risk exposures and the mitigating controls in order to bring such exposures below tolerable levels.

MCB Ltd

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

Foreign banking entities

- Our foreign banking subsidiaries have further bolstered their ability to identify, mitigate and manage risks faced. As a key move, risk workshops and risk control self-assessments have been carried out by MCB Seychelles to identify business and operational risks classified under the following Basel themes: 'Execution, Delivery and Process Management', 'Business Disruption and System Failures', 'Clients, Products and Business Practice', 'Employment Practices' and 'Workplace Safety, External and Internal Frauds'. Subsequently, MCB Seychelles developed an action plan to address deficiencies and bring down risk exposures to tolerable levels. Of note, MCB Maldives and MCB Madagascar are in the process of carrying out the same exercise during the current financial year. Moreover, our foreign banking entities have reinforced their system of Permanent Control and compliance certificates, with organisation structures, digital systems, procedures and dashboards designed to ensure that key controls are operating effectively and any exceptions are proactively approved, monitored and addressed. This initiative also involved refreshing all procedures and controls documentations across risk areas and assigning the ownership of key control environments to specific Managers and supervisors. Across entities, it can be noted that KYC remediation efforts have progressed satisfactorily, with a risk based approach being adopted to ensure that records of active customers are regularly updated. Concurrently, our automated risk-based due diligence platform, which is operational since August 2019, helped to consolidate further our AML risk monitoring framework. In addition, our cyber security environment was further strengthened during the period under review through the implementation of new infrastructure, tools and processes, complemented with comprehensive penetration and vulnerability testing carried out by external consultants. At the same time, our entities have pursued the testing of their business continuity management, disaster recovery and relocation processes, with a view to ensuring that our policies, procedures and processes are effective.

- At a specific level, MCB Seychelles embarked on a process of scanning and electronic archiving of contracts and other documents from relevant business units. This initiative was undertaken with a view to enhancing the protection of critical information pertaining to the bank and its customers as well as better managing its exposure to information risk, in line with data protection laws and regulations. Mindful of the challenging operating environment, MCB Maldives has reviewed the operating model underpinning its risk management architecture to embed improved efficiency levels. A key move relates to the reinforcement of staff operating in the information technology field so as to pave the way for the in-depth upgrade of the current infrastructure, cater for the independence of the function and foster alignment with Group standards. In the wake of the challenging operating environment to which it is exposed, MCB Madagascar shored up its frameworks and capabilities across the credit risk management cycle, as reflected notably by a strengthening of relevant processes for the assessment and monitoring of files being handled.

Other entities

- MCB Capital Markets Ltd (MCBCM) implemented specific measures to further strengthen its risk management and compliance framework. One notable example is the complete revamp of its induction process to inculcate a strong compliance culture right from the outset when employees join the company. This is reinforced by refresher modules that all employees are requested to complete online by set deadlines. Risk management processes have also been strengthened by reducing the instances of human intervention in certain critical processes. Within MCB Investment Management, enhancements to the core IT system have been made to facilitate attribution analysis, which is a critical tool in financial risk management. MCBCM has further reinforced its anti-money laundering framework following the adoption of the Financial Intelligence and Anti Money Laundering Regulations (2018), which repealed and replaced the Financial Intelligence and Anti Money Laundering Regulations (2003). In addition, the complaints handling procedures were reviewed, following the creation of the country's Office of the Ombudsperson for Financial Services.

- While adopting judiciously-crafted enterprise risk management practices, MCB Consulting Services Ltd continued to capitalise on the diversification of its value proposition, with broad-based markets served across geographies, underpinned by the recruitment of staff with adequate and diverse skills sets. It anchored its growth strategy on well-structured foundations, including notably partnership agreements sealed with carefully-selected stakeholders. Worth noting also, the entity has set out to thoughtfully manage currency risks through the conduct of swap and forward transactions, while also tapping into its natural hedging strategy.

- International Card Processing Services Ltd (ICPS) has continued to reinforce its risk management framework, under the guidance of its Audit and Risk Committee. Since the past two years, ICPS has adopted an Enterprise Risk Management approach. In light thereof, business risks workshop have been regularly carried out to enable the organisation to manage the potential impact of risks permeating across all processes, activities, stakeholders as well as products and services. Leveraging on the framework and the appropriate culture, Enterprise Risk Management is a critical component of the entity's plan-based strategy that aims to identify, assess and prepare for any risk that may interfere with its business development goals and objectives, in line with the changing business environment.

Risk and capital management report

Looking ahead: Our key targets to anchor sound business growth

- Foster relevant reinforcements to the approach and frameworks for the identification, assessment, mitigation and management of risks across entities, alongside ensuring broad alignment of policies, control measures and practices across the Group
- Uphold the soundness of key financial metrics across entities of the Group, while adhering to legal and regulatory stipulations wherever applicable; ensure that business expansion endeavours, notably on the regional front, materialise in a sensible manner, backed by a close structuring of deals, adherence to an adapted risk appetite and systematic scrutiny of clients' operating context
- Execute dedicated and proactive measures towards further strengthening our anti-money laundering platforms and policies; reinforce our compliance framework, while further bolstering client onboarding and monitoring processes (in alignment with local stipulations and advocated global norms and standards), backed by the increased automation and simplification of processes
- Continuously appraise and manage cyber risks, supported by relevant upgrades to our tools and processes
- Further embed the adherence to a sound risk culture across different layers of the organisation

Financial soundness

Capitalisation

Philosophy

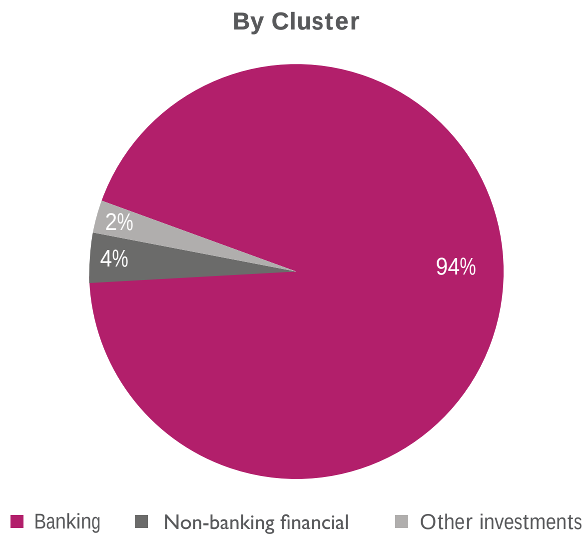
While ensuring that applicable and evolving regulatory requirements are met at all times, the capital management approach of the Group is to ensure that its subsidiaries are adequately capitalised to help achieve sound and sustained business growth, alongside protecting and maintaining the trust of shareholders and providers of fund.

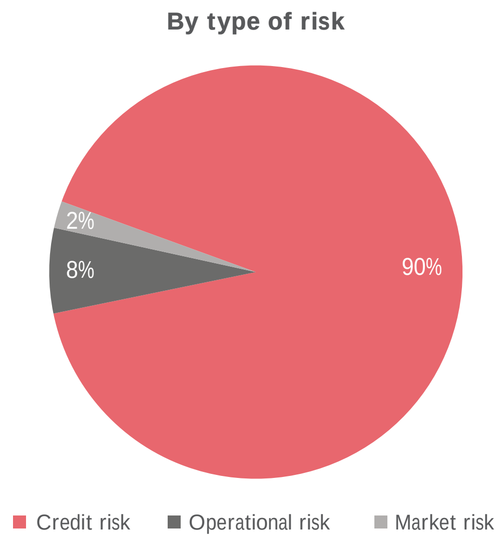
Towards this end, the Group favours internal capital generation through retained earnings while being well positioned to tap into capital markets as and when required, on the basis of its status as the most liquid stock on the local stock exchange,. Moreover, it seeks to maintain appropriate discipline over the nature and extent of its market development initiatives and lays due emphasis on optimising the allocation of capital across businesses.

Performance

Over the period under review, the Group has, on a consolidated basis, maintained comfortable capitalisation levels as gauged by the BIS and Tier 1 ratios standing at 17.4% and 15.8% respectively as at 30 June 2019. The predominant contribution thereto has obviously emanated from the banking entities of the Group, for which the maintenance of adequate capital levels is a key priority by virtue of their business operations and regulatory responsibilities. The risk weighted assets of the Group stood at around Rs 348 billion as at 30 June 2019, out of which 85% was accounted for by MCB Ltd and some 6% by the foreign banking subsidiaries. The Group's overseas associates, namely Société Générale Moçambique and Réunion-based BFCOI – whose investments have been risk-weighted at 250% in line with applicable Basel III rules – represented 3% of its overall risk-weighted assets.

Distribution of risk-weighted assets as at 30 June 2019





Risk and capital management report

MCB Group	Jun 18	Jun 19
Capital base	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	2,548	2,608
Retained earnings	41,725	47,715
Accumulated other comprehensive income and other disclosed reserves	6,188	6,076
Common Equity Tier 1 capital before regulatory adjustments	**50,461**	**56,400**
Regulatory adjustments		
Goodwill and intangible asstes	(1,296)	(1,520)
Deferred tax assets	(49)	(4)
Common Equity Tier 1 capital (CET1)		
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	**49,116**	**54,876**
Capital instruments	2,796	2,229
Provisions or loan-loss reserves	2,586	3,144
45% of surplus arising from revaluation of land and buildings	954	953
Tier 2 capital before regulatory adjustments	**6,336**	**6,326**
Regulatory adjustments	**(722)**	**(722)**
Tier 2 capital (T2)	**5,614**	**5,604**
Total capital (T1 + T2)	**54,730**	**60,480**

Risk weighted assets	Rs m	Rs m
Weighted amount of on-balance sheet assets	251,337	283,611
Weighted amount of off-balance sheet exposures	34,580	31,439
Weighted risk assets for operational risk	22,896	26,072
Aggregate net open foreign exchange position	3,990	3,012
Capital charge for trading book position exceeding 5% or more of its total assets	7,479	4,259
Total risk-weighted assets	**320,282**	**348,393**

Capital adequacy ratios (%)	Jun 18	Jun 19
BIS risk adjusted ratio	17.1	17.4
of which Tier 1	*15.3*	*15.8*

Figures in the above table have been audited

Asset quality

Philosophy

Backed by continued market vigilance as well as the careful formulation and diversification of its strategic orientations, the Group is committed to preserving the soundness of its exposures. Emphasis is laid on healthy loan portfolio through strong credit discipline, prudent market development approach and sensible strategy execution, cautious loan origination and disbursements, and active efforts for debt collection and recovery.

Performance

Notwithstanding still challenging market conditions, the gross and net NPL ratios of the Group went down to 4.1% and 2.9% as at 30 June 2019. While notable improvements were observed at the level of MCB Seychelles and MCB Madagascar, the asset quality metrics of the Group were mainly supported by trends witnessed by MCB Ltd. Backed by its prudent market development approach and active recovery efforts, the gross NPL ratio of the Bank fell by around 30 basis points to reach 3.8% in FY 2018/19, with the corresponding ratio in net terms standing at 2.8%. The Group's specific coverage ratio stood at 30.3% with the remaining portion being adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time.

Whilst the Group's impairment charges rose by some 20%, the cost of risk in relation to loans and advances dropped marginally to 59 basis points of the latter.

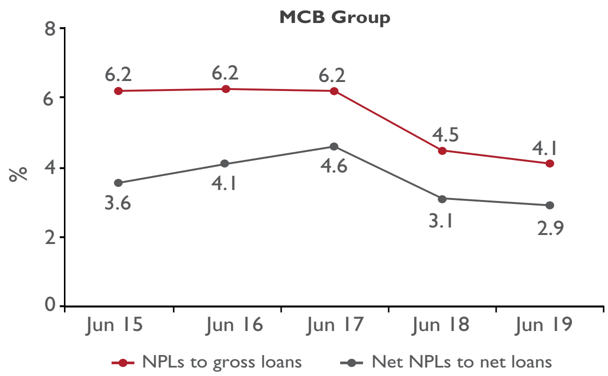
Sectorwise distribution

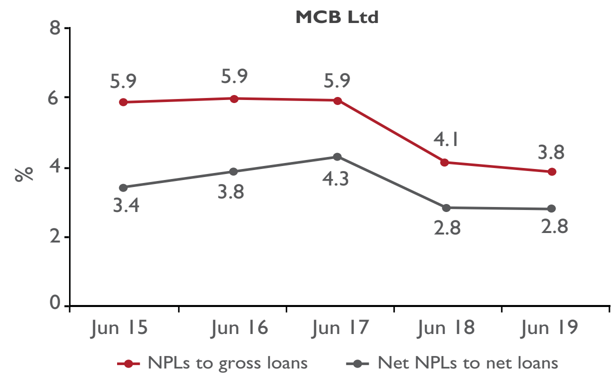
June 2019	Exposures		Non-performing loans (NPLs)		Allowances for credit impairment	
MCB Group	**Rs m**	***Mix (%)***	**Rs m**	***% of loans***	**Expected Credit Loss**	**Incurred Loss**
Loans to customers	**234,579**	***90.1***	**10,489**	***4.5***	**2,180**	**5,359**
Tourism	23,481	*9.0*	379	*1.6*	359	349
Traders	44,658	*17.1*	1,987	*4.5*	354	682
Construction (including property development)	17,775	*6.8*	2,038	*11.8*	188	876
Financial and business services	39,652	*15.2*	1,114	*2.8*	269	433
Manufacturing	12,987	*5.0*	655	*5.1*	200	264
of which EPZ	3,924	*1.5*	511	*13.0*	25	149
Agriculture and fishing	9,410	*3.6*	1,127	*12.5*	116	479
Transport	8,309	*3.2*	1,244	*15.5*	38	1,139
Personal and professional	44,283	*17.0*	1,560	*3.5*	83	718
of which credit cards	1,224	*0.5*	30	*2.4*	5	24
of which housing	30,495	*11.7*	773	*2.5*	28	275
Global Business Licence holders	17,858	*6.9*	168	*0.9*	176	311
Others	16,165	*6.2*	218	*1.3*	397	108
Corporate notes	**18,833**	***7.2***	**-**	**-**	**112**	**-**
Loans to banks	**7,033**	***2.7***	**69**	***1.0***	**58**	**8**
Total	**260,445**	***100.0***	**10,559**	***4.1***	**2,350**	**5,366**

Notes:
(i) For the computation of asset quality ratios, interest in suspense on loans is excluded
(ii) Figures may not add up to totals due to rounding

Risk and capital management report

Credit Quality





Funding and liquidity

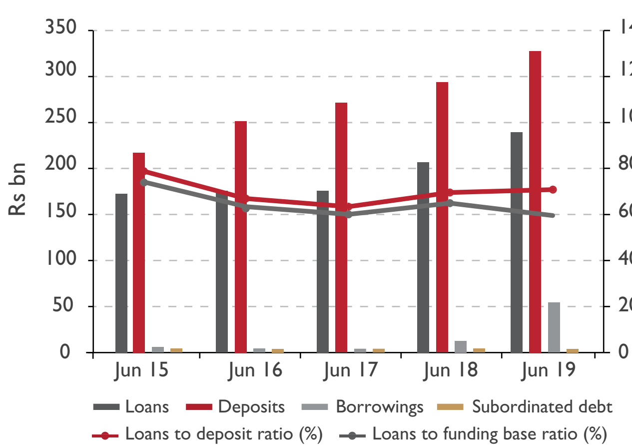
Philosophy

The Group seeks to keep sound funding and liquidity positions in support of its business development ambitions. While accessing wholesale markets as and when required, the banking entities of the Group maintain cost-efficient, diversified and stable sources of funding which predominantly comprise customer deposits. Furthermore, an appropriate level of liquid assets is kept to ensure that obligations can be met within a reasonable short-term time-frame.

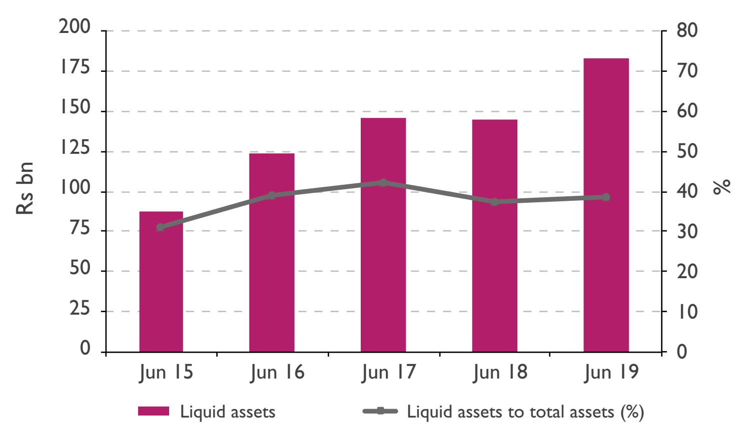
Performance

The Group continued to be exposed to relatively high liquidity conditions in the Mauritian banking sector, with the situation also warranting attention in Madagascar, Maldives and Seychelles. Against this backdrop and while it preserved its sound funding position the Group continued to display relatively high liquid assets levels, as demonstrated in the following illustrations. In this regard, the consolidated Liquidity Coverage Ratio of MCB Ltd stood at 400% as at 30 June 2019, which comfortably overshot the applicable regulatory limit. Besides, though not yet a regulatory requirement in Mauritius, MCB reported a Net Stable Funding Ratio of 123%, which exceeds the minimum level recommended under Basel III, set to be at least 100% on an ongoing basis. As a key funding initiative, MCB Ltd has, in April 2019, signed a USD 800 million Dual Tranche Syndicated Term Loan Facility through general syndication. It comprises two tranches, with Tranche A having a tenor of 1 year and Tranche B having an initial tenor of 2 years, with a 1 year extension option at the Borrower's discretion. The objective is to help the Bank execute on its African ambitions, while further optimising and diversifying its funding profile.

Loan and funding base



Liquid assets



Note: Liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds

Our risk management strategy and framework

Main risks faced

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

Active Risks

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

Risk and capital management report

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

Our business model

Key principles

We consider that, in addition to being a threat, risk can turn out to be a real competitive differentiator if it is managed in a thoughtful way. In line with our business aspirations, we manage risk in an open, transparent and disciplined way, after making due allowance for the exigencies of our stakeholders. Our risk management approach and policies are regularly reviewed and updated to account for changes in the Group's business strategies and the external landscape, notably spanning legal and regulatory stipulations.

Stakeholder engagement

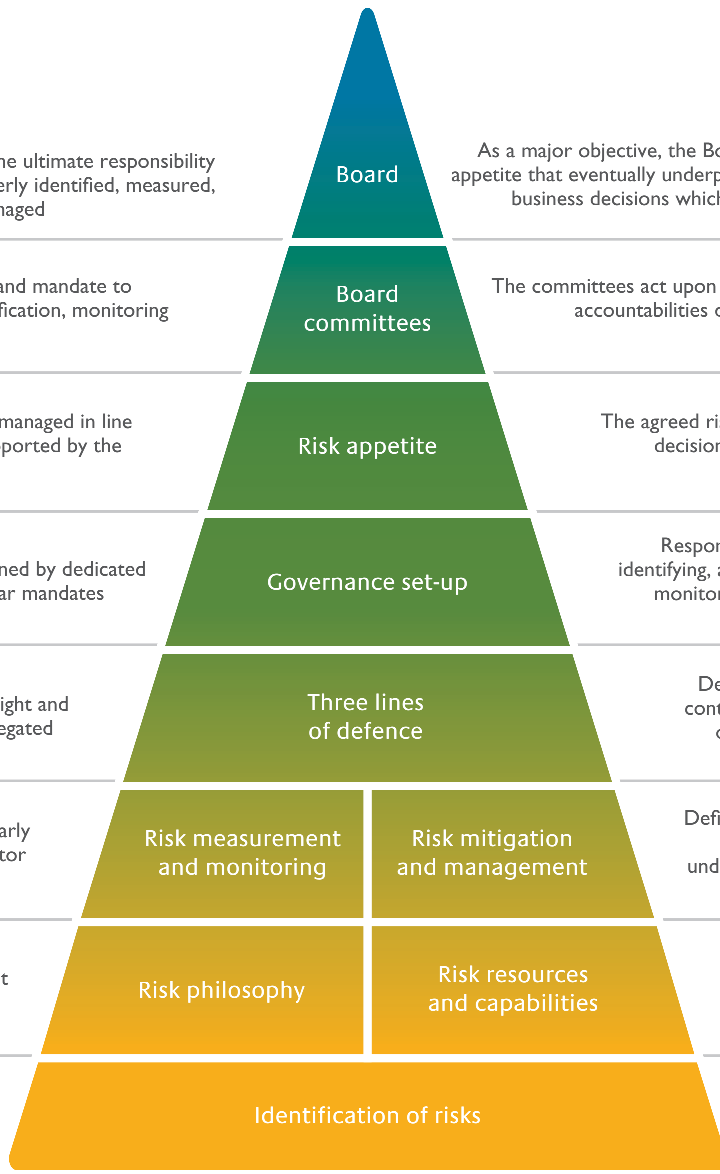
Our risk policies make allowance for the long-term interests of our customers, regulators and other stakeholders

While achieving sustained business growth, we help our stakeholders realise their ambitions and prosper

Risk and capital management report

Key elements of our risk management set-up

Operating within the directions set by the Board of the Group, individual entities have their own arrangements to manage risks faced. The following illustration provides an overview of the underlying set-up being generally adopted by entities of the Group, with the scale of structures in place differing as per the nature of each entity's activities.



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

Governance and oversight

To ensure that key risks facing its entities are properly identified, measured and monitored, the Group adopts a robust governance framework, backed by the articulation of coherent responsibilities, reporting lines and oversight across the organisation. The risk management framework of the Group provides high-level direction for each entity on how to manage risk in a consistent and interactive manner, underpinned by broad synchronisation in respect of the approach and methodology used. The allocation of responsibilities across the Group is structured to ensure that decisions are taken at the most appropriate levels, in alignment with the mandates of internal stakeholders and the strategic orientations pursued by the organisation. Overall, the governance set-up of the Group seeks to provide the organisation with optimal resources to foster a sound financial performance and stakeholder value creation. At individual entity level, each subsidiary of the Group is endowed with the autonomy and flexibility to determine and apply its own governance frameworks, in alignment with Group-level orientations, its inherent specificities and prevalent market realities.

Board

- In alignment with its business development orientations, the Board of MCB Group Ltd determines the principal strategies in respect of the risk management of the Company and its subsidiaries, while ensuring that all laws, regulations and codes of business practice are adhered to.
- Underpinned by the establishment and enforcement of clear lines of responsibility and accountability throughout the organisation, it ensures that relevant procedures and practices are in place in order to protect the Company's assets and reputation. For the discharge of its duties, the Board is assisted by committees which enable it to properly formulate, review and approve policies on monitoring and managing risk exposures.

Risk Monitoring Committee (RMC)

- The Risk Monitoring Committee (RMC) advises the Board on risk issues and the monitoring of portfolios against the formulated risk appetite, in particular for the banking subsidiaries. While assigning relevant responsibilities and accountability lines, it ensures that rigorous internal processes and controls, which identify, monitor, measure and report different types of risks are implemented.
- The RMC monitors risk portfolios against set limits with respect to, *inter alia*, risk concentration, asset quality, large and foreign country exposures, in compliance with regulations and internal policies.

Other committees

- The Audit Committee caters for the monitoring of internal control processes, while ensuring the preparation of accurate financial reporting and statements in compliance with applicable legal requirements and accounting standards. It also reviews operational and compliance risks and the actions taken to mitigate them.
- The Supervisory and Monitoring Committee continuously oversees the overall management of the Group and is also responsible for the ongoing monitoring of the Group's performance against set objectives.

Read more on the key mandates and focus areas of the Board sub-committees of MCB Group Ltd in the 'Corporate Governance Report' on pages 111 to 116

Risk and capital management report

Our risk appetite framework

A key objective of the Group's risk management strategy is to determine the level and type of risk that the organisation is able and willing to take when executing its business strategies. The risk appetite is established by means of a complementary set of statements that are determined at Group level and cascaded throughout the entities and the latter's business segments. Qualitative statements seek to make sure that the desired risk culture is adhered to across entities. Quantitative statements seek to shield the organisation from potential adverse events in the operating environment. While ensuring congruence with directions established at Group level as well as relevant mandatory requirements, Group entities set their own risk appetite, control and tolerance levels and mechanisms, which they continuously monitor and, if necessary, update to shape up the optimal level of risk that they are willing to take for the sound execution of their short and medium term business strategies. Key considerations that guide the Group's main subsidiary, i.e. MCB Ltd, for the identification and quantification of risks are as follows:

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

Key tenets of MCB Ltd's risk management strategy

Risk capacity

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

Risk appetite

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

Risk tolerance

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

Risk profile

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

Risk control

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

Limit structure of MCB Ltd

Regulatory

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

Internal limits and desired risk profile

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

Rating tools used by MCB Ltd

Internally-developed model

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

External rating agencies

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

Overview of risk management by cluster

General approach

MCB Group Ltd

- The entities of the Group adhere to the overall risk management principles and frameworks validated by the Board of MCB Group Ltd. These entities are monitored in this respect by the Risk Monitoring Committee of the latter.

At entity level

The Board

- Functioning in alignment with the Group's objectives and targets, the Board of each entity oversees the establishment of its own policies, infrastructures, standards, practices and processes, after adapting its controls to inherent realities of the business and supervises its risk management. It also acts as the focal point of contact for shaping the relationship with MCB Group Ltd.
- While fostering congruence with Group-level directions, the Board is responsible for strategy formulation in respect of risk-taking, risk appetite and policy setting. It ensures that its business strategies are clearly linked to its risk appetite and tolerance level. The aim is to ensure that the organisation manages its capital resources at an optimal level in support of growth-related objectives.
- In discharging its duties, the Board demonstrates, to the satisfaction of regulatory authorities and other stakeholders, that clear structure of policy and control systems emanating directly from it, is adopted to identify and manage the risk inherent in activities.

Delation of duties

- For each entity, risk governance is executed through the delegation of authority and responsibilities from its Board to dedicated committees and/or the Management. Control processes and reporting lines have been put into place to foster the coherent and sound segregation of duties with regard to risk taking, processing and control.

Risk and capital management report

Control processes

- The types of risk infrastructure and control processes that are adopted by each entity is a function of the nature, size and complexity of the risk involved.
- The approach and practices embraced by entities to fulfill their risk management obligations are shaped up by the following factors: (i) advocated corporate governance and risk management principles; (ii) the risk-return profiles of markets in which they are involved; (iii) the opportunities and challenges characterising the economic environment; and (iv) relevant legal and regulatory requirements as well as local and international codes and standards impacting the industries and countries in which businesses are carried out.

Intra-Group initiatives

- Entities of the Group leverage the core competences and synergies available throughout the organisation in line with the concept of Group Shared Services. Specific business units of MCB Ltd are engaged in the provision of intra-Group services to the foreign banking subsidiaries as well as the non-banking entities of the Group, backed by the elaboration of clear guidelines and mandates. Hence, as per the modalities set out in Service Level Agreements, the business units operating under the aegis of the Internal Audit SBU of the Bank – namely Internal Audit and Anti-Money Laundering and Fraud Prevention – provide technical and advisory assistance in support of the operation and functioning of the Group's local and foreign subsidiaries as per their respective areas of competence.
- For its part, MCB Investment Holding Ltd seeks to foster more focused and integrated stewardship with regard to the operations and performance of the Group's foreign banking subsidiaries. In particular, its Finance & Risk team supports the conduct of risk management activities, with the Risk SBU of MCB Ltd being involved wherever appropriate. The team engages in risk reporting to the Risk Monitoring Committee of the respective foreign banking subsidiaries as well as that of MCB Group Ltd. It also leads or assists foreign subsidiaries in the development and implementation of risk policies and other risk related matters, alongside providing support in the resolution of internal and external auditors' recommendations. Also, it assists overseas banking subsidiaries as regards credit risk management, notably by reviewing credit files with exposure amounts exceeding a specific threshold, helping to structure or restructure complex credit files and monitoring out-of-order customer files.

