



BCP BANK (MAURITIUS)

Formerly known as Banque des Mascareignes Ltée

ANNUAL REPORT **2 0 1 8**



BCP BANK (MAURITIUS) LTD
(Formerly known as Banque des Mascareignes Ltée)

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2018

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Who we are

BCP Bank (Mauritius) is wholly owned by Banque Centrale Populaire (BCP) group since October 2018. BCP Group is the sixth largest banking group in Africa in terms of equity and the leading banking institution in Morocco. It is present in 28 countries, notably in West Africa and in Europe.

As the only North and West African bank to be present in Mauritius, BCP Group supports the growing dynamics towards French-speaking Africa as well as investments from Asia, specially China and India towards Africa. BCP Bank (Mauritius) can rely on the BCP's synergy and network as well as best-in-class practices and the commitment of a highly rated group in Morocco and in Maghreb, by the most trusted international agencies.

The Bank operates on the following segments: Private Banking, Retail Banking and Corporate & Institutional Banking where it is particularly active in the areas of Trade Finance Transactions, Trade Syndication and Cross-Border Lending.

CORPORATE INFORMATION

Chief Executive Officer:	Mr Abdelwafi Atif as at 20 th November 2018
Secretary:	Ms Nashreen Rojoa
Registered Office:	9 th Floor, Maeva Tower, Corner Silicon Avenue and Bank Street, CyberCity Ebène.
Auditors:	Mazars 4 th Floor, Unicorn Centre, Frère Felix de Valois Street, Port-Louis

OUR REGISTERED BRANCHES & ATMS

BRANCHES	Curepipe	Route Royale, Curepipe Tel: (230) 207 1057
	Flacq	Rue Sainte Ursule, Centre de Flacq Tel: (230) 207 8688
	Grand-Baie	Complexe Super U Route de la Salette, Grand Baie Tel: (230) 207 8772
	Port-Louis	5, Avenue du Duc d'Edimbourg Port Louis Tel: (230) 207 8788
	Quatre-Bornes	Route Saint-Jean, Quatre Bornes Tel: (230) 207 8696
	Tamarin	Cap Tamarin, Tamarin Tel: (230) 207 8777
ATMS	Bagatelle	Entrée No. 3 Bagatelle – Mall of Mauritius, Bagatelle
	Ebène	Rez-de-chaussée Maeva Tower Angle Silicon Avenue et Bank Street Ebene Way Commercial Centre Cybercity, Ebene, Mauritius
	Flic-en-Flac	Pasadena Mall Coastal Road, Flic en Flac
	Grand-Baie	Sunset Boulevard Royal Road, Grand Baie
	Phoenix	Centre Commercial Phoenix Av. Swami Sivananda, Phoenix
	Rose-Belle	Plaisance Shopping Mall

Exchange Counter

Plaisance	Sir Seewoosagur Ramgoolam International Airport Passenger Arrival Terminal Tel: (230) 637 7523
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**MANAGEMENT
DISCUSSION
& ANALYSIS****MANAGEMENT DISCUSSION AND ANALYSIS**
I. FINANCIAL HIGHLIGHTS**I. FINANCIAL HIGHLIGHTS**

	Group			Bank		
	2018	2017	2016	2018	2017	2016
Income Statement (Rs' million)						
Net Interest Income	420	440	482	401	421	466
Revenue	693	630	680	689	527	624
Profit before Tax	65	131	51	114	70	58
Profit for the year	-94	158	50	-45	98	58

Statement of Financial Position (Rs' million)						
Total Assets	19,099	17,545	22,299	18,984	17,115	22,141
Total Loans (Net)	13,243	11,988	12,231	13,158	11,859	12,142
Total Deposits	12,525	11,577	15,591	12,252	11,232	15,401
Shareholders' Fund	2,382	2,226	1,991	2,360	2,127	2,045
Risk Weighted Assets	16,830	15,218	14,040	16,188	13,641	13,601

Performance Ratios (%)						
Return on average assets	-0.5	0.8	0.2	-0.2	0.5	0.3
Return on average equity	-4.1	7.5	2.8	-2.0	4.7	3.0
Non-Interest income/Revenue	39.4	30.2	29.2	41.9	20.1	25.3
Loans to deposits ratio	105.7	103.5	78.4	107.4	105.6	78.8
Cost to income ratio	86.3	92.8	85.3	80.8	104.2	84.2

Asset Quality (%)						
Non-performing loan ratio	6.7	8.1	18.6	6.5	7.8	18.5
Provision Coverage ratio	61.9	57.6	57.7	61.6	58.6	58.0

MANAGEMENT DISCUSSION AND ANALYSIS
I. FINANCIAL HIGHLIGHTS (CONTINUED)

PERFORMANCE AGAINST OBJECTIVES

Objectives for FY 2018	Performance in FY 2018	Objectives for FY 2019
Return on average equity (ROAE)		
ROAE should stay around the same level.	ROAE of -2% for the year.	The return on average equity is expected to stand around 2.4%.
Return on average assets (ROAA)		
No significant change is expected on the ROAA level.	ROAA of -0.2%.	The return on assets would be at 0.2% in 2019.
Revenue		
The Bank forecasts a growth in NII of more than 26% for the financial year 2018.	Drop of the net interest income (NII) of 5% in 2018, originated primarily from investment securities.	Operating income: Above 30% growth projected.
A substantial expansion of the other revenue is anticipated, due to higher commissions and growth in net trading income.	Other operating income (excluding exceptional items): Achieved a growth of 23% supported by higher commissions income.	
Operating expenses		
Growth in operating expenses is expected to exceed 10%, due to major projects in the course of financial year 2018.	Operating expenses remained stable over the year.	The operating expenses is expected to rise by 4% in 2019, in line with the macro- economic indicators.
Cost to income ratio		
Cost to income is targeted to stand at 84.5% in financial year 2018, given an expected higher increase in income as compared to cost.	The cost to income was at 80.8% in financial year 2018, an improvement as compared to 104.2% a year ago.	To improve cost to income ratio at 63.8%, solely supported by a robust growth in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS
I. FINANCIAL HIGHLIGHTS (CONTINUED)

PERFORMANCE AGAINST OBJECTIVES (CONTINUED)

Loans and advances (net) growth		
Gross loans and advances is expected to expand by more than 20%, following a growth in the segment B business while the domestic front will continue to expand more.	Attained a growth of 10%, with a substantial increase recorded in particular in segment A business.	Growth of above 60%, due to a significant expansion in segment B.
Deposits growth		
Due to development in segment B and constant growth in segment A, the average deposits is targeted to increase by more than 20%.	Deposits improved by 9%, largely supported by the growth in segment A deposits book.	An upsurge of 31%, supported by all business segments.
Asset quality		
The Bank will maintain these ratios at a satisfactory level.	NPL ratio stood at 6.5% and the provision coverage ratio at 61.6%.	Gross impaired ratio of 4,8% and a provision coverage ratio of 59%.
Capital management		
Capital adequacy ratio is expected to remain above the regulatory requirement of 11.25%.	The Bank is well capitalised with an overall capital adequacy ratio (CAR) under Basel III being at 14.3% at the end of the year, above the requirement.	CAR to be maintained above the regulatory requirement level of 11.875%.

MANAGEMENT DISCUSSION & ANALYSIS

II. REVIEW OF THE OPERATING ENVIRONMENT

INTERNATIONAL ECONOMIC OUTLOOK 2018

The IMF has forecasted a world growth of 3.7% for both 2018 and 2019 in its “World Economic Outlook October 2018” edition. The projection is 0.2% lower than what was previously forecasted in April and is set to decline over the medium term. Factors such as implementation of severe trade measures in 2018 will greatly influence the expansion. Growth rate for advanced economies are projected at 2.4% and 2.1% for 2018 and 2019 respectively. 2018 and 2019 will see stable growth across the emerging market and developing economies. The macroeconomic outlook for sub-Saharan Africa continues to strengthen with growth rate projected at 3.1%, up 0.4% from 2017.

MAURITIAN ECONOMIC OUTLOOK 2018

GDP

The forecasted growth of the gross domestic product (GDP) at market prices for 2018 is maintained at 3.9%, similar to the previous projections in June 2018. The growth is slightly higher than the 2017 GDP rate of 3.7%. The sectors, which are expected to contribute to the expansion of the Mauritian economy in 2018, are mainly the construction sector, the information and communication sector and the financial and insurance activities sector. The growth is impacted by a contraction of the sugarcane sector by 7.9% in 2018. Investment is expected to grow by 5.5% in 2018, 0.8% higher in comparison to 2017 owing to an increase in investment from the public sector for big projects such as the Metro Express, road and infrastructure constructions and the low cost housing programs. Conversely, private sector investment is not likely to experience any growth in 2018. The IMF in its “Regional Economic Outlook: Sub- Saharan Africa” has forecasted a growth of 4.0% for 2019.

Tourism sector

Tourist arrival in 2018 has increased from 934,679 as at end of September 2017 to 975,066 and as at end of September 2018. Rise in the number of tourists arriving primarily from France, South Africa and India caused the 4.3% upsurge in tourist arrival. It is worth noting

that tourist arrival from Saudi Arabia has increased considerably year on year from 3,689 to 14,137. By end of 2018, tourist arrivals are expected to peak at 1.4 million thus leading to a growth of 3.6% in the sector of “Accommodation and food and services activities”.

Construction sector

Major public infrastructure investment projects, notably the Metro Express, the Cote D’or Sports Complex, the road development plans and the low-cost housing programs, are expected to bolster the construction sector by 9.5% in 2018. The sector is the main driver of the economy for 2018. The construction price index dropped to 118.9 compared to August’s index of 119.0. Decreases in the price of steel bars, though slightly offset by the prices of adhesives, resulted in the drop of 0.1 point in the index.

Financial and insurance activities sector

The “Financial and Insurance Activities” Sector is forecasted to grow at a similar rate of 5.5% in 2018 as opposed to 2017 due to expected growth of 5.9% and 4.9% in “Monetary intermediation” and “Insurance” respectively.

Consumer Price Index (CPI) and inflation

For the twelve months ending September 2018, the headline inflation rate reached 3.5%, up 0.3% as compared to the twelve months ending September 2017. Adverse climatic conditions leading to hikes in the price of fresh vegetables was the primary reason for the rise in the headline inflation rate. The headline inflation rate is projected at 3.3% for the year 2018. Conversely, year-on-year inflation for September 2018 stood at 1.9% compared to 3.5% in September 2017. The CPI as at end of the third quarter of 2018 was 102.0, thereby registering a 0.8% decrease since June 2018. A drop in the price of vegetables and budgetary measures taken to decrease the price of cooking gas and gasoline have influenced the net decrease in the CPI over the last three months.

Foreign Direct Investment (FDI)

FDI flows into Mauritius for the first semester of 2018 was estimated at Rs 8.8 billion. This showed a drop in FDI inflows of 31.9% as compared to the Rs 13.0 billion of FDI inflows during the first half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS II. REVIEW OF THE OPERATING ENVIRONMENT (CONTINUED)

Foreign Direct Investment (FDI) (continued)

The “Real estate activities” sector was the major recipient with FDI inflows amounting to Rs 4.7 billion during that period followed by investments of Rs 4.0 billion in the “Financial and insurance activities” sector. The inflows towards both sectors experienced a year on year drop of 25.9%. More than two- third of the gross direct investment flows into Mauritius originated from Europe, with France and the United Kingdom being the primary investors having invested Rs 1.9 billion and Rs 698 million respectively. It is worth noting that South Africa remained the main investor on the African continent with FDI inflows of Rs 982 million. In contrast to previous years, there were no FDI inflows or outflows with India for the first half of 2018.

Unemployment

Unemployment rate for 2018 is forecasted at 6.9%, down 0.2% in comparison to the estimated figures for 2017. Employment is expected to increase from 545,100 to 548,600 in 2018. For the second quarter of 2018, there were 40,500 unemployed Mauritians, who represented 7.0% of the labour force as at that period.

Key figures regarding unemployment in the second quarter of 2018:

- » Women constituted around 39.9% of the workforce.
- » 54.3% of unemployed were of female gender.
- » The majority of the unemployed or 53.1% of the 40,500 were youngsters aged below 25 years.

III. FINANCIAL REVIEW

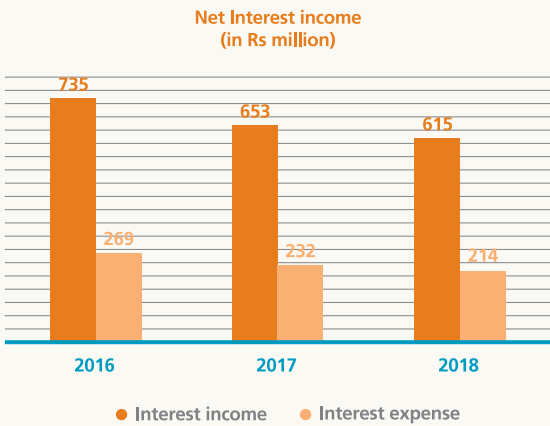
INCOME STATEMENT ANALYSIS

Operating income of the Bank increased by 31% to Rs 689 million compared to Rs 527 million generated during last year. Operating profit of the Bank increased to Rs 132 million compared to a loss of Rs 22 million last year. An exceptional deferred tax charge of Rs 182.1 million (change in shareholding and changes in tax rates for Banks), impacted negatively the profit the Bank reported a net loss of Rs 45 million for 2018 compared to a net profit of Rs 98 million during last year.



Net interest income

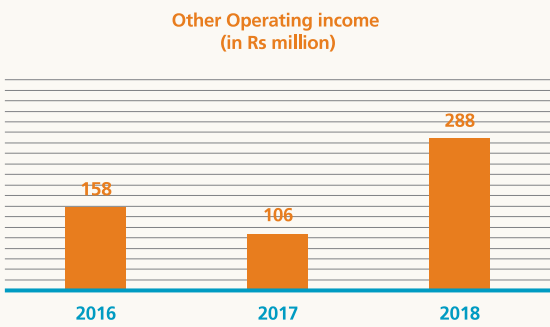
Net interest income decreased by 5% to Rs 401 million for the year under review. This is partly the outcome of a drop of Rs 38 million in interest income, because of an alignment of the Segment B loan book with the Group risk policy and a drop-in income from securities. In contrast, interest expense experienced a fall of Rs 17 million that was a combined effect of an adjustment of the Bank’s deposit base to the lending requirements, and a better management of excess liquidity.



Non-interest income

For the fiscal year 2018, a 53% surge in net fees and commission income was recorded, thus achieving Rs 115 million. Income from green project financing and trade finance activities drove the increase in the net fees and commission income. Due to adverse market conditions, the net trading income fell slightly by 2% year on year, going from Rs 67 million to Rs 66 million.

In Rs'000	2018	2017	2016
Net Fee Income	115	75	78
Net Trading Income	66	67	63
Other Operating Income	107	-36	17
Total Non-Interest Income	288	106	158

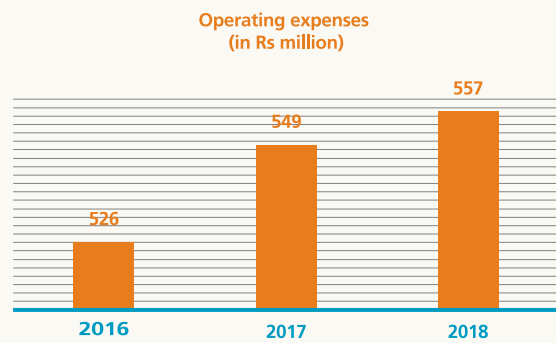


MANAGEMENT DISCUSSION AND ANALYSIS
III. FINANCIAL REVIEW (CONTINUED)

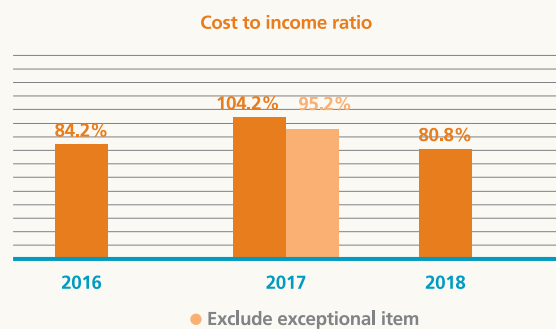
INCOME STATEMENT ANALYSIS (CONTINUED)

Cost control

The increase in non-interest expenses was contained at 1% compared to previous financial year and stood at Rs 557 million for the period ending 31 December 2018. Personnel expenses remained quite stable and amounted at Rs 260 million in 2018 against Rs 259 million in 2017.



In 2018, the cost to income ratio was recorded at 80.8%, improving from 104.2% in 2017, as a result of growth in revenue.



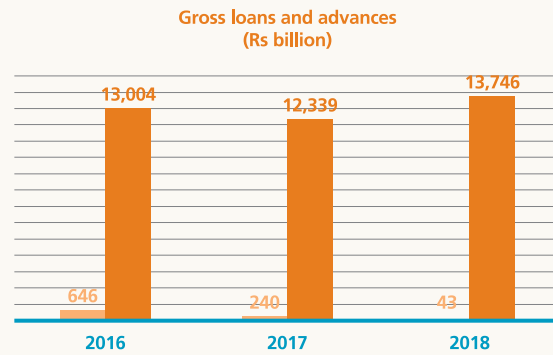
Impairment charges

Total impairment charges of Rs 18 million have been recognised in the accounts for the year under review, against a net impairment gain of Rs 92 million in 2017. The performance in 2017 is explained by major recoveries made during the financial year 2017, thus leading to an improvement in the quality of the loans book.

FINANCIAL POSITION STATEMENT ANALYSIS

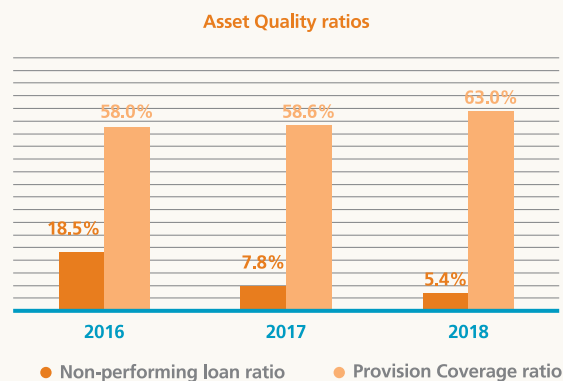
Loans and advances

The Bank experienced a significant growth of 10% in the loan portfolio over one-year period such that gross loan and advances went up from Rs 12.6 billion to Rs 13.8 billion. Gross loan and advances to customers witnessed a growth of 11% from Rs 12.3 billion to Rs 13.7 billion owing to rise in long term lending to corporate clients and retail segment, which was partially offset by a fall in segment B lending.