Banking cluster

Governance

MCB Ltd

Board of MCB Ltd

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

Board Committees

Risk Monitoring Committee (RMC)

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

Other committes

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

Adherence to the three lines of defence approach

1st line of defence — Risk ownership

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

2nd line of defence — Risk control and compliance

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

3rd line of defence — Risk assurance

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

In addition to the Board committees and the adoption of the three lines of defence approach, the risk management framework also allows for dedicated executive committees of the Bank to assist in the oversight and monitoring of risk areas within the business.

Executive committees

Active risks

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

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

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

Risk and capital management report

Foreign banking subsidiaries

Board and its committees

- The respective Boards exercise their responsibilities in respect of risk management through: (i) the oversight of the risk governance process, including setting risk appetite in line with Group-level orientations; (ii) regular and comprehensive assessment of risks; (iii) the maintenance of sufficient capital adequacy levels in alignment with the Group's framework, the internally-set risk appetite and regulatory requirements; and (iv) clear delegation of authority to relevant committees and management.
- Risk management matters are reported to the Board of each foreign entity through their respective committees, namely the Audit Committee and the Risk Monitoring Committee, while major issues identified are also escalated to the corresponding Board committees of MCB Group Ltd. The management teams of the entities are responsible for conducting business within the strategic framework and risk appetite set by their Board, while monitoring risk portfolios through dedicated committees.

Executive committees

Key responsibilities	
Subsidiary Credit Committee	• It is responsible for the planning, sanctioning, controlling and monitoring of credit risk • It sanctions/declines credit applications for customers with exposures of up to USD 150,000. Exposures from USD 150,000 to USD 1.5 million are approved by a joint MCB Ltd and subsidiary committee. Facilities above this level are channeled to the Executive Credit Committee of MCB Ltd before a final decision is reached
Asset and Liability Committee	• The Asset and Liability Committee of each foreign banking subsidiary is responsible to ensure that overall asset and liability allocation decisions are adequately managed within limits/targets set by the Board and in accordance with local regulations

Management of key risks

Our risk management process

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

1 Identification

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

2 Measurement

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

3 Monitoring

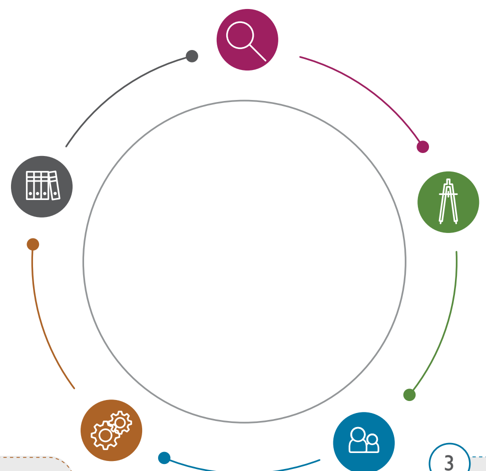
Analysis of the sources and specificities of risks faced; appraisal of outcomes posted following the management of risks faced, while factoring in the risk appetite and set KPIs; verifying whether risk controls are efficient in both their design and operation; finding ways and means to further enhance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

4 Mitigation

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

5 Management and reporting

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



Risk and capital management report

Our approach, processes and methodologies

Credit risk

General approach and objectives

- Credit risk represents the main type to which the Group's banking subsidiaries are exposed in view of the nature of their operations and activities.

- The banking entities ensure that sound credit risk management principles are adopted to uphold quality and well-diversified portfolios that are aligned with the set risk appetite and help to meet targeted risk-return considerations. Both counterparty and concentration risks are duly managed, backed by market vigilance, the adoption of effective control mechanisms and the judicious diversification of portfolios across customer and industry groups, product types, maturity levels and geographies. The banking entities strive to adopt a strong culture of responsible lending and debt recovery, while leveraging a robust risk management and control framework. They continuously reassess their risk profiles in the face of the changing operating context and monitor the exposures against regulatory as well as internal limits and targets.

- The risk management framework encompasses credit policies which are approved by the RMC of each banking entity. At the level of MCB Ltd, the Credit Risk Policy, which is approved and reviewed by the RMC, sets forth the principles by which the Bank conducts its credit risk management activities. The policy formulates the roles and responsibilities whereby credit risk is to be managed across the different business segments. It provides guidance in the formulation of the appropriate structures and architectures that work towards ensuring that business generation is harmonised with the established target market criteria. Its credit risk management approach is governed by regulatory rules set out in Bank of Mauritius Guidelines. They include the Guideline on Credit Risk Management, Guideline on Standardised Approach to Credit Risk, the Guideline on Credit Concentration Risk, the Guideline on Credit Impairment Measurement and Income Recognition and the Guideline on Country Risk Management.

Risk measurement and monitoring

- Credit risk measurement by banking entities consists of appraising the track record of customers as appropriate for the prediction of likely future behaviours of existing accounts. Credit facilities granted are guided by the credit standing, source of repayment and debt servicing ability of the borrower. As a fundamental credit principle, the banking entities do not generally grant credit facilities solely on the basis of the collateral provided. Collateral is taken whenever possible to mitigate the credit risk assumed while additionally, being monitored periodically depending on the type, liquidity and volatility of the collateral value.

- Ultimately, entities assess whether individual business areas provide sufficient contribution to the targeted risk-return profile. The aim is to ensure that capital allocation generates an optimum return. This is achieved by channelling risk capital from low-return to high-return business areas, commensurate with risks shouldered. Banking entities measure credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures in line with regulatory requirements. With respect to MCB Ltd, the capital adequacy indicators and the return on capital levels for the individual risk categories of portfolios are regularly monitored by its RMC against the overall risk-bearing capacity of the Bank. The objective is to ensure that the latter, at all times, maintains adequate capital to provide for its growth and to support a reasonable measure of unexpected losses. The Bank has established a credit rating framework that enables the extensive usage of ratings for its corporate and institutional portfolios, not only in respect of loan approval but also in relation to credit review and monitoring as well as for the purpose of the stress testing and limits determination exercises. In the same vein, at the level of foreign banking entities, relevant credit risk metrics are measured and reviewed against set limits by the respective Boards and/or RMCs on a quarterly basis.

Banking cluster: Risk-weighted assets

Risk-weighted on-balance sheet assets	Jun 19 Amount	Jun 19 Weight	Jun 19 Weighted Assets	Jun 18 Weighted Assets
	Rs m	%	Rs m	Rs m
Cash items	3,684	0 - 20	98	85
Claims on sovereigns	81,157	0 - 100	3,038	3,282
Claims on central banks	45,753	0 - 100	11,239	13,601
Claims on banks	40,221	20 - 100	15,001	11,192
Claims on non-central government public sector entities	2,260	0 - 100	0	0
Claims on corporates	174,154	20 - 150	163,142	140,195
Claims on retail segment	12,617	75	8,061	7,737
Claims secured by residential property	32,224	35 - 125	14,786	13,267
Claims secured by commercial real estate	16,211	100 - 125	19,166	21,278
Fixed assets/other assets	12,122	100 - 250	17,577	18,069
Past due claims	8,799	50 - 150	11,467	7,896
Total			**263,575**	**236,602**

Non-market related off-balance sheet risk-weighted assets	Jun 19 Nominal Amount	Jun 19 Credit Conversion Factor	Jun 19 Credit Equivalent Amount	Jun 19 Weight	Jun 19 Weighted Amount	Jun 18 Weighted Amount
	Rs m	%	Rs m	%	Rs m	Rs m
Direct credit substitutes	9,257	100	191	0 - 100	9,201	8,805
Transaction-related contingent items	24,157	50	463	0 - 100	11,884	11,396
Trade related contingencies	29,915	20 - 100	829	0 - 100	7,049	11,123
Outstanding loans commitment	5,809	20 - 50	133	0 - 100	2,687	3,137
Total					**30,821**	**34,461**

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

	Jun 19	Jun 18
	Rs m	Rs m
Total credit risk-weighted assets	**294,667**	**271,182**

Risk and capital management report

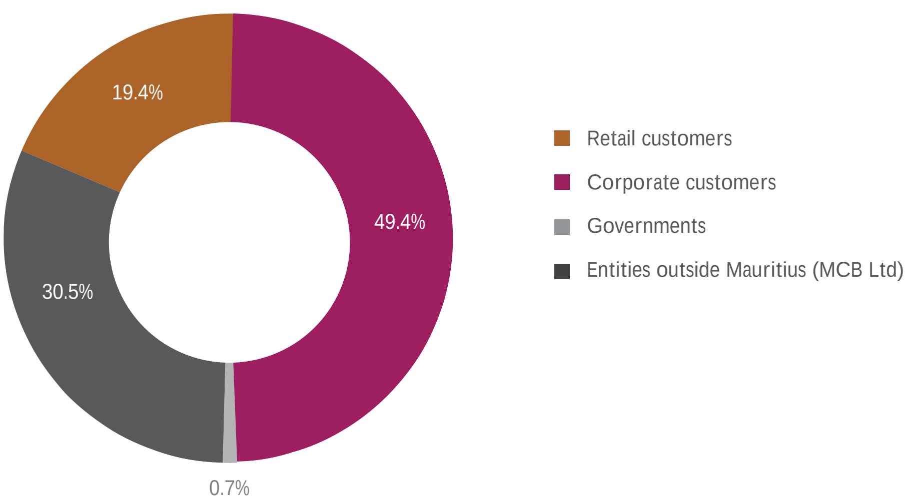
Risk mitigation and management

- The credit risk management framework enables the entities to manage credit risk within the limits of their defined risk appetite, to develop risk-response strategies and to optimise risk-taking by anticipating and acting on potential opportunities or threats. This framework encompasses the following: (i) comprehensive credit policies; (ii) clear segregation of the decision-making authority for the approval of loans; (iii) effective identification, measurement and management of credit risk; (iv) portfolio management which ensures that capital is adequate enough to support business growth and reasonable levels of unexpected losses; and (v) regular reporting to management and committees on pertinent risk characteristics/trends.

- Credit risk exposures are managed through robust credit assessment, structuring and monitoring process. The latter involves the daily monitoring of credit limit excesses as well as the review of all exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible problem loans. Exposures showing signs of deterioration are placed on a watch list for closer scrutiny where appropriate. Several credit mitigation techniques are adopted by the banking entities in the course of their activities. As regards MCB Ltd, these include security/collateral, netting, guarantees, credit insurance and political risk covers. Exposures arising from foreign exchange and derivatives are mainly mitigated through agreements e.g. the International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) documentation.

- The banking entities focus on the diversification of their lending portfolios by setting relevant exposures limits to ensure that their performances are not negatively impacted, for instance, by a large sectoral exposure default. It is the policy of the Group's entities to limit credit risk exposures and concentrations within the constraints of their capital base, while complying with regulatory stipulations, notably relating to aggregate large exposures and single borrower limits. Stress tests are, in some instances, performed on portfolios to ensure that sufficient capital is held to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers.

Loans and advances by customer segment – Banking cluster



Concentration of exposures at MCB Ltd

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

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

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

- With regard to the determination and review of impairment and provisioning levels, the banking entities undertake their respective exercises on a regular basis, while being subject to appropriate oversight. The entities adhere to relevant regulatory stipulations, alongside aligning themselves to advocated standards. At the level of MCB Ltd, the exercise is undertaken on a quarterly basis and involves the collaboration of several stakeholders. After being reviewed and agreed upon by the RMC as well as validated by the Board, the figures are submitted to the Bank of Mauritius (BoM). The BoM Guideline on Credit Impairment Measurement and Income Recognition aims at aligning regulatory prudential rules as regard asset classification and provisioning requirements with international accounting norms (i.e. IFRS 9). The aim is to ensure that financial institutions have adequate processes for determining allowance for credit losses in a timely manner and the carrying amounts of credit portfolio recoverable values. While ensuring adherence to prudential norms which define credit as impaired if it is past due for more than 90 days, the Bank also assesses facilities granted to clients as being impaired on case-by-case basis above a certain materiality threshold. Furthermore, loans are written off by the Bank when the prospect of recovery is poor and the loss can be reasonably determined, with MCB complying with the BoM guideline for the write-off of non-performing assets.

MCB Ltd: Adoption of IFRS 9

- In July 2014, the International Accounting Standards Board (IASB) issued the 'International Financial Reporting Standards 9, Financial Instruments' (hereinafter referred to as IFRS 9), in order to replace the 'IAS 39, Financial Instruments – Recognition and Measurement'. The new standard became effective for the year beginning on or after 1 January 2018.

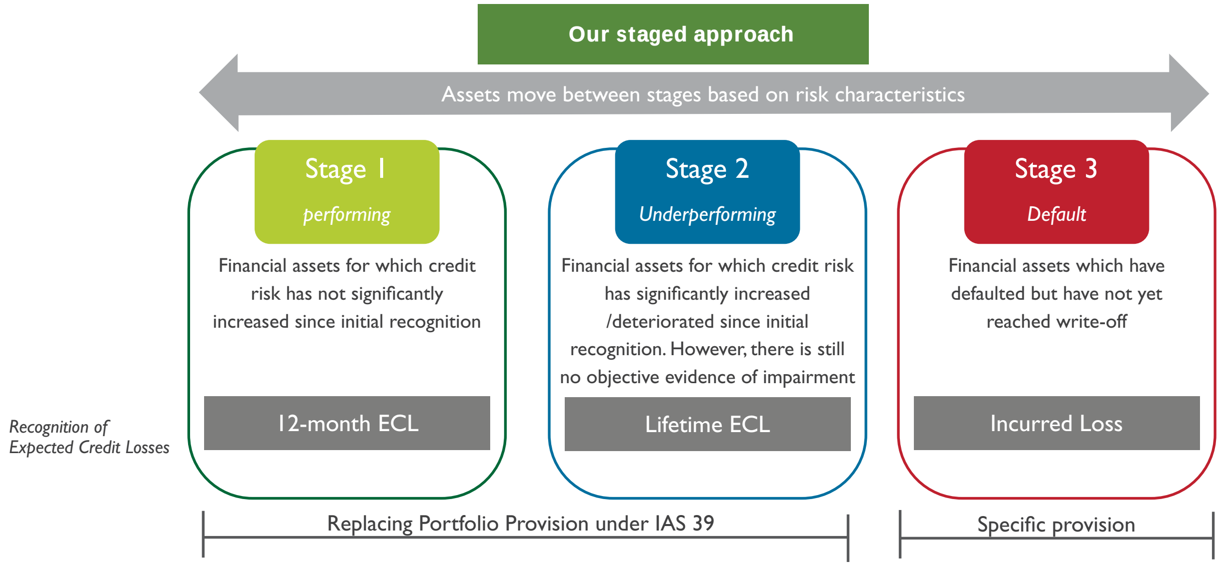
- In 2017, to facilitate the implementation of the new standard, MCB set up an executive Steering Committee to oversee the adoption of IFRS 9 and the application of related requirements within the accounting and risk management functions of the Bank. A Technical Review Committee – comprising independent experts from the Bank's external auditors, project sponsors and an appointed accounting firm – was set up to ensure full compliance with applicable requirements. Progress was monitored at various levels and regular reporting was undertaken to the Risk Monitoring Committee (RMC) and the Board, with the Bank of Mauritius being also apprised of ongoing developments. Once the project was completed, the Bank set up a dedicated Credit Modelling BU, operating under the aegis of the Chief Risk Officer – in order to develop, maintain and validate models for credit application, Basel Capital Accord reporting and IFRS 9 modelling purposes.

IFRS 9 implementation[1]

- IFRS 9 replaces the incurred loss model (whereby losses were recognised when a default event occurred) with an Expected Credit Loss (ECL) Model. This implies that provisions are calculated upon recognition of financial assets, based on the potential losses expected on the latter. Of note, the standard also requires off-balance sheet items be taken into account in determining ECLs.

- In measuring ECL, three main parameters are considered and estimated, namely: (i) Probability of Default (PD), which represents the likelihood of a default event occurring; (ii) Loss Given Default (LGD), which denotes the estimated losses in the event that a default event occurs; and (iii) Exposure at Default (EAD), which reflects the exposure at risk at a point of default. In addition, IFRS 9 requires that allowance be made of forward-looking information in the calculation of ECL, taking into consideration past, actual and future insights on customer behaviours and macroeconomic indicators.

- IFRS 9 introduces a three-stage approach to the impairment calculation of financial assets. To determine the staging status of the asset, IFRS 9 requires an assessment of whether or not there has been a significant increase in credit risk since initial recognition. This dictates the basis on which its ECL is calculated, as illustrated below.



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

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

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

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

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

ECL as at 30 June 2019

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

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

Risk and capital management report

Country risk management at MCB Ltd

- As regard the foreign exposures of MCB Ltd, the latter adopts a well-calibrated framework and related policies and processes to effectively manage its country risk. In fact, in the wake of continuous headway made in expanding its footprint in the region, the Bank ensures that its activities are undertaken in a disciplined and balanced way. As a key priority, the Bank applies a robust risk management approach to assess country risk, deploy its activities and monitor exposures across markets

General framework

- The Bank applies a comprehensive framework to formulate its risk tolerance and determine exposures assigned to markets, alongside adhering to the Bank of Mauritius Guideline on Country Risk Management.

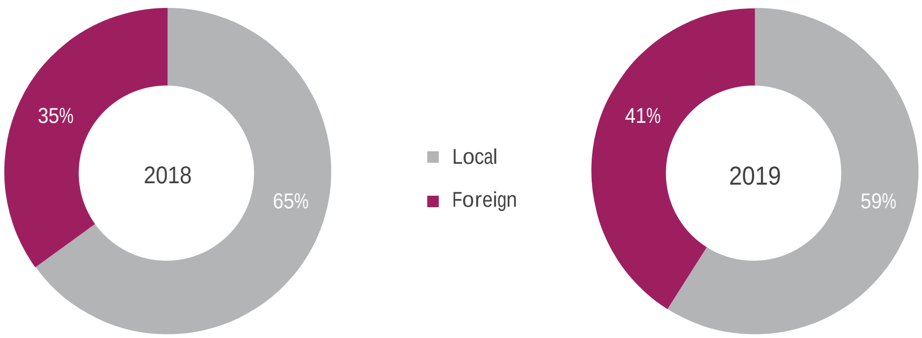
- With a view to fostering sound country risk management, MCB lays emphasis on the following: (i) the thoughtful and regular determination and review of its risk appetite, after making allowance for the evolving operating environment and its strategic ambitions; (ii) well-diversified exposures across countries and sectors; (iii) undertaking activities in a selective and, in some cases, opportunistic manner, while favouring areas that it is well accustomed to and for which it nurtures strategic competencies and technical expertise; and (iv) ensuring that its deals are appropriately selected, structured and ring-fenced (with specialised people handling complex deals), backed by the application of a series of risk mitigants and robust methodologies.

Key parameters and processes

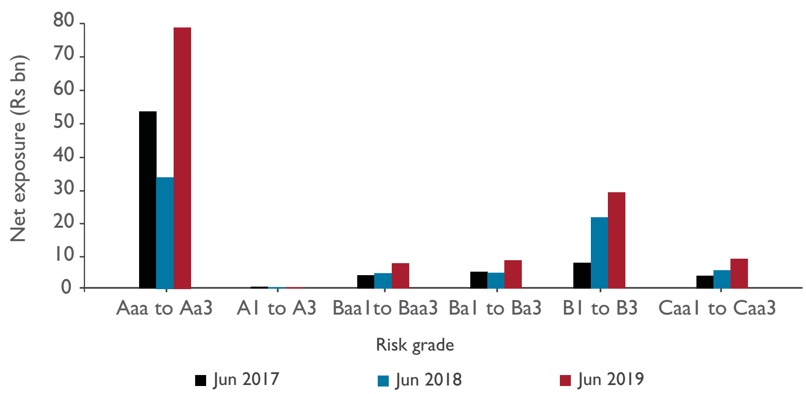
- MCB articulates a coherent risk appetite framework, with business units guided by clearly-established parameters and limits to assist them tap into markets. Target risk profiles are set at Bank level as well as for each portfolio and are complemented by target maturity profiles, consequently ensuring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

- In April last, MCB has undertaken a thorough review of its country risk appetite and framework, to reflect the operating environment, current business conditions and the Bank's strategic endeavours. The new country risk appetite, which was validated by the Risk Monitoring Committee and the Board, contained several guidelines, notably related to exposure limits and the distribution of risk profiles.

Distribution of MCB's customer loan portfolio

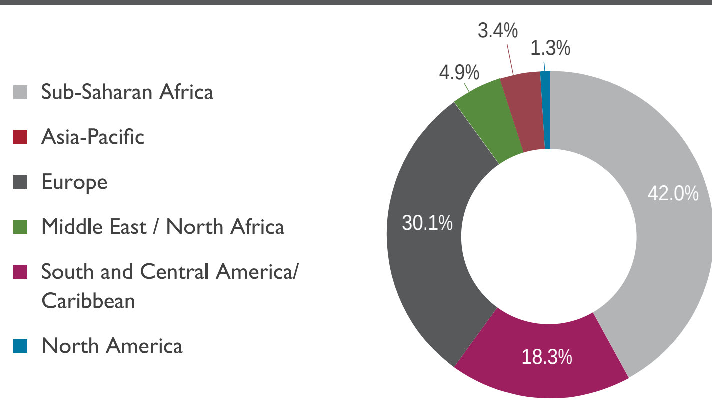


Country risk exposures



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

Total risk-weighted exposures by region
(Excluding Mauritius)



Risk and capital management report

Market risk

General approach

- The banking entities of the Group seek to minimise the risk of losses in on- and off-balance sheet positions arising from activities undertaken in or impacted by financial markets. This includes both market price risk and ancillary risks such as liquidity and funding (liability) risks. The entities ensure that an appropriate framework is in place to systematically identify, assess, monitor, control and report, within pre-defined limits, the market risk exposures across their trading and banking books.

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

- With regard to the foreign banking subsidiaries, market risk sanctioning mandates are delegated to management for the conduct and monitoring of relevant day-to-day operations and activities. They are assisted by the Treasury SBU of MCB Ltd in the deployment of their undertakings. The latter function services both their foreign exchange and money market requirements by delivering advisory services through direct access to its traders, with the latter sharing their views about market trends and notifying them of relevant updates.

Risk measurement and management[1]

Interest rate risk

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

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

Foreign exchange risk

- The entities are subject to foreign exchange (FX) risk from an on-balance sheet perspective, i.e. as a result of imbalances witnessed between the foreign currency composition of their assets and liabilities. The risk to which they are exposed can also be viewed from an off-balance sheet angle through the Bank's outstanding positions, mainly in respect of foreign exchange forwards. Exposure to FX risk is monitored against both regulatory stipulations and internal targets, which are, especially, applied to metrics such as the net foreign risk exposure in any single currency and the aggregation of the net foreign exchange risk exposure.

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

Liquidity and funding risk

- The entities manage the liquidity profile of their balance sheet through both short-term liquidity management and long-term strategic funding, while covering both local and foreign currencies. Towards this, the entities operate mutually supporting lines of defence.

Cash flow management

- The entities maintain a continuously maturing stream of assets and liabilities through time, while avoiding undue accumulation of maturities in any one time band, especially those expected to mature in the near future.
- They use cash and liquidity gap profiles in both local and significant foreign currencies to monitor the impact of projected disbursements by lines of business. They undertake the behavioural analysis of their non-maturity deposit base in order to assign an actuarial maturity profile thereto, while ensuring that historical stickiness remain within non-volatile ranges.

Liquid assets buffer maintenance

- The entities hold a stock of high quality and unencumbered assets consisting of cash or quasi-cash instruments, with high convertibility characteristics. The aim is to meet unexpected outflows of funds or substitute expected inflows of funds (such as loan instalments) that do not eventually materialise by disposing of such assets at little or no loss in market value.

Funding management

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

MCB Ltd: Key Liquidity Ratios

Liquidity Coverage Ratio (LCR)

- Introduced as a key standard under Basel III, the objective of the LCR is to promote the short-term liquidity resilience of a bank by ensuring the latter maintains an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to meet its short-term liquidity requirements under a crisis scenario. The Bank of Mauritius Guideline on Liquidity Risk Management is closely aligned to Basel norms. It defines the LCR as the ratio of the stock of HQLA to the total net cash outflows over the next 30 calendar days. The transitional arrangements set out by the Central Bank for the evolution of stipulated ratios are described in the following table.
- As at 30 June 2019, the Bank comfortably overshot stipulated LCR requirements. It reported a consolidated LCR of 400%, which is equivalent to a surplus of around Rs 80 billion over stressed total net cash outflows. At a more granular level, we exceeded the mandatory LCR limits relating to rupee and significant foreign currencies. It can be noted that HQLA eligible for the purpose of calculating the LCR under the BoM guideline consist of cash or assets that can be converted into cash at little or no loss of value in private markets. On this note, it can be observed that MCB has, during the last financial year, maintained suitable levels of unrestricted balances with the Bank of Mauritius as well as investments in Central Banks and sovereign securities.

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

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

Net Stable Funding Ratio (NSFR)

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

Operational risk

General approach

- The banking entities of the Group aim to identify, mitigate and manage operational risks across their activities, processes and systems in line with the defined risk tolerance. The objective is to underpin the continuity of their operations and anchor a solid platform to provide customers with seamless services.

- Towards determining the operational risk tolerance levels, the entities set risk acceptance and mitigation limits in respect of the principal categories of operational risk as appropriate. Operational risk sanctioning mandates and day-to-day oversight responsibilities are entrusted to Management. The latter is responsible for the application and effectiveness of the operational risk policy. The key duties are to (i) ensure compliance with underlying objectives set in terms of the management of such types of risk; and (ii) foster the development, implementation and documentation of internal controls and processes.

- The operational risk management framework is anchored on adapted policies which are approved by the Audit Committee of each banking entity. At the level of MCB Ltd, the Operational Risk Policy of the Bank formulates the principles and methodologies for the management of operational risk at the Bank. It sets out a framework covering advocated rules and norms on the local and international fronts, best practices and standards as well as the relevant roles and responsibilities within the Bank. The latter's operational risk management approach is governed by regulatory requirements, including the Guideline on Operational Risk Management and Capital Adequacy Determination.

Risk measurement and monitoring

- The determination of the risk exposures of the banking entities is anchored on the regular review of the operational risk inherent in their processes and client solutions, with the monitoring thereof performed against acceptable tolerance limits.

- With respect to MCB Ltd, as from FY 2018/19 and following the approval of the Bank of Mauritius, it applies the Alternative Standardised Approach for calculating and reporting its operational risk capital charge instead of the Basic Indicator Approach as was previously the case.

Risk mitigation and management

- At the level of MCB Ltd and as described in its Operational Risk Policy, the responsibility for implementing the Operational Risk Management Framework is entrusted to Senior Management. The Operational Risk BU is responsible for the implementation of policies for the identification, assessment and management of related risks. From a more holistic angle, operational risk management forms part of the day-to-day responsibilities of the Leadership team and employees at all levels of the organisation. Operational risk mitigation relies on appropriate policies, processes and systems, backed by the clear segregation of duties, dual control as well as the regular verification and reconciliation of transactions. The control environment is also based on an appropriate risk culture which is fostered through risk awareness sessions targeting relevant audiences. An overview of both operational risk and Business Continuity Management is provided to new staff at the onset of their career through induction courses. The Operational Risk Management Framework relies on three primary lines of control as depicted below.