Asset quality

Impaired loans successfully dropped from Rs 981 million in 2017 to Rs 738 million in 2018 on the back of improved asset quality. Because of the reduction in impaired assets, the non-performing loan ratio and the coverage ratio recovered from 7.8% and 58.6% to attain 6.5% and 61.6% respectively.



Investment securities

Over the 12-month period ending December 2018, investment securities declined by 25%, thereby attaining Rs 1.8 billion. The fall in investment securities was brought about by a redistribution of short-term resources to ascertain portfolio growth.

Deposits

Deposits amounted Rs 12.3 billion as at end of December 2018, a growth of Rs 1.0 billion, or 9% from last financial year. This increase resulted from a substantial progression in segment A deposit base. CASA deposit grew from Rs 6.4 billion to Rs 7.3 billion, with a growth of 14%. Consequently, the CASA deposit as a percentage of total deposits increased to 60% against 57% as at end of December 2017.

Borrowed funds

Funding which arise from interBank and intra group activities and are mainly in foreign currencies, experienced a significant increase of 15% at Bank level to reach Rs 3.6 billion in line with the higher business volumes in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS
III. FINANCIAL REVIEW (CONTINUED)

BUSINESS SEGMENT REVIEW

Corporate, Global Business and International Banking

The year under review remains a continuation of the momentum built during 2016-2017. As expected, the line of business gathered pace during 2018 as key assets were added on the Bank's Balance Sheet. The relationship development strategy with top-tiered clients acquired over the last few years has contributed to this positive growth whilst at the same time ensuring good asset quality and a diversification of our product mix.

Looking ahead for 2019, we remain alert to the downside risks of the present economic climate especially the potential Brexit outcome, global trade tensions and interest rates movements. The change in the Bank shareholding that took place in 4th quarter 2018 presents new opportunities for the Bank to build on BCP franchise in Africa and Europe. We foresee a more diversified coverage of key markets and an enhancement of our offering in terms of trade finance and syndications through the Asia-Africa trade corridor.

Consumer Banking

One key word that could define the full year 2018 for the Bank as a whole would be "Change". Indeed, last year has been one during which the highly awaited take-over of Banque Des Mascareignes by the BCP Group took place. This was a key milestone attained and it gave rise to a series of actions and initiatives within our Consumer Banking unit, aiming mainly at providing assurance concerning the continuity of the business to our major stakeholders, namely our clients as well as our people.

IV. RISK MANAGEMENT REPORT

INTRODUCTION

The role of the Risk Management Functions is to identify, assess and manage the risks to which the Group and the Bank are exposed, with a view to improving the risk-return profile of its activities while upholding an environment conducive to attracting and promoting business opportunities. The aim is to enhance stakeholders' confidence with respect to the Bank's management of current and potential sources of risks through adequate internal control mechanisms, up-to-date and comprehensive risk policies, adherence to legal and regulatory requirements and reliable decision-making support.

The Group's and the Bank's approach to managing risk is set out in the risk and compliance framework and policies, approved by the Risk Management committee. The framework has two components:

- » governance committees; and
- » governance documents.

Governance committees are in place at both Board and management level. They have clearly defined mandates and delegated authorities which are reviewed regularly.

Governance documents comprise frameworks and policies which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks, and requirements for the effective management of capital.

The Group and the Bank use the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks. The first line of defence is made up of the management of business lines as the originators of risk. The second line of defence functions provide independent oversight of risks by the Risk Management Department. They support management in ensuring that their specific risks are effectively managed as close to the source as possible. The Risk Management Functions report to the Chief Risk Officer. Internal Audit is the third line of defence and reports to and operates under a mandate from the Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective assurance. It has the authority to independently determine the scope and extent of work to be performed.

RISK GOVERNANCE STRUCTURE

The Board of Directors is ultimately responsible for the reliability and integrity of the risk management process. The Board oversees the risk management activities of the Bank directly and indirectly, via sub committees which have been delegated responsibility for closer scrutiny of risk management process. The composition and functions of these committees are described in the Corporate Governance Report.

RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines the roles and responsibilities as well as the reporting lines for its different business units. Alongside ensuring adherence to regulatory norms, the structure aims at safeguarding the Group's and Bank's assets and promoting the deployment of its strategic orientations in an effective manner. The delegation of authority, control processes and operational procedures are accordingly documented and disseminated to staff at different levels are as follows:

- » The Group and the Bank operate within a clearly defined risk policy and risk control framework to achieve financial strength and sustainable growth.
- » The Group's and Bank's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for their actions and their incentives are aligned with the overall business objectives.
- » Risk transparency, knowledge sharing and responsiveness to change.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

RISK MANAGEMENT STRUCTURE

The Risk Management Organisational Structure consists of a top down approach whereby the risk appetite of the Group and the Bank is set by the Board of Directors in line with its business strategy, taking into account the business strategies, objectives and plans. The Board, assisted by its committees has oversight responsibilities in relation to risk management, adherence to internal policies and compliance with the prudential, regulatory and legal requirements. The roles of the Board and its committees are described in detail in the Corporate Governance Report.

The Board Committees with oversight on Risk Management are:

- Audit Committee;
- Risk Management Committee;
- Conduct Review Committee; and
- Credit committee

The Management Committees with oversight on Risk Management are:

- Credit committee
- Watchlist Committee
- Non-Performing Loan review and Provisioning Committee
- Arrears Committee
- Risk Committee
- Treasury Committee
- Compliance Committee
- Business Development Committee
- Internal control committee
- Organisation & Information Systems Committee; and
- Assets and Liabilities Management Committee.

ENTERPRISE-WIDE RISK POLICY

The Bank is directly regulated by the Bank of Mauritius and falls under the consolidated supervision of its Moroccan Parent Bank, the BCP Group. BM Madagascar, the Bank's subsidiary, falls under the consolidated supervision of the Bank of Mauritius. In line with international Banking practice and regulatory requirements, whenever there are different requirements under the different regulators, the stricter requirement must be complied with.

The Bank's Risk Policy, as approved by the Risk Management Committee, follows the above-mentioned principle. It incorporates all the requirements of the BCP Group International's Risk Policy as well as requirements of the Bank of Mauritius legislations and guidelines. The Risk Policy covers, inter alia:

- » The Risk Management Framework and Structure, detailing the main functions of Risk Division;
- » The Credit Risk Policy, detailing:
 - The Credit initiation, evaluation and approval process;
 - The delegated authorities in terms of credit approval;
 - The limit of exposures by types of facilities, by sector, by country, by rating, by counterparty, and by currency; and
 - The main guidelines in respect of credit impairment monitoring, management and recovery.

- » The Governance Structure and Terms of Reference for the various risk management committees;
- » The Operational Risk Policy; and
- » The Market Risk Policy (Liquidity and Interest Rate Risk).

A. Credit Risk

Credit Risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit Risk is composed of counterparty risk and concentration risk. Amongst the risks faced by the Group and the Bank, Credit Risk generates the largest regulatory capital requirement. The approved regulatory approach for Credit Risk is the Standardised Approach.

The Board has ultimate control and oversight of the Credit Risk policies, which are subject to review on an annual basis. The policies are designed to provide effective internal control within the Bank.

Any developments in the customers' financial situation are closely monitored by the Bank, thus enabling it to assess whether the basis for granting the credit facility has changed. Credit facilities are generally granted on the basis of an understanding of customers' individual financial circumstances, cash flows, assessments of market conditions and security procedures. The facilities should match the customers' creditworthiness, capital position and assets to a reasonable degree and customers should be able to substantiate their repayment ability. In order to reduce Credit Risk, the Bank generally requires collateral that corresponds to the risk for the product segment.

I. Credit Risk Management

The enterprise-wide credit risk policy, approved and reviewed by the Risk Management Committee, sets forth the principles by which the Bank conducts its Credit Risk Management activities. The credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsive decision-making and customer services.

The process for each department is tailored to the risk profile and service requirements of its customers and product portfolio. Key parameters, associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance. The credit appraisal and measurement process, leading to approval/rejection, is segregated from loan origination in order to maintain the independence and integrity of credit decision making and to continue to effectively build-up quality assets.

II. Credit Risk Management Process

The effective management of Credit Risk requires the establishment of an appropriate Credit Risk process.

III. Credit Origination

Credit Origination is undertaken by the Front Office / Relationship Manager. Credit Origination involves operational evaluation of the credit request, with details on the deal and rationale for financing, details on client's background, client base and products base and markets, details of the key business risks and a review of MCIB database and search report.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

A. Credit Risk (continued)

IV. Credit Evaluation

The Credit Evaluation decision is independent of the Front Office functions. Credit Evaluation involves:

- » Risk Rating of the underlying prospective borrower. The Bank has implemented a Grading Model, the Outil de Notation International(ONI) for the risk grading of corporate clients. With respect to retail clients, an internally developed scorecard is used.
- » Evaluation of the credit request taking into consideration the quantitative and qualitative information on the counterparty and analysing the inherent risks. The evaluation exercise also looks at the resulting risks, after mitigating factors, for example security taking.
- Assessing the Risk/Return relationship, through the use of an internally developed « ROE model
- » Review and analysis of compliance with limits as set by the Bank and / or regulators.

V. Credit Approval

Credit Approval Authority is delegated within a structure that is tiered according to the counterparty rating, exposure and credit risk type. The Local Credit Committee has comprehensive mandates and delegated authorities, as delegated by the Board and set out in our Risk Policy. Requests outside the delegation of the local Credit Committee are submitted for approval to the Parent Company's Credit Committee.

VI. Credit Risk Control and Monitoring

The role of the Risk Division, independent from the Credit Risk Evaluation, is as follows:

- » To monitor credit risk (review of warning signals,impairment, unauthorised overdraft, financial difficulties, watchlist monitoring);
- » To monitor compliance with risk policy and the regulatory guidelines;
- » To monitor compliance with limits approved as well as with the terms and conditions of approval; and
- » To monitor on-going compliance, after the disbursement of funds.

VII. Credit Risk Management

It is noted that periodic reviews are scheduled for the continuous assessment of all counterparties. This is complemented by the reviews undertaken at the Watch List Committee, for higher risk counterparties.

VIII. Impairment and Provisioning

Loans and advances are analysed and categorised based on credit quality using the following definitions.

- » Performing loans - Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions.
- » Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss

is not expected but could occur if the adverse conditions persist.

- » Non-performing loans: Non-performing loans are those loans for which the Group and the Bank have identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more. Non- performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.
- » Non-Performing specifically impaired loans are those loans that are regarded as Non- Performing and for which there has been a measurable decrease in estimated future cash flows.

All non-performing loans are individually assessed for impairment and impairment provisions are recognised in line with International Accounting Standards and Bank of Mauritius guidelines.

The Committee relating to impairment and provisioning is the Non-Performing Loan review and Provisioning Committee. The committee reviews all "loans with arrears" and evaluates and approves:

- » The strategy for recovery; and
- » The fair value of the loan and hence the required level of specific provisions.

Key indicators (Group)	2018	2017	2016
Gross loans and advances (Rs billion)	13.7	12.3	13.0
Non-performing loans ratio	6.5%	8.1%	18.5%
Provision coverage ratio	61.9%	57.6 %	58.0%

IX. Credit Risk Concentration

The Group and the Bank maintain a portfolio of Credit Risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and countries.

The Bank of Mauritius Guidelines on Credit Concentration (revised December 2017) restricts the granting of credit facilities to non-financial institutions and other related parties, to:

- » A maximum exposure (in mur) to any single customer of 25% and to related group of companies to 40% of the Bank's tier 1 capital base.
- » A maximum exposure (in foreign currency) to any single customer of 50% and to related group of companies to 75% of the Bank's tier 1 capital base.

In aggregate, any individual or group exposure of 10% above the Bank's Tier 1 Capital shall not exceed 1200% of its Tier 1 Capital.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

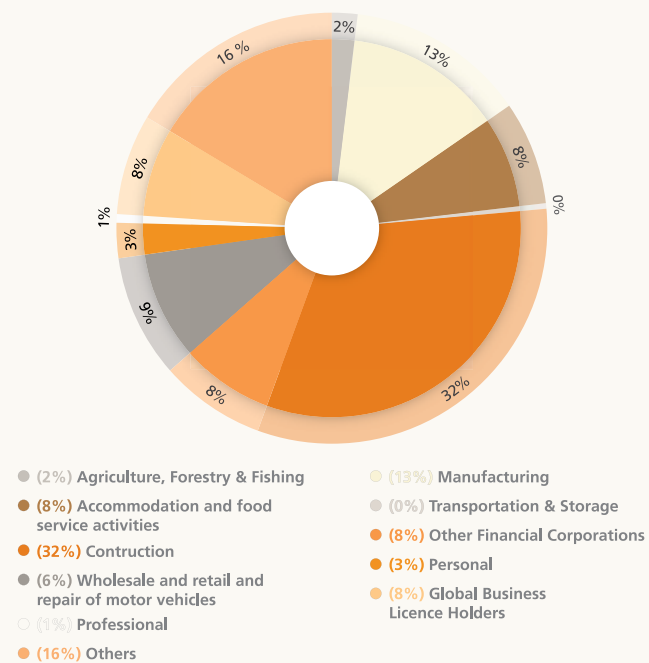
A. Credit Risk (continued)

X. Large Credit Exposure

The Bank has always kept its large exposures within the regulatory limits.

As at 31 December 2018, the concentration ratio of large exposures above 10% before applicable set off was 435%, well within the regulatory limit of 800%. After set off, the aggregate exposure under large exposure remained 435%.

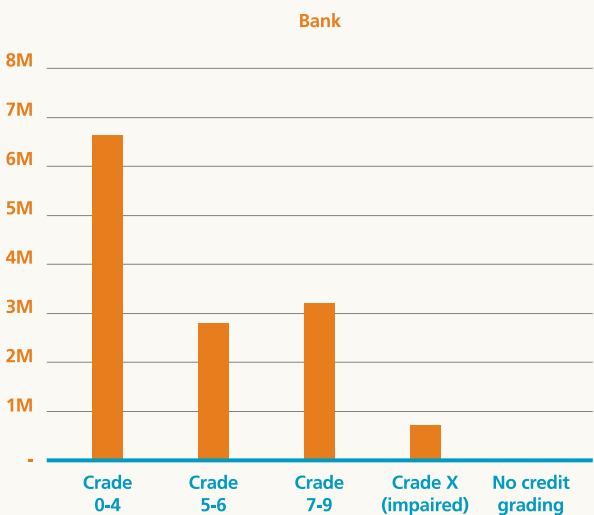
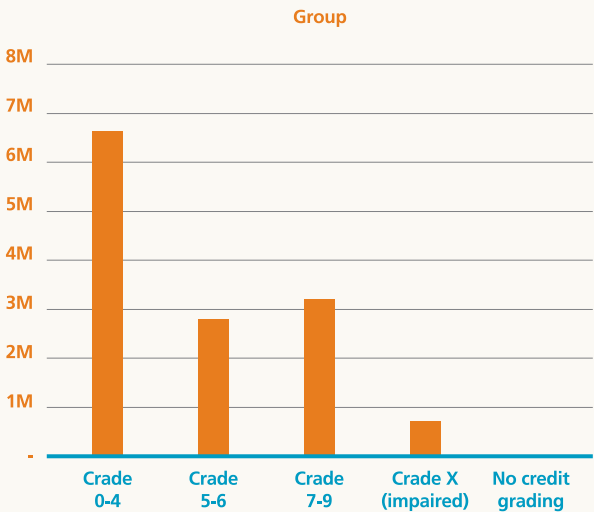
The sector-wise distribution of credit of the Bank is as per shown below:



XI. Credit Quality

The Group's and Bank's Risk Management framework include the risk grading of all credit counterparties

For the Corporate customers (Domestic and International customers), the Bank uses internal rating model ONI (Outil de Notation International). The model uses qualitative as well as quantitative information to rate counterparties, with a rating scale of 0 to 9. The lowest risk is rated 0 and highest risk 9. All impaired counterparties are rated X.



XII. Credit Risk Mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate Credit Risk. Credit Risk policies and procedures ensure that Credit Risk Mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of Operational Management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

Irrespective of Credit Risk Mitigation used, all decisions are based upon the customer or counterparty's credit profile, cash flow performance and ability to repay.

The main types of collateral taken are:

- » Mortgage bonds over residential, commercial and industrial properties;
- » Cession of book debts;
- » Charge over plant and equipment and other assets; and
- » Guarantee and pledge over financial instruments such as debt securities, equities and Bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

A. Credit Risk (continued)

XIII. Credit Risk - Focus areas for 2019

The BCP Group and the Bank will continue to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated economic conditions and risk appetite. Focus will continue to be placed on standardising Credit Risk methodologies and processes across the Group, and on enhancing stress-testing practices. The Bank will enhance its controls over the correct guarantee's renewal (ie. Renewal of Building insurance).

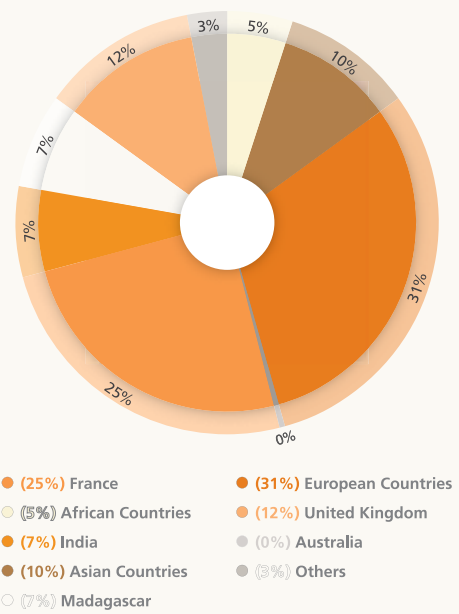
B. Country Risk

Country Risk, also referred to as cross-border transfer risk, is the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfil its obligations to the Group and the Bank due to political or economic conditions in the host country. There are no regulatory capital requirements for Country Risk. Country Risk is, however, incorporated into regulatory capital for credit in the standardised approaches through the Country Risk ratings / credit grades.