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

• As regards the foreign banking entities, they have reinforced their system of Permanent Control, alongside adhering to clearly-defined procedures and dashboards for controlling and mitigating the effects of operational risks faced. Moreover, the introduction of compliance certificates to be submitted monthly by the business units provides assurance that the identified controls are functioning adequately. The management of operational risks by the entities is also underpinned by recourse to specific tools and systems that are adopted by MCB Ltd, notably the incident reporting system, as tailored to the subsidiaries' business realities. In addition, staff leverage training courses, whereby the IT SBU as well as the Anti-Money Laundering/Fraud Prevention BU from MCB Ltd provide assistance on specific risk management needs.

MCB Ltd: Business Continuity Management (BCM)

Framework and accountabilities

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

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

Key progress during the last financial year and until recently

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

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

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

Information risk

General approach

- The entities adopt a dedicated approach to uphold their information security, alongside ensuring that they are prepared to respond to potential cyber-attacks and threats to its information assets in a timely and effective manner. They conduct regular assessments to identify issues that can potentially harm its assets, with adequate mitigating controls being deployed.

Risk mitigation and management

- Risk management by the banking entities implies the regular conduct of information risk assessments so as to identify issues that can potentially harm the organisation's information assets and recommend adequate mitigating controls.

- At MCB Ltd, the Information Risk Management (IRM) BU is responsible for developing and maintaining information security policies, in line with the evolving operating landscape as well as requirements set by the authorities and other stakeholders. The key objective is to ensure that an adequate level of security is maintained to protect private and confidential information held by the Bank. To mitigate and manage risks faced, several processes have been assigned to assist in identifying and analysing the business need to access logical information, restrict the information deployed to the relevant requirements as well as monitor and control access to such information. The pertinence of any major information security expenditure is evaluated and discussed at several hierarchical levels before finally escalating to Senior Management and, if needed, to the Board for approval.

- The banking entities remain intent on gearing up their policies and processes to effectively cope with challenges posed by increasing cyber threats. For instance, at the level of MCB Ltd, several initiatives have been deployed to strengthen and ensure the robustness of its information security: (i) the Bank enhanced its security events monitoring and response capabilities, which have been regularly tested; (ii) MCB's critical infrastructure (which includes customer-facing applications) has been independently tested and assessed from a security perspective; (iii) actions have been taken to enhance the staff's cyber security awareness in order to recognise and properly react to cyber-attacks; (iv) the Bank's compliance to laws and regulations relating to data protection has been regularly assessed with a view to identifying any gaps and gearing up its capabilities to adhere to relevant stipulations; (v) the set of critical controls underpinning MCB's cyber security resilience were continuously monitored; and (vi) the risk assessment framework and information security management systems and processes were upgraded to foster alignment with internationally-recognised standards. As for our foreign banking entities, dedicated initiatives were taken to enhance the protection of critical information pertaining to the bank and its customers, in line with relevant laws and regulations.

Compliance risk

General approach and objectives

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

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

Risk mitigation and management

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

Core principles guiding compliance risk management

- Paying continuous attention to and undertaking regular reviews of ongoing developments as regard laws and regulations; accurately understanding their impact and coming up with necessary responses to effectively address the risks arising from such changes

- Fostering a coherent compliance control mechanism to pave the way for normalised processes and operations

- Maintaining a set of policies to promote strong ethical behaviour by staff as well as to prevent and manage conflicts of interests

- Promoting awareness of Management and staff on requirements arising out of new/amendments to laws and regulations and other compliance-related matters (e.g. training sessions conducted last year with regard to matters pertaining to Anti-Money Laundering/ Combating the Financing of Terrorism, targeting some 1,000 employees across MCB Ltd)

- Providing adequate training to the compliance officers to ensure that they have the necessary knowledge and skills to fulfil their duties

- Maintaining close working arrangements and communication with business lines through the dissemination of compliance-related information, provision of advisory services and delivery of dedicated training courses to staff

- Fostering trusted relationships with regulatory and supervisory bodies by maintaining productive and value-adding dialogue with them to uphold effective two-way communication

- In relation to their Anti-Money Laundering /Combating the Financing of Terrorism (AML/CFT) obligations, the banking entities of the Group ensure that adequate processes, systems and controls are in place to render their services inaccessible to criminals, including money launderers and terrorists or their financiers, alongside paving the way for detecting suspicious activities. While fostering continuous staff awareness, the entities *inter alia* ensure that employees are given appropriate training on AML/CFT and fraud prevention topics to help them identify suspicious transactions. A Financial Crime Risk Management system has been implemented for underpinning the oversight of anti-money laundering. Moreover, the entities adhere to a Whistleblowing Policy, whereby an alternative reporting process is established for use by all employees in confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage. The Whistleblowing Framework at the organisation is designed to assist employees deemed to have discovered malpractices or impropriety.

- The compliance frameworks of our banking entities have been reinforced through the adoption of continuous permanent control mechanisms. Our overseas banking entities are assisted by the Compliance BU of MCB Ltd via the following forms:

Key areas of support by MCB Ltd to overseas entities

- Compliance risk assessments: It extends support to the Compliance Officers of the entities in the performance of compliance risk assessments and through compliance-related training provided to them
- Advisory services: It maintains an open line of communication with afore-mentioned Compliance Officers and encourages them to seek advice/guidance whenever they are in need of same
- Staff training: It provides AML/CFT training to staff of the entities when called for, in addition to reviewing materials that the Compliance Officers have prepared for the purpose of staff training
- Compliance monitoring: It elaborates compliance monitoring programmes whereby the Compliance Officers have to perform compliance tests, prepared at the level of the Compliance BU, to ascertain adherence to procedures
- Project execution: It assists entities embarking on the implementation of IT tools to ensure compliance risk management
- Other areas: It reviews operational procedures to ensure that they meet set standards and that all applicable legal and regulatory requirements are incorporated therein. Its services are also solicited where regulatory issues have to be resolved

Risk Assurance: Internal Audit

General approach

- The aim of internal audit at the Group level is to assess the policies, methods and procedures in place at the organisation in order to cater for their adequate application. Independent assurance is provided on the quality and effectiveness of internal control, governance and risk management systems and processes, thus helping to protect the organisation and its reputation.
- The established framework of the internal audit activity is risk-based. As a key thrust, the banking entities of the Group aim to gather the necessary audit and risk insights in order to support their strategic orientations.

Strategy and objectives

- The foreign banking entities of the Group rely on their locally-based internal auditors, alongside leveraging the services provided by the Internal Audit SBU of MCB Ltd. The latter, while factoring in the work done by the locally-based internal auditors, carries out regular assignments to assist these entities to better manage their risks as well as improve the quality of their control systems and processes, with advice being delivered on different aspects in line with the nature of projects being executed. Internal audit findings and agreed action plans are reported to the Audit Committee and Board of relevant subsidiaries, with matters escalated to the Audit Committee of MCB Group Ltd if required.
- In line with good governance principles, the Internal Audit SBU of MCB Ltd reports to the Audit Committee, which approves and monitors the internal audit plan and recommendations. The key pillars which the function relies upon to roll out a disciplined approach to evaluate and improve the effectiveness of risk management and control processes are: (i) the implementation of regularly updated audit work programmes addressing, as far as possible, identified residual audit risks; (ii) increased usage of data analytics through a world-wide recognised audit software; and (iii) automation of tasks namely relating to time sheets, reports preparation, working papers and follow-up of recommendations. Based on its assessments, the Internal Audit function is presently not aware of any significant area of the Bank where there are no internal controls. The function does not believe that there are deficiencies in internal controls that could give rise to risks that could eventually jeopardize the operations of the Bank.

Risk and capital management report

Capital management

The framework

In line with regulatory rules, Basel requirements and industry best practices, the capital management objective of the banking cluster, which is aligned with Group-level directions, is to ensure that adequate capital resources are available to operate effectively, foster sustained business growth, preserve or enhance credit ratings and cope with adverse situations. Capital management policies and practices aim to maintain a strong capital position that is consistent with stakeholder expectations and requirements.

Backed by the adoption of a forward-looking approach and a sensible governance framework, banking entities determine the level and composition of capital after making allowance for multiple factors. They include the legal and regulatory landscape across countries, the business environments, the Group's strategic orientations, conditions prevailing across economies and financial markets, etc.

Our process

Commensurate with the strategic orientations, risk appetite and risk management framework approved by the Board of MCB Group Ltd, the entities operating under the banking cluster abide by their internal policies and practices for undertaking their capital management initiatives, including (i) capital planning and allocation across business segments and geographies wherever applicable; (ii) capital reporting, budgeting and analysis; and (iii) management of capital consumption against budgets. For instance, MCB Ltd is guided by its Internal Capital Adequacy Assessment Process (ICAAP) in determining the capital planning exercise and formulating the risk appetite. This provides the framework to ensure that adequate capital is kept beyond core minimum requirements to support business activities.

Internal Capital Adequacy Assessment Process of MCB Ltd

Framework	• The ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius (BoM) Guideline on Supervisory Review Process in April 2010. • The key objectives of ICAAP are as follows: (i) to provide an informative description of the methodology and procedures that the Bank uses to assess and mitigate its risks; and (ii) to make sure that adequate capital resources are kept to support risks faced beyond core minimum requirements. The ICAAP document, which is reviewed periodically, delineates the process through which the Bank assesses the required minimum capital to support its activities. It seeks to ensure that MCB remains well capitalised after considering material risks.
Assessment and planning	• Through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise, while financial year risk appetite limits are set by the Board. As for the Bank's exposures, they are monitored on a quarterly basis against those limits, with related insights being reported to the RMC. • The capital plan includes a crisis management plan. The latter makes allowance for various measures that should help to rapidly mobilise additional capital if the need arises, with discussions thereon being held at Board level.

Stress testing at MCB Ltd

Framework

- Stress testing is a risk management exercise that forms an integral part of the ICAAP. Enabling conditions have been created at MCB Ltd for the development of sound stress testing practices through robust objectives-setting and oversight, proper scenario selection, and suitable methodologies.

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

Performance

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

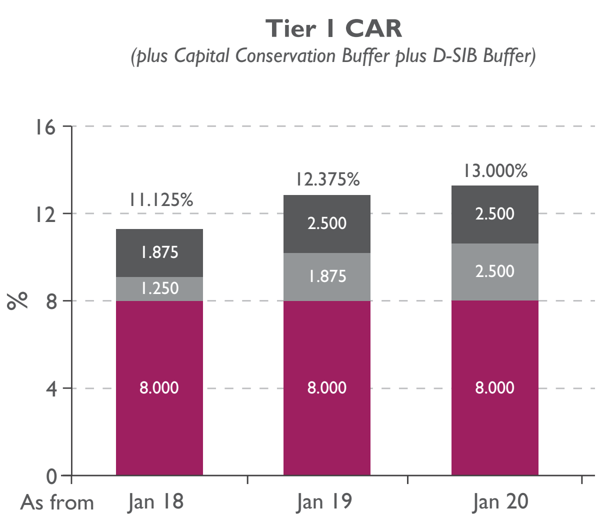
Scenario 1	External risk – Global Trade War
Scenario 2	Reputation risk – Cyber Attack
Scenario 3	Concentration of risks – Large single foreign customer defaults
Scenario 4	Concentration of risks - One local customer group defaults
Scenario 5	Regulatory risk – Global Business Companies delocate
Scenario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

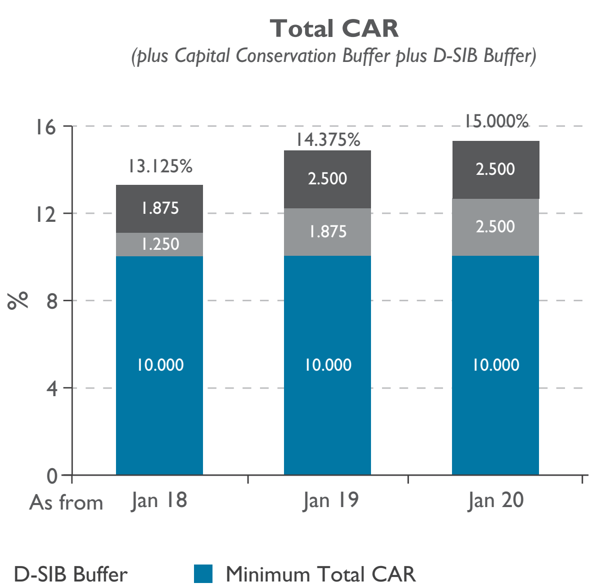
Risk and capital management report

Our capital position

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

Minimum regulatory ratios applicable to MCB Ltd





Minimum regulatory ratios applicable to the foreign banking entities

	MCB Seychelles	MCB Maldives	MCB Madagascar
As at 30 June 2019	%	%	%
Capital adequacy ratio	12.0	12.0	8.0
Tier I ratio	6.0	6.0	-

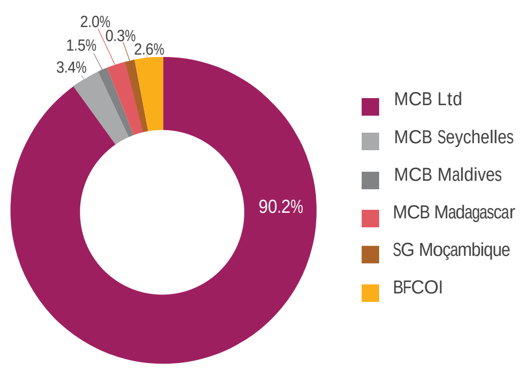
Performance of the consolidated banking cluster

During FY 2018/19, the banking entities have maintained their respective capital adequacy ratios comfortably above the applicable regulatory requirements. The capital adequacy ratio of the banking cluster – as measured at the level of MCB Investment Holding Ltd on a consolidated basis – increased by around 50 basis points to reach 16.1% as at June 2019. The capital base was primarily made up of core capital, with the Tier[1] ratio standing at 15.1% as at June 2019, up from 14.7% a year earlier. The following illustrations depict the capital adequacy ratios posted by the banking cluster and shed light on the distribution of risk-weighted assets by entity.

Distribution of capital metrics

	Banking cluster	
	Jun 18	Jun 19
	Rs m	Rs m
Capital base	**47,304**	**52,327**
Tier 1	44,652	49,235
Tier 2	2,652	3,092
Risk-weighted assets	**302,899**	**325,369**
Capital adequacy (%)	**15.6**	**16.1**
of which Tier I	14.7	15.1

Risk-weighted assets by entity



Capital adequacy	MCB Ltd	MCB Seychelles	MCB Maldives	MCB Madagascar
	%	%	%	%
Capital adequacy ratio				
As at 30 June 2018	15.6	17.1	26.3	24.0
As at 30 June 2019	16.6	15.2	40.0	17.2
Tier 1 ratio				
As at 30 June 2018	14.8	14.6	18.0	18.7
As at 30 June 2019	15.7	13.2	28.6	13.7

Non-banking clusters

While adhering to good corporate governance principles, entities within the non-banking clusters of the Group adopt appropriate risk management frameworks that allow for an effective identification and management of risks they face in the course of their respective business activities. Relevant risk indicators are regularly measured and monitored against set targets.

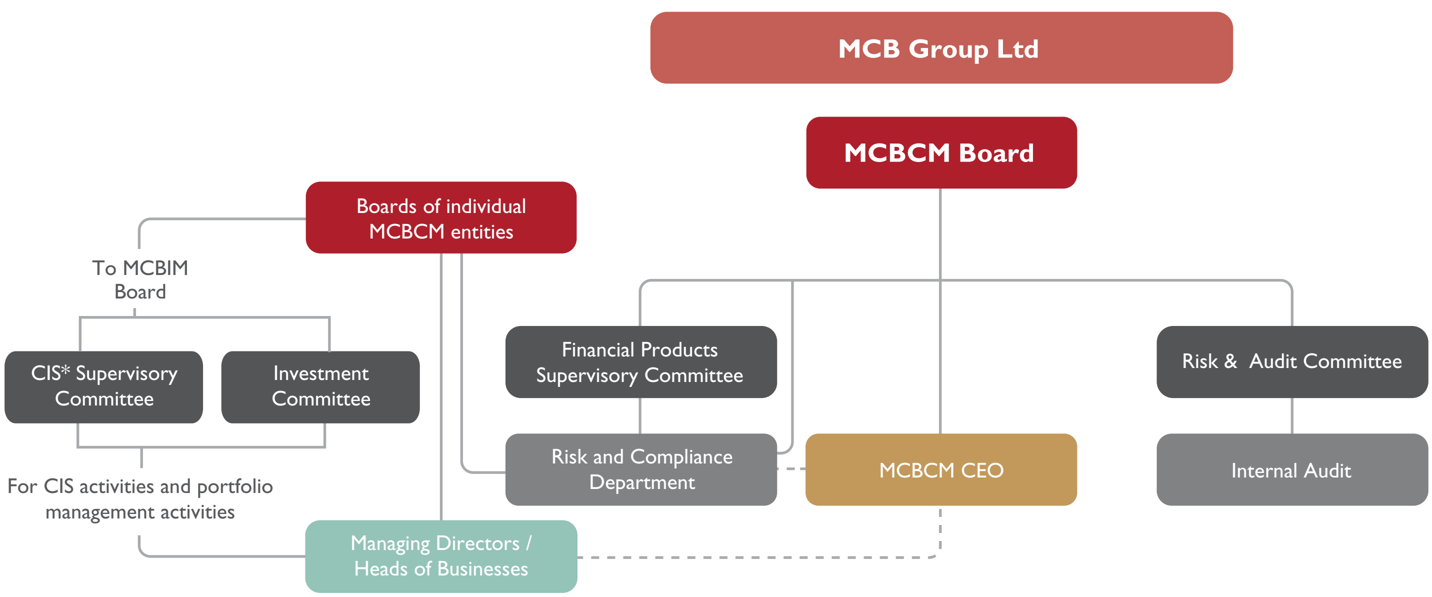
Risk and capital management report

Non-banking financial cluster

- MCB Capital Markets Ltd (MCBCM) and some of its subsidiaries are regulated by the Financial Services Commission. MCBCM, which complies with the National Code of Corporate Governance for Mauritius (2016), seeks to implement best practice risk management standards. The ultimate responsibility for managing risks rests with the Board of each subsidiary and material issues are escalated to the main Board. To ensure strong governance, several sub-committees have been set up to oversee critical areas of MCBCM's operations. An example is the management and administration of Collective Investment Schemes (CIS), where MCBCM has appointed a CIS Supervisory Committee with the responsibility to review and assess all aspects relating to CIS management, including risk, investment and administration. MCBCM recognises that financial products are becoming increasingly complex and regulated. Accordingly, it has strengthened its governance framework through the establishment of a Financial Products Supervisory Committee, which oversees all product launches. An Investment Committee meets on a quarterly basis and oversees the portfolio management process of MCB Investment Management.

- Day-to-day risk management is delegated to the Management team of each subsidiary and to MCBCM's Risk & Compliance (R&C) section, whose primary responsibilities are as follows: (i) assessment of all legal and regulatory obligations of MCBCM's businesses and ensuring compliance with applicable laws, regulations, rules and policies; (ii) provision of risk-related advice, recommendations and compliance assurance to members of the Boards and committees of MCBCM; (iii) coordination of all risk management and compliance measures; and (iv) investigation of all breaches and violations of MCBCM's risk-related policies and procedures.

- The Head of R&C reports directly to the Chief Executive Officer of MCBCM and also has direct reporting lines to certain Boards of subsidiaries and sub-committees of MCBCM in line with best practice. R&C submits a compliance report to the Boards of relevant MCBCM entities every six months, with the possibility of escalating critical issues on a more frequent basis, as necessary. All entities of MCBCM are subject to annual independent internal and external audits. The Audit Committee meets at least twice a year to review *inter alia* audit findings, progress on previously identified issues and the audited financial statements of all legal entities. The MCBCM governance framework is set out below.



** Relates to Collective Investment Schemes*

Key principles and considerations for risk management

Legal and regulatory

- Recognising the need to adhere to international governance codes and standards, MCBCM has put in place a framework to properly manage its legal and regulatory risks. This is summarised below:
  - Regular review of applicable laws and regulations to identify compliance gaps;
  - Active involvement of MCBCM's Risk & Compliance (R&C) and legal teams in the development of new products and services to ensure that they are in compliance with applicable laws and regulations prior to being launched;
  - Monitoring of changes to the legal and regulatory framework and initiation of corrective actions as necessary; and
  - Bi-annual monitoring exercises undertaken by the R&C team to assess the level of compliance with laws and regulations, particularly with respect to anti-money laundering.

Operations (people, processes and systems)

- A significant proportion of R&C's resources is allocated to the management of operational risks. The methodology, which places particular emphasis on high volume businesses, is set out below.

- The initial stage of the above methodology includes *inter alia* formal reviews of procedures and processes, analysis of complaints and incident reports and review of new products and services. The output is then used to update MCBCM's risk maps, which address all major risks faced by the business and their pre-control ratings. These risks are eventually re-assessed taking into account existing controls and additional controls that are required to arrive at a post-control rating. Any residual post-control risks deemed material would lead to a re-design of the relevant controls until such risks are eliminated.

Financial risks

- MCBCM, through its brokerage business, offers underwriting services to corporate clients and is thus subject to financial risks. Such risks are managed by a formal process that involves:
- A technical assessment of all requests for underwriting by a group comprising MCBCM's Chief Financial Officer, Head of Risk and Compliance, Head of Legal and the Managing Director of MCB Stockbrokers;
- A two-tiered approval process, with the first level approval being provided jointly by the CEO of MCBCM and the Chairperson of the Board of MCB Stockbrokers, and the second level approval provided by the Management of MCB Group.

- MCBCM, through its brokerage business, also acts as market-maker or liquidity provider in respect of certain securities listed on the Stock Exchange of Mauritius (SEM). Relevant safeguards have been implemented to ensure that any risks arising from this activity are properly mitigated.
- Since the beginning of 2019, MCBCM has, through various subsidiaries, been involved in the structuring, issuance and management of Credit Linked Notes (CLNs). The latter are long-dated debt instruments but have been structured so as to provide targeted investors with regular exit windows hence improving the liquidity of these financial products. Associated financial risks require some degree of active funding and liquidity management, mainly through adequate levels of capitalisation and access to appropriate funding and credit lines.

Other investments cluster

Elsewhere, in line with principles determined at Group level, risk management policies and structures have, in varying capacities, been designed in order to ensure that business activities are carried out in a sound manner, depending on the types of market undertakings being engaged into as well as the range and depth of risks faced. Fundamentally, the Board of each entity has the ultimate responsibility to ensure that risks are properly identified and managed, with relevant functions being mandated to provide clear and coherent assistance to help it in the fulfillment of its duties. In the process, the entities adhere to coherent and robust control mechanisms that enable them to achieve strategic objectives in a sustained and sound manner, backed by a thorough investigation of clients' risk profiles and the diversification of undertakings where applicable. The Internal Audit function of MCB Ltd, having a Group wide mandate, provides assurance over these controls systems and reports on those via the Audit Committee and/or Board of each individual entity. The findings are consolidated and presented to the MCB Group Audit Committee for an integrated view of the effectiveness of risk management, control and governance processes.

Jean-Louis MATTEI
Director
Chairperson Risk Monitoring Committe

Pierre Guy NOEL
Chief Executive


COTTON
SOFT SERVE

Bien-et Dan landrwa

Eski enn biznes so rises, li zis dan profi ki li fer ?
Ouswa li dan bien-et ki li aporte dan landrwa kot li ete ?

Does the wealth of a business lie in its profit margins?
Or is it in the well-being it provides?

Independent auditor's report

To the Shareholders of MCB Group Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Our Opinion

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of MCB Group Limited (the "Company") and its subsidiaries (together the "Group") and of the Company standing alone as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

MCB Group Limited's accompanying consolidated and separate financial statements comprise:

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

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

Basis for Opinion

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

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

Independence

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

Independent auditor's report

To the Shareholders of MCB Group Limited (Cont'd)

Report on the Audit of the Consolidated and Separate Financial Statements (cont'd)

Key Audit Matters

Key audit matters are those matters that, 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

To the Shareholders of MCB Group Limited (Cont'd)

Report on the Audit of the Consolidated and Separate Financial Statements (cont'd)

Key Audit Matters (Cont'd)

Key audit matters relating to the consolidated financial statements	How our audit addressed the key audit matters relating to the consolidated financial statements
The Group also applied judgement and estimates in determining the impairment provision on its stage 3 financial assets to estimate the loss event and the amount and timing of their expected future cash flows. The key areas of significant management judgements and estimates within the ECL calculations include: • Input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement; • Evaluation of significant increase in credit risk ("SICR"); • Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement; and • Assessment of ECL raised for stage 3 exposures. The application of IFRS 9 by the Group along with its impact on the opening balances has been disclosed in notes 2(d), 3(b) and 20 to the consolidated financial statements.	For ECL calculated for stage 3 financial assets, we considered the significant financial difficulty of the Group's customers and number of days in arrears for repayment. We also considered the assumptions applied by the directors in their assessment of the recoverability of the exposure. We independently recalculated the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collaterals were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent appraisers.

Independent auditor's report

To the Shareholders of MCB Group Limited (Cont'd)

Report on the Audit of the Consolidated and Separate Financial Statements (cont'd)

Key Audit Matters (Cont'd)

Key audit matters relating to the consolidated financial statements	How our audit addressed the key audit matters relating to the consolidated financial statements
Valuation of unquoted financial assets held at fair value MCB Group Limited's subsidiaries have invested in several listed and unlisted investments. The fair values of the subsidiaries' unlisted investments are determined by applying different valuation methodologies. Management makes significant judgements because of the complexity of the techniques and assumptions used in valuing the level 3 investment securities given the limited external evidence and unobservable market data available to support the Group's valuation. Due to the magnitude of the investments, the estimation uncertainties in the assumptions, and the degree of judgement required, the assessment of the fair value of the underlying investment in the subsidiaries is considered to be a matter of most significance to our audit. See note 2(b), 3(d) and 7(d) to the consolidated financial statements.	We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation risk of financial assets. For the more judgemental valuations, which depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. We tested that the valuation techniques adopted reflect the best appropriate basis for valuation of the investments. We also involved our valuation experts to assess the appropriateness of the methodologies used.

In connection with the separate financial statements, we have determined that there are no key audit matters to communicate in our report.

Independent auditor's report

To the Shareholders of MCB Group Limited (Cont'd)

Report on the Audit of the Consolidated and Separate Financial Statements (cont'd)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the 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 conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Corporate Governance Report

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

Responsibilities of the 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 Mauritian Companies Act 2001, and 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 Company'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/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company'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.

Independent auditor's report

To the Shareholders of MCB Group Limited (Cont'd)

Report on the Audit of the Consolidated and Separate Financial Statements (cont'd)

***Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements** (Cont'd)*

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.

- 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 Company's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company'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/or the Company 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 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Independent auditor's report

To the Shareholders of MCB Group Limited (Cont'd)

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

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

a) we have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditor of the Company and some of its subsidiaries, tax and business advisors of one of its subsidiaries and dealings in the ordinary course of business with some of its subsidiaries;

b) we have obtained all the information and explanations we have required; and

c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matter

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

PricewaterhouseCoopers
27 September 2019

Gilles Beesoo, licensed by FRC

Statements of financial position

as at 30 June 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Notes	RS'M	RS'M	RS'M	RS'M
ASSETS					
Cash and cash equivalents	4	**49,333.5**	35,903.0	**357.8**	522.8
Derivative financial instruments	5	**695.8**	512.8	**-**	-
Loans to and placements with banks	6(a)	**19,672.8**	18,920.8	**-**	-
Loans and advances to customers	6(b)	**227,040.4**	199,298.2	**-**	-
Investment securities	7	**126,204.0**	88,747.4	**395.2**	200.0
Investments in associates	8	**9,961.5**	9,796.0	**118.7**	117.2
Investments in subsidiaries	9	**-**	-	**11,113.5**	10,799.6
Investment properties	10	**3,991.7**	2,861.1	**-**	-
Goodwill and other intangible assets	11	**1,462.9**	1,238.8	**-**	-
Property, plant and equipment	12	**6,437.8**	6,194.8	**224.7**	224.9
Deferred tax assets	13	**291.9**	285.8	**-**	-
Other assets	14	**26,069.0**	22,611.1	**1,679.7**	1,387.4
Total assets		**471,161.3**	386,369.8	**13,889.6**	13,251.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	15(a)	**3,850.9**	3,157.7	**-**	-
Deposits from customers	15(b)	**327,649.5**	294,560.9	**-**	-
Derivative financial instruments	5	**935.0**	883.4	**-**	-
Other borrowed funds	16	**56,886.3**	14,372.5	**-**	-
Subordinated liabilities	17(a)	**5,571.8**	5,591.8	**4,531.7**	4,531.7
Debt securities	17(b)	**2,012.7**	2,012.7	**2,012.7**	2,012.7
Current tax liabilities		**986.6**	1,000.2	**0.2**	0.3
Deferred tax liabilities	13	**287.9**	236.4	**0.2**	0.1
Other liabilities	19	**14,202.7**	10,787.6	**1,363.5**	1,128.9
Total liabilities		**412,383.4**	332,603.2	**7,908.3**	7,673.7
Shareholders' equity					
Stated capital		**2,608.3**	2,547.9	**2,608.3**	2,547.9
Retained earnings		**44,536.0**	38,233.2	**3,350.2**	3,030.3
Other components of equity		**9,109.9**	10,525.1	**22.8**	-
Equity attributable to the ordinary equity holders of the parent		**56,254.2**	51,306.2	**5,981.3**	5,578.2
Non-controlling interests		**2,523.7**	2,460.4	**-**	-
Total equity		**58,777.9**	53,766.6	**5,981.3**	5,578.2
Total equity and liabilities		**471,161.3**	386,369.8	**13,889.6**	13,251.9
CONTINGENT LIABILITIES					
Acceptances, guarantees, letters of credit and other obligations on account of customers		**69,002.5**	59,872.2		
Commitments		**6,503.1**	6,773.3		
Tax assessments		**89.7**	537.1		
Other		**1,709.2**	1,440.4		
	22	**77,304.5**	68,623.0		

These financial statements were approved for issue by the Board of Directors on the 27 September 2019.

Pierre Guy NOEL
Director
Chief Executive

Didier HAREL
Director
Chairperson

Alain REY
Director
Chairperson Audit Committee

The notes on pages 208 to 299 form part of these financial statements.
Auditor's report on pages 188 to 194.

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

	Notes	GROUP Year ended 30 June 2019 RS'M	GROUP Year ended 30 June 2018 RS'M	COMPANY Year ended 30 June 2019 RS'M	COMPANY Year ended 30 June 2018 RS'M
Interest income	23	**18,841.4**	15,112.9	**5.5**	2.3
Interest expense	24	**(5,884.6)**	(4,383.7)	**(288.3)**	(268.1)
Net interest income		**12,956.8**	10,729.2	**(282.8)**	(265.8)
Fee and commission income	25	**5,135.0**	4,547.6	**-**	-
Fee and commission expense	26	**(1,348.9)**	(1,114.6)	**-**	-
Net fee and commission income		**3,786.1**	3,433.0	**-**	-
Other income					
Profit arising from dealing in foreign currencies		**1,816.4**	2,391.7	**-**	-
Net gain/(loss) from financial instruments	27	**702.9**	(385.5)	**-**	-
		2,519.3	2,006.2	**-**	-
Dividend income	28	**95.7**	85.2	**3,370.2**	2,922.6
Net gain on sale of financial instruments		**33.7**	226.7	**-**	-
Other operating income		**834.8**	470.5	**-**	-
		3,483.5	2,788.6	**3,370.2**	2,922.6
Operating income		**20,226.4**	16,950.8	**3,087.4**	2,656.8
Non-interest expense					
Salaries and human resource costs	29(a)	**(4,315.0)**	(3,813.6)	**(108.0)**	(90.9)
Depreciation of property, plant and equipment		**(655.9)**	(600.4)	**(2.4)**	(2.0)
Amortisation of intangible assets		**(264.7)**	(288.5)	**-**	-
Other	29(b)	**(2,275.1)**	(2,099.1)	**(53.6)**	(44.4)
		(7,510.7)	(6,801.6)	**(164.0)**	(137.3)
Operating profit before impairment		**12,715.7**	10,149.2	**2,923.4**	2,519.5
Net impairment of financial assets	30	**(1,596.9)**	(1,329.9)	**-**	-
Operating profit		**11,118.8**	8,819.3	**2,923.4**	2,519.5
Share of profit of associates		**403.9**	306.6	**-**	-
Profit before tax		**11,522.7**	9,125.9	**2,923.4**	2,519.5
Income tax expense	31	**(1,930.2)**	(1,884.6)	**(0.6)**	(0.1)
Profit for the year		**9,592.5**	7,241.3	**2,922.8**	2,519.4
Profit for the year attributable to:					
Ordinary equity holders of the parent		**9,482.2**	7,220.9	**2,922.8**	2,519.4
Non-controlling interests		**110.3**	20.4	**-**	-
		9,592.5	7,241.3	**2,922.8**	2,519.4
Earnings per share:					
Basic (Rs)	33(a)	**39.71**	30.26		
Diluted (Rs)	33(b)	**39.70**	30.26		

The notes on pages 208 to 299 form part of these financial statements.
Auditor's report on pages 188 to 194.

Statements of comprehensive income

for the year ended 30 June 2019

	Note	GROUP		COMPANY	
		Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Profit for the year		**9,592.5**	7,241.3	**2,922.8**	2,519.4
Other comprehensive (expense)/income:					
Items that will not be reclassified to profit or loss:					
Net fair value (loss)/gain on equity instruments		**(57.1)**	-	**22.8**	-
Remeasurement of defined benefit pension plan, net of deferred tax	31(b)	**(404.5)**	(235.1)	**-**	-
Share of other comprehensive income/(expense) of associates		**69.1**	(18.5)	**-**	-
		(392.5)	(253.6)	**22.8**	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**56.3**	118.1	**-**	-
Reclassification adjustments on disposal of investments at fair value through other comprehensive income		**(25.3)**	-	**-**	-
Reclassification adjustments on disposal of available-for-sale investments		**-**	(240.7)	**-**	-
Net fair value gain on debts instruments		**81.7**	-	**-**	-
Net fair value gain on available-for-sale investments		**-**	670.0	**-**	-
Share of other comprehensive income of associates		**10.6**	28.5	**-**	-
		123.3	575.9	**-**	-
Other comprehensive (expense)/income for the year		**(269.2)**	322.3	**22.8**	-
Total comprehensive income for the year		**9,323.3**	7,563.6	**2,945.6**	2,519.4
Total comprehensive income attributable to:					
Ordinary equity holders of the parent		**9,212.3**	7,526.2	**2,945.6**	2,519.4
Non-controlling interests		**111.0**	37.4	**-**	-
		9,323.3	7,563.6	**2,945.6**	2,519.4

The notes on pages 208 to 299 form part of these financial statements.
Auditor's report on pages 188 to 194.

Statements of changes in equity

for the year ended 30 June 2019

	Note	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	General Banking Reserve RS'M	Total RS'M	Non-Controlling Interests RS'M	Total Equity RS'M
		Attributable to ordinary equity holders of the parent								
GROUP										
At 01 July 2017		**2,477.8**	**34,761.0**	**3,353.9**	**(533.7)**	**4,960.4**	**929.8**	**45,949.2**	**2,387.4**	**48,336.6**
Profit for the year		-	7,220.9	-	-	-	-	7,220.9	20.4	7,241.3
Other comprehensive (expense)/income for the year		-	(232.3)	416.1	121.5	-	-	305.3	17.0	322.3
Total comprehensive income for the year		-	6,988.6	416.1	121.5	-	-	7,526.2	37.4	7,563.6
Dividends	32	-	(2,267.0)	-	-	-	-	(2,267.0)	(297.9)	(2,564.9)
Unclaimed dividends pertaining to previous years		-	27.1	-	-	-	-	27.1	-	27.1
Impact of acquisition by subsidiary		-	-	-	-	-	-	-	326.3	326.3
Impact of rights issue exercised by minority shareholders in subsidiary		-	-	-	-	-	-	-	6.7	6.7
Issue of shares following the exercise of Group Employee Share Options Scheme		70.1	-	-	-	-	-	70.1	-	70.1
Transactions with owners		70.1	(2,239.9)	-	-	-	-	(2,169.8)	35.1	(2,134.7)
Share of transfer by associate		-	0.2	(0.2)	-	-	-	-	-	-
Share of other movements in reserves of associate		-	0.4	0.2	-	-	-	0.6	0.5	1.1
Transfer to general banking reserve		-	(256.7)	-	-	-	256.7	-	-	-
Transfer to statutory reserve		-	(1,020.4)	-	-	1,020.4	-	-	-	-
At 30 June 2018		**2,547.9**	**38,233.2**	**3,770.0**	**(412.2)**	**5,980.8**	**1,186.5**	**51,306.2**	**2,460.4**	**53,766.6**
Impact of adopting IFRS 9:										
Impairment on financial assets:										
Reversal of portfolio provision		-	1,359.6	-	-	-	-	1,359.6	-	1,359.6
Reversal of general banking reserve		-	1,168.8	-	17.2	-	(1,186.0)	-	-	-
Expected credit losses		-	(3,116.5)	17.1	-	-	-	(3,099.4)	(15.4)	(3,114.8)
		-	(588.1)	17.1	17.2	-	(1,186.0)	(1,739.8)	(15.4)	(1,755.2)
Classification and measurement of financial assets		-	1,579.3	(1,559.7)	-	-	-	19.6	-	19.6
Impact of adopting IFRS 9		-	991.2	(1,542.6)	17.2	-	(1,186.0)	(1,720.2)	(15.4)	(1,735.6)
At 01 July 2018		**2,547.9**	**39,224.4**	**2,227.4**	**(395.0)**	**5,980.8**	**0.5**	**49,586.0**	**2,445.0**	**52,031.0**
Profit for the year		-	9,482.2	-	-	-	-	9,482.2	110.3	9,592.5
Other comprehensive (expense)/income for the year		-	(400.7)	71.9	58.9	-	-	(269.9)	0.7	(269.2)
Total comprehensive income for the year		-	9,081.5	71.9	58.9	-	-	9,212.3	111.0	9,323.3
Dividends	32	-	(2,602.9)	-	-	-	-	(2,602.9)	(48.4)	(2,651.3)
Investment in subsidiary		-	-	-	-	-	-	-	4.0	4.0
Impact of rights issue exercised by minority shareholders in subsidiary		-	-	-	-	-	-	-	13.3	13.3
Issue of shares following the exercise of Group Employee Share Options Scheme		60.4	-	-	-	-	-	60.4	-	60.4
Transactions with owners		60.4	(2,602.9)	-	-	-	-	(2,542.5)	(31.1)	(2,573.6)
Share of transfer by associate		-	37.3	(37.3)	-	-	-	-	-	-
Share of other movements in reserves of associate		-	(1.6)	-	-	-	-	(1.6)	(1.2)	(2.8)
Transfer to general banking reserve		-	(248.7)	-	-	-	248.7	-	-	-
Transfer to statutory reserve		-	(954.0)	-	-	954.0	-	-	-	-
At 30 June 2019		**2,608.3**	**44,536.0**	**2,262.0**	**(336.1)**	**6,934.8**	**249.2**	**56,254.2**	**2,523.7**	**58,777.9**

The notes on pages 208 to 299 form part of these financial statements.
Auditor's report on pages 188 to 194.

Statements of changes in equity

for the year ended 30 June 2019 (Cont'd)

COMPANY	Note	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserves RS'M	Total Equity RS'M
At 01 July 2017		**2,477.8**	**2,777.9**	**-**	**5,255.7**
Profit for the year		-	2,519.4	-	2,519.4
Total comprehensive income for the year		-	2,519.4	-	2,519.4
Dividends	32	-	(2,267.0)	-	(2,267.0)
Issue of shares following the exercise of Group Employee Share Options Scheme		70.1	-	-	70.1
Transactions with owners		70.1	(2,267.0)	-	(2,196.9)
At 30 June 2018		**2,547.9**	**3,030.3**	-	**5,578.2**
Profit for the year		-	2,922.8	-	2,922.8
Other comprehensive income for the year		-	-	22.8	22.8
Total comprehensive income for the year		-	2,922.8	22.8	2,945.6
Dividends	32	-	(2,602.9)	-	(2,602.9)
Issue of shares following the exercise of Group Employee Share Options Scheme		60.4	-	-	60.4
Transactions with owners		60.4	(2,602.9)	-	(2,542.5)
At 30 June 2019		**2,608.3**	**3,350.2**	**22.8**	**5,981.3**

The notes on pages 208 to 299 form part of these financial statements.
Auditor's report on pages 188 to 194.

Statements of cash flows

for the year ended 30 June 2019

	Notes	GROUP Year ended 30 June 2019 RS'M	GROUP Year ended 30 June 2018 RS'M	COMPANY Year ended 30 June 2019 RS'M	COMPANY Year ended 30 June 2018 RS'M
Operating activities					
Net cash flows from trading activities	35	**18,125.1**	(4,303.6)	**2,652.1**	2,522.3
Net cash flows from other operating activities	36	**(11,484.9)**	6,937.0	**-**	-
Dividends received from associates		**249.4**	373.5	**-**	-
Dividends paid		**(2,386.9)**	(2,206.2)	**(2,386.9)**	(2,206.2)
Dividends paid to non-controlling interests in subsidiaries		**(48.4)**	(297.9)	**-**	-
Income tax paid		**(1,803.8)**	(1,689.8)	**(0.6)**	-
Net cash flows from operating activities		**2,650.5**	(1,187.0)	**264.6**	316.1
Investing activities					
Investment in associate		**(99.9)**	(198.5)	**(1.5)**	(7.5)
Purchase of investment property		**(925.0)**	(569.4)	**-**	-
Purchase of property, plant and equipment		**(838.1)**	(674.8)	**(2.2)**	(0.1)
Purchase of intangible assets		**(393.0)**	(195.7)	**-**	-
Proceeds from sale of property, plant and equipment		**69.0**	62.5	**-**	-
Investment in subsidiaries		**-**	-	**(41.0)**	(2.0)
Net subordinated loan granted to subsidiaries		**-**	-	**(272.9)**	(1,411.2)
Investment in securities		**-**	-	**(172.4)**	(200.0)
Acquisition by subsidiary, net of cash acquired		**-**	(944.7)	**-**	-
Net cash flows from investing activities		**(2,187.0)**	(2,520.6)	**(490.0)**	(1,620.8)
Net cash flows before financing activities		**463.5**	(3,707.6)	**(225.4)**	(1,304.7)
Financing activities					
Shares issued/employee share options exercised		**60.4**	70.1	**60.4**	70.1
Impact of right issue exercised by minority shareholders in subsidiary		**13.3**	6.7	**-**	-
Loan from associate		**1,168.6**	-	**-**	-
Refund of subordinated liability		**(51.4)**	-	**-**	-
Debt securities issued		**-**	2,000.0	**-**	2,000.0
Net cash flows from financing activities		**1,190.9**	2,076.8	**60.4**	2,070.1
Increase/(Decrease) in cash and cash equivalents		**1,654.4**	(1,630.8)	**(165.0)**	765.4
Net cash and cash equivalents at 01 July		**34,063.3**	35,660.7	**522.8**	(242.6)
Effect of foreign exchange rate changes		**110.8**	33.4	**-**	-
Net cash and cash equivalents at 30 June	4	**35,828.5**	34,063.3	**357.8**	522.8

The notes on pages 208 to 299 form part of these financial statements.
Auditor's report on pages 188 to 194.

General information

The MCB Group Limited ("the Company") was incorporated as a public company limited by shares on 05 August 2013. Its registered office is situated at 9-15, Sir William Newton Street, Port-Louis, Mauritius.

The Company is listed on The Stock Exchange of Mauritius Ltd.

The main activities of the Company and those of its subsidiaries ("the Group") consist in providing a whole range of banking and financial services in the Indian Ocean region and beyond.

Index to notes to the financial statements

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

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

1. Significant accounting policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Mauritian Companies Act 2001.

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

The financial statements include the consolidated financial statements of the parent company MCB Group Limited and its subsidiary companies (The Group) and the separate financial statements of the parent company (The Company).

The financial statements are prepared under the historical cost convention, except for certain specific classes of Property, Plant and Equipment, namely agricultural land and factory buildings, which are carried at revalued amounts/deemed costs.

New and amended standards adopted by the Group

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

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

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

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

Further details of changes as a result of application of IFRS 9 have been set out in Note 20 to the consolidated financial statements.

IFRS 15 Revenue from contracts with customers

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

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

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

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

IFRS 16 Leases

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

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

1. Significant accounting policies (Cont'd)

(b) Basis of consolidation and equity accounting

(1) (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable 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 Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities and contingent liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Separate financial statements of the Company

In the separate financial statements of the Company, investments in subsidiaries companies are carried at cost. In subsequent years, the carrying amount is reduced to recognise any impairment in the value of individual investments.

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests without loss of control are also recorded in equity.

1. Significant accounting policies (Cont'd)

(b) Basis of consolidation and equity accounting (Cont'd)

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(2) Associates

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

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

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

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

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

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

In the separate financial statements of the Company, the investments in associates are carried at cost (which includes transaction costs). In subsequent years, the carrying amount is reduced to recognise any impairment in the value of the individual companies.

1. Significant accounting policies (Cont'd)

(c) Foreign currency translation

The foreign subsidiaries' statement of financial position are translated to Mauritian Rupees at the closing rate at the end of the reporting period. Their statements of profit or loss, comprehensive income and cash flows are translated at the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. Any resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Mauritian Rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated and separate financial statements are presented in Mauritian Rupees, which is the Company's functional currency. All amounts are in million, rounded to one decimal place except as otherwise stated.

(ii) Transactions and balances

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

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

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

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

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

1. Significant accounting policies (Cont'd)

(d) Derivative financial instruments

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

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

(e) Offsetting financial instruments

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

(f) Interest income

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

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

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

(g) Fees and commissions

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

(h) Sale and repurchase agreements

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

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

I. Significant accounting policies (Cont'd)

(i) Investments and other financial assets

Classification

From 01 July 2018, the Group classifies its financial assets in the following measurement categories:

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

Debt instruments

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

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

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

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

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

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

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

1. Significant accounting policies (Cont'd)

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

Equity instruments

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

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through comprehensive income. The group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. 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 reocognised in profit or loss as other income when the Group's right to receive payments is established.

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

Modification of loans

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

(i) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

(ii) Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

(iii) Significant extension of the loan term when the borrower is not in financial difficulty.

(iv) Significant change in the interest rate.

(v) Change in the currency the loan is denominated in.

(vi) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group 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).

1. Significant accounting policies (Cont'd)

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

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 Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group 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 Group:

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

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

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group 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 Group retains a subordinated residual interest.

Financial Liabilities

(i) Classification and subsequent measurement

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

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

(ii) Derecognition

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

The exchange between the Group 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.

1. Significant accounting policies (Cont'd)

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

Financial guarantee contracts and loan commitments

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

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

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

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

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

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

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

I. Significant accounting policies (Cont'd)

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

Debt instruments (Cont'd)

Amortised cost

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

FVOCI

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

FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

<u>Accounting policies applied until 30 June 2018</u>

Investment securities

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

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

Financial assets at fair value through profit or loss are financial assets held-for-trading.

1. Significant accounting policies (Cont'd)

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

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

Investment securities (Cont'd)

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

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

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

Trading securities

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

Loans and advances

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

(j) Impairment of financial assets

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

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

1. Significant accounting policies (Cont'd)

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

Accounting policies applied until 30 June 2018

(i) Assets carried at amortised cost

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking reserve as an appropriation of retained earnings.

(ii) Assets classified as available-for-sale

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

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

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

1. Significant accounting policies (Cont'd)

(k) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. 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.

(l) Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity over the fair value of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(m) Property, plant and equipment

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

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

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

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

1. Significant accounting policies (Cont'd)

(n) Computer software development costs

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

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

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

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

(o) Finance leases

Assets acquired under finance leases are accounted for at inception, at fair value, or if lower at the present value of the minimum lease payments and depreciated over their estimated useful lives. A corresponding liability is recorded as outstanding lease obligations.

Lease payments are apportioned between the liability and the finance charge so as to achieve a constant periodic rate of interest on the outstanding lease obligations.

Leased assets are depreciated over the shorter of the useful life of the asset and the lease terms.

(p) Accounting for leases - where the subsidiary is the lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable, the amount being equal to the net investment in the leases after specific provision for impairment loss in respect of all identified impaired leases in the light of periodical reviews. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on a straight-line basis over the lease term.

(q) Cash and cash equivalents

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

1. Significant accounting policies (Cont'd)

(r) Provisions

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.

(s) Deposits from banks and customers

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

(t) Employee benefits

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

(i) Defined contribution plans

Short term obligations

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

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

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

(ii) Defined benefit plans

Gratuity on retirement

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

Termination benefits

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

1. Significant accounting policies (Cont'd)

(t) Employee benefits (Cont'd)

Termination benefits (Cont'd)

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 18 to the financial statements.

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

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

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

As from 01 July 2015, the Group has introduced a Defined Contribution Cash Balanced scheme (DCCB) for its employees.
With the introduction of DCCB, new employees automatically join the DCCB scheme, whilst existing employees had a one-time opportunity to choose from one of the options listed below:

Option A: To stay in the Defined Benefit (DB) scheme for all service.

Option B: To keep the accrued past pension benefits until 30 June 2015 in the DB scheme and join the DCCB scheme as from 01 July 2015.

Option C: To join the DCCB scheme as from 01 July 2015 and transfer the total accrued benefits as at 30 June 2015 from the DB scheme into the DCCB scheme.

1. Significant accounting policies (Cont'd)

(u) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

(v) Borrowings

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

(w) Dividend declared and unpaid

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

(x) Acceptances

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

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to segments and assess their performance, and for which discrete financial information are available.

Detailed analysis of segment reporting are shown in note 37 to the financial statements.

1. Significant accounting policies (Cont'd)

(z) Stated capital

(i) Ordinary shares are classified as equity.

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

(aa) Borrowing costs

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

Other borrowing costs are expensed.

(ab) Impairment of non-financial assets

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

(ac) Share-based payments

Share-based compensation benefits are provided to all employees via the Group Employee Share Option Scheme (GESOS). Information relating to this scheme is set out in note 29 (c).

The fair value of options granted under the GESOS is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

(ad) Earnings per share

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

2. Critical accounting estimates and judgements

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

Critical accounting estimates and judgements

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

(a) Pension benefits

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

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

Additionals disclosure on Pension benefits are shown in Note 18.

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

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

(c) Asset lives and residual values

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

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

(d) Measurement of expected credit loss allowance

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

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward looking scenarios for each type of market and associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Detailed information about the judgements and estimates made by the Group in above areas is set out in the risk report.

(e) Provision for tax assessment

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

(f) Significant influence in Banque Française Commerciale Ocean Indien

The Group holds 49.99% of Banque Française Commerciale Ocean Indien (BFCOI) and it is considered as an associate. The directors consider that the Group only has significant influence over BFCOI since it does not have the practical ability to control the relevant activities of BFCOI.

3. Financial risk management

(a) Strategy in using financial instruments

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

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

Given that The Mauritius Commercial Bank Limited (the Bank) comprises a significant portion of the Group, the details provided below relate mainly to the Bank.

(b) Credit risk

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

Credit related commitments

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

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

Credit quality

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

	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
Portfolio:	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Retail	50,430.8	106.2	50,324.6	439.9	17.1	422.8	1,835.6	483.0	293.1	1,352.6
Wholesale	363,778.2	1,710.2	362,068.0	16,336.4	625.3	15,711.1	7,507.9	2,012.7	1,666.7	5,495.2
Total	414,209.0	1,816.4	412,392.6	16,776.3	642.4	16,133.9	9,343.5	2,495.7	1,959.8	6,847.8
Retail										
Housing loans	29,175.9	19.5	29,156.4	180.5	4.6	175.9	759.1	182.9	93.2	576.2
Small and medium enterprise	8,688.4	44.0	8,644.4	118.1	6.8	111.3	500.5	103.2	82.6	397.3
Unsecured and revolving	7,223.5	34.6	7,188.9	78.7	3.7	75.0	290.2	129.2	46.5	161.0
Other secured loans	5,343.0	8.1	5,334.9	62.6	2.0	60.6	285.8	67.7	70.8	218.1
Total retail	50,430.8	106.2	50,324.6	439.9	17.1	422.8	1,835.6	483.0	293.1	1,352.6

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
Portfolio:	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Wholesale										
Sovereign	100,956.1	31.3	100,924.8	-	-	-	-	-	-	-
Financial institutions	50,752.4	178.8	50,573.6	-	-	-	69.3	0.1	7.6	69.2
Project finance	14,860.6	175.7	14,684.9	267.6	6.4	261.2	687.7	140.6	64.7	547.1
Energy & commodities	70,759.8	114.9	70,644.9	3,287.6	91.3	3,196.3	1,575.2	464.4	40.8	1,110.8
Corporates	126,449.3	1,209.5	125,239.8	12,781.2	527.6	12,253.6	5,175.7	1,407.6	1,553.6	3,768.1
Total wholesale	363,778.2	1,710.2	362,068.0	16,336.4	625.3	15,711.1	7,507.9	2,012.7	1,666.7	5,495.2

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

The following table presents the Bank's internal rating scale and the corresponding scale of Moody's Investors Service.