All countries to which the BCP Group and the Bank are exposed are reviewed at least annually. Internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the Group's network of operations, country visits and external information sources. These ratings are also a key input into the Group's and the Bank's credit rating models, with credit loan conditions and covenants linked to Country Risk events.

Country Risk is mitigated through a number of methods, including:

- » Political and commercial risk insurance;
- » Co-financing with multilateral institutions;
- » Co-financing with prime Banks or investors; and
- » Structures to mitigate transferability and convertibility risk such as collection, collateral and managing deposits outside the jurisdiction on question.
- » The distribution of exposure by country other than Mauritius is provided in the following pie chart.



Country Risk - Focus areas for 2019

Country Risk appetite and the mitigation of country specific risks will be proactively managed in response to the challenging global economic and political risk environment. During year 2019, specific monitoring will be carried out on syndications portfolio and trade finance operations.

C. Market Risk

Market Risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments (including commodities) caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The Group's and the Bank's key market risks are:

- » foreign currency risk; and
- » Interest Rate on the Banking Book.

The governance committees overseeing Market Risk are the Risk Management Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee. The Board is ultimately responsible for setting risk appetite in respect of Market Risk, in compliance with the prudential guidelines set by the Bank of Mauritius. Operating within this framework, the Asset & Liability Management Committee and Treasury Committee review and take decisions concerning the overall mix of assets and liabilities within the balance sheet. The committees set and review liability allocation objectives and targets to sustain both the diversification and growth of the Bank's balance sheet and income statement from a funding, market and profitability perspective, while taking into account the changing economic and competitive landscapes.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

C. Market Risk (continued)

The Asset & Liability Management Committee, which meets on a quarterly basis under the chairmanship of the Chief Executive Officer, is attended by the Risk and Compliance Director, the Chief Financial Officer and the business unit heads. Furthermore, under the Risk Management Division, the Market Risk acts as the primary risk control and risk-monitoring function related to Market Risk activities, including counterparty credit and operational risk arising from Market Risk activities.

The framework of policies, principles and main functional responsibilities in relation to the management of Market Risk at the Bank is established as per the Risk Policy, as approved by the Board reviewed periodically.

Market Risk is controlled primarily through a series of limits, whether set internally by management in the context of the market environment and business strategy and/or set by regulators. In setting limits, the Bank takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Bank maintains different levels of limits:

- » Dealers’ limits - dealers operate within limits approved and are tightly monitored by back office. Sign-off from delegated signatories ahead of a deal that triggers their dealing limits are required.
- » Counterparty limits - exposure is determined according to the nature of the contract and its maturity.
- » Product limits - dealers can only transact in products that have been approved. Product limits are tightly monitored at the treasury back office and the treasury middle-office.
- » Forex exposure limits - fx exposure is monitored daily and a report is sent to the Bank of mauritius every day.

There are no regulatory capital requirements for interest rate risk in the Banking Book or on structural foreign exchange exposures. However, the translation effect on the structural foreign exchange exposure may give rise to capital impairments

I. Foreign Currency Risk

The Currency Risk is managed according to existing regulations and guidelines of the regulators. It takes into account naturally offsetting risk positions and manages the residual risk through limit setting. The Group and the Bank do ordinarily hold open exposures of any significance with respect to the Banking book. As per the Bank of Mauritius Guideline on Foreign Currency Exposure, overall currency exposure may not exceed 15% of Tier 1 Capital and single currency limit is set at 10% of Tier 1 Capital. As per the Bank’s policy, overall currency exposure may not exceed USD 3 million, which is equivalent to circa 5% of the Bank’s Tier 1 capital.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

While the Group and the Bank do not actively take foreign exchange risk in its core deposit taking and lending operations, it assists clients’ activity in products across foreign exchange and structured FX products and acts as a dealer for corporate and institutional clients who require the management of ‘open positions’ from foreign exchange transactions with these counterparties. These positions are monitored daily relative to prudential trading limits that have been delegated to dealers by the Board on intra-day and overnight open exposures.

The Bank’s net open position, either overbought/oversold, against the Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 31 December 2018, which is in compliance with the Bank of Mauritius requirements.

The sensitivity analysis shows that a 1% unilateral change in the exchange rate of the major currencies would result in an impact of Rs 1 million and Rs 4 million for the Group’s and the Bank’s profit respectively.

II. Interest Rate Risk

In 2014, the Bank surrendered its Primary Dealer’s license and as a result all financial instruments in 2015 were classified under the Banking Book.

Banking Book Interest Rate Risk are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of Banking assets and liabilities. For the Bank, this risk is further divided into the following sub-risk types:

- » Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- » Yield curve risk: shifts in The Yield curve that have adverse effects on the Group and the Bank’s income or underlying economic value.
- » Basis risk: price not moving in line with the changing market price, e.g. impact of a portfolio of current account at 0% interest rate on the net interest income further to reduction in the Bank’s deposit rates.

Banking Book-interest Rate Risk Exposure principally involves managing the potential adverse effect of interest rate movements on Banking book earnings (net interest income). The Bank’s approach to managing Banking Book-interest Rate Risk is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. The Bank monitors Banking Book-interest Rate Risk operating under the oversight of Assets & Liabilities Management Committee.

Interest Rate Risk Limits are set in relation to changes in forecast Banking Book earnings. All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. The interest rate view is formulated, following meetings of the monetary policy committees, or notable market developments.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

C. Market Risk (continued)

III. Market Risk - Focus areas for 2019

The Bank will focus on monitoring and managing the Market Risk and associated hedges in the context of current market volatility and monetary policy expectations.

D. Liquidity Risk

Liquidity Risk is the risk that the Group and the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due.

The nature of Banking gives rise to continuous exposure to Liquidity Risk. Liquidity Risk arises when the Group and the Bank, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This type of event may arise where counterparties, who provide the Group and the Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Group and the Bank manage liquidity in accordance with applicable regulations and within its risk appetite. The Liquidity Risk Management Governance Framework supports the measurement and management of liquidity across the Group and the Bank to ensure that payment obligations can be met, under both normal and stressed conditions. Liquidity Risk Management ensures that the Group and the Bank have the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Governance Committees overseeing Liquidity Risk are the Risk Management Committee (Board Committee), the Assets & Liabilities Management Committee and Treasury Committee. There are no regulatory capital requirements for Liquidity Risk.

The Group’s and the Bank’s Liquidity Risk Management Framework differentiate between:

- » Tactical (short-term) Risk Management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by Treasury Committee.
- » Structural (long-term) Liquidity Risk Management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- » Contingent Liquidity Risk Management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regularliquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

I. Structural Liquidity Mismatch

Structural Liquidity Mismatch Analysis is performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Group and the Bank’s defined Liquidity Risk thresholds. Expected aggregate cash outflows are subtracted from expected aggregate cash inflows. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced.

Whilst following a consistent approach to Liquidity Risk Management in respect of the foreign currency component of the balance sheet, specific indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates.

II. Funding Strategy

Funding Markets are evaluated on an ongoing basis to ensure appropriate the Group and the Bank’s funding strategies are executed depending on the market, competitive and regulatory environment. The Group and the Bank employ a diversified Funding Strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to access loan across the BCP Group.

Concentration Risk Limits are used to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

A component of the Funding Strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch limits and guidelines.

III. Contingency Funding Plans

Contingency Funding Plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators cover Bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis Response Strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Group’s funding profiles and liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Group’s and the Bank’s ability to maintain sufficient liquidity under adverse conditions.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

D. Liquidity Risk (continued)

IV. Liquidity Buffer

Portfolios of highly marketable liquid securities over and above prudential and regulatory requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within defined limits on the basis of diversification and liquidity.

V. Liquidity Risk - Focus areas for 2019

Liquidity Coverage Ratio was implemented in November 2017 and the Risk Management department will ensure close monitoring of the required ratio in 2019. Furthermore, the Bank will continue to optimise its funding strategies.

E. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk subtypes are managed and overseen by specialist functions. These subtypes include:

- Legal risk;
- Compliance risk;
- Environmental and social risk;
- Business continuity management (BCM);
- Technology risk management;
- Information risk management;
- Financial crime control; and
- Occupational health and safety.

Operational Risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to Operational Risk as this would be neither commercially viable nor possible. The Group's and the Bank's approach to managing Operational Risk is to adopt fit-for-purpose Operational Risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The Operational Risk Management function is independent from business line management and is part of the second line of defence. It is responsible for the development and maintenance of the Operational Risk governance framework, facilitating business's adoption of the framework, oversight and reporting, as well as for challenging the risk profile. The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions. This is effected through the "Incident Reporting Mechanism" and the "Business Process Analysis". These teams work alongside their business areas and facilitate the adoption of the Operational Risk governance framework.

As part of the second line of defence they also monitor and challenge the business units' and enabling functions' management of their Operational Risk profile.

Incident Reporting - The Operational Risk function has set up an incident reporting process which contributes to reinforce visibility and understanding of the Group's and the Bank's overall operational risk profile. This process plays a catalytic role in embedding Operational Risk Management practices in the day-to-day business activities. The Operational Risk incident reporting serves to report, track and escalate Operational Risk issues within the Group and the Bank and supports decision making and timely resolution. All staff members are expected to report any operational risks, incidents, losses.

The Operational Risk verifies that the incident and loss data reports are comprehensively documented for recording and analysis of the root cause of losses and incidents. Depending on the results of the analysis, corrective or preventive measures are taken to reduce the exposure to the inherent Operational Risk and hence improve controls. All significant incidents are reported periodically to the Risk Management Committee. Operational risk reports include mitigation strategies and improvement actions put in place to avoid recurrence of such operational loss events.

Business Process Analysis - Through Operational Risk Management, the Group and the Bank assess and manage the exposure to Operational Risk, including severity events with a low probability of occurrence, for example fraud. These exposures are measured in a chart, updated regularly. The Operational Risk Map highlights the key risk indicators and the frequency of major incidents which may result in loss or not.

The Operational Risk Management is entrusted to the Risk Department, which should provide a general measurement, monitoring, control and reporting of the Group's and the Bank's risk, particularly those inherent operational risks as recommended for the Internal Capital Adequacy Assessment Process (ICAAP). In these missions, the Department is assisted as necessary by the person accountable for the security of information systems (RSSI).

The "Cartographie des Risques Opérationnels", is updated regularly, is established by the Risk Department, with the collaboration of organizational units (back-office and network). It is validated and monitored by an Ad Hoc Committee. Objectives and scope of the "Cartographie des Risques Operationnels" are:

- » Identify risk events and processes specific to Bank;
- » Evaluate the risks;
- » Describe the risk control systems and evaluate them in order to assess the net risks (residual);
- » Develop the risk management arrangement, particularly for major risks, through action plans;
- » Propose a definition of roles and responsibilities of different actors involved in the management device; and
- » Validate these definitions and their implementation.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

E. Operational Risk (continued)

The Group and the Bank are covered by an insurance to mitigate operational risk. This cover is reviewed on an annual basis. The primary insurance policies in place are the Group crime, professional indemnity, and Group directors' and officers' liability insurance policies.

The Primary Governance Committees overseeing operational risk, including the various subtypes, are:

- Risk Management Committee (Board Committee);
- Audit Committee (Board Committee);
- Compliance Committee;
- Internal Control Committee;
- Organisational and Information System Committee; and
- Risk Committee.

The Group and the Bank apply the Basic Indicator Approach in determining the required Operational Risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is measured by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

The Capital Charge for the Bank was computed as follows:

- Annual gross income: Rs 689 million
- Average gross income over 3 years: Rs 614 million
- Capital charge for operational risk: Rs 92 million

Operational Risk Subtypes

I. Legal Risk

Legal Risk is defined as the exposure to the adverse consequences of judgements or private settlements, including punitive damages resulting from inaccurately drafted contracts, their execution, the absence of written agreements or inadequate agreements. This includes exceeding authority as contained in the contract. The Group and the Bank have processes and controls in place to manage its legal risks. Failure to manage these risks effectively could result in legal proceedings impacting the Group and the Bank adversely, both financially and reputational.

II. Compliance Risk

This is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the Group and the Bank may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its business activities. This includes the exposure to new laws as well as changes in interpretations of existing laws by appropriate authorities.

The Compliance Function operates independently of business in terms of its mandate, which is approved annually by the Board and is drawn primarily from the Banking Act. The Group's and the Bank's approach to

managing compliance risk is proactive and premised on internationally accepted principles of compliance risk management. Compliance Risk Management is a core risk management activity, overseen by the Risk and Compliance Director. The Director Risk and Compliance has unrestricted access to the chief executives and to the chairman of the Audit Committee, thereby ensuring the function's independence.

Legislation pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer due diligence, record keeping, staff training and the obligation to detect, prevent and report suspected money laundering and terrorist financing. The Group and the Bank subscribe to the principles of the Financial Action Task Force, an intergovernmental body that develops and promotes policies to combat money laundering and terrorist financing.

The Group and the Bank actively manage the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions or with clients that are subject to embargoes or sanctions imposed by competent authorities.

III. Environmental and Social Risk

Environmental Risk is described as a measure of the potential threats to the environment. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of such degradation. Environmental Risk includes risks related to or resulting from climate change, human activities or from natural processes that are disturbed by changes in natural cycles. Social Risk is described as risks to people, their livelihoods, health and welfare, socioeconomic development, social cohesion and the ability to adapt to changing circumstances.

Environmental and Social Risk assessment and management deals with two aspects:

- » Risks over which the Group and the Bank do not have control but which have potential to impact on our operations and those of the Group's and the Bank's clients.
- » Risks over which the Group and the Bank has direct control. These include our immediate direct impact, such as our waste management and the use of energy and water; as well as our broader impact, including risks that occur as a result of our lending or financial services activities.

IV. Business Continuity Management and Resilience

Business Continuity Management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of the Group, the Bank, and its stakeholders. The Group BCM framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. The Group's and the Bank's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

E. Operational Risk (continued)

Operational Risk Subtypes (continued)

V. Technology Risk Management

Technology Risk encompasses both IT Risk and IT Change Risk. IT Risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Group and the Bank. It consists of IT-related events and conditions that could potentially impact the business. IT Change Risk refers to risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability. The Group and the Bank rely heavily on technology to support complex business processes and handle large volumes of critical information. As a result, a technology failure can have a crippling impact on the Group's and the Bank's brand and reputation. The operational risk IT risk function oversees compliance with the IT risk and IT change risk governance standard.

VI. Information Risk Management

Information Risk encompasses all the challenges that result from the need to control and protect the Group's and the Bank's information. These risks can culminate from accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information. The Group and the Bank have adopted a risk-based approach to managing information risks. The IOR management function oversees the information security management system, policies and practices across the Group and the Bank. The execution of these policies and practices is driven through information security officers, within the Risk Division.

VII. Financial Crime Control

The Group and the Bank define financial crime control as the prevention, detection and response to all financial crime to mitigate economic loss, reputational risk and regulatory sanction. Financial Crime includes fraud, bribery and corruption and misconduct by staff, customers, suppliers, business partners and stakeholders. The Financial Crime Risk Control Function forms part of the Compliance Function, which reports to the Director Risk and Compliance. As is the case with the other functions within Operational Risk, Financial Crime Risk Management maintains close working relationships with other risk functions, specifically compliance, legal risk and credit risk, and with other Group and the Bank functions such as information technology, human resources, and finance.

VIII. Occupational Health and Safety

Any risks to the health and safety of employees resulting from hazards in the workplace or potential exposure to occupational illness are managed by the occupational health and safety officer. Training of health and safety officers and employee awareness is an ongoing endeavour.

Managing such risk is becoming an important feature of sound Risk Management practice in modern financial markets. Through different tools defined by the Group and the Bank and the appointment of Operational Risk correspondents, the Group and the Bank ensure that Operational Risks are properly identified, assessed, monitored, managed and reported in a structured and consistent manner. Moreover, to mitigate operational risk, the Group and the Bank promote an organisational structure that emphasizes on recruitment of people with high level of ethics and integrity.

The Group and the Bank have opted for the Basic Indicator Approach for Capital Charge to Operational Risk. Periodic review takes place to ensure effective management of Operational Risk. This includes review of incidents, measures taken and updating of procedures as and when required. All Operational Risks identified are discussed and reported on a quarterly basis in the Risk Management Committee.

IX. Operational Risk - Focus areas for 2019

In addition to the specialist operational subtypes above, the Group and the Bank also have areas of special focus based on the organisation's evolving needs. These focus areas are still:

- » Supporting increased innovation and the use of new technology in the Banking industry to provide solutions to customers.
- » Compliance with increased scope of monitoring and reporting required by regulators.
- » Ensuring robust control over balance sheet substantiation and other key financial controls.
- » The 2019 compliance focus areas will be driven by supervisory expectations, international best practice and legislative developments impacting the financial services sector. Training and awareness initiatives will continue to be undertaken to ensure that staff members are aware of their regulatory responsibilities relating to relevant legislation.

In addition to managing the risks arising in the ordinary course of business, the Group has identified the key potential operational risk threats for 2019, which will be addressed within the risk management framework, namely financial crime, cyber security, technology risks, internal controls and regulatory risks.

F. Capital Management

The Risk Management Function is designed to ensure that regulatory requirements are met at all times and that the Group and its subsidiary are capitalised in line with the Group's target ratios, as approved by the Board. Key responsibilities are:

- » Risk-adjusted performance measurement, and managing the ICAAP and capital planning process, including stress testing.
- » Measurement and analysis of regulatory and economic capital, internal and external reporting and implementation of new regulatory requirements.
- » Providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

F. Capital Management (continued)

At the regulatory level, the minimum capital adequacy ratio set by Bank of Mauritius for Banks presently stands at 10% of risk weighted assets, with newly-unveiled Basel III rules which come in force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks. Overall, the Group and the Bank are committed to complying with the stipulated thresholds, including capital limits and buffers that will be phased-in in forthcoming years as per the transitional arrangements defined by the Central Bank.

I. Basel III

Basel III is a new global regulatory standard on Bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision in December 2010. Basel III strengthens Bank capital requirements and introduces new regulatory requirements on Bank liquidity and Bank leverage. It proposes many newer capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the Banking sector. The capital standards and new capital buffers will require Banks to hold more capital and higher quality of capital than under current Basel II rules. The new leverage and liquidity ratios introduce a non-risk-based measure to supplement the risk based minimum capital requirements and measures to ensure that adequate funding is maintained in case of crisis. As per the recommendations, Banks are expected to be compliant by 1st July 2014.