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

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3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is given below

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
Internal Rating	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Total Wholesale									
3	958.3	-	-	0.1	-	-	958.2	-	-
4	445.8	-	-	0.1	-	-	445.7	-	-
5	5,640.6	-	-	1.0	-	-	5,639.6	-	-
6	105,778.3	-	-	8.4	-	-	105,769.9	-	-
7	3,798.0	-	-	0.9	-	-	3,797.1	-	-
8	4,616.2	-	-	0.9	-	-	4,615.3	-	-
9	5,025.2	-	-	2.0	-	-	5,023.2	-	-
10	8,268.5	-	-	4.0	-	-	8,264.5	-	-
11	21,483.7	640.2	-	39.8	3.2	-	21,443.9	637.0	-
12	61,969.7	313.6	-	130.7	0.6	-	61,839.0	313.0	-
13	39,994.0	110.4	-	110.7	1.4	-	39,883.3	109.0	-
14	44,544.4	384.2	-	372.1	4.9	-	44,172.3	379.3	-
15	38,603.8	5,140.3	-	464.0	211.6	-	38,139.8	4,928.7	-
16	14,275.1	4,965.3	-	317.7	143.1	-	13,957.4	4,822.2	-
17	3,644.8	890.9	-	87.3	64.6	-	3,557.5	826.3	-
18	1,424.0	1,201.9	-	37.0	92.4	-	1,387.0	1,109.5	-
19	3,307.8	2,689.6	-	133.5	103.5	-	3,174.3	2,586.1	-
20	-	-	7,507.9	-	-	2,012.7	-	-	5,495.2
Total	363,778.2	16,336.4	7,507.9	1,710.2	625.3	2,012.7	362,068.0	15,711.1	5,495.2
Sovereign									
5	0.8	-	-	-	-	-	0.8	-	-
6	99,809.9	-	-	7.1	-	-	99,802.8	-	-
13	220.0	-	-	0.2	-	-	219.8	-	-
14	611.4	-	-	2.2	-	-	609.2	-	-
18	314.0	-	-	21.8	-	-	292.2	-	-
Total	100,956.1	-	-	31.3	-	-	100,924.8	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is given below (Cont'd)

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
Internal Rating	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial Institutions									
3	958.3	-	-	0.1	-	-	958.2	-	-
4	445.8	-	-	0.1	-	-	445.7	-	-
5	3,512.5	-	-	1.0	-	-	3,511.5	-	-
6	5,968.4	-	-	1.3	-	-	5,967.1	-	-
7	3,798.0	-	-	0.9	-	-	3,797.1	-	-
8	3,979.3	-	-	0.4	-	-	3,978.9	-	-
9	4,595.3	-	-	2.0	-	-	4,593.3	-	-
10	6,639.5	-	-	1.1	-	-	6,638.4	-	-
11	1,887.4	-	-	1.9	-	-	1,885.5	-	-
12	5,693.1	-	-	4.6	-	-	5,688.5	-	-
13	1,903.9	-	-	2.5	-	-	1,901.4	-	-
14	448.9	-	-	5.6	-	-	443.3	-	-
15	3,978.4	-	-	19.7	-	-	3,958.7	-	-
16	3,134.9	-	-	35.2	-	-	3,099.7	-	-
17	914.0	-	-	-	-	-	914.0	-	-
18	626.4	-	-	9.1	-	-	617.3	-	-
19	2,268.3	-	-	93.3	-	-	2,175.0	-	-
20	-	-	69.3	-	-	0.1	-	-	69.2
Total	50,752.4	-	69.3	178.8	-	0.1	50,573.6	-	69.2

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is given below (Cont'd)

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
Internal Rating	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Project Finance									
13	4,563.1	-	-	17.1	-	-	4,546.0	-	-
14	3,878.3	-	-	40.1	-	-	3,838.2	-	-
15	4,718.1	31.4	-	88.6	1.2	-	4,629.5	30.2	-
16	1,701.1	-	-	29.9	-	-	1,671.2	-	-
18	-	236.2	-	-	5.2	-	-	231.0	-
20	-	-	687.7	-	-	140.6	-	-	547.1
Total	14,860.6	267.6	687.7	175.7	6.4	140.6	14,684.9	261.2	547.1
Energy & Commodities									
5	2,127.2	-	-	-	-	-	2,127.2	-	-
8	636.9	-	-	0.5	-	-	636.4	-	-
11	649.0	515.9	-	0.2	2.0	-	648.8	513.9	-
12	22,666.2	-	-	5.5	-	-	22,660.7	-	-
13	11,450.7	-	-	3.2	-	-	11,447.5	-	-
14	13,955.8	-	-	11.6	-	-	13,944.2	-	-
15	15,910.9	1,830.0	-	75.8	3.3	-	15,835.1	1,826.7	-
16	1,900.6	-	-	18.1	-	-	1,882.5	-	-
17	1,452.8	-	-	-	-	-	1,452.8	-	-
18	-	941.7	-	-	86.0	-	-	855.7	-
19	9.7	-	-	-	-	-	9.7	-	-
20	-	-	1,575.2	-	-	464.4	-	-	1,110.8
Total	70,759.8	3,287.6	1,575.2	114.9	91.3	464.4	70,644.9	3,196.3	1,110.8

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is given below (Cont'd)

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
Internal Rating	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Corporates									
9	429.9	-	-	0.1	-	-	429.8	-	-
10	1,629.0	-	-	2.9	-	-	1,626.1	-	-
11	18,947.4	124.3	-	37.8	1.2	-	18,909.6	123.1	-
12	33,610.4	313.6	-	120.6	0.6	-	33,489.8	313.0	-
13	21,856.2	110.4	-	87.6	1.4	-	21,768.6	109.0	-
14	25,649.9	384.2	-	312.5	4.9	-	25,337.4	379.3	-
15	13,996.4	3,278.9	-	279.9	207.0	-	13,716.5	3,071.9	-
16	7,538.6	4,965.3	-	234.6	143.1	-	7,304.0	4,822.2	-
17	1,278.1	890.9	-	87.4	64.6	-	1,190.7	826.3	-
18	483.8	24.1	-	6.3	1.4	-	477.5	22.7	-
19	1,029.6	2,689.5	-	39.8	103.4	-	989.8	2,586.1	-
20	-	-	5,175.7	-	-	1,407.6	-	-	3,768.1
Total	126,449.3	12,781.2	5,175.7	1,209.5	527.6	1,407.6	125,239.8	12,253.6	3,768.1

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

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

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

	GROUP
	2019 RS'M
Amortised cost before restructure	3,844.1
Net modification gain or loss	38.2
Gross carrying amount at the end of the reporting year when the loss allowance was measured at an amount equal to lifetime ECL and for which the loss allowance has changed during the year to an amount of 12 months ECL	28.5

Assets obtained by taking possession of collateral

Details of financial obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held at 30 June 2019 are shown below:

	RS'M
Property	60.6

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

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

	GROUP
	2019 RS'M
Derivative financial instruments	695.8
Investment securities	20,128.9
Total	**20,824.7**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets (Cont'd)

Collateral held and other credit enhancements

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

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

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

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

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

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

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Sensitivity analysis

As part of IFRS 9, the Group needs to convert the Through The Circle (TTC) PDs to Point In Time (PIT) PDs.

This conversion of TTC PDs to PIT PDs entailed the inclusion of forward-looking scenarios for both wholesale and retail portfolios.

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

Wholesale Portfolio

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

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

Retail Portfolio

The retail portfolio is broken into SME, housing, secured and unsecured.

The following macroeconomic variables have been used for the respective portfolio:

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

Comparative information under IAS 39

	GROUP
	2018 RS'M
Neither past due nor impaired	205,977.1
Past due but not impaired	2,392.0
Impaired	9,733.8
Gross	218,102.9
Less Allowances for credit impairment	(6,868.1)
Net	211,234.8
Fair Value of collaterals of past due but not impaired loans	3,550.8
Fair Value of collaterals of impaired loans	8,383.4

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Comparative information under IAS 39 (Cont'd)

Credit Quality of Neither past due nor impaired

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

Credit risk

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

Quality classification definitions

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Comparative information under IAS 39 (Cont'd)

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

	GROUP	
	Cash and cash equivalents	Loans and placements with banks
	RS'M	RS'M
Credit rating:		
Aaa to Aa3	2,258.4	-
A1 to A3	6,442.2	780.6
B1 to B3	-	1,667.5
Ba1 to Ba3	1,300.1	1,502.7
Baa1 to Baa3	20,225.8	14,562.3
Caa1 to Caa3	-	-
Unrated	3,861.4	887.6
Total gross amount	34,087.9	19,400.7
Allowance for impairment (individual and collective)	-	(135.0)
Net carrying amount	34,087.9	19,265.7
Subsidiaries, net of eliminations	(782.3)	(344.9)
	33,305.6	18,920.8

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

	GROUP
	2018 RS'M
Up to 3 months	2,194.6
Over 3 months and up to 6 months	90.8
Over 6 months and up to 1 year	46.9
Over 1 year	59.7
	2,392.0

Loan and advances restructured

	GROUP
	2018 RS'M
Loan and advances restructured	9,786.3
out of which impaired	*1,478.2*

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Comparative information under IAS 39 (Cont'd)

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

	GROUP
	2018 RS'M
Credit risk exposures relating to on - balance sheet assets are as follows:	
Cash and cash equivalents	33,305.6
Derivative financial instruments	512.8
Loans to and placements with banks	18,920.8
Loans and advances to customers	199,298.2
Investment securities	88,747.4
Other financial assets	17,948.3
Credit risk exposures relating to off - balance sheet assets are as follows:	
Acceptances, guarantees, letters of credit and	
other obligations on account of customers	59,872.2
Commitments	6,773.3
Total	425,378.6

Collateral and other credit enhancements

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

Credit risk on other assets

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

3. Financial risk management (Cont'd)

(c) Market risk

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

(i) Price risk

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

	GROUP	
	2019 RS'M	**2018 RS'M**
Financial assets at fair value through other comprehensive income	**1,141.5**	-
Available-for-sale financial assets	**-**	397.4
	1,141.5	397.4

(ii) Currency risk

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

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

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

VaR Analysis - Foreign Exchange Risk

	As at 30 June	Average	Maximum	Minimum
2019 (RS'M)	**(15.8)**	**(27.6)**	**(48.0)**	**(15.8)**
2018 (RS'M)	(34.6)	(40.1)	(60.4)	(20.7)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP

At 30 June 2019	EURO	USD	GBP	MUR	OTHER	TOTAL
Financial assets	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cash and cash equivalents	10,179.2	17,988.8	3,590.1	10,971.0	2,686.9	45,416.0
Derivative financial instruments	187.1	-	13.3	68.9	-	269.3
Loans to and placements with banks	1,012.4	11,386.9	-	8,276.0	144.6	20,819.9
Loans and advances to customers	21,571.5	85,202.8	389.2	112,594.3	63.1	219,820.9
Investment securities	1,349.2	20,453.3	-	94,694.5	-	116,497.0
Other financial assets	797.0	2,367.4	388.1	16,878.2	70.4	20,501.1
	35,096.4	137,399.2	4,380.7	243,482.9	2,965.0	423,324.2
Less allowances for credit impairment						(6,605.8)
						416,718.4
Subsidiaries, net of eliminations						26,729.2
Total						443,447.6
Financial liabilities						
Deposits from banks	1,119.7	5,595.1	220.6	384.7	55.8	7,375.9
Deposits from customers	26,890.2	76,105.9	4,541.2	195,624.5	3,838.8	307,000.6
Derivative financial instruments	59.4	158.7	30.5	260.2	-	508.8
Other borrowed funds	5,205.5	50,194.3	-	2.3	3.7	55,405.8
Subordinated liabilities	-	1,040.1	-	4,531.7	-	5,571.8
Debt securities	-	-	-	2,012.7	-	2,012.7
Other financial liabilities	269.3	191.7	48.0	2,219.4	29.2	2,757.6
	33,544.1	133,285.8	4,840.3	205,035.5	3,927.5	380,633.2
Subsidiaries, net of eliminations						23,572.6
Total						404,205.8
Net on-balance sheet position	1,552.3	4,113.4	(459.6)	38,447.4	(962.5)	42,691.0
Less allowances for credit impairment						(6,605.8)
Subsidiaries, net of eliminations						3,156.6
						39,241.8
Off balance sheet net notional position	7,867.4	17,339.7	2,993.3	-	771.9	28,972.3
Credit commitments	3,371.1	52,625.4	22.0	14,157.4	1,492.5	71,668.4
Subsidiaries						6,701.3
						107,342.0

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP **At 30 June 2018** **Financial assets**	**EURO** **RS'M**	**USD** **RS'M**	**GBP** **RS'M**	**MUR** **RS'M**	**OTHER** **RS'M**	**TOTAL** **RS'M**
Cash and cash equivalents	5,676.1	16,742.0	1,166.2	8,578.3	1,925.3	34,087.9
Derivative financial instruments	25.6	-	-	70.2	-	95.8
Loans to and placements with banks	863.2	5,367.4	-	12,027.4	1,142.6	19,400.6
Loans and advances to customers	22,252.0	64,186.3	893.7	107,006.4	106.4	194,444.8
Investment securities	1,456.0	1,585.4	155.4	78,641.7	95.9	81,934.4
Other financial assets	642.1	1,421.1	200.6	15,553.2	131.3	17,948.3
	30,915.0	89,302.2	2,415.9	221,877.2	3,401.5	347,911.8
Less allowances for credit impairment						(6,060.7)
						341,851.1
Subsidiaries, net of eliminations						19,479.4
Total						**361,330.5**
Financial liabilities						
Deposits from banks	1,551.7	4,295.4	418.7	243.7	79.2	6,588.7
Deposits from customers	26,674.3	60,250.9	5,283.6	182,937.0	3,797.3	278,943.1
Derivative financial instruments	1.6	-	-	405.4	-	407.0
Other borrowed funds	2,917.3	11,268.5	-	2.6	0.2	14,188.6
Subordinated liabilities	-	1,060.2	-	4,531.6	-	5,591.8
Debt securities	-	-	-	2,012.7	-	2,012.7
Other financial liabilities	169.2	196.3	37.1	1,379.9	21.3	1,803.8
	31,314.1	77,071.3	5,739.4	191,512.9	3,898.0	309,535.7
Subsidiaries, net of eliminations						16,380.8
Total						**325,916.5**
Net on-balance sheet position	(399.1)	12,230.9	(3,323.5)	30,364.3	(496.5)	38,376.1
Less allowances for credit impairment						(6,060.7)
Subsidiaries, net of eliminations						3,098.6
						35,414.0
Off balance sheet net notional position	6,701.7	13,718.2	420.0	-	482.0	21,321.9
Credit commitments	3,179.0	44,215.4	45.5	15,742.0	747.6	63,929.5
Subsidiaries						6,331.5
						91,582.9

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

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

Interest rate risk earnings impact analysis

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

	GROUP	
	2019 RS'M	2018 RS'M
Impact on Earnings	**391.5**	836.6

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP **At 30 June 2019** **Financial assets**	**Up to 1 month RS'M**	**1-3 months RS'M**	**3-6 months RS'M**	**6-12 months RS'M**	**1-3 years RS'M**	**Over 3 years RS'M**	**Non-interest bearing RS'M**	**Total RS'M**
Cash and cash equivalents	16,162.9	2,715.8	-	-	-	-	26,537.3	45,416.0
Derivative financial instruments	-	-	-	-	-	10.1	259.2	269.3
Loans to and placements with banks	5,279.7	4,881.1	1,683.3	2,484.1	6,254.7	124.6	112.4	20,819.9
Loans and advances to customers	129,950.5	26,377.2	16,327.4	9,713.5	12,296.8	22,404.0	2,751.5	219,820.9
Investment securities	6,635.3	17,394.6	21,772.0	12,128.8	26,784.3	27,710.7	4,071.3	116,497.0
Other financial assets	-	-	-	-	-	-	20,501.1	20,501.1
	158,028.4	51,368.7	39,782.7	24,326.4	45,335.8	50,249.4	54,232.8	423,324.2
Less allowances for credit impairment								(6,605.8)
								416,718.4
Subsidiaries, net of eliminations								26,729.2
Total								443,447.6
Financial liabilities								
Deposits from banks	3,888.7	1,621.1	1,416.6	-	-	-	449.5	7,375.9
Deposits from customers	194,284.6	7,014.0	2,518.0	1,173.7	692.2	15,299.9	86,018.2	307,000.6
Derivative financial instruments	-	-	-	-	-	-	508.8	508.8
Other borrowed funds	5,521.0	14,043.9	32,922.2	1,786.7	-	709.8	422.2	55,405.8
Subordinated liabilities	-	1,015.0	-	-	-	4,500.0	56.8	5,571.8
Debt securities	-	-	-	-	-	2,000.0	12.7	2,012.7
Other financial liabilities	-	-	-	-	-	-	2,757.6	2,757.6
	203,694.3	23,694.0	36,856.8	2,960.4	692.2	22,509.7	90,225.8	380,633.2
Subsidiaries net of eliminations								23,572.6
Total								404,205.8
Net on balance sheet interest sensitivity gap	(45,665.9)	27,674.7	2,925.9	21,366.0	44,643.6	27,739.7	(35,993.0)	42,691.0
Less allowances for credit impairment								(6,605.8)
Subsidiaries, net of eliminations								3,156.6
								39,241.8

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP **At 30 June 2018** **Financial assets**	**Up to 1 month RS'M**	**1-3 months RS'M**	**3-6 months RS'M**	**6-12 months RS'M**	**1-3 years RS'M**	**Over 3 years RS'M**	**Non-interest bearing RS'M**	**Total RS'M**
Cash and cash equivalents	2,260.9	-	-	-	-	-	31,827.0	34,087.9
Derivative financial instruments	-	-	-	-	-	16.9	78.9	95.8
Loans to and placements with banks	1,998.1	2,681.0	1,615.9	11,940.9	799.5	121.7	243.5	19,400.6
Loans and advances to customers	115,333.3	34,230.3	7,235.9	10,625.0	11,632.7	12,191.9	3,195.7	194,444.8
Investment securities	5,259.3	9,852.1	8,877.7	15,006.8	18,663.5	20,885.5	3,389.5	81,934.4
Other financial assets	-	-	-	-	3.5	-	17,944.8	17,948.3
	124,851.6	46,763.4	17,729.5	37,572.7	31,099.2	33,216.0	56,679.4	347,911.8
Less allowances for credit impairment								(6,060.7)
								341,851.1
Subsidiaries, net of eliminations								19,479.4
Total								**361,330.5**
Financial liabilities								
Deposits from banks	4,144.5	909.5	908.8	-	-	-	625.9	6,588.7
Deposits from customers	233,609.9	2,712.6	781.5	1,534.7	1,160.7	3,862.4	35,281.3	278,943.1
Derivative financial instruments	-	-	-	-	-	-	407.0	407.0
Other borrowed funds	3,648.2	8,864.0	722.2	2.5	10.7	855.8	85.2	14,188.6
Subordinated liabilities	-	1,042.8	-	-		4,500.0	49.0	5,591.8
Debt securities	-	-	-	-	-	2,000.0	12.7	2,012.7
Other financial liabilities	-	-	-	-	-	-	1,803.8	1,803.8
	241,402.6	13,528.9	2,412.5	1,537.2	1,171.4	11,218.2	38,264.9	309,535.7
Subsidiaries, net of eliminations								16,380.8
Total								**325,916.5**
Net on balance sheet interest sensitivity gap	(116,551.0)	33,234.5	15,317.0	36,035.5	29,927.8	21,997.8	18,414.5	38,376.1
Less allowances for credit impairment								(6,060.7)
Subsidiaries, net of eliminations								3,098.6
								35,414.0

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk

Liquidity risk can be defined as the risk of a funding crisis, notably a lack of funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management:

(a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day.

(b) the maintenance of a stock of liquid assets to ensure that the Group has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds.

The Bank has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. Treasury Strategic Business Unit manages liquidity in accordance with this policy, on a day-to-day basis.

The amounts disclosed in the following table are undiscounted and relates to the Bank.

Maturities of assets and liabilities

GROUP At 30 June 2019 Financial assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Cash and cash equivalents	30,102.7	2,728.6	-	-	-	-	12,627.8	45,459.1
Derivative financial instruments	-	-	-	-	-	-	243.9	243.9
Loans to and placements with banks	5,408.2	4,517.5	1,712.1	2,762.3	6,889.9	-	-	21,290.0
Loans and advances to customers	41,908.3	18,255.3	12,451.8	17,231.2	55,497.1	110,016.0	19,638.4	274,998.1
Investment securities	4,644.0	16,906.6	19,390.1	13,550.9	31,841.6	39,959.2	3,408.2	129,700.6
Other financial assets	-	-	-	-	-	-	20,501.1	20,501.1
	82,063.2	42,408.0	33,554.0	33,544.4	94,228.6	149,975.2	56,419.4	492,192.8
Less allowances for credit impairment								(6,605.8)
								485,587.0
Subsidiaries, net of eliminations								26,729.2
Total								512,316.2
Financial liabilities								
Deposits from banks	4,321.4	1,636.5	1,436.4	-	-	-	-	7,394.3
Deposits from customers	268,944.1	9,216.5	4,945.7	6,399.1	14,643.7	4,526.3	8.2	308,683.6
Derivative financial instruments	-	-	-	-	-	-	504.9	504.9
Other borrowed funds	4,354.6	9,207.1	1,235.1	12,529.4	25,695.4	4,920.5	-	57,942.1
Subordinated liabilities	-	143.1	-	140.5	511.5	4,886.5	-	5,681.6
Debt securities	-	-	-	-	-	2,012.7	-	2,012.7
Other financial liabilities	-	-	-	-	-	-	2,757.5	2,757.5
	277,620.1	20,203.2	7,617.2	19,069.0	40,850.6	16,346.0	3,270.6	384,976.7
Subsidiaries, net of eliminations								23,572.6
Total								408,549.3
Net liquidity gap	(195,556.9)	22,204.8	25,936.8	14,475.4	53,378.0	133,629.2	53,148.8	107,216.1
Less allowances for credit impairment								(6,605.8)
Subsidiaries, net of eliminations								3,156.6
								103,766.9

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

GROUP At 30 June 2018 Financial assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Cash and cash equivalents	14,483.3	-	-	-	-	-	19,183.7	33,667.0
Derivative financial instruments	-	-	-	-	-	-	73.7	73.7
Loans to and placements with banks	910.6	2,412.6	2,275.7	12,578.9	1,415.0	211.4	33.2	19,837.4
Loans and advances to customers	32,943.7	18,416.7	7,800.0	15,723.3	51,621.4	103,064.4	18,814.6	248,384.1
Investment securities	3,823.6	10,170.3	9,012.2	15,198.7	22,122.5	30,532.9	2,642.0	93,502.2
Other financial assets	-	-	-	-	-	-	17,948.3	17,948.3
	52,161.2	30,999.6	19,087.9	43,500.9	75,158.9	133,808.7	58,695.5	413,412.7
Less allowances for credit impairment								(6,060.7)
								407,352.0
Subsidiaries, net of eliminations								19,479.4
Total								**426,831.4**
Financial liabilities								
Deposits from banks	4,762.7	917.2	918.2	-	-	-	-	6,598.1
Deposits from customers	245,096.1	5,117.3	3,192.5	7,233.7	12,098.0	7,851.4	-	280,589.0
Derivative financial instruments	-	-	-	-	-	-	407.0	407.0
Other borrowed funds	2,325.7	6,728.4	305.4	1,000.0	2,550.9	1,174.0	-	14,084.4
Subordinated liabilities	-	21.0	-	134.9	512.2	5,493.0	-	6,161.1
Debt securities	-	-	-	-	-	2,012.7	-	2,012.7
Other financial liabilities	-	-	-	-	-	-	1,803.8	1,803.8
	252,184.5	12,783.9	4,416.1	8,368.6	15,161.1	16,531.1	2,210.8	311,656.1
Subsidiaries, net of eliminations								16,380.8
Total								**328,036.9**
Net liquidity gap	(200,023.3)	18,215.7	14,671.8	35,132.3	59,997.8	117,277.6	56,484.7	101,756.6
Less allowances for credit impairment								(6,060.7)
Subsidiaries, net of eliminations								3,098.6
								98,794.5

Other disclosures on financial risk management are available in the Risk and Capital Management Report.

3. Financial risk management (Cont'd)

(d) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments and instruments for which a market, which is considered to be the most representative price, is readily available. These financial assets have been classified as fair value through profit or loss and fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

(e) Capital risk management

Disclosures relating to capital and management are available in the Risk and Capital Management Report.

3. Financial risk management (Cont'd)

(f) Financial instruments by category:

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP						
At 30 June 2019						
Financial assets						
Cash and cash equivalents	49,333.5	-	-	-	-	49,333.5
Derivative financial instruments	-	-	695.8	-	-	695.8
Loans to and placements with banks	19,672.8	-	-	-	-	19,672.8
Loans and advances to customers	227,040.4	-	-	-	-	227,040.4
Investment securities	81,578.9	21,795.0	-	20,754.9	2,075.2	126,204.0
Other financial assets	24,592.7	-	-	-	-	24,592.7
Total	402,218.3	21,795.0	695.8	20,754.9	2,075.2	447,539.2
Financial liabilities						
Deposits from banks	3,850.9	-	-	-	-	3,850.9
Deposits from customers	327,649.5	-	-	-	-	327,649.5
Derivative financial instruments	-	-	935.0	-	-	935.0
Other borrowed funds	56,886.3	-	-	-	-	56,886.3
Subordinated liabilities	5,571.8	-	-	-	-	5,571.8
Debt securities	2,012.7	-	-	-	-	2,012.7
Other financial liabilities	7,299.6	-	-	-	-	7,299.6
Total	403,270.8	-	935.0	-	-	404,205.8
Net on-balance sheet position	(1,052.5)	21,795.0	(239.2)	20,754.9	2,075.2	43,333.4

3. Financial risk management (Cont'd)

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

Comparative information under IAS 39

	Held-to-Maturity	Loans and receivables	Available-for-sale	Financial instruments at fair value through profit or loss		Other financial liabilities at amortised cost	Total
				Held-for-trading	At initial recognition		
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP							
At 30 June 2018							
Financial assets							
Cash and cash equivalents	-	35,903.0	-	-	-	-	35,903.0
Derivative financial instruments	-	-	-	512.8	-	-	512.8
Loans to and placements with banks	-	18,920.8	-	-	-	-	18,920.8
Loans and advances to customers	-	199,298.2	-	-	-	-	199,298.2
Investment securities	56,450.2	-	7,947.0	24,232.4	117.8	-	88,747.4
Other financial assets	-	21,673.0	-	-	-	-	21,673.0
Total	56,450.2	275,795.0	7,947.0	24,745.2	117.8	-	365,055.2
Financial liabilities							
Deposits from banks	-	-	-	-	-	3,157.7	3,157.7
Deposits from customers	-	-	-	-	-	294,560.9	294,560.9
Derivative financial instruments	-	-	-	883.4	-	-	883.4
Other borrowed funds	-	-	-	-	-	14,372.5	14,372.5
Subordinated liabilities	-	-	-	-	-	5,591.8	5,591.8
Debt securities	-	-	-	-	-	2,012.7	2,012.7
Other financial liabilities	-	-	-	-	-	5,337.5	5,337.5
Total	-	-	-	883.4	-	325,033.1	325,916.5
Net on-balance sheet position	56,450.2	275,795.0	7,947.0	23,861.8	117.8	(325,033.1)	39,138.7

4. Cash and cash equivalents

	GROUP		COMPANY	
	2019 RS'M	2018 RS'M	2019 RS'M	2018 RS'M
Cash in hand	**2,993.5**	2,436.6	**58.2**	522.8
Foreign currency notes and coins	**200.4**	160.8	**-**	-
Unrestricted balances with Central Banks*	**13,297.9**	19,374.4	**-**	-
Balances due in clearing	**494.5**	425.4	**-**	-
Balances with local banks	**471.9**	446.3	**-**	-
Treasury bills at fair value through profit or loss	**2,648.7**	-	**299.6**	-
Treasury bills held-for-trading	**-**	210.9	**-**	-
Money market placements	**15,520.0**	419.5	**-**	-
Balances with banks abroad	**11,740.5**	10,378.9	**-**	-
Interbank loans**	**1,985.9**	2,050.2	**-**	-
	49,353.3	35,903.0	**357.8**	522.8
Allowances for credit impairment	**(19.8)**	-	**-**	-
	49,333.5	35,903.0	**357.8**	522.8

Allowances for credit impairment

	GROUP
	12 months expected credit loss RS'M
At 01 July 2018, as remeasured under IFRS 9	**14.8**
Exchange adjustment	**(1.0)**
Provision for credit impairment for the year	**10.9**
Provision released during the year	**(2.7)**
Financial assets that have been derecognised	**(2.2)**
At 30 June 2019	**19.8**

* Unrestricted balances with Central Banks represent amounts above the minimum cash reserve requirements.