As part of its action for Basel III implementation, the Bank of Mauritius has issued the following Guidelines:

- Guideline on Scope of Application of Basel III and Eligible Capital (Superseding the 2008 Guidelines on Eligible Capital & Basel II), effective 1st July 2014. The main purpose of the guideline is to set out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework and to formulate the definition of regulatory capital, regulatory adjustments, transitional arrangements, disclosure requirements and capital conservation buffer.
- Guideline for dealing with Domestic Systemically Important Banks, effective 30 June 2014. The main purpose of the guideline is to put in place a reference system for assessing the systemic importance of Banks and ensure that the systemically important Banks have the capacity to absorb losses through higher capital. Of note, after its assessment, the Bank of Mauritius has identified 5 Banks as Domestic Systemically Important Banks. Banque des Mascareignes Ltée has not been identified as a Domestic Systemically Important Bank.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

II. Objectives of Basel III

Basel III aims to improve the quality of capital, increase capital levels and remove inconsistencies in the definition of capital across jurisdictions. The main objectives are:

Increased quality, quantity and consistency of capital	- Increased focus on CET I. - Increased capital levels.
Increased risk coverage	- Credit valuation adjustment (CVA) for over-the- counter (OTC) derivatives, being the capital charge for potential mark-to-market losses associated with deterioration in counterparty creditworthiness. - Asset value correlation being the increased capital charge on exposures to financial institutions. - Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	- Bank of Mauritius has implemented a 2.5% capital buffer by 2020 to decrease pro-cyclicality. - Build up capital during favourable economic conditions that can be drawn on during times of stress.
Pillar 2a and domestic systemically important Bank (D- SIB) buffer	- Additional buffer to be held against systemic risk requirements.
Countercyclical buffer	- Capital buffer deployed by national jurisdictions when system wide risk builds up. - Ensures capital adequacy takes macro-financial environment into account.
Leverage ratio	- Constrain build-up of leverage in the Banking sector. The ratio is calculated as tier I qualifying capital/on and off-balance sheet exposures, as defined by the BCBS, and to measure against the nationally SARB prescribed minimum ratio.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

F. Capital Management (continued)

I. Implementation of new capital requirements under Basel III

The below reflects the minimum capital requirements and phase-in periods applicable to Banks in Mauritius.

	2015	2016	2017	2018	2019	2020
	(All dates are as of 01 January)					
Minimum CET 1 CAR	6,00%	6,50%	6,50%	6,50%	6,50%	6,50%
Capital conservation buffer			0,625%	1,25%	1,875%	2,50%
Minimum CET 1 CAR plus	6,00%	6,50%	7,125%	7,75%	8,375%	9,00%
Phase in of deductions from CET 1	50,00%	50,00%	60,00%	80,00%	100,00%	100,00%
Minimum Tier 1 CAR	7,50%	8,00%	8,00%	8,00%	8,00%	8,00%
Minimum Total CAR	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%
Minimum Total Car Plus Capital Conservation Buffer						
	10,00%	10,00%	10,625%	11,25%	11,875%	12,50%
Capital Instruments that no longer qualify as AT1 capital Or Tier 2 capital	Phased out over 10 years horizon beginning 01 July 2014					

IV. Capital Structure

Regulatory capital adequacy is measured through three risk-based ratios:

- CET I: ordinary share capital, share premium and retained earnings divided by total risk- weighted assets.
- Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non- cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements.
- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

The Bank’s CET 1, Tier 1 and Tier 2 Capital are as per below. The Bank’s and Group’s Capital Structure and Capital Adequacy Ratio are as follows (the components of Capital may be reconciled with the Financial Statements as per notes below):

V. Limits and Minima Applicable

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III, the following limits and minima are applicable, as from 01 January 2016:

- A minimum Core Equity Tier 1 ratio of 6.5%;
- A minimum Tier 1 ratio of 8%; and
- A minimum Capital Adequacy Ratio of 10%.

As at 31 December 2018, the Group and the Bank have complied with all the limits and minimum requirements of the Bank of Mauritius guidelines. The Group and the Bank are well positioned to meet the phase in requirements as per the guidelines.

VI. Supervisory Review Process - Internal Capital Adequacy Assessment Process (ICAAP)

The Group and the Bank are guided by its Internal Capital Adequacy Assessment Process (ICAAP) in determining its capital planning and formulating its risk appetite process. Overall, the purpose of the ICAAP document is to provide an informative description of the methodology and procedures that the Group and the Bank use to assess and mitigate its risks and to make sure that adequate capital is kept to support its risks beyond the core minimum requirements. It delineates the process through which the Bank assesses the extent to which it holds sufficient capital in order to duly support its business activities.

MANAGEMENT DISCUSSION AND ANALYSIS
IV. RISK MANAGEMENT REPORT (CONTINUED)

F. Capital Management (continued)

VI. Supervisory Review Process - Internal Capital Adequacy Assessment Process (ICAAP) (continued)

Specifically, 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.

Exposures are monitored on a quarterly basis against those limits and reported to the Risk Management Committee. Actually, the ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius Guideline on Supervisory Review Process in April 2010. The document, which is approved by the Board, is reviewed periodically to ensure that the Bank remains well capitalised after considering all material risks. Stress testing is a risk management exercise that forms an integral part of the ICAAP. As part of the Bank’s ICAAP, forecasts are made, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational, market risks) and Pillar II risk types (i.e. concentration of risk, liquidity risk, interest rate risk, strategic risks and so on). These assessments are conducted with a view to understanding the sensitivity of the key assumptions of the capital plan to the realisation of plausible stress scenarios and in order to evaluate how the Bank can continue to maintain adequate capital under such scenarios. The overriding aim of the stress testing framework is to ensure that risk management exercises are firmly embedded in the organisation’s overall governance culture.

As a subsidiary of BCP Group and benefitting from the implicit and explicit the support of its sole shareholder, Banque des Mascareignes Ltée leverages on various tools to raise its capital, as and when needed. Capital may be raised through the issue of Ordinary Shares, Preference Share or Subordinated Debt, in multiple currencies. In addition, the Bank uses various instruments issued by its shareholder to mitigate its Credit Risk, namely through Unfunded Risk Participation and others.

V. Compliance Report

The Compliance Function assesses and ensures that all the Group’s and Bank’s activities comply with the relevant laws, regulations and internal policies and procedures. Compliance reviews are conducted across departments and appropriate recommendations are made. Any type of non-compliance and risk identified is duly reported to Senior Management, the Compliance Committee, Audit Committee and Risk Management Committee of the Board and the Board of Directors. It also co-ordinates and supports the activities within the Bank and provides expertise and advice in compliance-related matters.

The Governance Committees relating to Compliance are the Compliance Committee, Audit Committee and Risk Management Committee of the Board and the Board of Directors.

A Sanction Screening system is in place to enable real time screening of all details contained in incoming and outgoing swift messages. This screening tool and the approved work flow for treatment of flows help to reduce the Bank’s risk of being exposed in facilitating payments for individuals and organizations blacklisted under the US, EU, OFAC and UNSC.

To manage the money laundering risk which the Bank could be exposed to, the Compliance Function through the Money Laundering Reporting Officer tracks and reviews suspicious transactions. Moreover, it is empowered to report independently to the Financial Intelligence Unit (‘FIU’) any suspicious transactions. An automated Transaction Monitoring system is actually in place for detection of higher risk transactions to guard against money laundering and financing of Terrorism. The Anti-Money Laundering (‘AML’) framework adopted by the Bank is supported by an automated profiling system to enable the KYC profiling of customers through enhanced due diligence, customer identification, screening and customer risk scoring. It also enhances the monitoring and review of customers and their activities and allows the Bank to manage financial crime and regulatory risk more effectively.

The AML Training Programme of the Bank is set-up as per below:

- » Immediate training for all new recruits;
- » At least one annual refresher training is conducted for all staff by the Head of Compliance / Anti Money laundering;
- » Senior Management provides “on the job” AML awareness training to their respective staff;

With the internal procedures and control in place, the Bank is also continually developing screening methods to detect attempted frauds and prevent losses for all parties involved.

Compliance activity is covered through an Annual Compliance plan, approved by the Compliance Committee and Risk Management Committee, which comprises a schedule and frequency of field reviews of all the areas of regulatory risks. Other activities of the Compliance function are:

- » conducting independent investigations for suspicious cases and ensuring that appropriate actions and decisions are taken as well as assisting investigative authorities in conducting investigations;
- » conduction specific controls including tellers’ transactions following findings made necessitating rapid actions;
- » Reporting of FATCA (Foreign Account Tax Compliance Act) and coming CRS (Common Reporting Standard);
- » preparing Action Plan document, modifying Account Opening Forms and providing training to Front Liners as well as back office staff;
- » assisting the Bank of Mauritius, Financial Services Commission and external auditors during their audit;
- » providing support on new projects of the Bank;

MANAGEMENT DISCUSSION AND ANALYSIS
V. COMPLIANCE REPORT (CONTINUED)

- » preparing and circulating to staff of the Bank, action points and summary of changes in existing Legislations and Guidelines and new Legislations and Guidelines. On a quarterly basis the regulatory changes are also reported to the Internal Control Committee, Compliance Committee, Risk Management Committee and Board Audit Committee;
- » assisting other departments in setting up and preparing Policies and Procedures;
- » actively participating in Compliance meetings held at the Bank of Mauritius, Mauritius Bankers Association level, FIU's level, etc; and
- » compliance workshops are organised for Senior Management and Relationship Managers to discuss compliance issues and update them about recent regulatory developments.

Compliance - Focus areas for 2019

For year 2019, the Bank shall be focusing on a risk-based approach with regards to compliance. The following is being initiated for year 2019:

- » Regulatory Change Process
- » Enhanced Risk Scoring Model
- » AML Enterprise Risk Management
- » Leaner Compliance Processes
- » New AML/KYC/Sanction Software

The objective of compliance for 2019 is to act as a compliance support to the different departments of the Bank with a view of adhering the various regulatory compliance requirements.

VI. Internal Audit Function and Internal Control

The Bank has adopted a three-layer control system:

- » Line Management – 1st level of Control;
- » Compliance Review – 2nd level of Control; and
- » Internal Audit – 3rd level of Control.

In addition to the above, the Group and the Bank are subject to regular specialised and general Inspection Audit from BPCE Group Internal Audit teams; the latest done in 2015.

Line Management remains primarily responsible for establishing appropriate control over their operations, independent periodic assessment of the risks associated, the setting up of appropriate procedures and active walking-of-the job to identify lapses and bring in remedying measures. The Group and the Bank are committed to operate as per best industry practices as far as controls are concerned and to enforce day-to-day application. At the beginning of each financial year, all Executives and Staff are assigned a number of appropriate control-related measurable performance indicators which have an equivalent weightage as normal commercial targets.

To safeguard the total independence of Internal Audit, the latter reports directly to the Audit Committee with a dotted line reporting

to the Chief Executive Officer for day-to-day matters and the Bank has subscribed to the principle that Internal Audit has unfettered access to all the Bank's records and information. The responsibility for the appointment and dismissal of the Head of Internal Audit remains with the Audit Committee.

Internal Audit implements an annual inventory of all lines of business and operations followed by a risk assessment and risk scoring of each of these entities. Based on this risk assessment, an annual audit plan is drawn up and submitted to the Audit Committee for approval. The calendar of execution of the audits is known only to the Chief Executive Officer and Audit Committee. The Audit Plan is reviewed at each quarterly meeting of the Audit Committee.

The coverage of the Bank's internal audit also includes the Madagascar subsidiary.

The final audit reports provide clearly identifiable examples in support of findings, highlight the risk associated with each finding, and provide concrete remedying recommendations, which together with an implementation date are agreed with line management prior to the issue of the reports. Every finding is allocated a rating depending upon the level of the associated risk. It is to be noted that internal audit will systematically allocate a higher risk rating where findings may be contrary to law or relate to deficient observance of regulatory guidelines. The reports are presented to the Audit Committee.

Periodically, all departments are required to certify that all previous audit recommendations have been implemented and not allowed to lapse. In addition, Internal Audit carries out checks to ensure such implementation. A report in this respect is presented to the Audit Committee.



CORPORATE
GOVERNANCE

Good corporate governance remains integral to the way the Bank operates. The Bank is committed to operating in a correct, principled and commercially astute manner and staying accountable to its stakeholders. The Bank holds the view that transparency and accountability is essential for the Bank to thrive and succeed in the short, medium and long term.

GOVERNANCE FRAMEWORK

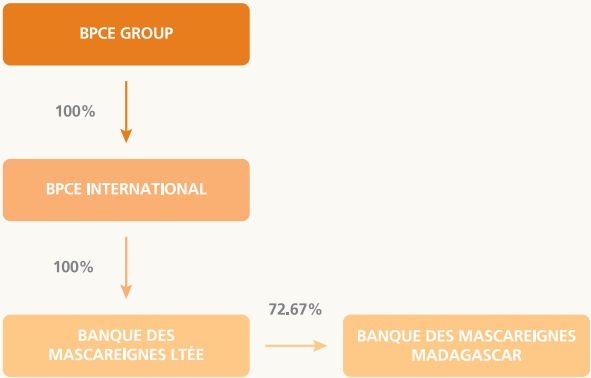
The Bank operates within a clearly defined governance framework. Through this framework, the Board balances its role of providing risk oversight and strategic counsel while ensuring adherence to regulatory requirements and risk tolerance. The governance framework provides for delegation of authority while enabling the Board to retain effective control. The Board delegates authority to relevant Board Committees and the Chief Executive Officer with clearly defined mandates and authorities, while preserving its accountability.

Board Committees facilitate the discharge of Board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the Board reviews regularly. Mandates for each committee set out its role, responsibilities, scope of authority, composition and terms of reference. The committees report to the Board through their respective chairman and minutes of all committee meetings are submitted to the Board.

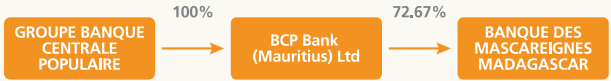
The Board delegates authority to the Chief Executive Officer to manage the business and affairs of the Bank. This delegated authority is set out in writing, together with the matters reserved for Board decision. The Senior Management Committee and Executive Management Committee assist the Chief Executive in the day-to-day management of the affairs of the Bank, subject to statutory parameters and matters reserved for the Board.

GOVERNANCE STRUCTURE

The shareholding and Group structure until the 16th October 2018 are as follows:



The shareholding and Group structure since the 16th October 2018 are as follows:



The Governance Framework is as follows:

- » Board of Directors
- » Board Committees, namely:
 - Audit Committee;
 - Risk Management Committee;
 - Conduct Review Committee;
 - Corporate Governance Committee; and
 - Remuneration and Nomination Committee.
- Credit Committee effective as at 16th October 2018.

CORPORATE GOVERNANCE
(CONTINUED)

GOVERNANCE STRUCTURE (CONTINUED)

- » Management Committees, namely
 - Senior Management Committee (Comité de Direction Générale);
 - Executive Management Committee (Comité Exécutif);
 - Business Development Committee;
 - Finance Committee;
 - Pricing Committee;
 - Assets & Liabilities Management Committee;
 - Treasury Committee;
 - Credit Committee;
 - Non-Performing Loans review and Provisioning Committee;
 - Arrears Committee;
 - Watchlist Committee;
 - Compliance Committee;
 - Internal Control Committee (Comité de Cohérence et Conformité);
 - Risk Management Committee; and
 - Organisation and Information Systems Committee.

BOARD OF DIRECTORS

The role of the Board:

The Board provides effective leadership based on an ethical foundation. It strives to balance the interests of the Bank and those of its various stakeholders. It is the highest decision-making body in the Bank and is responsible for the Group's strategic direction. It ensures that strategy is aligned with the Group's values and monitors strategy implementation and performance targets in relation to the agreed risk profile. It is collectively responsible for the long-term success of the Group and is accountable to shareholders for financial and operational performance.

In line with Banking regulations, the Board decides on the Group's corporate governance and risk management objectives for the year ahead. The relevant Governance and Risk Management Committees monitor performance against governance and risk objectives, respectively, and reports are submitted to the Board. A self-assessment of Board members and Board committees was carried out in 2018 to assess their performance.

The Board's terms of reference are set out in a written charter, the 'Charte de Bonne Gouvernance d'Entreprise et Règles de Bonne Conduite', as approved by the Board. The Board Charter is reviewed at least annually and complies with the provisions of the Guideline on Corporate Governance, The Companies Act, The Banking Act, the Bank's constitution, any relevant legislations and guidelines. It sets out the guidelines with regards to:

- » Composition of the Board;
- » Term of office;
- » Reporting responsibilities;
- » Rules of engagement; and
- » Matters reserved for Board decision.

The Board's key terms of reference are set out below:

- » Provide effective leadership based on an ethical foundation;
- » Approve the strategy and ensure that the Group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders;
- » Review the corporate governance and risk and capital management processes and ensure that there is an effective risk management process and internal control system;
- » Delegate relevant authority to the chief executive officer and the deputy chief executive officer and monitor their performance;
- » Determine the terms of reference and procedures of all Board Committees, review the Board's and committees' performance annually, and review their reports and minutes;
- » Ensure that the audit committee is effective and independent;
- » Ensure that an adequate budget and planning process exists, measure performance against budgets and plans, and approve annual budgets;
- » Consider and approve the annual financial statements and the annual report, results, dividend announcements and notice to shareholders before holding of the annual general meeting; and
- » Approve significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances.

Board meetings allow sufficient time for consideration of all items. Care is taken to ensure that the Board attends to matters critical to the Group's success, with sufficient attention to compliance and administrative matters.

The Group has a unitary Board structure with Executive and Non-Executive Directors. The Board functions effectively and efficiently and is considered to be of an appropriate size for the Group, taking into account, among other considerations, the need to have sufficient directors to structure Board committees appropriately, the regulatory requirements as well as the need to adequately address the Board's succession plans. Non- executive Directors bring diverse perspectives to Board deliberations, and constructive challenging of the views of Executive Directors and management is encouraged.