** Interbank loans represent loans with banks having an original maturity of less than three months.

Cash and cash equivalents as shown in the statements of cash flows:

	GROUP		COMPANY	
	2019 RS'M	2018 RS'M	2019 RS'M	2018 RS'M
Cash and cash equivalents	**49,353.3**	35,903.0	**357.8**	522.8
Other borrowed funds (note 16(a))	**(13,524.8)**	(1,839.7)	**-**	-
Net cash and cash equivalents	**35,828.5**	34,063.3	**357.8**	522.8
Change in year	**1,765.2**	(1,597.4)	**(165.0)**	765.4

5. Derivative financial instruments

The Group utilises the following derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk:
- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
- Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Warrant is a derivative financial instrument which gives the right, but not the obligation to buy or to sell a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period or on a specified date.

The fair values of derivative instruments held are set out below:

	GROUP		
	Contractual/ Nominal Amount RS'M	Fair value assets RS'M	Fair value liabilities RS'M
Derivative fair value through profit or loss - Level 2			
At 30 June 2019			
Currency forwards	**8,472.1**	**61.3**	**34.8**
Interest rate swaps	**14,211.9**	**200.4**	**248.9**
Currency swaps	**11,715.4**	**6.1**	**224.2**
Warrants	**2,864.0**	**426.5**	**426.2**
Others	**223.2**	**1.5**	**0.9**
	37,486.6	**695.8**	**935.0**
Comparative under IAS 39			
Derivative held-for-trading - Level 2			
At 30 June 2018			
Currency forwards	9,160.0	65.1	75.2
Interest rate swaps	52.7	8.7	2.8
Currency swaps	11,731.6	20.9	329.0
Warrants	3,942.8	417.0	476.4
Others	329.4	1.1	-
	25,216.5	512.8	883.4

6. Loans

(a) Loans to and placements with banks

	GROUP	
	2019 RS'M	2018 RS'M
(i) Loans to and placements with banks		
in Mauritius	**10,707.9**	14,514.0
outside Mauritius	**38,749.0**	17,836.7
	49,456.9	32,350.7
Less:		
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(29,718.3)**	(13,294.9)
	19,738.6	19,055.8
Less:		
Allowances for credit impairment	**(65.8)**	(135.0)
	19,672.8	18,920.8
(ii) Remaining term to maturity		
Up to 3 months	**8,396.8**	3,074.1
Over 3 months and up to 6 months	**2,037.3**	2,226.3
Over 6 months and up to 1 year	**3,089.8**	12,095.7
Over 1 year and up to 5 years	**6,214.7**	1,519.1
Over 5 years	**-**	140.6
	19,738.6	19,055.8

(iii) Allowances for credit impairment

	GROUP		
	12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 01 July 2018, as remeasured under IFRS 9	**100.5**	**31.3**	**131.8**
Exchange adjustment	**-**	**1.2**	**1.2**
Provision for credit impairment for the year	**46.2**	**-**	**46.2**
Provision released during the year	**(56.5)**	**(23.7)**	**(80.2)**
Financial assets that have been derecognised	**(31.9)**	**(8.8)**	**(40.7)**
At 30 June 2019	**58.3**	**-**	**58.3**
Interest in suspense	**-**	**7.5**	**7.5**
Provision and interest in suspense at 30 June 2019	**58.3**	**7.5**	**65.8**

Non performing loans under loans to and placements with banks amounted to Rs 69.2M in 2019 (2018: Rs 117.6M).

Comparative information under IAS 39	GROUP		
	Specific RS'M	Portfolio RS'M	Total RS'M
At 01 July 2017	-	6.4	6.4
Provision for credit impairment for the year	205.1	32.2	237.3
Amount written off	(173.8)	-	(173.8)
At 30 June 2018	31.3	38.6	69.9
Interest in suspense	65.1	-	65.1
Provision and interest in suspense at 30 June 2018	96.4	38.6	135.0

6. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP	
	2019 RS'M	2018 RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**1,231.8**	1,044.0
Mortgages	**30,495.4**	27,500.7
Other retail loans	**13,776.8**	14,158.0
Corporate customers	**115,864.4**	111,359.5
Governments	**1,643.2**	2,240.8
Entities outside Mauritius	**71,567.5**	49,678.4
	234,579.1	205,981.4
Less:		
Allowances for credit impairment	**(7,538.7)**	(6,683.2)
	227,040.4	199,298.2

Finance lease receivable included in Group loans amounts to Rs 3,486.7 million as at 30 June 2019 (2018: Rs 3,502 million).

(ii) Remaining term to maturity

	2019 RS'M	2018 RS'M
Up to 3 months	**67,998.0**	53,651.2
Over 3 months and up to 6 months	**6,790.4**	7,218.8
Over 6 months and up to 1 year	**6,837.1**	2,721.1
Over 1 year and up to 5 years	**64,553.7**	61,726.7
Over 5 years	**88,399.9**	80,663.6
	234,579.1	205,981.4

(iii) Allowances for credit impairment

	GROUP			
	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 01 July 2018, as remeasured under IFRS 9	**1,645.3**	**898.1**	**2,690.0**	**5,233.4**
Exchange adjustment	**(5.1)**	**(10.3)**	**39.3**	**23.9**
Transfer to 12 month ECL	**198.6**	**(99.4)**	**(99.2)**	**-**
Transfer to lifetime ECL not credit impaired	**(59.0)**	**82.0**	**(23.0)**	**-**
Transfer to lifetime ECL credit impaired	**(9.4)**	**(273.7)**	**283.1**	**-**
Provision for credit impairment for the year	**1,015.8**	**482.2**	**2,336.8**	**3,834.8**
Provision released during the year	**(892.1)**	**(202.6)**	**(291.9)**	**(1,386.6)**
Financial assets that have been derecognised	**(198.6)**	**(36.7)**	**(253.7)**	**(489.0)**
Write offs	**-**	**-**	**(1,715.2)**	**(1,715.2)**
Changes in models /risk parameters	**(236.2)**	**(118.9)**	**-**	**(355.1)**
At 30 June 2019	**1,459.3**	**720.7**	**2,966.2**	**5,146.2**
Interest in suspense	**-**	**-**	**2,392.5**	**2,392.5**
Provision and interest in suspense at 30 June 2019	**1,459.3**	**720.7**	**5,358.7**	**7,538.7**

Comparative information under IAS 39	GROUP		
	Specific RS'M	Portfolio RS'M	Total RS'M
At 01 July 2017	2,236.7	1,194.3	3,431.0
Exchange adjustment	21.5	-	21.5
Provision for credit impairment for the year	953.1	124.1	1,077.2
Provision released during the year	(81.2)	-	(81.2)
Amounts written off	(440.1)	-	(440.1)
At 30 June 2018	2,690.0	1,318.4	4,008.4
Interest in suspense	2,674.8	-	2,674.8
Provision and interest in suspense at 30 June 2018	5,364.8	1,318.4	6,683.2

6. Loans (Cont'd)

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

(iv) Allowances for credit impairment by industry sectors

	GROUP					
	2019					
	Gross amount of loans RS'M	Non performing loans RS'M	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	*Lifetime expected credit loss (credit impaired) RS'M	Total provision RS'M
Agriculture and fishing	9,410.3	1,126.5	17.6	98.1	478.7	594.4
Manufacturing	12,987.1	655.1	104.1	95.8	264.1	464.0
of which EPZ	*3,924.1*	*510.8*	*11.9*	*12.8*	*149.1*	*173.8*
Tourism	23,481.1	378.7	335.9	23.3	348.9	708.1
Transport	8,308.7	1,243.7	33.9	3.9	1,139.3	1,177.1
Construction	17,775.4	2,038.4	178.9	9.5	876.1	1,064.5
Financial and business services	39,652.1	1,114.1	249.9	18.6	433.4	701.9
Traders	44,658.4	1,986.9	228.3	125.9	681.7	1,035.9
Personal	43,191.1	1,349.2	63.7	15.7	593.6	673.0
of which credit cards	*1,224.4*	*29.6*	*4.2*	*0.3*	*23.6*	*28.1*
of which housing	*30,495.4*	*773.3*	*22.3*	*5.9*	*274.7*	*302.9*
Professional	1,092.0	211.1	3.2	0.7	123.9	127.8
Foreign governments	1,643.2	-	1.2	294.7	-	295.9
Global Business Licence holders	17,858.1	167.9	153.0	22.9	311.4	487.3
Others	14,521.6	217.8	89.6	11.6	107.6	208.8
	234,579.1	10,489.4	1,459.3	720.7	5,358.7	7,538.7

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

Comparative information under IAS 39

	GROUP				
	2018				
	Gross amount of loans RS'M	Non performing loans RS'M	Specific provision and Interest in suspense RS'M	Portfolio provision RS'M	Total provision RS'M
Agriculture and fishing	8,786.1	675.3	318.2	55.1	373.3
Manufacturing	11,720.2	486.1	206.5	162.1	368.6
of which EPZ	*4,877.0*	*89.4*	*46.7*	*43.6*	90.3
Tourism	26,857.1	831.7	577.6	74.1	651.7
Transport	5,734.5	1,529.6	927.0	48.8	975.8
Construction	16,823.3	1,462.4	915.1	174.9	1,090.0
Financial and business services	28,174.5	122.1	82.7	90.7	173.4
Traders	41,031.5	1,960.6	748.8	233.6	982.4
Personal	40,554.7	1,525.7	778.9	242.5	1,021.4
of which credit cards	*1,036.1*	*22.5*	*19.9*	*21.4*	41.3
of which housing	*27,500.7*	*787.6*	*311.8*	*123.0*	434.8
Professional	1,176.2	300.8	183.7	18.8	202.5
Foreign governments	2,240.8	-	-	-	-
Global Business Licence holders	15,928.2	428.5	460.1	168.6	628.7
Others	6,954.3	293.4	166.2	49.2	215.4
	205,981.4	9,616.2	5,364.8	1,318.4	6,683.2

6. Loans (Cont'd)

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

(v) Credit concentration of risk by industry sectors

Corporate notes and credit facilities extended by the Group to any closely-related customers for amounts aggregating more than 10% of its Tier 1 capital, classified by industry sectors.

	GROUP	
	2019 RS'M	2018 RS'M
Agriculture and fishing	**7,093.7**	2,670.3
Manufacturing	**1,380.0**	2,712.9
of which EPZ	***100.4***	*1,298.3*
Tourism	**15,720.6**	17,349.1
Transport	**7,507.3**	93.7
Construction	**9,640.4**	7,574.6
Financial and business services	**25,025.3**	19,704.2
Traders	**41,827.0**	14,583.0
Global Business Licence holders	**8,294.7**	16,176.7
Others	**6,533.6**	184.1
	123,022.6	81,048.6

7. Investment securities

	GROUP 2019 RS'M
Amortised cost	81,690.5
Fair value through other comprehensive income	22,830.1
Fair value through profit or loss	21,795.0
	126,315.6
Less:	
Allowances for credit impairment	(111.6)
	126,204.0

	COMPANY	
	2019 RS'M	2018 RS'M
Fair value through other comprehensive income		
Non-voting non-cumulative preference shares issued by MCB Leasing Ltd (previously Finlease Company Limited)*	200.0	200.0
Shares - Quoted level 1	195.2	-
	395.2	200.0

* In 2018, these were classified as available-for-sale under IAS 39

(a) Amortised cost

	GROUP 2019 RS'M
Government of Mauritius and Bank of Mauritius bonds	49,996.3
Treasury bills	12,213.3
Foreign bonds	338.2
Notes	18,833.3
Indexed linked note	309.4
	81,690.5

(i) Remaining term to maturity

	2019					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	1,217.9	2,823.4	3,575.4	32,755.1	9,624.5	49,996.3
Treasury bills	5,427.4	3,260.9	3,328.7	142.6	53.7	12,213.3
Foreign bonds	-	-	-	214.7	123.5	338.2
Notes	976.2	-	-	8,989.8	8,867.3	18,833.3
Indexed linked note	-	-	-	-	309.4	309.4
	7,621.5	6,084.3	6,904.1	42,102.2	18,978.4	81,690.5

(ii) Allowances for credit impairment

	GROUP 12 months expected credit loss RS'M
At 01 July 2018, as remeasured under IFRS 9	53.1
Exchange adjustment	(0.4)
Provision for credit impairment for the year	78.3
Provision released during the year	(40.7)
Changes in models/risk parameters	21.3
At 30 June 2019	111.6

7. Investment securities (Cont'd)

(b) Fair value through other comprehensive income by levels

	GROUP 2019 RS'M
Quoted - Level 1	
Official list : shares	1,064.8
Bonds	20,201.0
Foreign shares	389.6
	21,655.4
Unquoted - Level 2	
Investment fund	553.9
Shares	57.5
	611.4
Unquoted - Level 3	
Shares	563.3
	22,830.1

Reconciliation of level 3 fair value measurements

At 01 July 2018	544.4
Additions	16.9
Exchange adjustments	2.0
At 30 June 2019	563.3

(c) Fair value through profit or loss by levels

	GROUP 2019 RS'M
Quoted - Level 1	
Local bonds	10.7
Local shares	594.1
Foreign bonds	732.5
Foreign shares	1,666.5
	3,003.8
Unquoted - Level 2	
Government of Mauritius & Bank of Mauritius bonds	864.4
Treasury bills	14,995.0
Investment funds	861.9
	16,721.3
Unquoted - Level 3	
Local shares	1,702.8
Foreign shares	301.7
Debt	65.4
	2,069.9
	21,795.0

7. Investment securities

(c) Fair value through profit or loss by levels (Cont'd)

Reconciliation of level 3 fair value measurement

	GROUP 2019 RS'M
At 01 July 2018	**1,962.2**
Additions	104.5
Disposals	(46.4)
Fair value	49.6
At 30 June 2019	**2,069.9**

Comparative information under IAS 39

	GROUP 2018 RS'M
Investment securities	
Held-to-maturity	56,500.1
Held-for-trading	24,232.4
Available-for-sale	7,947.0
At fair value through profit or loss	117.8
	88,797.3
Less:	
Allowances for credit impairment	(49.9)
	88,747.4

(d) Held-to-maturity

Government of Mauritius and Bank of Mauritius bonds	42,824.6
Treasury bills	5,009.1
Foreign bonds	1,409.4
Notes	7,049.1
Other	207.9
	56,500.1

Remaining term to maturity

	2018					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	773.4	1,812.8	6,259.8	24,147.2	9,831.4	42,824.6
Treasury bills	1,390.4	1,674.4	1,802.2	89.9	52.2	5,009.1
Foreign bonds	175.0	406.2	157.8	670.4	-	1,409.4
Notes	-	-	-	2,956.3	4,092.8	7,049.1
Other	-	-	-	52.1	155.8	207.9
	2,338.8	3,893.4	8,219.8	27,915.9	14,132.2	56,500.1

7. Investment securities (Cont'd)

Comparative information under IAS 39 (Cont'd)

(e) Held-for-trading

	GROUP 2018 RS'M
Treasury bills	
Less than 3 months	11,633.6
Over 3 months and up to 6 months	5,110.3
Over 6 months and up to 12 months	6,429.7
Government of Mauritius and Bank of Mauritius bonds	1,058.8
	24,232.4

Held-for-trading by levels

	GROUP 2018 RS'M
Unquoted - Level 2	
Government of Mauritius & Bank of Mauritius bonds	1,058.8
Treasury bills	23,173.6
	24,232.4

(f) Available-for-sale by levels

	GROUP 2018 RS'M
Quoted - Level 1	
Official list : shares	1,080.1
Bonds	1,354.8
Development and Enterprise Market : shares	665.5
Foreign shares	1,419.9
	4,520.3
Unquoted - Level 2	
Investment fund	714.4
Inflation - indexed Government of Mauritius bonds	205.7
	920.1
Unquoted - Level 3	
Shares	2,441.2
Debts	65.4
	2,506.6
	7,947.0

Reconciliation of level 3 fair value measurement

At 01 July 2017	2,284.0
Additions	595.9
Disposals	(200.5)
Fair value	31.5
Transfers to level 2	(205.7)
Exchange adjustments	1.4
At 30 June 2018	2,506.6

The book value approximates the fair value at the end of the reporting year.

A 10% change in management estimates would affect the fair value by about Rs 250.7M

8. Investments in associates

(a) The Group's interests in its associates are as follows:

	Nature of business	Principal place of business	Country of incorporation	Holding %	
				Direct	Indirect
2019					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Réunion**	**France**	**-**	**49.99**
Société Générale Moçambique	**Banking & financial services**	**Mozambique**	**Mozambique**	**-**	**35.00**
Promotion and Development Ltd	**Investment and property development**	**Mauritius**	**Republic of Mauritius**	**0.13**	**46.39**
Caudan Development Ltd	**Property development, investment and provision of security services**	**Mauritius**	**Republic of Mauritius**	**4.87**	**38.10**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Republic of Mauritius**	**40.00**	**-**
2018					
Banque Française Commerciale Ocean Indien	Banking & financial services	Réunion	France	-	49.99
Société Générale Moçambique	Banking & financial services	Mozambique	Mozambique	-	35.00
Promotion and Development Ltd	Investment and property development	Mauritius	Republic of Mauritius	0.13	46.33
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Republic of Mauritius	4.81	38.06
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Republic of Mauritius	40.00	-

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

(ii) Except for Credit Guarantee Insurance Co Ltd, the other above associates are held through subsidiaries.

(iii) Banque Française Commerciale Ocean Indien, Société Générale Moçambique and Credit Guarantee Co Ltd are unquoted.
The other associates are quoted and the Group's interest in the quoted associates based on SEM bid price at 30 June are as follows:
Promotion and Development Ltd : Rs 1,816.5M (2018: Rs 2033.8M)
Caudan Development Ltd : Rs 885.2M (2018: Rs 926.0M)

	GROUP	
	2019	2018
	RS'M	RS'M
Group's share of net assets	**9,180.1**	9,017.0
Goodwill	**56.9**	56.9
Subordinated loans to associate	**724.5**	722.1
	9,961.5	9,796.0

8. Investments in associates (Cont'd)

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

	GROUP	
	2019 RS'M	2018 RS'M
Banque Française Commerciale Ocean Indien		
(i) Summarised statement of financial position:		
Current assets	**9,742.6**	9,749.4
Non current assets	**66,263.1**	64,227.9
Current liabilities	**21,558.8**	18,920.8
Non current liabilities	**47,991.8**	48,446.1
(ii) Summarised statement of profit or loss and other comprehensive income:		
Revenue	**4,136.1**	4,130.6
Profit	**482.4**	854.4
Total comprehensive income	**482.4**	854.4
Promotion and Development Ltd		
(i) Summarised statement of financial position:		
Current assets	**250.7**	279.0
Non current assets	**14,223.8**	13,224.5
Current liabilities	**758.0**	680.4
Non current liabilities	**1,410.9**	859.9
Non controlling interest	**1,200.9**	1,162.9
(ii) Summarised statement of profit or loss and other comprehensive income:		
Revenue	**599.1**	563.7
Profit/(Loss)	**302.6**	(102.9)
Other comprehensive income	**158.6**	22.8
Total comprehensive income/(expense)	**461.2**	(80.1)

8. Investments in associates (Cont'd)

(c) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening net assets RS'M	Profit/ (loss) RS'M	Other comprehensive income RS'M	Other movements in reserves RS'M	Dividend RS'M	Closing net assets RS'M	Ownership interest %	Interest in associates RS'M	Goodwill RS'M	Subordinated loan RS'M	Carrying value RS'M
2019											
Banque Française Commerciale Ocean Indien	**6,610.4**	**482.4**	**-**	**(272.4)**	**(365.3)**	**6,455.1**	**49.99%**	**3,226.9**	**56.9**	**724.5**	**4,008.3**
Promotion and Development Limited	**10,800.3**	**302.6**	**158.6**	**(8.9)**	**(147.9)**	**11,104.7**	**46.52%**	**5,165.9**	**-**	**-**	**5,165.9**
2018											
Banque Française Commerciale Ocean Indien	6,215.9	854.4	-	177.0	(636.9)	6,610.4	49.99%	3,304.5	56.9	722.1	4,083.5
Promotion and Development Limited	11,010.2	(102.9)	22.8	10.4	(140.2)	10,800.3	46.46%	5,017.8	-	-	5,017.8

(d) Aggregate information of associates that are not individually material

	GROUP	
	2019 RS'M	**2018 RS'M**
Carrying amount of interests	**787.3**	694.7
Share of profit/(loss)	**22.0**	(72.7)
Share of other comprehensive income/(expense)	**5.9**	(0.6)

AT COST

	COMPANY	
	2019 RS'M	**2018 RS'M**
At 01 July	**117.2**	109.7
Additions	**1.5**	7.5
At 30 June	**118.7**	117.2

9. Investments in subsidiaries

(a) The Group has the following main subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding 2019 %	Proportion of ownership interests held by non-controlling interests 2019 %	Effective Holding 2018 %	Proportion of ownership interests held by non-controlling interests 2018 %	COMPANY Cost of Investment 2019 RS'M	COMPANY Cost of Investment 2018 RS'M
BANKING										
Direct										
MCB Investment Holding Ltd	Republic of Mauritius	Activities of holding companies, without managing	**Rs'M**	**6,879.6**	**100.00**	**-**	100.00	-	**6,879.6**	6,879.6
Indirect										
The Mauritius Commercial Bank Limited	Republic of Mauritius	Banking & Financial services	**Rs'M**	**6,879.6**	**100.00**	**-**	100.00	-	**-**	-
MCB Seychelles Ltd	Seychelles	Banking & Financial services	**SRS'M**	**20.0**	**100.00**	**-**	100.00	-	**-**	-
MCB Madagascar SA	Madagascar	Banking & Financial services	**MGA'bn**	**13.6**	**90.00**	**10.00**	90.00	10.00	**-**	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	**MVR'M**	**150.0**	**100.00**	**-**	100.00	-	**-**	-
NON-BANKING FINANCIAL										
Direct										
MCB Equity Fund Ltd	Republic of Mauritius	Private Equity Fund	**Rs'M**	**2,084.6**	**100.00**	**-**	100.00	-	**2,084.6**	2,084.6
MCB Capital Markets Ltd	Republic of Mauritius	Investment Holding Company	**Rs'M**	**73.0**	**100.00**	**-**	100.00	-	**73.0**	73.0
MCB Factors Ltd	Republic of Mauritius	Factoring	**Rs'M**	**50.0**	**100.00**	**-**	100.00	-	**50.0**	50.0
MCB Microfinance Ltd	Republic of Mauritius	Credit Finance	**Rs'M**	**75.0**	**100.00**	**-**	100.00	-	**100.0**	75.0
MCB Real Assets Ltd*	Republic of Mauritius	Investment Holding Company	**Rs'M**	**-**	**100.00**	**-**	-	-	**-**	-
OTHER INVESTMENTS										
Direct										
International Card Processing Services Ltd	Republic of Mauritius	Providing card system facilities, card embossing and encoding services	**Rs'M**	**100.0**	**80.00**	**20.00**	80.00	20.00	**80.0**	80.0
Fincorp Investment Ltd	Republic of Mauritius	Investment Company	**Rs'M**	**103.4**	**57.73**	**42.27**	57.73	42.27	**28.7**	28.7
MCB Properties Ltd	Republic of Mauritius	Property ownership & development	**Rs'M**	**14.6**	**100.00**	**-**	100.00	-	**14.6**	14.6
Blue Penny Museum	Republic of Mauritius	Philatelic museum	**Rs'M**	**1.0**	**97.88**	**2.12**	97.88	2.12	**1.0**	1.0
MCB Group Corporate Services Ltd	Republic of Mauritius	Company secretarial services	**Rs'M**	**2.0**	**100.00**	**-**	100.00	-	**2.0**	2.0
MCB Consulting Services Ltd	Republic of Mauritius	Consulting, advisory, support and maintenance services	**USD'M**	**1.5**	**100.00**	**-**	100.00	-	**49.7**	49.7
MCB Institute of Finance	Republic of Mauritius	To develop the financial know-how of professionals and students	**Rs'M**	**20.0**	**80.00**	**20.00**	-	-	**16.0**	-
Others*	Seychelles	Property rental & other financial services		**-**	**100.00**	**-**	100.00	-	**0.2**	0.2
									9,379.4	9,338.4
Subordinated loans to subsidiaries									**1,734.1**	1,461.2
									11,113.5	10,799.6

Except for Fincorp Investment Ltd which is quoted, the other above companies are unquoted.
The fair value of the Company's interest in Fincorp Investment Ltd was Rs 1,473.8 million at 30 June 2019 (2018: Rs 1,432.0 million).

*The stated capital and cost of investment in MCB Real Assets Ltd are negligible.

** 'Others' relates to Mascareignes Properties Ltd involved in property rental and MCB International Services Ltd involved in other financial services in which the Group has an effective holding of 100%. The stated capital of both entities are negligible.

9. Investments in subsidiaries (Cont'd)

	COMPANY	
	2019	2018
	RS'M	RS'M
At 01 July	**9,338.4**	9,336.4
Additions	**41.0**	2.0
	9,379.4	9,338.4
Subordinated loans to subsidiaries	**1,734.1**	1,461.2
At 30 June	**11,113.5**	10,799.6

(b) Details of Fincorp Investment Ltd which has non-controlling interests that are material to the Company

	Profit/(Loss) attributable to non-controlling interests Rs'M	Net assets attributable to non-controlling interests RS'M
GROUP		
2019	**90.0**	**2,442.7**
2018	(3.7)	2,384.7

(c) Summarised financial information for Fincorp Investment Ltd

	GROUP	
	2019	2018
(i) Summarised statement of financial position:	RS'M	RS'M
Current assets	**1,592.5**	1,868.6
Non current assets	**9,194.2**	8,941.3
Current liabilities	**1,535.1**	1,611.9
Non current liabilities	**3,472.7**	3,556.4
(ii) Summarised statement of profit or loss and statement of comprehensive income:		
Revenue	**501.4**	504.3
Profit/(Loss)	**213.0**	(8.7)
Other comprehensive income	**1.4**	48.5
Total comprehensive income	**214.4**	39.8
(iii) Summarised statement of cash flows:		
Net cash flows from operating activities	**303.7**	456.3
Investing activities	**(334.0)**	(118.6)
Financing activities	**(228.1)**	(97.4)
Taxation	**(22.5)**	(9.7)
Net increase in cash and cash equivalents	**(280.9)**	230.6

The summarised financial information above is the amount before intra-group eliminations.

10. Investment properties

	GROUP	
	2019 RS'M	2018 RS'M
At 01 July	**2,861.1**	-
Investment properties on acquisition of subsidiary by MCB Real Assets Ltd	**-**	2,262.5
Additions	**925.0**	569.4
Revaluation	**118.0**	-
Exchange adjustment	**87.6**	29.2
Fair value of land and buildings at 30 June	**3,991.7**	2,861.1
Rental income (For 2018, rental income was for a period of 8 months)	**276.9**	138.8

The investment properties are held through the Compagnie des Villages de Vacances de l'Isle de France Limitée (COVIFRA), a subsidiary of MCB Real Assets Ltd.