The Board members until the 16th October 2018 are:

- » Non-Executive Directors
 - Jean-Pierre Levayer (Chairperson);
 - Sylvain Faure; and
 - Anthony Ruffo.
- Yvan de la Porte du Theil.

- » Executive Directors
 - Philippe Wattecamps
 - Cedric Glorieux

CORPORATE GOVERNANCE
(CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

The Board members as at 16th October 2018 are:

- » Non-Executive Directors
 - Kamal Mokdad (Chairperson);
 - Fahed Mekouar;
 - Jalil Sebti;
 - Saïd Berbale;
 - Hanane El Boury and;
 - Jean-Louis Vinciguerra (Independent Director)
- » Executive Director
 - Abdelwafi Atif

The Company Secretary acts as secretary of the Board of Directors. The roles of the Chairman and Chief Executive Officer continue to be substantively different and separated. The Chairman is a Non-executive Director responsible for leading the Board, ensuring its effective functioning and setting its agenda, in consultation with the Company Secretary and the Chief Executive Officer. The Board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The Company Secretary maintains a register of directors’ interests which is available upon written request by the shareholder.

There is ongoing engagement between Executive Management and the Board. In addition to the Executive Directors, Senior Management attend Board meetings. External Auditors are invited to attend Audit Committee. Directors have unrestricted access to management information, as well as the resources to carry out their duties and responsibilities.

THE AUDIT COMMITTEE

In line with the Banking Act 2004 and international best practice, the Audit Committee’s principal responsibilities are to:

- » eeview the interim and annual financial statements, summarised financial information, dividend declaration and all financial information and recommend them to the Board for approval;
- » evaluate the adequacy and effectiveness of the accounting policies and all proposed changes in accounting policies and practices;
- » review the basis for determination as a going concern;
- » review the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls;
- » review the impact of new financial systems, tax and litigation matters on financial reporting;

- » review and approve the Group external audit plan;
- » oversee the appointment of External Auditors, their terms of engagement and fees;
- » review significant differences of opinion between external auditors and management;
- » review the External Auditors’ management reports concerning deviations from and weaknesses in accounting and operational controls, and ensure that management takes appropriate action to satisfactorily resolve issues;
- » review, approve and monitor the internal audit plan and charter;
- » consider and review the Internal Auditors’ significant findings and management’s response;
- » evaluate annually the role, independence and effectiveness of the internal audit function in the overall context of the Group’s Risk Management System;
- » monitor the maintenance of proper and adequate accounting records and the overall financial and operational environment;
- » review reports and activities of the Financial Crime Control Unit to ensure the mitigation and control of fraud and related risks;
- » Review, approve and monitor the compliance plan; and
- » Monitor compliance with the Companies Act, Banking Act and all other applicable legislations and guidelines.

The Audit Committee is comprised of Non-Executive Directors and one independent Director of the Bank. The Chairman of the Board is not a member of the Audit Committee. The Head of Internal Audit, the External Auditor, the Head of Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Audit Committee.

Members of the Audit Committee until 16th October 2018 were:

- » Sylvain Faure (Chairperson);
- » Anthony Ruffo; and
- » Yvan de la Porte du Theil

Members of the Audit Committee as at 16th October 2018 are:

- » Jean-Louis Vinciguerra (Chairperson, Independent Director)
- » Jalil Sebti;
- » Hanane El Boury; and
- » Saïd Berbale

The Audit Committee meets at least four times in a year.

THE RISK MANAGEMENT COMMITTEE

In line with the requirements of the guidelines of the Bank of Mauritius and the international best practice, the main responsibilities of the Risk Management Committee are to:

- » determine the Group’s risk appetite;
- » monitor the current and future risk profile to ensure that the Group is managed within risk appetite;
- » consider and approve the macroeconomic scenarios used for stress testing, and evaluate the results of stress testing;
- » approve all risk governance standards, frameworks and relevant policies;
- » monitor all risk types;

CORPORATE GOVERNANCE
(CONTINUED)

THE RISK MANAGEMENT COMMITTEE
(CONTINUED)

- » approve risk disclosure in published reports;
- » review and recommend the ICAAP and internal capital target ratio ranges to the Board for approval and monitor the utilisation of capital to make sure that the Bank has, at any time, a capital adequacy ratio corresponding to at least the regulatory minimum requirements;
- » review the impact on capital of significant transactions entered into by the Group;
- » review and approve the strategy, policies and practices relating to the management of the Bank’s liquidity;
- » approve the Risk Policy, which sets out the credit granting process and limits; and
- » monitor large and impaired credits as well as the overall level of provisioning, that is, overseeing credit and risk exposures.

The Risk Management Committee is comprised of 2 Non-Executive Directors of the Bank and the Chief Executive Officer. The Chairman of the Board is not a member of the Committee. The Head of Internal Audit, the Head of Risk and Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Risk Management Committee. The Risk Management Committee reports to the Board, through its Chairman.

Members of the Risk Management Committee until the 16th October 2018 were:

- » Sylvain Faure (Chairperson);
- » Anthony Ruffo;
- » Yvan de la Porte du Theil; and
- » Philippe Wattecamps.

Members of the Risk Management Committee as at 16th October 2018 are:

- » Jalil Sebti (Chaiperson)
- » Hanane El Boury; and
- » Abdelwafi Atif.

The Risk Management Committee meets on a quarterly basis.

THE CONDUCT REVIEW COMMITTEE

In line with the Guidelines of the Bank of Mauritius, the Conduct Review Committee’s main responsibilities are to:

- » establish the policies and procedures to comply with the requirements of the Guideline on Related Party Transactions;
- » Review the Bank’s transactions with related parties in line with the Conduct Review Policy, ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius;
- » review and approve all credit facility with related parties; and
- » ensure that transactions which could materially affect the financial stability of the Bank are identified at source and review all related party transactions when said dealings are above 2% of Tier 1 Capital.

The Conduct Review Committee (CRC) consists of three non-executive members and until the 16th October 2018 the members are as follows:

- » Sylvain Faure (Chairperson);
- » Anthony Ruffo;
- » Yvan de la Porte du Theil.

The members as at 16th October 2018 are as follows:

- » Fahed Mekouar (Chairperson)
- » Hanane El Boury; and
- » Saïd Berbale.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Conduct Review Committee reports to the Board, through its Chairman.

The Conduct Review Committee meets at least four times in a year.

THE CORPORATE GOVERNANCE COMMITTEE

In line with the Guidelines of the Bank of Mauritius, the Corporate Governance Committee’s responsibilities are to:

- » deal with all Corporate Governance issues and make recommendation to the Board accordingly;
- » ensure that the Bank complies with the Code of Corporate Governance and Corporate Governance Guidelines issued by the Bank of Mauritius;
- » ensure that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice; and
- » ensure effective communication between stakeholders; and
- » evaluate the effectiveness of the Board, its committees and its individual Directors. The Corporate Governance Committee consists of three non-executive members and the members until the 16th october 2018:

- Yvan de la Porte du Theil (Chairperson) ;
- Anthony Ruffo; and
- Sylvain Faure.

The members as at 16th October 2018 consists of two Non-Executive Directors, one independent Director and the Chief Executive Officer are as follows:

- Saïd Berbale (Chairperson);
- Jean-Louis Vinciguerra;
- Kamal Mokdad; and
- Abdelwafi Atif.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Corporate Governance Committee reports to the Board, through its Chairman.

The Corporate Governance Committee meets at least once a year.

CORPORATE GOVERNANCE
(CONTINUED)

THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of three Non-Executive Directors. The Committee is responsible for making recommendations to the Board on the appointment of directors and senior executives. The Committee also oversees remuneration and compensation of directors, senior management and other key personnel with a view to attract, retain and motivate them. It reviews periodically compensation levels of the Bank’s employees vis-a-vis other Banks and the industry in general. The Committee ensures that compensation is consistent with the current market conditions as well as with the Bank’s strategy and objectives.

The responsibilities of the Nomination and Remuneration Committee include:

- » ascertaining whether the potential Directors, Chief Executive, Deputy Chief Executive Officer and Senior Officers are fit and proper persons, have the required skills and expertise, and are free from material conflicts of interest, and ensuring that an induction programme is provided to new directors;
- » reviewing the Board structure, size and composition (including balance between independent/ non-executive/executive) and the composition of Board Committees;
- » reviewing, for submission to the Board, remunerations for Directors and Executives/Senior Officers as well as proposals of promotion to the General Management; and
- Reviewing the succession plan of senior executives and the list of talents.

The members of the Nomination and Remuneration Committee until 16th October 2018 were:

- Jean-Pierre Levayer (Chairperson);
- Sylvain Faure; and
- Yvan de la Porte du Theil.

The members of the Nomination and Remuneration Committee as at 16th October 2018 are:

- Kamal Mokdad (Chairperson);
- Fahed Mekouar; and
- Jalil Sebti.

The Nomination and Remuneration Committee meets at least once a year.

MANAGEMENT COMMITTEES

» **The Senior Management Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Head of Consumer Banking and Business Development Division the Head of Corporate, International and Global Business Division and Chief Financial Officer. The Senior Management Committee meets on a weekly basis and considers all matters relating to the Bank’s strategy as well as day to day running of the Bank.

» **The Executive Management Committee** is chaired either by the Chief Executive Officer or the Deputy Chief Executive Officer

and it consists of members of the Senior Management Committee and all Heads of Departments except for the Head of Legal and Recovery & Company Secretary. The committee meets on a monthly basis and is responsible for the day-to-day management of the Bank, including risk issues, business development, compliance and IT related issues.

» **The Business Development Committee** is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and is composed of the Head of Consumer Banking and Business Development Division, Head of Corporate, International and Global Business Division, the Head of Marketing and Business Development, the Head of Retail Banking, Head of Private Banking, the Manager of Marketing, Manager of Sales and Manager of Communication Department. The committee meets on a monthly basis and is chaired by the Head of Consumer Banking and Business Development Division. The main purpose of the Business Development Committee is the review of segmental, commercial and financial results against targets and to decide on marketing strategies.

» **The Assets and Liabilities Management Committee** is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and it consists of the Deputy Chief Executive Officer, the Chief Financial Officer, the Director of Risk and Compliance, and the Head of Treasury, Manager of Risk and Monitoring Department and Manager of Finance Management Department. The Committee has the authority and responsibility for managing the Bank’s assets and liabilities, and the measurement of all market risks associated, based on a static and dynamic simulation of the Bank’s balance sheet. Moreover, it ensures that the overall asset/ liability and market risk mix are managed effectively and are within Group guidelines. The Committee meets on a quarterly basis.

» **The Finance Committee** is chaired either by the Chief Executive Officer or the Deputy Executive Officer and consists of, the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development Division, the Head of Corporate, International and Global Business Division, the Director of Risk and Compliance, the Head of Treasury, the Manager of Risk Control and Monitoring Department, the Manager of Finance Management Department and the Manager of Accounting Departments. The Committee:

- reviews performance against budgets and approves operational strategies to the Bank’s and Group’s medium to long term plan; and
- o reviews market intelligence reports and competitor reviews.

» **The Pricing Committee (Comité Tarification)** is chaired either by the Chief Executive Officer or Deputy Chief Executive Officer and consists of the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development, Head of Corporate, International and Global Business Division, the Director of Risks and Compliance, the Head of Treasury, Head of Marketing and Business Development, Manager Marketing and Manager of Finance Management Department. The Committee approves changes in pricing, tariffs and charges as well as marketing campaigns. The Committee meets on a monthly basis.

CORPORATE GOVERNANCE
(CONTINUED)

MANAGEMENT COMMITTEES (CONTINUED)

» **The Credit Committee** is chaired by the Chief Executive Officer or the Deputy Chief Executive Officer, meets at least twice a week and is comprised of the Chief Financial Officer, Head of Consumer Banking and Business Development Divisions, the Head of Corporate, International and Global Business Division, the Heads of business segment and the Director of Risks and Compliance. Heads of Business units and the credit underwriting team attend the meeting. The committee reviews and recommends and / or approves credit requests within its delegated authority. All requests outside its delegated authority until the 16th October 2018 were forwarded for a decision to BPCE International and / or BPCE Credit Committees. As at the 16th October 2018, the requests are henceforth made at the Credit Committee which is a subcommittee of the Board. The said Committee is chaired by the Chairman of the Board, meets as and when and comprises of two other directors of the Board.

» **The Non-Performing Loans Review and Provisioning Committee** reviews the status on all non- performing loans and approves the percentage of specific provisions to be provided for each impaired credit. It also assesses and agrees on the recovery strategy of impaired credits. The Committee meets on a monthly basis and is chaired by the Chief Executive Officer. The committee comprises of the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development, Head of Corporate, International and Global Business Division, the Director of Risk and Compliance, the Head of Legal and Recovery, Manager Recovery and Collections and members of the Risk Control and Monitoring unit.

» **The Arrears Committee (Comité des dépassements et impayés)** meets on a monthly basis and is an integral part of the risk monitoring system. This Committee monitors any overdrawn amounts (unauthorised overdrawn accounts and/or overdrafts with expired limits) and loan arrears. Through monitoring of these credit risks, potential non-performing loans are identified and action plans agreed for implementation. The Committee is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and the other members consist of the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development, the Director of Risks, members of the Risk Control and Monitoring Department, Head of Legal and Recovery and the Heads of Business segment.

» **The Watchlist Committee** is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer. The responsibilities of the Committee are to monitor all exposures, as defined by the Watchlist Policy. This policy adopts a risk-based approach to the monitoring of exposures. The Committee meets on a quarterly basis. The members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development, Head of Corporate, International and Global Business Division, the Director of Risk and Compliance, members of the Risk Control and Monitoring unit, the Manager

Recovery and Collections, and the Head of Business segments attend the meetings as and when required.

» **The Compliance Committee** is chaired by the Chief Executive Officer or the Deputy Chief Executive Officer and it is comprised of the Chief Financial Officer, the Head of Consumer Banking and Business Development, Head of Corporate, International and Global Business Division, the Head of Compliance, the Director of Risk and Compliance, the Head of internal Audit, the Money Laundering Reporting Officer (MLRO), Head of Human Resources, Manager of Investigation Unit, the Head of Information system and Organisation and Manager of Retail Banking Operations, or Head of Retail Banking. The Compliance Committee drives the compliance policy of the Bank and monitors its implementation. The main role of Compliance Committee is to ensure consistency and efficiency of most internal controls within the Bank. The Compliance Committee takes decisions and provides guidance for the solving of major problems relating to internal controls so as to ensure better coordination, effectiveness and efficiency in the activities of the Bank, thereby mitigating intrinsic risks arising from the Banking activities. The Committee meets on a quarterly basis. The Bank has in place a whistleblowing policy to ensure a fair and ethical environment for all its staff.

» **The Internal Control Committee** is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and is comprised of the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development, the Head of Corporate, International and Global Business Division, the Head of Compliance and Internal control, the Director of Risks and Compliance, the Head of internal Audit, the Head of Information System and Organisation, the Head of Consumer Satisfaction and Quality, and other members who are responsible for the efficiency and effectiveness of controls in their respective fields. The Committee looks at all aspects relating to internal control and non-compliance issues identified in the internal controls system of the Bank so that adequate remedial actions can be taken in a timely manner. The Committee meets on a quarterly basis.

» **The Risk Management Committee** is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and the other members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development Division, the Head of Corporate, International and Global Business Division, the Director of Risk and Compliance, the Head of Legal and Recovery, the Head of Retail Banking, Manager of the Risk Control and Monitoring Department and Manager of Credit Analysis Department. The primary function of the Risk Management Committee is to monitor the risks of the Bank against approved risk appetite, limits and regulatory guidance. The Committee meets on a quarterly basis.

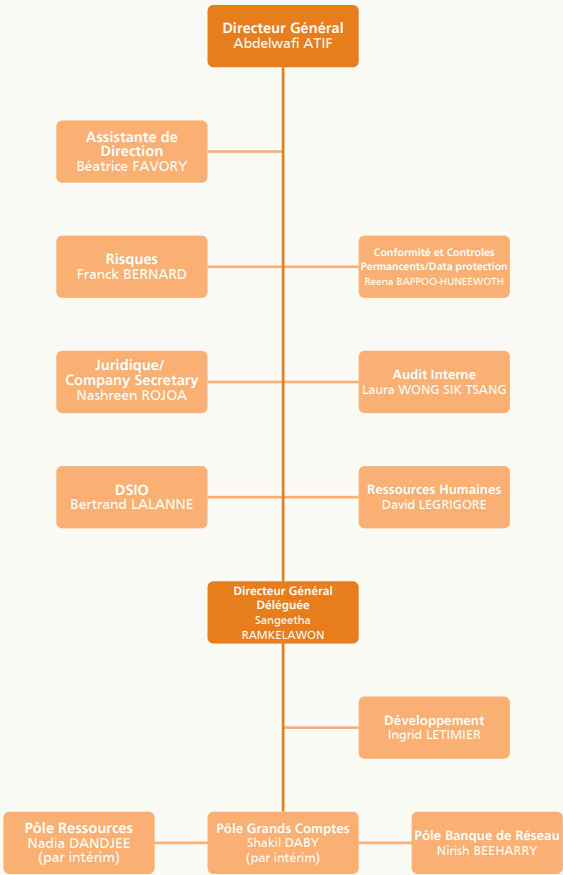
CORPORATE GOVERNANCE
(CONTINUED)

MANAGEMENT COMMITTEES (CONTINUED)

» **The Organisation and Information System Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development Division, the Director of Risk and Compliance, the Head of Marketing and Business Development, the Manager of Information System and Organisation, the Head of Technical Unit, the Head of Organisation and Business Analysts, the Manager of Business Analysts, the Manager of IT Security, the Head of Operations, and the Head of Information System and Organisation. The Committee is chaired by the either the Chief Executive Officer or the Deputy Chief Executive Officer. The purpose of the Committee is to have a follow up of projects relating mainly to IT. The Committee meets on a monthly basis.

» **The Treasury Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Consumer Banking and Business Development Division, the Head of Corporate, International and Global Business Division, the Head of Operations, the Head of Treasury, the Manager of Marketing and the Manager of Finance Management Department. The Committee meets on a weekly basis, to review the structural liquidity positions (MUR and Foreign Currency). It also provides guidance on deposit rates as well as daily business strategies to improve the Net Interest Income as well as Foreign Exchange Income.

ORGANISATION CHART



BOARD OF DIRECTORS – COMPOSITION UNTIL
16TH OCTOBER 2018

Board of Directors

- » Non-Executive Directors
 - Jean-Pierre Levayer (Chairperson);
 - Sylvain Faure; and
 - Antony Ruffo
 - Yvan de la Porte du Theil.
- » Executive Directors
 - Philippe Wattecamps; and
 - Cédric Glorieux.

Committees of the Board

- » Audit Committee
 - Sylvain Faure (Chairperson);
 - Anthony Ruffo; and
 - Yvan de la Porte du Theil.
- » Conduct Review Committee
 - Sylvain Faure (Chairperson);
 - Anthony Ruffo; and
 - Yvan de la Porte du Theil.
- » Risk Management Committee
 - Sylvain Faure (Chairperson);
 - Anthony Ruffo;
 - Yvan de la Porte du Theil; and
 - Philippe Wattecamps.
- » Corporate Governance Committee
 - Yvan de la Porte du Theil (Chairperson);
 - Sylvain Faure; and
 - Anthony Ruffo.
- » Nomination and Remuneration Committee
 - Jean-Pierre Levayer (Chairperson);
 - Sylvain Faure; and
 - Yvan de la Porte du Theil.

CORPORATE GOVERNANCE
(CONTINUED)

BOARD OF DIRECTORS – COMPOSITION AS AT
16TH OCTOBER 2018

Board of Directors

- » Non-Executive Directors
 - Kamal Mokdad (Chairperson);
 - Fahed Mekouar ;
 - Jalil Sebti ;
 - Saïd Berbale ;
 - Hanane El Boury and ;
 - Jean-Louis Vinciguerra (Independent Director)
- » Executive Director
 - Abdelwafi Atif

Committees of the Board

- » Audit Committee
 - Jean-Louis Vinciguerra (Chairperson);
 - Jalil Sebti;
 - Hanane El Boury; and
 - Saïd Berbale.
- » Conduct Review Committee
 - Fahed Mekouar (Chairperson);
 - Hanane El Boury; and
 - Saïd Berbale.
- » Corporate Governance Committee
 - Saïd Berbale (Chairperson);
 - Jean-Louis Vinciguerra;
 - Kamal Mokdad; and
 - Abdelwafi Atif.
- » Nomination and Remuneration Committee
 - Kamal Mokdad (Chairperson);
 - Fahed Mekouar; and
 - Jalil Sebti

GENERAL MANAGEMENT

I. Senior Management Committee (Comité de Direction
Générale)

- » Atif Abdelwafi Chief Executive Officer as at 20th November 2018
- » Wattecamps Philippe Chief Executive Officer until the 31st August 2018
- » Glorieux Cédric Deputy Chief Executive Officer until the 31st August 2018
- » Ramkelawon Sangeetha Head of Corporate, International and Global Business Division until the 31st August 2018
Interim Chief Executive Officer between the 1st September 2018 to the 19th November 2018
Deputy Chief Executive Officer as at 20th November 2018
- » Beeharry Nirish Head of Consumer Banking and Business Development Division
- » Dandjee Nadia Chief Financial Officer

CORPORATE GOVERNANCE
(CONTINUED)

GENERAL MANAGEMENT (CONTINUED)

II. Executive Management Committee

» Beeharry Nirish	Head of Consumer Banking and Business Development Division	» Jahajeeah Avinash	Head of International Banking
» Bernard Franck	Director – Risk and Compliance until the 31st December 2018	» Lalanne Bertrand	Director – Information system and Organisation
» Caullee Doodassen	Head of Retail Banking until the 25th July 2018	» Letimier Ingrid	Head of Marketing and Business Development
» Constant Virginie	Head of Private Banking	» Modeley Patrice	Head of Operations
» Daby Shakil	Head of Corporate Banking	» Legrigore David	Head of Human Resources Department
» Dandjee Nadia	Chief Financial Officer	» Ramkelawon Sangeetha	Head of Corporate, International and Global Business Division
» Glorieux Cédric	Deputy Chief Executive Officer until the 31st August 2018	» Thomas Alain	Head of Treasury
» Houbert Valérie	Head of Compliance and Internal control until the 25th June 2018	» Wattecamps Philippe	Chief Executive Officer until the 31st August 2018
		» Wong Sik Tsang Laura	Head of Internal Audit

III. Attendance for Board Meeting and Committee

As at end of September 2018		Board Committee					
		Board of Director	Audit Committee	Risk Management Committee	Conduits Review Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Numbers of meetings held		3	3	3	3	1	2
Executive	Philippe WATTECAMPS	3	3	3	3	1	n/a
	Cedric GLORIEUX	3	3	3	3	1	n/a
	Jean-Pierre LEVAYER	1	n/a	n/a	n/a	n/a	2
Non Executive	Sylvain FAURE	3	3	3	3	1	2
	Anthony RUFFO	2	2	2	2	1	n/a
Independent Yvan DE LA PORTE DU THEIL		3	3	3	3	1	2
From October 2018 to 31st December 2018		Board Committee					
		Board of Director	Audit Committee	Risk Management Committee	Conduits Review Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Numbers of meetings held							
Executive	Abdelwafi ATIF	2	n/a	n/a	n/a	n/a	n/a
	Kamal MOKDAD	2	n/a	n/a	n/a	n/a	n/a
Non Executive	Fahed MEKOUAR	2	n/a	n/a	1	n/a	n/a
	Jalil SEBTI	1	1	1	n/a	n/a	n/a
	Saïd BERBALE	2	1	n/a	1	n/a	n/a
	Hanane EL BOURY	2	1	1	1	n/a	n/a
Independent Jean-Louis VINCIGUERRA		2	1	n/a	n/a	n/a	n/a

CORPORATE GOVERNANCE
(CONTINUED)

DIRECTORS' PROFILE

Until the 16th October 2018, the Board consisted of 6 members who are experienced professionals with expertise in a variety of fields.

Levayer Jean-Pierre (Chairperson)

Jean-Pierre Levayer who was appointed as a Board member of the Bank on the 25th April 2017, is the Chief Executive Officer of BPCE International. Jean-Levayer holds a master with specialization in Finance from ESSEC Business School and has 38 years of experience in the Banking Sector. Jean-Pierre Levayer held various positions at BPCE Group, namely, in the field of business development and operations. He was the Chief Executive Officer at Banque Populaire Loire & Lyonnais before being appointed Chief Executive Officer of BPCE International.

Faure Sylvain

Faure Sylvain who was appointed as a Board Member of the Bank on 26th January 2017, is the Head of Business Development of BPCE International. Sylvain Faure holds a Masters in Finance from the University of Paris Sorbonne and has 30 years of experience in the Banking field.

De La Porte Du Theil Yvan

De La Porte Du Theil Yvan who was appointed to the Board of the Bank on the 18th of March 2010, is a member of the Board of Directors of BPCE International, Coface Banque Tuniso-Koweitienne (BTK) and FransaBank (France).

Ruffo Anthony

Ruffo Anthony who was appointed as a Board Member of the Bank on 18th April 2017, is Chargé de mission of Group BPCE. He holds a Masters in Management and Finance from EDHEC Business School, Lille and has 10 years of experience in the Banking Sector.

Wattecamps Philippe - Chief Executive Officer

Wattecamps Philippe who was appointed as a Board Member of the Bank in October 2014, is the Chief Executive Officer of the Bank. He is also Director of BM Madagascar. Philippe holds a Masters in Law from Rennes University. Philippe has been working for 27 years in the Banking sector. Before joining Banque des Mascareignes, Philippe held the post of Deputy Chief Executive Officer at BPCE International. He also worked at Banque Tuniso-Kowetienne as Deputy Chief Executive Officer and at Banque Populaire de l'Ouest, where he was in charge of Business Development and Credit Underwriting.

Glorieux Cédric - Deputy Chief Executive Officer

Glorieux Cédric who was appointed as a Board Member of the Bank on 20th August 2016, is the Deputy Chief Executive Officer of the Bank. He is also Director of BM Madagascar. Cédric Glorieux holds a Masters with Specialization in Finance from ESSEC Business School and holds 18 years of experience in the Banking Sector. Cedric held various positions at BPCE Group, namely, in the field of Audit,

Business Development and Finance at Banque Populaire – Paris and Rennes. He was the Executive Director – Business Development at Banque Populaire de L'Ouest, Rennes before joining Banque des Mascareignes Ltée.

As from the 16th October 2018, the Board consists of 7 members who are experienced professionals with expertise in a variety of fields.

Kamal Mokdad (Chairperson)

Kamal Mokdad was appointed as a Board Member of the Bank on the 16th October 2018. Kamal is Chief Executive Officer and Head of International Global Banking at Morocco's Banque Centrale Populaire (BCP). He is also the CEO of “BP Shore Consulting”, BCP's own consulting firm created to enable the group's execution of current strategic and operational projects.

Kamal joined BCP's executive management after an extensive international experience in audit and advisory across France, Morocco and Sub-Saharan Africa. He debuted his career in Paris where he joined an international professional services firm specialized in audit and advisory. He led various engagements for several European groups mainly in the Banking and insurance sectors. In 2007, he was appointed as a Partner and was in charge of launching a new “Financial Services” offer. By 2010, he was entrusted with the management of the firm as he became Morocco’ Managing Partner and Financial Services Leader in Africa.

Kamal Mokdad earned a degree in Economics and Finance at the Institute of Political Studies in Paris (Sciences- Po Paris), as well as an International Certificate of Political Studies. He eventually prepared for the French accounting certification and received the designation of Chartered Accountant in 2006. He also holds an MBA, which he obtained in 2014.

Fahed Mekouar

Fahed Mekouar was appointed as a Board Member of the Bank on the 16th October 2018. He is the Head of Strategic Planning and Corporate Business Development of BCP. Fahed Mekouar holds a Masters in Sciences in Business Administration from École des Hautes Études Commerciale.

Jalil Sebti

Jalil Sebti was appointed as a Board Member of the Bank on the 16th October 2018. He is Chief Executive Officer of Banque Populaire of Rabat and Kenitra. Jalil Sebti holds two Masters from Bruxelles University and an Executive MBA from École des Hautes Études Commerciale.

Saïd Berbale

Saïd Berbale was appointed as a Board Member of the Bank on the 16th October 2018. He is the Head of Legal and Compliance of Banque Centrale Populaire. Saïd Berbale holds a Masters in Private Law from Law University Hassan II.

CORPORATE GOVERNANCE
(CONTINUED)

DIRECTORS' PROFILE (CONTINUED)

Hanane El Boury

Hanane El Boury was appointed as a Board Member of the Bank on the 16th October 2018. She is the Head of International Business Development of Banque Centrale Populaire. Hanane El Boury holds an MBA from ESA Toulouse. She is on the Board of different Banks belonging to the BCP group in Morocco. She has over 18 years of Banking experience.

Jean-Louis Vinciguerra (Independent Director)

Jean-Louis Vinciguerra was appointed as a Board Member of the Bank on the 16th October 2018. He holds a Masters in Political Sciences from Institut d'études Politiques de Paris, a PHD in Economics from Paris Assas- Panthéon and completed the Management Development Program at the Harvard Business School. Jean-Louis Vinciguerra has been the Chief Financial Officer and Senior Executive Vice President of France Telecom since 1998. He has Banking experience as Senior Partner of Rothschild and Company, then BZW and finally Indosuez as Head of Investment Banking Division for Asia-Pacific. He began his career in 1971 with Pechiney, where Mr. Vinciguerra served as Group Chief Financial Officer, Vice President of Finance and Deputy Managing Director of Packaging Division. He served as the Chairman and Chief Executive Officer of American National Can from 1994 to 1995. He served as Head of the Asia Department at Crédit Agricole Indosuez.

Abdelwafi Atif (Executive Director)

Abdelwafi Atif who was appointed as a Board Member of the Bank in October 2018, is the Chief Executive Officer of the Bank. He holds a Diplôme des Études Universitaires Générales Sciences Économiques from the University Sidi Med Ben Abdellah, Morocco and a Diplôme des Études Supérieure Bancaires from Institut Technique de Banque/ CNAM, Paris. Before joining Banque des Mascareignes, he was the Chief Executive Officer of Chaabi International Bank, a subsidiary of Banque Centrale Populaire. Adelwafi Atif has over 30 years of Banking experience.

PROFILE OF THE MANAGEMENT TEAM

Beeharry Nirish - Head of Consumer Banking and Business Development Division

Prior to joining the Banque des Mascareignes in May 2017, Nirish Beeharry held the positions of Executive Head of Consumer Banking & Ag Head of Marketing and Corporate affairs for the MauBank in Mauritius, a position he had been promoted to in 2016. Prior positions held by Beeharry include Head of Retail and Head of Cards at the Bramer Bank, as well as over 11 years of Retail Management experience attained at the Barclays Bank in Mauritius. Roles at Barclay's have included the setting up of the SME proposition, to that of Business Development Manager, where he was key in setting up of the Alternate Sales Channels-, which was a first for the country in 2007/8. He has also held the positions of Area Leader and finally Head of Sales, for the Bank's Retail/Consumer proposition.

Bernard Frank - Director, Risk and Compliance

Franck Bernard holds a Master degree (DESS) from Paris Dauphine University in Banking and Financial Institutions Management. Bernard worked for the BPCE Group, where he held different positions in the field of audit and risks. He also held various positions in audit, risk and compliance, for more than 15 years, in various companies, namely Euronext, Euroclear and HSBC Private Bank. He also worked for the French Conseil des Marchés Financiers.

Caullee Doodassen - Head of Retail Banking

Doodassen Caullee holds a Master degree with specialisation in Marketing. He has 17 years of experience in the Banking sector and he started his career at South East Asia Bank Limited where he worked for 8 years as Front Liner and Branch Manager before joining Barclays Bank PLC as Relationship Manager – Premier Banking. From 2008 to 2012, he worked for Banque des Mascareignes Ltée as Branch Manager and Head of Direct Sales Team and spent two years at Bramer Banking Corporation as Area Manager/ Leader. Caullee was back in the team of Banque des Mascareignes Ltée in 2012 as 'Animateur Commercial' and in 2016, was promoted as Head of Retail Banking.

Constant Virginie - Head of Private Banking

Virginie Constant has 20 years of experience in the Banking sector. She started her career at HSBC Mauritius and after 9 years in the operations, she moved to Standard Chartered Bank (Mauritius) Limited as Business Development Manager and Head of Corporate Affairs. After 1 year, she joined Banque des Mascareignes Ltée where she held different positions before being promoted as Head of Private Banking in 2016.

Daby Shakil - Head of Corporate Banking

Shakil Daby holds a BSC (Hons) Double Major Law and Management from Middlesex University London, UK. He is undergoing an MSC in International Finance and Banking Law with the University of Liverpool. He worked at AOL Time Warner (UK) as Finance Manager for a year and then came back to Mauritius to join HSBC Mauritius as Bank Officer in 2006. He was promoted as Relationship Manager in 2007 and then as Associate Global Banking in 2011 before joining Banque des Mascareignes Ltée in 2016 as Head of Corporate Banking.

Dandjee Nadia - Chief Financial Officer

Nadia Dandjee holds a specialisation in Accounting Audit and Consulting at HEC, School of Management. She started her career at Paridoc, France in 1993 in the Finance department and then moved to Deloitte Touche Tohmatsu as Senior Assistant Audit in 1995. She then occupied different management positions at BNP Parisbas in the Finance and IT departments. She joined Harel Mallac Group in 2010 as Operations Manager. She last held the position of Product and Business Development Manager at Harel Mallac Group before joining Banque des Mascareignes Ltée in 2012 as "Responsable – Organisation et Maitrise d'Ouvrage. In 2016, she was promoted as Chief Financial Officer at Banque des Mascareignes Ltée.

CORPORATE GOVERNANCE
(CONTINUED)

PROFILE OF THE MANAGEMENT TEAM
(CONTINUED)

Houbert Valérie - Head of compliance and Internal control

Valérie Houbert holds a Master in Commercial Law and a Master II in International Comparative Law and Globalisation and reckons 10 years of experience in the Banking sector. She started her career as Legal and Compliance officer at Standard Chartered Bank (Mauritius) Limited in 2006 and held a company Secretarial role for 2 years. She was then promoted as Head of Legal, Compliance and Assurance/ CMLRO/MLRO for 3 years. Valérie was the Head of WB Legal/ Legal Counsel and CMLRO at Standard Chartered Bank (Mauritius) Limited before joining Banque des Mascareignes Ltée in 2016 as Head of compliance and Internal control.

Jahajeeah Avinash - Head of International Banking

Avinash Jahajeeah is an Actuarial & Management Sciences graduate of the University of Manitoba, Canada. Jahajeeah has been involved in the field of pension and benefit consulting for 6 years at Mercer (part of the Marsh & McLennan Group) in Calgary and at AON in Montreal, before joining Banque des Mascareignes' International Banking department in February 2005.

Lalanne Bertrand - Director, Information System and Organisation

Bertrand Lalanne holds a 'Docteur/Ingénieur en Informatique' from the University of Valenciennes. Lalanne has over 30 years of experience in the Information Systems with a specialisation in the finance sector. He has held various positions such as Project Manager, Head of Information Systems and Head of Organisation for more than 24 years. Bertrand joined Groupe BPCE in 2007 and Banque des Mascareignes Ltée in 2013.

Letimier Ingrid - Head of Marketing and Business Development

Ingrid Letimier holds a Bachelor Degree with a Double Major in Marketing and in Management. Letimier has over 15 years' experience in Marketing, Communication and Advertising with a specialisation in the financial sector, through experience acquired at CIM Finance, Mauritius Union Assurance, and Bank One. She first joined Banque des Mascareignes in 2003 as Marketing Manager and in 2007 was appointed Head of Retail and Marketing. She joined Banque des Mascareignes again in February 2013 as Head of Marketing and Business Development.

Legrigore David - Head of Human Resources Department

David Legrigore holds a Bachelor in Management from the University of Mauritius and reckons 18 years of experience in the human resources field, of which 13 years in the Banking sector. He started his career as HR Officer at Mauritius Telecom in 1999 for 1 year, as Management Consultant at People Focus and PwC from Oct 2000 to June 2001 and Feb 2002 to Dec 2004 respectively. He then joined MCB in 2005 as HR Coordinator, was promoted as HR operations

Manager in 2007 and then as HR Projects and Systems Manager in 2008 until 2015. Legrigore was Head of HR at Bank One from March 2015 until Dec 2017 before joining Banque des Mascareignes Ltée in Jan 2018 as Director of Human Resources.