The land held under an operating lease and the buildings have been treated as investment properties and are stated at fair value.

The land is leased from the Government of Mauritius for a term expiring on 30 September 2069 and is fully reimbursed by the tenant.

The investment property is categorised into Level 3 of the fair value hierarchy, the following information is relevant:

-Valuation technique: Income approach

-Significant input (s): Observable input: Fixed rent

Unobservable input: Discount rate

-Sensitivity: An increase in discount rate used would result in a decrease in fair value, and vice versa.

11. Goodwill and other intangible assets

(a) Goodwill

	GROUP	
	2019 RS'M	2018 RS'M
01 July	**390.9**	6.1
Additions following acquisition by MCB Real Assets Ltd	**-**	384.8
Exchange adjustment	**1.0**	-
At 30 June	**391.9**	390.9

The directors have assessed any impairment of goodwill and there is no impairment.

(b) Other intangible assets

	GROUP		
	Computer Software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 01 July 2017	3,497.5	109.4	3,606.9
Additions	43.4	152.3	195.7
Scrap/Impairment	(8.3)	-	(8.3)
Transfer	103.2	(103.2)	-
Exchange adjustment	(2.7)	-	(2.7)
At 30 June 2018	**3,633.1**	**158.5**	**3,791.6**
Additions	**115.1**	**277.9**	**393.0**
Scrap/Impairment	**(1,810.1)**	**-**	**(1,810.1)**
Transfer	**366.4**	**(351.4)**	**15.0**
Exchange adjustment	**(0.2)**	**0.1**	**(0.1)**
At 30 June 2019	**2,304.3**	**85.1**	**2,389.4**
Accumulated amortisation			
At 01 July 2017	2,663.6	-	2,663.6
Scrap/Impairment	(8.3)	-	(8.3)
Charge for the year	288.5	-	288.5
Exchange adjustment	(0.1)	-	(0.1)
At 30 June 2018	**2,943.7**	**-**	**2,943.7**
Scrap/Impairment	**(1,810.1)**	**-**	**(1,810.1)**
Charge for the year	**264.7**	**-**	**264.7**
Amortisation adjustment	**(80.5)**	**-**	**(80.5)**
Exchange adjustment	**0.6**	**-**	**0.6**
At 30 June 2019	**1,318.4**	**-**	**1,318.4**
Net book values			
At 30 June 2019	**985.9**	**85.1**	**1,071.0**
At 30 June 2018	689.4	158.5	847.9
Total			
At 30 June 2019			**1,462.9**
At 30 June 2018			1,238.8

The only material intangible assets for the Group are the core banking systems. The remaining useful lives range from 1 to 3 years.
For the current year, The Mauritius Commercial Bank Limited has reviewed the useful lives of fully depreciated assets and has made a reinstatement of the useful lives.

12. Property, plant and equipment

	GROUP				
	Land and buildings RS'M	Computer and other equipment RS'M	Furniture, fittings and vehicles RS'M	Work in progress RS'M	Total RS'M
Cost					
At 01 July 2017	5,035.4	3,448.8	1,982.1	58.5	10,524.8
Additions	38.3	243.7	239.4	153.4	674.8
Scrap/Disposals	(5.9)	(83.3)	(210.4)	-	(299.6)
Exchange adjustment	5.5	0.4	0.2	0.8	6.9
Transfer	(0.9)	121.1	36.0	(156.2)	-
At 30 June 2018	**5,072.4**	**3,730.7**	**2,047.3**	**56.5**	**10,906.9**
Additions	**9.2**	**291.3**	**356.1**	**181.5**	**838.1**
Scrap/Disposals	**(3.0)**	**(731.7)**	**(162.5)**	**(1.1)**	**(898.3)**
Exchange adjustment	**8.1**	**2.6**	**1.6**	**0.2**	**12.5**
Transfer	**-**	**58.4**	**26.7**	**(100.1)**	**(15.0)**
At 30 June 2019	**5,086.7**	**3,351.3**	**2,269.2**	**137.0**	**10,844.2**
Accumulated depreciation					
At 01 July 2017	866.4	2,594.7	866.9	-	4,328.0
Charge for the year	81.7	309.4	209.3	-	600.4
Scrap/Disposal adjustment	(1.2)	(80.8)	(135.7)	-	(217.7)
Exchange adjustment	2.7	-	(1.3)	-	1.4
Transfer	-	2.5	(2.5)	-	-
At 30 June 2018	**949.6**	**2,825.8**	**936.7**	**-**	**4,712.1**
Charge for the year	**85.2**	**355.4**	**215.3**	**-**	**655.9**
Scrap/Disposal adjustment	**(0.8)**	**(731.5)**	**(94.1)**	**-**	**(826.4)**
Exchange adjustment	**2.8**	**1.8**	**(0.6)**	**-**	**4.0**
Depreciation adjustment	**-**	**(126.5)**	**(12.7)**	**-**	**(139.2)**
At 30 June 2019	**1,036.8**	**2,325.0**	**1,044.6**	**-**	**4,406.4**
Net book values					
At 30 June 2019	**4,049.9**	**1,026.3**	**1,224.6**	**137.0**	**6,437.8**
At 30 June 2018	4,122.8	904.9	1,110.6	56.5	6,194.8

For the current year, The Mauritius Commercial Bank Limited has reviewed the useful lives of fully depreciated assets and has made a reinstatement of the useful lives.

12. Property, plant and equipment (Cont'd)

	COMPANY		
	Land and buildings RS'M	Furniture, fittings and vehicles RS'M	Total RS'M
Cost			
At 01 July 2017	221.8	9.6	231.4
Additions	-	0.1	0.1
At 30 June 2018	**221.8**	**9.7**	**231.5**
Additions	-	**2.2**	**2.2**
At 30 June 2019	**221.8**	**11.9**	**233.7**
Accumulated depreciation			
At 01 July 2017	-	4.6	4.6
Charge for the year	-	2.0	2.0
At 30 June 2018	-	**6.6**	**6.6**
Charge for the year	-	**2.4**	**2.4**
At 30 June 2019	-	**9.0**	**9.0**
Net book values			
At 30 June 2019	**221.8**	**2.9**	**224.7**
At 30 June 2018	221.8	3.1	224.9

13. Deferred tax assets/(liabilities)

	GROUP					
	Balance as at 01 July RS'M	Exchange adjustments RS'M	Recognised in Statements of profit or loss RS'M	Recognised in Statements of comprehensive income RS'M	Adjustment following acquisition through subsidiary RS'M	Balance as at 30 June RS'M
At 30 June 2019						
Deferred tax assets:						
Provisions and post retirement benefits	**245.9**	**-**	**(24.6)**	**82.9**	**-**	**304.2**
Provisions for credit impairment	**263.3**	**4.6**	**(22.0)**	**-**	**-**	**245.9**
Tax losses carried forward	**5.3**	**-**	**1.1**	**-**	**-**	**6.4**
Accelerated tax depreciation	**(228.7)**	**0.4**	**(36.3)**	**-**	**-**	**(264.6)**
	285.8	**5.0**	**(81.8)**	**82.9**	**-**	**291.9**
Deferred tax liabilities:						
Accelerated tax depreciation	**(245.8)**	**(0.8)**	**(102.8)**	**-**	**-**	**(349.4)**
Fair value of investment property	**(18.0)**	**-**	**(2.5)**	**-**	**-**	**(20.5)**
Tax losses carried forward	**3.9**	**-**	**54.5**	**-**	**-**	**58.4**
Obligation under finance lease	**23.5**	**-**	**0.1**	**-**	**-**	**23.6**
	(236.4)	**(0.8)**	**(50.7)**	**-**	**-**	**(287.9)**
At 30 June 2018						
Deferred tax assets:						
Provisions and post retirement benefits	186.6	-	11.1	48.2	-	245.9
Provisions for credit impairment	278.2	1.9	(16.8)	-	-	263.3
Tax losses carried forward	4.7	-	0.6	-	-	5.3
Accelerated tax depreciation	(187.3)	-	(41.4)	-	-	(228.7)
	282.2	1.9	(46.5)	48.2	-	285.8
Deferred tax liabilities:						
Accelerated tax depreciation	(53.4)	(0.5)	(28.0)	-	(163.9)	(245.8)
Fair value of investment property	-	-	(0.2)	-	(17.8)	(18.0)
Tax losses carried forward	-	-	2.1	-	1.8	3.9
Obligation under finance lease	-	-	-	-	23.5	23.5
	(53.4)	(0.5)	(26.1)	-	(156.4)	(236.4)

13. Deferred tax assets/(liabilities) (Cont'd)

	COMPANY		
	Balance as at 01 July	Recognised in Statements of profit or loss	Balance as at 30 June
	RS'M	RS'M	RS'M
At 30 June 2019			
Deferred tax liability:			
Accelerated tax depreciation	**(0.1)**	**(0.1)**	**(0.2)**
At 30 June 2018			
Deferred tax liability:			
Accelerated tax depreciation	(0.4)	0.3	(0.1)

14. Other assets

	GROUP		COMPANY	
	2019	2018	2019	2018
	RS'M	RS'M	RS'M	RS'M
Mandatory balances with Central Banks	**21,075.1**	19,292.4	**-**	-
Prepayments & other receivables	**1,060.1**	1,404.2	**1,679.7**	1,387.4
Credit Card Clearing	**139.9**	120.9	**-**	-
Non-banking assets acquired in satisfaction of debts*	**60.6**	48.7	**-**	-
Impersonal and other accounts	**3,749.5**	1,744.9	**-**	-
	26,085.2	22,611.1	**1,679.7**	1,387.4
Less allowance for credit impairment	**(16.2)**	-	**-**	-
	26,069.0	22,611.1	**1,679.7**	1,387.4

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

14. Other assets (Cont'd)

Allowances for credit impairment

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 01 July 2018, as remeasured under IFRS 9	**1.9**	**-**	**1.9**
Provision for credit impairment for the year	**5.3**	**9.0**	**14.3**
At 30 June 2019	**7.2**	**9.0**	**16.2**

15. Deposits

	GROUP	
	2019	2018
	RS'M	RS'M
(a) Deposits from banks		
Demand deposits	**1,855.5**	1,764.8
Money market deposits with remaining term to maturity:		
Up to 3 months	**1,286.0**	694.5
Over 3 months and up to 6 months	**709.4**	698.4
	1,995.4	1,392.9
	3,850.9	3,157.7

15. Deposits (Cont'd)

	GROUP	
	2019	2018
	RS'M	RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	**31,444.5**	29,184.2
Savings deposits	**137,465.3**	125,703.3
Time deposits with remaining term to maturity:		
Up to 3 months	**5,605.0**	4,456.2
Over 3 months and up to 6 months	**2,436.9**	2,051.3
Over 6 months and up to 1 year	**4,960.7**	4,794.2
Over 1 year and up to 5 years	**14,189.1**	14,870.6
Over 5 years	**45.0**	4.1
	27,236.7	26,176.4
	196,146.5	181,063.9
(ii) Corporate customers		
Demand deposits	**105,517.5**	92,417.8
Savings deposits	**5,842.1**	5,343.6
Time deposits with remaining term to maturity:		
Up to 3 months	**10,699.6**	6,000.3
Over 3 months and up to 6 months	**1,814.2**	1,382.1
Over 6 months and up to 1 year	**1,159.8**	2,263.3
Over 1 year and up to 5 years	**5,456.9**	5,037.1
Over 5 years	**31.4**	-
	19,161.9	14,682.8
	130,521.5	112,444.2
(iii) Government		
Demand deposits	**819.8**	868.3
Savings deposits	**152.9**	110.7
Time deposits with remaining term to maturity:		
Up to 3 months	**8.8**	5.6
Over 3 months and up to 6 months	**-**	11.3
Over 1 year and up to 5 years	**-**	56.9
	8.8	73.8
	981.5	1,052.8
	327,649.5	294,560.9

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

16. Other borrowed funds

(a) Other borrowed funds comprise the following:

	GROUP	
	2019 RS'M	**2018 RS'M**
Borrowings from banks:		
in Mauritius	**12,067.6**	4,386.6
abroad	**44,818.7**	9,985.9
	56,886.3	14,372.5
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**13,524.8**	1,839.7

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

(b) Remaining term to maturity:

On demand or within a period not exceeding 1 year	**24,460.8**	8,522.0
Within a period of more than 1 year but not exceeding 2 years	**23,930.1**	3,542.2
Within a period of more than 2 years but not exceeding 3 years	**-**	0.8
Within a period of more than 3 years	**8,495.4**	2,307.5
	56,886.3	14,372.5

17. (a) Subordinated liabilities

Subordinated liabilities comprise the following:

		GROUP		COMPANY	
		2019 RS'M	2018 RS'M	2019 RS'M	2018 RS'M
Rs 4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 4.9%(2018: 5.4%) (Level 1)	(i)	**4,531.7**	4,531.7	**4,531.7**	4,531.7
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 5.8% (2018: 4.8%) (Level 3)	(ii)	**1,068.0**	1,052.0	**-**	-
Repayment of USD 1.5M during the year		**(51.4)**	-	**-**	-
Exchange adjustment		**23.5**	8.1	**-**	-
		5,571.8	5,591.8	**4,531.7**	4,531.7

The carrying amounts of the subordinated liabilities are not materially different from their fair values.

(i) These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd and are presently available to individual and institutional investors for secondary trading.

(ii) The Mauritius Commercial Bank Limited obtained a USD 30M 10-year subordinated debt from the African Development Bank and effected a repayment of USD 1.5M during the year. This facility forms part of a wider package of USD 150M granted by the latter to allow The Mauritius Commercial Bank Limited to increase its foreign currency lending to clients operating in the region and in mainland Africa.

(b) Debt securities

Debt securities comprise the following:

	GROUP		COMPANY	
	2019 RS'M	2018 RS'M	2019 RS'M	2018 RS'M
Rs 2.0 billion floating rate senior unsecured notes maturing in 2023 at an average interest rate of 3.5% (Level 1)	**2,012.7**	2,012.7	**2,012.7**	2,012.7

These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd and their carrying amounts are not materially different from their fair values.

18. Post employee benefit liability

(a) Staff superannuation fund

	GROUP	
	2019 RS'M	2018 RS'M
Reconciliation of net defined benefit liability		
Opening balance	**152.0**	(99.5)
Amount recognised in statements of profit or loss	**211.2**	197.0
Amount recognised in statements of comprehensive income	**486.7**	283.3
Less capital injection	**(317.0)**	-
Less employer contributions	**(232.2)**	(228.8)
Liability as shown in note 19	**300.7**	152.0
Reconciliation of fair value of plan assets		
Opening balance	**7,193.3**	6,796.4
Interest income	**461.1**	440.0
Capital injection	**317.0**	-
Employer contributions	**232.2**	228.8
Benefits paid	**(294.1)**	(283.8)
Return on plan assets (below)/above interest income	**(221.6)**	11.9
Closing balance	**7,687.9**	7,193.3
Reconciliation of present value of defined benefit obligation		
Opening balance	**7,345.3**	6,696.9
Current service cost	**218.6**	210.8
Interest expense	**453.7**	426.2
Other benefits paid	**(294.1)**	(283.8)
Liability experience loss	**-**	369.5
Liability gain due to change in demographic assumptions	**-**	(223.2)
Liability loss due to change in financial assumptions	**265.1**	148.9
Closing balance	**7,988.6**	7,345.3
Components of amount recognised in statements of profit or loss		
Current service cost	**218.6**	210.8
Net interest on net defined benefit liability	**(7.4)**	(13.8)
Total	**211.2**	197.0
Components of amount recognised in statements of comprehensive income		
Return on plan assets below/(above) interest income	**221.6**	(11.9)
Liability experience loss	**-**	369.5
Liability gain due to change in demographic assumptions	**-**	(223.2)
Liability loss due to change in financial assumptions	**265.1**	148.9
Total	**486.7**	283.3

18. Post employee benefit liability (Cont'd)

(a) Staff superannuation fund (Cont'd)

	GROUP	
	2019	2018
Allocation of plan assets at end of year	%	%
Equity - Local quoted	34	31
Equity - Local unquoted	1	1
Debt - Overseas quoted	2	3
Debt - Local quoted	8	12
Debt - Local unquoted	11	5
Property - Local	4	3
Investment funds	34	32
Cash and other	6	13
Total	100	100
Allocation of plan assets at end of year	%	%
Reporting entity's own transferable financial instruments	9	9
Property occupied by reporting entity	3	2
Other assets used by reporting entity	2	5
Principal assumptions used at end of year		
Discount rate	6.0%	6.3%
Rate of salary increases	3.5%	3.8%
Rate of pension increases	3.3%	3.3%
Average retirement age (ARA)	63	63
Average life expectancy for:		
Male at ARA	17.3 years	17.3 years
Female at ARA	21.7 years	21.7 years

	2019	2018
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	1,486.6	1,311.3
Decrease due to 1% increase in discount rate	1,168.7	1,027.1

18. Post employee benefit liability (Cont'd)

(a) Staff superannuation fund (Cont'd)

The sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the 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. It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing that sensitivity analysis from prior years.

The Mauritius Commercial Bank Limited sponsors a defined benefit pension plan for its staff and some staff of MCB Group Limited. The plan is self-administered and funded separately from the bank . The Mauritius Commercial Bank Limited has recognised a net defined benefit liability of Rs 300.7M, as at 30 June 2019 for the plan (2018: Rs 152.0M).

The Mauritius Commercial Bank Limited operates a final salary defined benefit pension plan for its employees.

The plan exposes the bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment . An increase in life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Mauritius Commercial Bank Limited has a residual obligation imposed by Employment Rights Act 2008 on top of its Defined Contribution (DC) plan. It is therefore particularly exposed to investment under-performance of the DC plan.

There has been no plan amendment, curtailment or settlement during the year.

Future cash flows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries:

Expected employer contribution for the next year (Rs M) : **255.4M**

Weighted average duration of the defined benefit obligation : **17 years**

As from 01 July 2015, The Mauritius Commercial Bank Limited has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees.

Consequently, all employees joining The Mauritius Commercial Bank Limited as from that date are automatically enrolled in the new scheme. Existing employees had the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants.

18. Post employee benefit liability (Cont'd)

(b) Residual retirement gratuities

	GROUP	
	2019 RS'M	2018 RS'M
Reconcilation of net defined benefit liability		
Opening balance	51.0	-
Amount recognised in statements of profit or loss	7.7	51.0
Amount recognised in statements of comprehensive income	0.7	-
Liability as shown in note 19	59.4	51.0
Reconciliation of present value of defined benefit obligation		
Opening balance	51.0	-
Current service cost	4.7	48.3
Interest expense	3.0	2.7
Liability loss due to change in financial assumptions	0.7	-
Closing balance	59.4	51.0
Components of amount recognised in statements of profit or loss		
Current service cost	4.7	48.3
Net interest on net defined benefit liability	3.0	2.7
Total	7.7	51.0
Components of amount recognised in statements of comprehensive income		
Liability loss due to change in financial assumptions	0.7	-
Principal assumptions used at end of year		
Discount rate	6.0%	6.3%
Rate of salary increases	3.5%	3.8%
Rate of pension increases	3.3%	3.3%
Average retirement age(ARA)	63	63

	2019 RS'M	2018 RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	27.0	21.7
Decrease due to 1% increase in discount rate	19.2	16.1

The Mauritius Commercial Bank Limited has recognised a net defined liability of Rs 59.4M as at 30 June 2019 (2018: Rs 51.0) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Employment Rights Act 2008 and who are therefore entitled to residual retirement gratuities under the Employment Rights Act 2008.

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of 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 cash flows

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contribution for the next year (Rs'M): **Nil**
Weighted average duration of the defined benefit obligation: **22 years**

19. Other liabilities

	GROUP		COMPANY	
	2019 RS'M	2018 RS'M	2019 RS'M	2018 RS'M
Post employee benefits liability:				
(a) Staff Superannuation Fund as shown in note 18(a)	**300.7**	152.0	**-**	-
(b) Residual retirement gratuities as shown in note 18(b)	**59.4**	51.0	**-**	-
Proposed dividend	**1,290.1**	1,074.1	**1,290.1**	1,074.1
Structured products notes*	**4,542.0**	3,533.7	**-**	-
Allowances for credit impairment on off-balance sheet exposures	**336.7**	-	**-**	-
Deferred income	**219.7**	-	**-**	-
Impersonal & other accounts	**7,454.1**	5,976.8	**73.4**	54.8
	14,202.7	10,787.6	**1,363.5**	1,128.9

*These notes were issued at the level of our subsidiaries for the issue of structured products purposes.

Allowances for credit impairment on off-balance sheet exposures

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 01 July 2018, as remeasured under IFRS 9	289.6	-	-	289.6
Exchange adjustment	6.1	-	-	6.1
Provision for credit impairment for the year	321.2	4.9	32.7	358.8
Provision released during the year	(253.7)	(2.0)	(32.7)	(288.4)
Changes in models/risk parameters	(29.4)	-	-	(29.4)
At 30 June 2019	333.8	2.9	-	336.7

20. Transitional disclosures

(i) New measurement category of the Group's financial assets and financial liabilities under IFRS 9

The following table shows the original categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and liabilities as at date of transition, 01 July 2018.

	GROUP			
Financial assets	**Original measurement under IAS 39**	**New measurement under IFRS 9**	**Original carrying amount under IAS 39 RS'M**	**New carrying amount under IFRS 9 RS'M**
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	35,903.0	35,888.2
Derivative financial instruments	FVPL (Held-for-trading)	Fair value through profit & loss	512.8	512.8
Loans to and placements with banks	Amortised cost (Loans and receivables)	Amortised cost	18,920.8	18,858.9
Loans and advances to customers	Amortised cost (Loans and receivables)	Amortised cost	199,298.2	198,073.2
Investment securities	FVPL (Held-for-trading)	Fair value through profit & loss	24,350.2	24,350.2
Investment securities	Amortised Cost (Held-to-maturity)	Amortised cost	55,395.0	55,391.8
Investment securities	Amortised Cost (Held-to-maturity)	Fair value through profit & loss	1,055.2	1,074.8
Investment securities	Available-for-sale	Amortised cost	205.7	205.7
Investment securities	Available-for-sale	Fair value through other comprehensive income	3,768.5	3,768.5
Investment securities	Available-for-sale	Fair value through profit & loss	3,972.8	3,972.8
Other assets	Loans and receivables	Amortised cost	21,673.0	21,671.1
			365,055.2	363,768.0
Financial liabilities				
Deposits from banks	Amortised cost	Amortised cost	3,157.7	3,157.7
Deposits from customers	Amortised cost	Amortised cost	294,560.9	294,560.9
Derivative financial instruments	FVPL (Held-for-trading)	Fair value through profit & loss	883.4	883.4
Other borrowed funds	Amortised cost	Amortised cost	14,372.5	14,372.5
Subordinated liabilities	Amortised cost	Amortised cost	5,591.8	5,591.8
Debt securities	Amortised cost	Amortised cost	2,012.7	2,012.7
Other financial liabilities	Amortised cost	Amortised cost	5,337.5	5,627.1
			325,916.5	326,206.1

20. Transitional disclosures (Cont'd)

(ii) Reconciliation of the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 at 01 July 2018

	GROUP			
	IAS 39 carrying amount RS'M	Re-classification RS'M	Re-measurement RS'M	IFRS 9 carrying amount RS'M
Financial assets				
Amortised cost				
Cash and cash equivalents	35,903.0	-	(14.8)	35,888.2
Loan to and placements with banks	18,920.8	-	(61.9)	18,858.9
Loan and advances to customers	199,298.2	-	(1,225.0)	198,073.2
Investment securities				
Opening balance	56,450.2	-	-	-
To fair value through profit or loss (1)	-	(1,055.2)	-	-
From available-for-sale (2)	-	205.7	-	-
Remeasurement	-	-	(3.2)	-
Closing balance	-	-	-	55,597.5
Other assets	21,673.0	-	(1.9)	21,671.1
Total amortised cost	332,245.2	(849.5)	(1,306.8)	330,088.9
Investment securities: Available-for-sale				
Opening balance	7,947.0	-	-	-
To fair value through other comprehensive income- Debt	-	(2,070.3)	-	-
To fair value through other comprehensive income- Equity	-	(1,698.2)	-	-
To fair value through profit or loss (1)	-	(3,972.8)	-	-
To amortised cost	-	(205.7)	-	-
Closing balance	7,947.0	(7,947.0)	-	-
Fair value through other comprehensive income				
Fair value through other comprehensive income - Debt				
From available-for-sale (4)	-	2,070.3	-	2,070.3
Fair value through other comprehensive income - Equity				
From available for sale (3)	-	1,698.2	-	1,698.2
Total fair value through other comprehensive income	-	3,768.5	-	3,768.5

20. Transitional disclosures (Cont'd)

Reconciliation of the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 at 01 July 2018 (Cont'd)

	GROUP			
	IAS 39 carrying amount RS'M	Re-classification RS'M	Re-measurement RS'M	IFRS 9 carrying amount RS'M
Financial assets				
Fair value through profit and loss				
Derivative financial assets	512.8	-	-	512.8
Investment securities:				
Opening balance	24,350.2	-	-	-
From amortised cost	-	1,055.2	19.6	-
From available for sale	-	3,972.8	-	-
Closing balance	-	-	-	29,397.8
Total fair value through profit and loss	24,863.0	5,028.0	19.6	29,910.6
Financial liabilities				
Amortised cost				
Deposits from banks	3,157.7	-	-	3,157.7
Deposits from customers	294,560.9	-	-	294,560.9
Other borrowed funds	14,372.5	-	-	14,372.5
Subordinated liabilities	5,591.8	-	-	5,591.8
Debt securities	2,012.7	-	-	2,012.7
Other financial liabilities	5,337.5	-	289.6	5,627.1
Total amortised cost	325,033.1	-	289.6	325,322.7
Fair value through profit and loss				
Derivative financial liabilities	883.4	-	-	883.4
Total fair value through profit or loss	883.4	-	-	883.4

The following table reconciles the prior year's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected loss model at 01 July 2018.

	GROUP		
	Loss allowance under IAS 39 / Provision under IAS 37 RS'M	Re-measurement RS'M	Loss allowance under IFRS 9 RS'M
Loans and receivable (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Cash and cash equivalents	-	14.8	14.8
Loans to and placements with banks	69.9	61.9	131.8
Loans and advances to customers	4,008.4	1,225.0	5,233.4
Other assets	-	1.9	1.9
Held-to-maturity (IAS 39) /Financial assets at amortised cost (IFRS 9)			
Investment securities	49.9	3.2	53.1
Others			
Off-Balance sheet exposures	-	289.6	289.6
Investment in associates	-	158.8	158.8
	4,128.2	1,755.2	5,883.4

20. Transitional disclosures (Cont'd)

1. Debt instruments previously at amortised cost but which failed the Solely Payments of Principal and Interest (SPPI) test

The Group holds a portfolio of debt instruments that failed the SPPI requirement for amortised cost classification under IFRS 9. This portfolio is bundled with a credit derivative that is linked to the credit risk of a third party. This reference to credit risk of a third party introduces terms that can change the timing or amount of cash flows that is inconsistent with the SPPI requirements. As a result these instruments which amounted to Rs1.0 bn were reclassified to FVPL at date of initial application.