Modeley Patrice - Head of Operations

Patrice Modeley holds a degree in International finance delivered by Chambre de Commerce International of Paris, with specialisation in Trade Finance. Modeley has more than 20 years of experience in the Banking sector of which he has spent almost 10 years as Head of Operations in BNPI, AfrAsia Bank and Banque des Mascareignes.

Ramkelawon Sangeetha - Head of Corporate, International and Global Business Division

Sangeetha Ramkelawon holds a degree in Management Studies- International Finance with 13 years of experience in the Banking sector. She started her career as Banking Operations Officer/ Portfolio Manager at International Proximity in year 2000. She then moved to Deutsche Bank (Mauritius) Limited in 2003 as Deputy Head of Banking and was promoted as Assistant Vice President – Head of Institutional and Intermediary Business in 2006. She held the position of Vice President – Head of Banking – Global Transaction Banking before joining Banque des Mascareignes Ltée in 2016 as Head of Corporate, International and Global Business Division). She was appointed Interim Chief Executive Officer from 1st September 2018 to the 19th November 2018. She was then nominated as Deputy Chief Executive Officer

Thomas Alain - Head of Treasury

Alain Thomas has over 30 years of experience in the Banking and finance sector of which over 20 years as Head of Treasury. He has worked for 23 years at Banque Nationale de Paris Intercontinentale in several departments, namely: finance, foreign exchange and treasury departments. Thomas joined the management team of Banque des Mascareignes Ltée in 2008.

Wong Laura - Head of Internal Audit

Laura Wong holds a "Maîtrise en Sciences Économiques" from the University of Pantheon-Sorbonne, Paris Intercontinentale. Laura has 14 years of experience in the Banking sector, having worked for "Banque Nationale de Paris". Laura joined Banque des Mascareignes in 2011 and is heading the Internal Audit department since June 2016.

CORPORATE GOVERNANCE
(CONTINUED)

ROLE AND RESPONSIBILITIES OF THE CHIEF
EXECUTIVE OFFICER

The Chief Executive Officer, with the active involvement and overview of the Board, is responsible for the strategic direction of the Bank and must, therefore, take the initiative of setting the vision and long and short- term goals. He must ensure that an appropriate strategic planning process is in place and takes the lead in coming up with a proposed strategic plan, including the objectives to be achieved. The Board will examine the plan and provide an objective assessment thereof. In addition, the conduct of business is entrusted to the Chief Executive Officer, who has the responsibility to operate within the risk appetites and policies set by the Board while adhering to regulatory requirements. To this end, various committees involving the Bank's senior officers are in place to support the Chief Executive Officer to deliberate on key issues for informed decision-making.

REMUNERATION OF DIRECTORS

The Non-Executive Directors (external to the Group) receive a fee for each Board meeting or other Board Committees. The remuneration packages of Executive Directors are determined based on a number of factors including qualifications, skills, market conditions and responsibility shouldered and is approved by the Remuneration and Nomination Committee.

Remuneration paid to the Directors is as follows:

Rs 000	2018	2017	2016
Executive Directors			
Philippe Wattecamps	8,414	11,181	16,260
Cédric Glorieux	4,274	6,111	4,209
Matthieu Dabout	-	-	8,366
Abdelwafi Atif	584	-	-
Non-Executive Directors			
Jean-Pierre Levayer	-	-	-
Sylvain Faure	-	-	-
Yvan De La Porte du Theil	278	313	312
Anthony Ruffo	-	-	-

MATERIAL CLAUSES OF THE BANK'S
CONSTITUTION

Some of the main clauses of the Bank's constitution are as follows:

- » The duration of the Company is unlimited.
- » The Company is a private company limited by shares.

- » Pre-emptive rights – Future issue of shares that rank to voting or distribution rights, or both, shall be offered to the holder of shares already issued in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.
- » Distributions – The Board may authorise a distribution of dividend by the Bank.
- » The Bank may to the extent provided by the provisions of Section 62 of the Companies Act 2001 by special resolution reduce its stated capital to such amount as it thinks fit.
- » The minimum number of directors is five and the maximum number of directors is twelve.

INTEGRATED SUSTAINABILITY REPORTING

I. Statement of Recruitment and Remuneration Philosophy

The Group's and Bank's recruitment and remuneration philosophy for Management and Staff 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; and
- » opportunities are given to all employees to benefit from the financial results and development of the Bank.

Indeed, all staff members of the Bank receive an annual bonus based on the performance of the Company as well as their own rated contribution thereto. Generally, the finalisation of remuneration packages is anchored on a range of factors including qualifications, skills scarcity, past performance, potential, market norms, responsibilities shouldered and experience. With a view to attaining appropriate remuneration levels, the Bank is guided by the following considerations:

- » General Market Conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive;
- » Superior Team and Group Performance are stimulated and rewarded with strong incentives; and
- » Remuneration Practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals' contribution to the Bank's performance.

The Group and the Bank do not have any Employee Share Scheme nor any Share Options Plans.

II. Ethics and Organisational Integrity

The Board aims to provide effective and ethical leadership, and ensures that its conduct and that of Management is aligned to the Group's values and to the Banking Code of Ethics. The Group's value and code of ethics, as approved by the Board, are designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles and values. The Board regularly monitors and evaluates compliance with the Group's values and code of ethics.

In ensuring that the Group operates ethically, the Board uses the inclusive stakeholder model of governance that considers and promotes the interests of all the Group's stakeholders.

CORPORATE GOVERNANCE
(CONTINUED)

INTEGRATED SUSTAINABILITY REPORTING
(CONTINUED)

III. Shareholders' Agreement

There is currently no shareholders' agreement between the Bank and its shareholders.

There is a shareholders' agreement between the Bank and its subsidiary, BM Madagascar. The shareholders' agreement describes the terms and conditions of the set-up of the subsidiary as well as future capital injections, governance structures and required technical support from the Bank.

IV. Significant Contracts

There is currently no significant contract between third parties with the Bank and its subsidiary.

V. Management Agreements

There is currently no management agreement between third parties with the Bank and its subsidiary.

VI. Environment

The Bank fully subscribes to and actively supports a Clean Environment Policy. To the extent possible, unnecessary printing is avoided and information and instructions are conveyed through electronic channels.

VII. Health and Safety

The Bank is fully committed towards the Health and Safety of its employees and aspires to create a culture whereby the management of risk and prevention of harm is part of everyday business. The Bank recognises that managing Health and Safety risk is a core management activity and an important component of its values.

VIII. Social Issues

The Bank has fulfilled its Corporate Social Responsibility, by supporting various initiatives during the year. Banque des Mascareignes Ltée believes in the importance of investing in the community especially in the young generations.

IX. Donation

Banque des Mascareignes Ltée supported various associations in their projects during the year review with donations amounting to Rs180,608.

X. Political Contributions

No political contribution was made during the year under review.

XI. Going Concern

There is no reason to believe that the Bank will not be a going concern in the year ahead.

XII. Dividend Policy

The Bank has no formal dividend policy. The Board has discretion to consider and declare a dividend pay-out based on capital availability as per the Bank of Mauritius Capital Adequacy Guidelines.

XIII. External Auditors' Fees Payable

Rs 000	2018	2017	2016
Audit fees payable to auditors	2,350	2,350	2,350
Non-Audit services	1,452	-	-

RELATED PARTY TRANSACTIONS POLICIES AND
PRACTICES

The Bank of Mauritius Guideline on Related Party Transactions, as revised in June 2015, is articulated around three main elements, namely:

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

As a general rule, related parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. All transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- » loans, finance leases and service agreements;
- » giving a guarantee on behalf of a related party;
- » making an investment in any securities of a related party;
- » deposits and placements; and
- » professional service contracts.

CORPORATE GOVERNANCE
(CONTINUED)

RELATED PARTY TRANSACTIONS POLICIES AND PRACTICES (CONTINUED)

The Guideline defines 3 categories of related party transactions for the purpose of regulatory reporting and limits, namely:

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

Categories 3 above, as well as exposures representing less than 2% of the institution’s Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at

- 150% thereof for the total of categories 1 and 2;
- 60% of Tier 1 capital for category 1; and
- 150% thereof for the total of categories 1 and 2.

The Bank adheres to the Guideline on Related Party Transactions. In line with this guideline, the Board of Directors has established a Conduct Review Committee, which meets on a quarterly basis to review all related party transactions, approve Category 1, 2 and 3 related party transactions and monitor compliance with the Guideline. All related party transactions are reported to the Conduct Review Committee. The related party reporting to the Bank of Mauritius is made on a quarterly basis.

Note 35 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 31 December 2018.

A copy of the Annual Report is available on the Bank’s website.

STATEMENT OF COMPLIANCE

(Section 75 (3) of the Financial Reporting Act)
Name of Public Interest Entity: BCP Bank (Mauritius) Ltd
(formerly known as Banque des Mascareignes Ltée)

Reporting Period: 31 December 2018

We, the directors of BCP Bank (Mauritius) Ltd (formerly known as Banque des Mascareignes Ltée) confirm that to the best of our knowledge the Bank has not complied with:

1. Principles 1, 4 and 6 in relation to publication of the website only;
2. Principle 3 in relation to the Succession Plan and publication on the website

Reasons for non-compliance are as follows:

1. The new website is currently under construction;
2. With the acquisition of the Bank on 16th October 2018, by Groupe Banque Centrale Populaire, the succession plan is being finalised and shall be submitted for approval in due course.

Abdelwafi ATIF
Chief Executive Officer

Kamal MOKDAD
Chairperson

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated and separate financial statements of the Group’s and the Bank’s operations in Mauritius presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Accounting Standards/International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and Management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank’s Board of Directors, acting in part through the Audit Committee, Conduct Review & Corporate Governance and Risk Management Committee, which comprise Independent Directors, oversees Management’s responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

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

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

The Bank’s external auditors, **Mazars**, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Abdelwafi ATIF
Chief Executive Officer

Kamal MOKDAD
Chairperson

Jean-Louis VINCIGUERRA
Chairperson, Audit Committee

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of BCP Bank (Mauritius) Ltd (formerly known as Banque Des Mascareignes Ltée) (the “Company”), I hereby confirm that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2018, all such returns as are required of the Company under the Companies Act 2001.

Nashreen ROJOA

Date: 29th March 2019



03

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS INDEPENDENT AUDITORS' REPORT



REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of **BCP Bank (Mauritius) Ltd (formerly known as Banque des Mascareignes Ltée)** (the "Bank") and its subsidiary (together referred to as the "Group") at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

WHAT WE HAVE AUDITED

The Group's and the Bank's accompanying consolidated and separate financial statements comprise:

- » the statement of financial position as at 31 December 2018;
- » the statement of profit and loss or other comprehensive income for the year then ended;
- » the statement of changes in equity for the year then ended;
- » the statement of cash flows for the year then ended; and
- » the notes, comprising significant accounting policies and other explanatory notes.

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 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 Bank and its subsidiary in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

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, 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.

FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED
AND SEPARATE FINANCIAL STATEMENTS
(CONTINUED)

Responsibilities of Directors for the Consolidated and
Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, the Financial Reporting Act and the Banking Act and regulations and guidelines of the Bank of Mauritius, 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 seperate financial statements, directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated
and Separate Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the 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 and the Bank to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

REPORT ON OTHER LEGAL AND REGULATORY
REQUIREMENTS

I. Mauritius Companies Act 2001

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

- » we have no relationship with, or interests in, the Bank and its subsidiary other than in our capacity as auditor;
- » we have obtained all the information and explanations we have required; and
- » in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY
REQUIREMENTS (CONTINUED)

II. Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

III. Banking Act 2004

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

- » In our opinion, the consolidated and separate financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking act and the regulations and guidelines issued by the Bank of mauritius in relation to Banks; and
- » The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

IV. Other matters

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

Mazars

Port Louis, Mauritius

Udaysingh Taukoordass, FCA

Licensed by FRC

Date:28th March 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group			Bank		
		2018	2017	2016	2018	2017	2016
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income		644,637	679,943	757,510	614,876	653,026	735,288
Interest expense		(224,616)	(239,900)	(275,500)	(214,199)	(231,791)	(269,347)
Net interest income	8	420,021	440,043	482,010	400,677	421,235	465,941
Fee and commission income		175,617	138,054	139,295	134,634	102,944	116,753
Fee and commission expense		(20,903)	(30,298)	(40,600)	(19,140)	(28,327)	(38,978)
Net fee and commission income	9	154,714	107,756	98,695	115,494	74,617	77,775
Net trading income	10	79,728	77,814	70,597	65,636	66,910	63,148
Net income from other financial instruments at fair value through profit or loss	11	-	-	(27,941)	58,447	(49,924)	(27,941)
Net Gain/Loss from sales of Securities		38,198	-	-	38,198	-	-
Other income	12	806	4,533	56,976	10,700	14,493	45,166
		273,446	190,103	198,327	288,475	106,096	158,148
Revenue		693,467	630,146	680,337	689,152	527,331	624,089
Personnel expenses	13	(268,210)	(266,607)	(277,180)	(260,196)	(259,363)	(270,636)
Operating lease expenses	14	(51,223)	(49,830)	(48,243)	(45,753)	(44,557)	(43,500)
Depreciation and amortization		(67,705)	(65,380)	(55,744)	(64,217)	(63,732)	(51,124)
Other expenses	15	(210,998)	(203,246)	(199,357)	(186,589)	(181,719)	(160,285)
		(598,136)	(585,063)	(580,524)	(556,755)	(549,371)	(525,545)
Operating profit / (loss)		95,331	45,083	99,813	132,397	(22,040)	98,544
Net impairment loss on financial assets	19(c)	(30,076)	86,325	(48,565)	(18,268)	92,224	(40,551)
Profit before tax		65,255	131,408	51,248	114,129	70,184	57,993
Income tax (expense) / credit	16(i)	(159,128)	26,348	(1,040)	(158,769)	27,442	(70)
(Loss) / profit for the year		(93,873)	157,756	50,208	(44,640)	97,626	57,923
Other comprehensive income							
Items that may be reclassified to profit or loss							
Foreign currency translation differences for foreign operations		(26,086)	5,280	(17,599)	-	(600)	204
Net change in fair value of financial assets through Other Comprehensive Income		(23,976)	(6,391)	12,391	(23,976)	(6,391)	12,391
Items that will not be reclassified to profit or loss							
Remeasurement of retirement benefit obligations		6,720	(8,095)	-	6,720	(8,095)	-
Other differences in consolidation		21,685	64,840	-	-	-	-
Other comprehensive (loss) / income		(21,657)	55,634	(5,208)	(17,256)	(15,086)	12,595
Total comprehensive (loss) / income for the year		(115,530)	213,390	45,000	(61,896)	82,540	70,518
(Loss) / profit attributable to :							
Equity holders		(93,134)	167,336	54,764			
Non-controlling interests		(739)	(9,580)	(4,556)			
(Loss) / profit for the year		(93,873)	157,756	50,208			
Total comprehensive (loss) / income attributable to:							
Equity holders		(114,791)	222,970	49,556			
Non-controlling interest		(739)	(9,580)	(4,556)			
Total comprehensive (loss) / income		(115,530)	213,390	45,000			

The notes on pages 46 to 124 from an integral part of these consolidated and separate financial statements

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018

	Note	Group Restated			Bank Restated		
		2018	2017	2016	2018	2017	2016
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets							
Cash and cash equivalents	17	2,429,797	1,772,246	6,856,475	2,532,186	1,598,593	6,790,496
Loans and advances to Banks	18	43,068	240,030	645,760	43,068	240,030	645,760
Loans and advances to customers	19	13,199,729	11,747,721	11,584,758	13,114,465	11,618,639	11,496,362
Investment securities	20	1,961,203	2,503,659	1,835,894	1,823,685	2,426,590	1,746,350
Investment in subsidiary	21	-	-	-	58,447	-	189,706
Property and equipment	22	56,762	59,050	69,882	42,603	50,340	63,579
Goodwill and intangible assets	23	83,235	117,098	210,063	81,331	115,351	132,900
Deferred tax assets	16 (ii)	50,165	204,294	175,807	50,165	204,294	175,080
Other assets	24	1,275,032	901,201	920,561	1,237,978	860,902	900,549
Total assets		19,098,991	17,545,299	22,299,200	18,983,928	17,114,739	22,140,782
Liabilities							
Deposits from Banks	25	9,273	16	1,209	1,690	-	1,209
Deposits from customers	26	12,516,152	11,577,272	15,589,446	12,250,099	11,231,868	15,399,339
Borrowed funds	27	3,637,104	3,151,846	4,117,034	3,637,104	3,151,778	4,117,034
Derivative financial instruments	28	6	16	2,284	6	16	2,284
Subordinated liabilities	29	-	202,470	274,283	-	202,470	274,283
Current tax liabilities	16 (iii)	970	1,002	1,273	624	688	1,049
Other liabilities	30	553,121	386,878	322,227	734,024	379,692	300,862
Total liabilities		16,716,626	15,319,500	20,307,756	16,623,547	14,966,512	20,096,060
Equity							
Share capital	31	2,218,065	1,944,015	1,944,015	2,218,065	1,944,015	1,944,015
Retained earnings		33,400	98,868	(145,250)	18,961	56,881	(63,374)
Reserves		111,437	161,499	172,369	123,355	147,331	164,081
Total equity attributable to the equity holders of the Bank		2,362,902	2,204,382	1,971,134	2,360,381	2,148,227	2,044,722
Non-controlling interests		19,463	21,417	20,310	-	-	-
Total equity		2,382,365	2,225,799	1,991,444	2,360,381	2,148,227	2,044,722
Total liabilities and equity		19,098,991	17,545,299	22,299,200	18,983,928	17,114,739	22,140,782

These financial statements were approved for issue by the Board of Directors on the 28th March 2019.