2. Securities within the liquidity portfolio

After assessing its business model for securities within the Group's liquidity portfolio, which were mostly to collect the contractual cash flows and sell, the Group identified certain securities which are managed separately and for which the past practice has been to hold to collect cash flows. Consequently, the Group assessed the appropriate business model for this group of securities is held to collect. These securities which amounted to MUR 205.0m, and which were previously classified as available-for-sale were classified as amortised cost from date of initial application. The remainder of the Group's liquidity portfolio is held to collect contractual cash flows and sell.

3. Designation of equity instruments at fair value through other comprehensive income (FVOCI)

The Group has elected to irrevocably designate strategic investments at FVOCI as permitted under IFRS 9. These securities were previously classified as available-for-sale. The changes in the fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

4. Reclassification from retired categories with no change in measurement

In addition to the above, the debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were retired with no changes to their measurement basis:

(i) Those previously classified as available-for-sale are now classified as fair value through other comprehensive income
(ii) Those previously classified as held-to-maturity and now classified at amortised cost

21. Stated capital and reserves

(a) Stated capital

	Number of shares
At 01 July 2017	238,422,890
Issue of shares following the exercise of Group Employee Share Options Scheme	260,206
At 30 June 2018	**238,683,096**
Issue of shares following the exercise of Group Employee Share Options Scheme	**217,565**
At 30 June 2019	**238,900,661**

Fully paid ordinary shares carry one vote per share and the right to dividend.

The shares have no par value and rank 'pari passu' in all respects with the existing ordinary shares of the Company.

(b) Reserves

(i) Capital reserve
The capital reserve represents the cumulative net change in:
(a) the fair value of investment securities until the securities are derecognised or impaired.
(b) revaluation surplus on land and factory buildings where applicable, until it is derecognised.

(ii) Translation reserve
The translation reserve represents all foreign currency differences arising from the translation of the results and financial position of foreign operations.

(iii) Statutory reserve
Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

(iv) General banking reserve
The Group makes an appropriation to a General banking reserve for unforeseen risks and future losses.

22. Contingent liabilities

	GROUP	
	2019 RS'M	2018 RS'M
(a) Instruments		
Acceptances on account of customers	**191.3**	204.6
Guarantees on account of customers	**21,657.5**	23,262.0
Letters of credit and other obligations on account of customers	**45,394.2**	33,403.9
Other contingent items	**1,759.5**	3,001.7
	69,002.5	59,872.2
(b) Commitments		
Loans and other facilities, including undrawn credit facilities	**6,503.1**	6,773.3
(c) Tax assessments*	**89.7**	537.1
(d) Other		
Inward bills held for collection	**509.3**	420.5
Outward bills sent for collection	**1,199.9**	1,019.9
	1,709.2	1,440.4
	77,304.5	68,623.0

*The Mauritius Commercial Bank Limited received income tax assessments relating to financial years ended 30 June 2007 to 30 June 2015 against which the Bank has objected.

The basis of the assessment raised by the Mauritius Revenue Authority ("MRA") were around a number of areas and during the year, an agreement was reached between the two parties for the income tax assessments relating to financial years ended 30 June 2007 to 30 June 2014.

In addition, the Bank received several assessments under the Value Added Tax Act for the periods beginning April 2006 to December 2015 against which the Bank also objected.

On the basis of the agreement reached on income tax assessments and ongoing discussions held with the MRA, a provision has been made based on an estimate of the likely charge for the remaining periods.

The Bank is of the opinion that the likelihood of incurring additional payment to the MRA beyond the amount provided is not probable for those assessments still in front of the Assessment Review Committee. As a result, the maximum liability that could arise from these assessments that have not been provided for amounted to Rs 89.7 million.

23. Interest income

	GROUP		COMPANY	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Loans to and placements with banks	**1,085.0**	667.8	**-**	-
Loans and advances to customers	**13,980.2**	11,478.8	**-**	-
Investments at amortised cost	**2,674.1**	-	**0.2**	-
Investments at fair value through other comprehensive income	**313.4**	-	**-**	-
Investments at fair value through profit or loss	**773.8**	-	**-**	-
Held-to-maturity investments	**-**	2,279.6	**-**	-
Available-for-sale investments	**-**	126.5	**-**	-
Held-for-trading investments	**-**	511.2	**-**	-
Other	**14.9**	49.0	**5.3**	2.3
	18,841.4	15,112.9	**5.5**	2.3

24. Interest expense

Deposits from banks	**106.6**	47.4	**-**	-
Deposits from customers	**4,161.7**	3,824.5	**-**	-
Other borrowed funds	**1,273.0**	213.4	**-**	15.8
Subordinated liabilities	**273.3**	268.5	**218.3**	222.4
Debt securities	**70.0**	29.9	**70.0**	29.9
	5,884.6	4,383.7	**288.3**	268.1

25. Fee and commission income

Retail and private banking fees	**668.9**	757.9	**-**	-
Corporate banking fees	**646.5**	609.8	**-**	-
Guarantee fees	**276.5**	247.3	**-**	-
Interbank transaction fees	**64.6**	64.7	**-**	-
Brokerage	**60.7**	77.0	**-**	-
Asset management fees	**192.1**	145.7	**-**	-
Rental income	**194.6**	175.6	**-**	-
Cards and other related fees	**2,012.4**	1,760.9	**-**	-
Trade finance fees	**750.3**	483.1	**-**	-
Others	**268.4**	225.6	**-**	-
	5,135.0	4,547.6	**-**	-

26. Fee and commission expense

Interbank transaction fees	**43.2**	32.8	**-**	-
Cards and other related fees	**1,045.2**	907.1	**-**	-
Corporate banking and trade finance fees	**174.1**	113.3	**-**	-
Others	**86.4**	61.4	**-**	-
	1,348.9	1,114.6	**-**	-

27. Net gain/(loss) on financial instruments

	GROUP		COMPANY	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Derivative financial instruments	**89.6**	(243.5)	**-**	-
Investment securities at fair value through profit or loss	**613.3**	(182.3)	**-**	-
Investment securities held-for-trading	**-**	40.3	**-**	-
	702.9	(385.5)	**-**	-

28. Dividend income

Income from quoted investments:				
Subsidiary	**-**	-	**35.8**	35.8
Others	**64.3**	59.8	**4.1**	4.1
Income from unquoted investments:				
Subsidiaries	**-**	-	**3,320.2**	2,882.7
Others	**31.4**	25.4	**10.1**	-
	95.7	85.2	**3,370.2**	2,922.6

29. Non-interest expense

(a) Salaries and human resource costs

	GROUP		COMPANY	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Wages and salaries	**3,156.8**	2,760.7	**108.0**	90.9
Defined benefit plan	**211.2**	197.0	**-**	-
Residual retirement gratuities	**7.7**	51.0	**-**	-
Defined contribution plan	**126.1**	101.1	**-**	-
Compulsory social security obligations	**82.5**	77.3	**-**	-
Equity settled share-based payments	**4.1**	10.9	**-**	-
Other personnel expenses	**726.6**	615.6	**-**	-
	4,315.0	3,813.6	**108.0**	90.9
Number of employees at the end of the year	**3,598**	3,409		

(b) Other non-interest expense

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Legal & professional fees	**411.6**	443.2	**14.9**	3.2
Rent, repairs, maintenance costs and security charges	**412.7**	440.5	**0.6**	0.8
Software licensing and other information technology costs	**441.6**	334.4	**-**	-
Electricity water & telephone charges	**285.1**	282.3	**-**	-
Advertising & marketing costs	**268.1**	169.2	**-**	-
Postage, courier & stationery costs	**160.9**	149.2	**1.6**	0.9
Insurance costs	**104.9**	101.6	**-**	-
Others	**190.2**	178.7	**36.5**	39.5
	2,275.1	2,099.1	**53.6**	44.4

(c) Share-based payments

During FY 2014, the Group proposed to all employees a Group Employee Share Option Scheme (GESOS).

The Board of Directors has the authority to issue up to 5 million shares to the employees. In October 2018, a further offer of 684,428 options was made on similar terms.

	GROUP			
	2019		2018	
	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 01 July	**252.51**	**523,284**	190.97	559,883
Expired during the year	**252.80**	**(500,112)**	189.87	(388,329)
Granted during the year	**246.70**	**684,428**	251.68	611,936
Exercised during the year	**250.90**	**(217,565)**	211.62	(260,206)
Outstanding and exercisable at 30 June		**490,035**		523,284

The options outstanding at 30 June 2019 under GESOS have an exercise price in the range of Rs 244.00 to Rs 272.00 and a weighted average contractual life of 3½ months.

The weighted average share price at the date the share options were exercised under GESOS during FY 18/19 was Rs 277.03 (2018:Rs 274.95).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of MCB Group Limited. The fair value at measurement date is Rs 268.00 (2018:Rs 273.50).

30. Net impairment of financial assets

	GROUP	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Net allowance for credit impairment:		
Cash and cash equivalents	**6.0**	-
Loan and advances		
Loans to and placements with banks	**(74.7)**	237.3
Loans and advances to customers	**1,604.1**	996.0
Investment securities:		
Amortised cost	**58.9**	-
Fair value through other comprehensive income	**(6.4)**	-
Held-to-maturity	**-**	46.0
Other assets - receivables	**14.3**	-
Off-balance sheet exposures	**41.0**	-
	1,643.2	1,279.3
Bad debts written off for which no provisions were made	**1.8**	100.2
Recoveries of advances written off	**(48.1)**	(49.6)
	1,596.9	1,329.9

31. Income tax expense

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

	GROUP		COMPANY	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Income tax based on the adjusted profit	**998.6**	1,053.3	**0.4**	0.3
Deferred tax	**132.5**	72.6	**0.1**	(0.3)
Special levy on banks	**510.5**	493.8	**-**	-
Corporate Social Responsibility contribution	**102.2**	98.4	**0.1**	0.1
Under/(Over) provision in previous years	**23.3**	(91.8)	**-**	-
Provision for tax assessments	**163.1**	258.3	**-**	-
Charge for the year	**1,930.2**	1,884.6	**0.6**	0.1

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

Profit before tax	**11,522.7**	9,125.9	**2,923.4**	2,519.5
Less share of profit of associates	**(403.9)**	(306.6)	**-**	-
	11,118.8	8,819.3	**2,923.4**	2,519.5
Tax calculated at a rate of 15%	**1,667.8**	1,322.9	**438.5**	377.9
Effect of different tax rates	**58.0**	54.0	**-**	-
Impact of:				
Income not subject to tax	**(132.8)**	(178.3)	**(506.1)**	(438.8)
Expenses not deductible for tax purposes	**313.4**	332.5	**68.1**	60.9
Tax credits	**(775.3)**	(405.2)	**-**	-
Special levy on banks	**510.5**	493.8	**-**	-
Corporate Social Responsibility contribution	**102.2**	98.4	**0.1**	0.1
Under/(Over) provision in previous years	**23.3**	(91.8)	**-**	-
Provision for tax assessments	**163.1**	258.3	**-**	-
Tax charge	**1,930.2**	1,884.6	**0.6**	0.1

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Group is required, via its local subsidiaries, to allocate a percentage of its chargeable income of the preceding year to a CSR programme approved by the National Social Inclusion Foundation (formerly known as National CSR Foundation) and the remaining to the Mauritius Revenue Authority.

Bank Levy

The Group, via The Mauritius Commercial Bank Limited, is liable to pay a special levy as a percentage of its leviable income from resident, excluding Global Business Licence holders (The special levy was paid as a percentage of its segmental chargeable income for the year ended 30 June 2018).

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

	GROUP	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Remeasurement of defined benefits pension plan	**487.4**	283.3
Deferred tax credit	**(82.9)**	(48.2)
Remeasurement of defined benefit pension plan, net of deferred tax	**404.5**	235.1

32. Dividends

	COMPANY	
	2019 RS'M	2018 RS'M
Paid on 14 December 2018 at Rs 5.50 per share (FY 2018: Rs 5.00 per share)	**1,312.8**	1,192.9
Paid on 30 July 2019 at Rs 5.40 per share (FY 2018: Rs 4.50 per share)	**1,290.1**	1,074.1
	2,602.9	2,267.0

33. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	Year ended 30 June 2019	Year ended 30 June 2018
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**9,482,200**	7,220,900
Weighted average number of ordinary shares (thousands)	**238,791**	238,593
Basic earnings per share (Rs)	**39.71**	30.26

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares which is share options.

For share options, the proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period is treated as an issue of ordinary shares for no consideration.

	GROUP	
	Year ended 30 June 2019	Year ended 30 June 2018
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**9,482,200**	7,220,900
Weighted average number of ordinary shares - basic (thousands)	**238,791**	238,593
Effect of share options in issue (thousands)	**75**	45
Weighted average number of ordinary shares - diluted (thousands) at year end	**238,866**	238,638
Diluted earnings per share (Rs)	**39.70**	30.26

34. Commitments

(a) Capital commitments

	GROUP	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Expenditure contracted for but not incurred	**137.1**	95.1
Expenditure approved by the Board but not contracted for	**143.3**	232.3

(b) Securities pledged

The Group has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius and for repurchase agreement with other financial institutions.

	GROUP	
	2019 RS'M	2018 RS'M
Government of Mauritius bonds with Bank of Mauritius	**5,014.1**	4,528.9
Government of Mauritius bonds with other financial institutions	**1,800.0**	1,800.0
	6,814.1	6,328.9

35. Net cash flows from trading activities

	GROUP		COMPANY	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Operating profit	**11,118.8**	8,819.3	**2,923.4**	2,519.5
Increase in other assets	**(3,455.3)**	(1,742.4)	**(292.3)**	(12.9)
Increase in other liabilities	**2,492.6**	1,169.8	**18.6**	13.7
Capital injection in MCB Superannuation fund	**(317.0)**	-	**-**	-
Net (increase)/decrease in derivative financial instruments	**(131.4)**	448.6	**-**	-
Net decrease/(increase) in investment securities at fair value through profit or loss	**6,549.8**	(116.2)	**-**	-
Net increase in investment securities held-for-trading	**-**	-	**-**	-
Release of provision for employee benefits	**(21.0)**	-	**-**	-
Provision for residual retirement gratuities	**7.7**	-	**-**	-
Net allowance for credit impairment on:				
Cash and cash equivalents	**6.0**	-	**-**	-
Loans and advances	**1,529.4**	1,233.3	**-**	-
Investment securities at amortised cost	**58.9**	-	**-**	-
Investment securities held-to-maturity	**-**	46.0	**-**	-
Investment securities at fair value through other comprehensive income	**(6.4)**	-	**-**	-
Other assets - receivables	**14.3**	-	**-**	-
Off-balance sheet exposures	**41.0**	-	**-**	-
Exchange (profit)/loss	**(541.6)**	23.9	**-**	-
Depreciation of property, plant and equipment	**655.9**	600.4	**2.4**	2.0
Amortisation of intangible assets	**264.7**	288.5	**-**	-
Loss on disposal of property, plant and equipment	**2.9**	19.4	**-**	-
Profit on disposal of available-for-sale investments	**-**	(443.3)	**-**	-
Revaluation gain on investment properties	**(118.0)**	-	**-**	-
Profit on disposal of investment securities	**(25.1)**	-	**-**	-
Bargain purchase on business combinations	**(1.1)**	(6.3)	**-**	-
	18,125.1	(4,303.6)	**2,652.1**	2,522.3

36. Net cash flows from other operating activities

	GROUP	
	Year ended 30 June 2019 RS'M	Year ended 30 June 2018 RS'M
Net increase in deposits	**33,527.0**	22,760.7
Net increase in loans and advances	**(31,222.6)**	(24,028.0)
Purchase of investment at fair value through other comprehensive income	**(39,697.2)**	-
Purchase of available-for-sale investments	**-**	(12,034.4)
Proceeds from sale of investment of fair value through other comprehensive income	**21,158.5**	-
Proceeds from sale of available-for-sale investments	**-**	12,763.7
Net increase in investment securities at amortised cost	**(24,933.4)**	-
Net decrease in held-to-maturity investment securities	**-**	859.9
Net increase in other borrowed funds	**29,682.8**	6,615.1
	(11,484.9)	6,937.0

37. Operating segments

Operating segments are reported in accordance with the internal reporting provided to the Supervisory and Monitoring Committee, whose responsibility is to allocate capital and resources to the reportable segments and assessing their performance.

All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group's income, expenses, assets and liabilities are derived mainly through its Mauritian operations.

Year ended 30 June 2019

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**27,459.9**	26,439.1	1,671.3	525.3	(1,175.8)
Expenses	**(14,744.2)**	(14,026.5)	(836.7)	(466.4)	585.4
Operating profit before impairment	**12,715.7**	12,412.6	834.6	58.9	(590.4)
Net impairment of financial assets	**(1,596.9)**	(1,579.4)	(12.5)	(5.2)	0.2
Operating profit	**11,118.8**	10,833.2	822.1	53.7	(590.2)
Share of profit of associates	**403.9**	241.9	0.3	161.7	-
Profit before tax	**11,522.7**	11,075.1	822.4	215.4	(590.2)
Income tax expense	**(1,930.2)**				
Profit for the year	**9,592.5**				
Other segment items:					
Segment assets	**459,445.0**	457,541.3	19,778.5	1,334.1	(19,208.9)
Investments in associates	**9,961.5**	4,363.2	19.6	5,587.3	(8.6)
Goodwill and other intangible assets	**1,462.9**				
Deferred tax assets	**291.9**				
Total assets	**471,161.3**				
Segment liabilities	**402,234.3**	399,390.5	12,636.7	1,491.8	(11,284.7)
Unallocated liabilities	**10,149.1**				
Total liabilities	**412,383.4**				

37. Operating segments (Cont'd)

Year ended 30 June 2018

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**22,449.1**	21,629.1	1,434.8	441.6	(1,056.4)
Expenses	**(12,299.9)**	(11,683.0)	(760.6)	(361.8)	505.5
Operating profit before impairment	**10,149.2**	9,946.1	674.2	79.8	(550.9)
Net impairment of financial assets	**(1,329.9)**	(1,299.0)	(30.9)	-	-
Operating profit	**8,819.3**	8,647.1	643.3	79.8	(550.9)
Share of profit/(loss) of associates	**306.6**	341.5	2.7	(37.6)	-
Profit before tax	**9,125.9**	8,988.6	646.0	42.2	(550.9)
Income tax expense	**(1,884.6)**				
Profit for the year	**7,241.3**				
Other segment items:					
Segment assets	**375,049.2**	376,401.6	16,943.0	1,289.1	(19,584.5)
Investments in associates	**9,796.0**	4,363.3	19.3	5,422.1	(8.7)
Goodwill and other intangible assets	**1,238.8**				
Deferred tax assets	**285.8**				
Total assets	**386,369.8**				
Segment liabilities	**322,688.0**	323,020.2	10,610.3	1,487.6	(12,430.1)
Unallocated liabilities	**9,915.2**				
Total liabilities	**332,603.2**				

37. Operating segments (Cont'd)

Year ended 30 June 2019

	GROUP RS'M	Net interest income/(expense) RS'M	Net fee and commissions RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**19,312.8**	12,857.1	3,302.3	649.3	2,504.1
Non-Banking Financial	**1,357.7**	134.9	676.0	33.7	513.1
Other Investments	**481.2**	(35.2)	10.3	8.8	497.3
Eliminations	**(925.3)**	-	(202.5)	(596.1)	(126.7)
	20,226.4	12,956.8	3,786.1	95.7	3,387.8
Segment assets	**403,311.5**	396,971.2		6,340.3	
Investments in associates	**9,961.5**				
Goodwill and other intangible assets	**1,462.9**				
Deferred tax assets	**291.9**				
Unallocated assets	**56,133.5**				
Total assets	**471,161.3**				

Year ended 30 June 2018

	GROUP RS'M	Net interest income/(expense) RS'M	Net fee and commissions RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	16,265.7	10,622.7	3,015.5	594.3	2,033.2
Non-Banking Financial	1,144.3	144.3	602.8	34.9	362.3
Other Investments	396.1	(37.8)	5.8	14.2	413.9
Eliminations	(855.3)	-	(191.1)	(558.2)	(106.0)
	16,950.8	10,729.2	3,433.0	85.2	2,703.4
Segment assets	296,541.7	290,935.0		5,606.7	
Investments in associates	9,796.0				
Goodwill and other intangible assets	1,238.8				
Deferred tax assets	285.8				
Unallocated assets	78,507.5				
Total assets	386,369.8				

38. Related party transactions

(a) The Group

	Associated companies	Directors and Key Management Personnel	Enterprises in which Directors and Key Management Personnel have significant interest	Defined benefit plan
	RS'M	RS'M	RS'M	RS'M
Cash equivalents, loans and advances				
Balance at year end:				
30 June 18	2,466.1	249.9	654.2	181.5
30 June 19	**3,781.3**	**291.1**	**372.2**	**-**
Deposits				
Balance at year end:				
30 June 18	151.9	243.5	100.2	608.1
30 June 19	**117.3**	**235.3**	**277.9**	**882.4**
Amounts due from/(to)				
Balance at year end:				
30 June 18	2.0	-	-	-
30 June 19	**(1,145.7)**	**-**	**-**	**-**
Off Balance sheet items				
Balance at year end:				
30 June 18	-	-	2.7	-
30 June 19	**629.3**	**-**	**2.8**	**-**
Interest income				
For the year ended:				
30 June 18	69.3	5.2	32.4	-
30 June 19	**95.8**	**6.7**	**20.3**	**-**
Interest expense				
For the year ended:				
30 June 18	4.7	5.8	0.1	11.6
30 June 19	**2.6**	**6.8**	**-**	**5.8**
Fees and commissions and other income				
For the year ended:				
30 June 18	38.8	2.9	3.0	8.2
30 June 19	**34.7**	**3.3**	**2.2**	**7.3**

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

Credit facilities granted to related parties are secured except for credit cards, money market lines and facilities provided to related financial institution counterparties in accordance with our policy and are settled from the underlying obligor's operating cash flows.

38. Related party transactions (Cont'd)

(a) The Group (Cont'd)

The figure for "Fees and commissions and Other income" from Associated Companies includes an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI') and fees charged to SG Moçambique in respect of IT, Systems and Cards services support by International Cards Processing Services Ltd, MCB Consulting Services Ltd and MCB Ltd.

During the year, 74,120 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs19.9M (FY2017/2018 42,657 share options for Rs9.4M).

(b) The Company

In addition to the amounts disclosed in (a) above, the following information relate to subsidiaries and associates of the Company:

(i) Balances as at 30 June :

	Amount owed by RS'M	Amount owed to RS'M
Subsidiaries		
2018	1,383.4	3.1
2019	**1,933.6**	**3.7**
Associates		
2019	**4.0**	**-**

(ii) Income and expenses for the period ended 30 June:

	Dividend income RS'M	Interest income RS'M	Other expense RS'M
Subsidiaries			
2018	2,918.5	2.3	39.2
2019	**3,356.1**	**5.5**	**12.1**
Associate			
2018	4.1	-	-
2019	**4.1**	**-**	**-**

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2019 RS'M	**2018 RS'M**	**2019 RS'M**	**2018 RS'M**
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :				
Salaries and short term employee benefits	**224.3**	212.2	**82.8**	76.0
Post employment benefits	**16.4**	16.2	**4.8**	4.7
	240.7	228.4	**87.6**	80.7


grander
lamour zot
fami

2019 in Retrospect

Eski nou kapav dir dimounn ere akoz grander zot lakaz ouswa lor grander lamour zot fami ki viv ladan ?

Is the success of a home the price of the property? Or is it in the love it allows a family to share?

2019 in Retrospect

SEMYIA

The Loreto College of Mahébourg won the SEM Young Investor Award (SEMYIA) 2019. 151 teams from 85 colleges took part in the competition this year.

Launch of the Lokal Is Beautiful Scheme

The Lokal Is Beautiful Scheme aims at improving access to finance for responsible Mauritian entrepreneurs.

InovApp Challenge 2019

MCB organised the second edition of the MCB InovApp Challenge, targeting the developer community to bring together digital talents.

MCB Foundation Laureate

Shipra Poonyth wins the 31st MCB Foundation Scholarship. She is currently in Australia, undertaking a Bachelor of Commerce with a specialisation in Actuarial Studies, at the University of Melbourne.

National Spelling Bee Competition

The finals of the 18th edition of the National Spelling Bee Competition were held at MCB St Jean. This competition, which is open to students from Grade 7 to Grade 10, is organised each year by the English Speaking Union with the support of MCB Group.

Diya One

An official partnership between the MCB Group, Partnering Robotics Ltd and the State Investment Corporation (SIC) is set to trigger the production of Diya One robots in Mauritius.

Science Quest

The Lycée des Mascareignes, Royal College Curepipe and Loreto College Bambous Virieux distinguished themselves at the Science Quest 2019. Organised by the Rajiv Gandhi Science Center and sponsored by MCB Group, this competition has reached its sixth edition this year.

VIBE Moris®

This song competition, which is so much more than a show, reveals and nurtures stage-related professionals.

Launching of MCB IF

MCB Group and Uniciti Education Hub have launched the MCB Institute of Finance (MCB IF). This institute aims to provide specialised and continuous learning to students and professionals from the banking and financial sectors.

Rodrigues Scholarship

Jeaneen Momus and Jonaël Jolicoeur were the laureates of the 2019 MCB Rodrigues Scholarship.

Lokal Is Beautiful

MCB Group presented the results of a study aimed at identifying economic leaks and proposing related solutions. This study was the first concrete proof of the Group's commitment to sustainable development through its "Success Beyond Numbers" manifesto.

2019 in Retrospect

Mauritius at the World Trail Championships

Through its partnership with Rando Trail & Nature, MCB has sponsored the national team for Mauritius's first participation at the World Trail Championships in Portugal.

MCB Live

The 2018 edition of MCB Live at the Swami Vivekanda International Convention Centre was the ideal occasion to share the Group's strategic intentions, as well as its vision in terms of sustainable development.

The Aldabra Clean Up Project in Seychelles

The MCB Seychelles team has been actively participating in the removal of plastic waste from the beautiful atoll. The Aldabra Clean Up Project's aim is to clear and sustainably manage accumulated ocean waste from the Aldabra Atoll and to increase awareness of plastic pollution in oceans.

Madagascar UTOP

For the last years, MCB Madagascar has been sponsoring the 70km race of the Ultra Trail des Ô Plateaux (UTOP). This annual event attracts local athletes as well as runners from the whole world.

Madagascar Invitational

The MCB Madagascar Invitational was held at the Golf du Rova in Antananarivo. The winners, accompanied by Jean Michel Ng Tseung, Chief Executive of MCB Investment Holding Ltd, will represent Madagascar at the Constance Pro Am of the MCB Tour Championship.

APDA youngsters at the golf

During school holidays, children from the Association des Parents des Déficients auditifs (APDA) were able to learn all about golf. They also had a special session with players from MCB.

Chess in School

Chess in School initiative, with the support of MCB Group, is an ideal educational tool for primary school children. It aims to spur their intellect, personality and character.

MCB Seychelles supports athletes

MCB Seychelles was the proud sponsor of Team Seychelles for the Indian Ocean Island Games.

Team MCB at the IOIG

Team MCB went for gold and outshone competitors at the Indian Ocean Island Games.

MCB partners with the Mauritian Wildlife Foundation

MCB has set up an impactful partnership with the Mauritian Wildlife Foundation in order to protect Mauritius' biodiversity. This partnership also brings in the participation of MCB's customers.

Plogging in the city

MCB's first plogging event was held in Les Salines and was a big success. Within a single hour, participants had gathered half a ton of waste.

Administrative Information

Moris, mwa, mo MCB, enn zanfan isi
Dan sa kalite sikse-la ki mo pou investi

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

enn zanfan isi

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report.mcbgroup.info