Abdelwafi ATIF
Chief Executive Officer

Kamal MOKDAD
Chairperson

Jean-Louis VINCIGUERRA
Chairperson, Audit Committee

The notes on pages 46 to 124 from an integral part of these consolidated and separate financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Attributable to equity holders of the Bank							
	Reserves					Retained earnings	Total	Non-controlling interest
	Share capital	Statutory reserve	General Banking reserve	Fair value reserve	Foreign currency translation reserve			
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2016	1,749,016	83,372	28,709	10,914	54,582	(223,399)	1,703,194	14,664
Total comprehensive income								
Profit / (loss) for the year	-	-	-	-	-	50,208	50,208	(4,556)
Other comprehensive income for the year	-	-	-	12,391	(17,599)	27,941	22,733	
Total comprehensive income / (loss) for the year	-	-	-	12,391	(17,599)	78,149	72,941	(4,556)
Transactions with owners of the Bank								
Issue of shares	194,999	-	-	-	-	-	194,999	10,202
Total contributions								
Balance at 31 December 2016	1,944,015	83,372	28,709	23,305	36,983	(145,250)	1,971,134	20,310
Balance at 01 January 2017	1,944,015	83,372	28,709	23,305	36,983	(145,250)	1,971,134	20,310
Total comprehensive income								
Profit / (loss) for the year	-	-	-	-	-	157,756	157,756	1,107
Transfer from general reserve	-	-	(28,709)	-	-	28,709	-	-
Transfer to statutory reserve	-	18,950	-	-	-	(18,950)	-	-
Other comprehensive income for the year	-	-	-	(6,391)	5,280	55,638	54,527	-
Total comprehensive income / (loss) for the year as previously stated	-	18,950	(28,709)	(6,391)	5,280	223,153	212,283	1,107
Effect of restatement	-	-	-	-	-	20,965	20,965	-
Total comprehensive income / loss for the year as restated	-	18,950	(28,709)	(6,391)	5,280	244,118	233,248	1,107
Transactions with owners of the Bank								
Issue of shares	-	-	-	-	-	-	-	-
Balance at 31 December 2017 as previously stated	1,944,015	102,322	-	16,914	42,263	77,903	2,183,517	21,417
Effects of restatement	-	-	-	-	-	20,965	20,965	-
Balance at 31 December 2017 as stated	1,944,015	102,322	-	16,914	42,263	98,868	2,204,382	21,417

Group	Attributable to equity holders of the Bank							
	Reserves					Retained earnings	Total	Non-controlling interest
	Share capital	Statutory reserve	General Banking reserve	Fair value reserve	Foreign currency translation reserve			
	Rs 000	Rs 000	Rs 000	VRs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2018	1,944,015	102,322	-	16,914	42,263	98,868	2,204,382	21,417
Total comprehensive income								
First Time Application IFRS 9 & IFRS 15	-	-	-	-	-	-	-	-
Profit / (loss) for the year	-	-	-	-	-	(93,873)	(93,873)	(1,954)
Other differences in consolidation	-	-	-	-	-	21,685	21,865	-
Other comprehensive income for the year	-	-	-	(23,976)	(26,086)	6,720	(43,342)	-
Total comprehensive income / (loss) for the year	-	-	-	(23,976)	(26,086)	(65,468)	(115,530)	(1,954)
Transactions with owners of the Bank								
Issue of shares	274,050	-	-	-	-	-	-	-
Balance at 31 December 2018	2,218,065	102,322		(7,062)	16,177	33,400	2,362,902	19,463

The notes on pages 46 to 124 from an integral part of these consolidated and separate financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Bank	Reserves					Retained earnings	Total
	Share capital	Statutory reserve	General Banking reserve	Fair value reserve	Foreign currency translation reserve		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2016	1,749,016	83,372	28,709	10,914	28,491	(121,299)	1,779,203
Total comprehensive income							
Profit for the year	-	-	-	-	-	57,925	57,925
Other comprehensive loss for the year	-	-	-	12,391	204	-	12,595
Total comprehensive income/(loss) for the year	-	-	-	12,391	204	57,925	70,520
Transactions with owners of the Bank							
Issue of shares	194,999	-	-	-	-	-	194,999
Total contributions and distributions							
Balance at 31 December 2016	1,944,015	83,372	28,709	23,305	28,695	(63,374)	2,044,722
Balance at 01 January 2017	1,944,015	83,372	28,709	23,305	28,695	(63,374)	2,044,722
Total comprehensive income							
Profit for the year	-	-	-	-	-	97,626	97,626
Transfer from general reserve	-	-	(28,709)	-	-	28,709	-
Transfer to statutory reserve	-	18,950	-	-	-	(18,950)	-
Other comprehensive loss for the year	-	-	-	(6,391)	(600)	(8,095)	(15,086)
Total comprehensive income for the year (as previously stated)	-	18,950	(28,709)	(6,391)	(600)	99,290	82,540
Effect of restatement						20,965	20,965
Total comprehensive income for the year (as restated)	-	-	-	-	-	120,255	103,505
Transactions with owners of the Bank							
Issue of shares	-	-	-	-	-	-	-
Total contributions and distributions	-	-	-	-	-	-	-
At 31 December 2017 (as previously stated)	1,944,015	102,322	-	16,914	28,095	35,916	2,127,262
Effects of restatement	-	-	-	-	-	20,965	20,965
Balance at 31 December 2017 (as restated)	1,944,015	102,322	-	16,914	28,095	56,881	2,148,227

Bank	Reserves				Retained earnings	Total
	Share capital	Statutory reserve	General Banking reserve	Fair value reserve		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2018 (as restated)	1,944,015	102,322	-	16,914	28,095	56,881
Total comprehensive income						
First Time Application IFRS 9 & IFRS 15	-	-	-	-	-	-
Loss for the year	-	-	-	-	(44,640)	(44,640)
Other comprehensive income for the year	-	-	-	(23,976)	6,720	(17,256)
Total comprehensive income for the year	-	-	-	(23,976)	(37,920)	(61,986)
Transactions with owners of the Bank						
Issue of shares	274,050	-	-	-	-	274,050
Total contributions and distributions	-	-	-	-	-	-
At 31 December 2018	2,218,065	102,322	-	(7,062)	18,961	2,360,381

The notes on pages 46 to 124 from an integral part of these consolidated and separate financial statements

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Cash flows from operating activities						
Profit / (loss) before tax	65,254	131,408	51,248	114,129	70,184	57,993
Adjustments for:						
- Depreciation and amortization	67,705	65,380	55,744	64,217	63,732	51,124
- Net impairment loss on financial assets	30,076	(86,326)	48,565	18,268	(92,224)	40,551
- Net income from financial instruments at fair value through profit and loss	-	-	-	(58,477)	-	-
- Profit on sale of equipment		-	-		-	-
	163,035	110,462	155,557	138,137	41,692	149,668
Changes in:						
- Loans and advances to Banks	196,962	405,730	70,040	196,962	405,730	70,041
- Loans and advances to customers	(1,452,009)	(27,366)	3,998,090	(1,407,022)	20,856	3,864,593
- Other assets	(373,831)	19,360	39,424	(377,077)	39,647	18,108
- Deposits from Banks	9,257	(1,193)	(1,512,051)	1,690	(1,209)	(1,512,051)
- Deposits from customers	938,880	(4,012,175)	(1,068,608)	1,018,231	(4,167,471)	(954,107)
- Other liabilities and provisions	145,268	(12,863)	(24,477)	354,323	97,527	64,536
	(372,438)	(3,518,045)	1,657,975	(74,756)	(3,563,228)	1,700,788
Income taxes paid	(1,402)	(509)	(999)	(579)	(226)	-
Net cash (used in)/ from operating activities	(373,840)	(3,518,554)	1,656,976	(75,335)	(3,563,454)	1,700,788
Cash flows from investing activities						
- Acquisition of investment securities	(2,163,571)	(2,672,774)	(2,324,322)	(1,500,000)	(2,236,900)	(1,766,900)
- Proceeds from sale of investment securities	2,577,912	2,094,163	2,001,734	1,978,800	1,638,400	1,477,000
- Acquisition of property and equipment	-	(18,020)	(52,634)	(17,851)	(15,565)	(44,541)
- Proceeds from sale of property and equipment	(8,935)	-	1,571		-	1,572
- Acquisition of intangible assets	(6,335)	(9,186)	(86,016)	(9,094)	(7,863)	(84,567)
Net cash used in investing activities	399,071	(605,817)	(459,667)	451,855	(621,928)	(417,436)
Cash flows from financing activities						
- Repayment of subordinated liabilities	(202,470)	(57,555)	(247,663)	(202,470)	(57,555)	(247,663)
- Repayment of borrowed funds	485,258	(965,188)	2,290,465	485,326	(965,256)	2,290,465
- Proceeds from issue of shares	274,050	-	194,999	274,050	-	194,999
- Dividends paid	-	-	-	-	-	-
Net cash (used in) / from financing activities	556,838	(1,022,743)	2,237,801	556,906	(1,022,811)	2,237,801
Net increase in cash and cash equivalents						
Cash and cash equivalents at 01 January	582,069	(5,147,114)	3,435,110	933,426	(5,208,193)	3,521,153
Effect of exchange rate fluctuations on cash and cash equivalents held	1,772,246	6,856,475	3,466,895	1,598,593	6,790,496	3,345,550
	75,482	62,885	(45,530)	167	16,290	(76,207)
Cash and cash equivalents at 31 December	2,429,797	1,772,246	6,856,475	2,532,186	1,598,593	6,790,496

The notes on pages 46 to 124 from an integral part of these consolidated and separate financial statements

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. REPORTING ENTITY

BCP Bank (Mauritius) Ltd (formerly known as Banque des Mascareignes Ltée) (the ‘Bank’) is a private company incorporated on the 27th June 2003 and domiciled in Mauritius. The Bank holds a Banking licence issued by the Bank of Mauritius on the 8th January 2004. The Bank’s registered office is at 9th Floor, Maeva Tower, Corner Silicon Avenue and Bank Street, CyberCity, Ebene, Mauritius.

These consolidated and separate financial statements comprise the Bank and its subsidiary (collectively the ‘Group’). The main activities of the Group and the Bank consist of providing a whole range of Banking and financial services.

2. BASIS OF PREPARATION

The consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the IFRS Interpretation Committee (“IFRS IC”) applicable to entities reporting under IFRS and per requirements of the Mauritian Companies Act 2001, the Banking Act 2004 and Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Group and the Bank are concerned. Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The consolidated and separate financial statements have been prepared under the historical cost convention, except for the following assets and liabilities that are measured at fair value:

1. financial assets measured at fair value through other comprehensive income;
2. financial assets measured at fair value through profit or loss;
3. defined pension benefits plan; and
4. derivative assets and liabilities held for risk management purposes.

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group and the Bank’s accounting policies. Changes in assumptions may have a significant impact on the consolidated and separate financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

3. 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 years presented, unless otherwise stated.

I. Standards, amendments to published Standards and interpretations effective in the reporting period.

The following standards, amendments to published standards and interpretations were effective and applicable to the Group and the Bank in the reporting period:

- » IFRS 9 Financial Instruments – effective 01 January 2018;

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The Group and the Bank have initially adopted IFRS 9 as issued by the IASB in July 2014 from 1 January 2018. 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.

Consequently, for notes disclosures, the consequential amendments 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 our 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’.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group and the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more details in note 7 (k) below.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Standards, amendments to published Standards and interpretations effective in the reporting period. (continued)

Classification and measurement (continued)

- » the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- » the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Group and the Bank classify their financial assets and liabilities under IFRS 9, refer to Note 7 (k).

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Group	IAS 39		IFRS 9	
Financial assets	Measurement category	Carrying amount (Rs ‘000)	Measurement category	Carrying amount (Rs ‘000)
Cash and cash equivalents	Loans and receivables	-	Amortised Cost	-
Loans and advances to Banks	Loans and receivables	240,030	Amortised Cost	240,030
Loans and advances to customer	Loans and receivables	11,747,721	Amortised Cost	11,747,721
Investment securities	Available for Sale investment	2,333,347	FVOCI	2,333,347
Investment securities	Held to Maturity	170,312	Amortised Cost	170,312

Bank	IAS 39		IFRS 9	
Financial assets	Measurement category	Carrying amount (Rs ‘000)	Measurement category	Carrying amount (Rs ‘000)
Cash and cash equivalents	Loans and receivables	-	Amortised Cost	-
Loans and advances to Banks	Loans and receivables	240,030	Amortised Cost	240,030
Loans and advances customer to	Loans and receivables	11,618,639	Amortised Cost	11,618,639
Investment securities	Available for Sale investment	2,256,278	FVOCI	2,256,278
Investment securities	Held to Maturity	170,312	Amortised Cost	170,312

There were no changes to the classification and measurement of financial liabilities for the current reporting period for both the Group and the Bank.

- » IFRS 9 Financial Instruments – effective 01 January 2018;

Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group and the Bank have assessed the impact of applying the impairment provisions of IFRS 9 Expected Credit Loss at 1 January 2018 as opposed to applying IAS 39 incurred loss model. The Group has estimated that no significant adjustment is required at 1 January 2018 to retained earnings since the use of hindsight was applied and any subsequent provision movement would be recognized during the current reporting period.

Hedge accounting

The new hedge accounting rules will align the accounting for hedge instruments more closely with the Bank’s risk management practices. As a general rule, more hedge relationship might be eligible for hedge accounting as the Standard introduces a more principles-based approach.

Transition

The classification and measurement, and impairment requirements are applied retrospectively by adjusting the opening retained earnings at the date of initial application, with no restatement of comparative periods.

The mandatory application date for the standard as a whole is 01 January 2018, but it is possible to apply the revised presentation for certain liabilities at fair value from an earlier date.

II. Standards, amendments to published Standards and interpretations issued by not yet effective

Certain standards, amendments to published standards and interpretations issued but not yet effective for accounting periods beginning after 01 January 2017 and which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- » IFRS 16 Leases – effective 01 January 2019;
- » IFRIC 23 Uncertainty over Income Tax Treatments – effective 01 January 2019; and

Where relevant, the Group and the Bank is still evaluating the effect of these Standards, amendments to published Standards and interpretations issued but not yet effective on the financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated and separate financial statements are prepared in Mauritian rupees (Rs), which is the basic’s functional and presentation currency. Except when otherwise indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

5. USE OF JUDGEMENTS AND ESTIMATES

In the process of applying the Group’s and the Bank’s accounting policies, management has exercised its judgement and made assumptions and estimates in determining the amounts recognized in the financial statements. Actual results may differ from these estimates.

a. Judgements

Information about judgements made in applying accounting policies which have the most significant effect on the amounts recognized in the financial statements:

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out indicate that the Group controls an investee Company.

Specifically, the Group controls an investee if and only if the Group has:

- » power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- » exposure, or rights, to variable returns from its involvement with the investee; and
- » the ability to use its power over the investee to affect its returns.

b. Assumptions and estimation uncertainties

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values.

The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Further details in respect of the fair valuation of financial instruments are included in Note 36(f) to the financial statements.

Employee benefits

The present value of the retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Other key assumptions for retirement benefits obligations are based in part on current market conditions.

Additional information is disclosed in Note 13.

The value of the retirement benefits obligations is based on the report submitted by an independent actuarial firm on an annual basis.

Deferred tax

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized and/or recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Additional information is disclosed in Note 16.

Allowance for Impairment on loans and advances

The measurement of the 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 behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 36 (c).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL for loans in Stage 1 and 2, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing relevant forward-looking scenario(s) in the local context; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5. USE OF JUDGEMENTS AND ESTIMATES
(CONTINUED)

b. Assumptions and estimation uncertainties (continued)

Allowance for Impairment on loans and advances (continued)

The Group and the Bank review individually all loans and advances with past dues at each reporting date (i.e. Stage 3) to assess whether an allowance for impairment should be recorded in the statements of profit or loss and other comprehensive income.

In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all “neither past due nor impaired” loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines, in addition to ECL estimation under IFRS 9.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 36 (c).

The allowance for impairment on loans and advances is disclosed in more details in Note 19.

Assets lives and residual values

Property and equipment are depreciated over its useful life 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.

Depreciation policies

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from the disposal of the asset, if the asset were already if the age and in condition expected at the end of its useful life.

6. BASIS OF MEASUREMENT

The consolidated and separate financial statements have been prepared on a historical cost basis, except for available-for-sale investments and financial instruments at fair value through profit or loss, all of which have been measured at fair value.

7. OTHER SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of Consolidation

I. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

II. Non-Controlling Interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

III. Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

In the Bank's separate financial statement, investments in subsidiary is shown at fair value through profit and loss.

IV. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

a. Basis of Consolidation (continued)

V. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign Currency

I. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of available for sale equity instruments are recognized in OCI.

II. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Mauritian Rupee at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Mauritian Rupee at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI. If the settlement of a monetary item receivable from or payable to

a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognized in OCI, and accumulated in the translation reserve within equity.

c. Interest income and expenses

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

I. Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

II. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

c. Interest income and expenses (continued)

III. Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortized cost.

d. Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see (c) above). Other fees and commission income, which relate mainly to account services, transaction and service fees, card fees, trade finance fees, is recognized as the related services are performed.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

e. Net trading income

Net trading income's comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized foreign exchange differences.

f. Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to financial assets and liabilities designated at fair value through profit or loss, and includes all realized and unrealized fair value changes.

g. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

h. Expenses

Expenses are accounted for in the statement of profit or loss and other comprehensive income on an accrual basis.

i. Leases

I. Lease payments - Lessee

Payments made under operating leases are recognized in profit or loss on a straight- line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense,

over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

II. Lease assets - Lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

III. Operating leases

Where the Group and the Bank are lessees in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group and the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

j. Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

I. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

II. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- » temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- » temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- » taxable temporary differences arising on the initial recognition of goodwill.

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7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

II. Deferred tax (continued)

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized. These amounts are generally recognized in profit or loss because they generally relate to income arising from transactions that were originally recognized in profit or loss.

III. Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

k. Financial assets and financial liabilities

I. Recognition

The Group and the Bank initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

II. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: Amortized Cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Group and the Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

k. Financial assets and financial liabilities (continued)

II. Classification (continued)

Business model assessment (continued)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial asset.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the following is considered:

- contingent events that would change the amount / timing of cash flows;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.G. Periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans to employees for which the Bank has the option to revise the interest rate upon termination of employment. These reset rights are limited to the market rate at the time of revision. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments

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

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank’s management has

electd, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank’s policy is to designate equity investments 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 recognized 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 recognized in profit or loss as other income when the Group’s right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the ‘Net Gain/Loss from sales of Securities’ line in the statement of profit or loss.

Financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost.

III. Derecognition

Financial assets

The Group and the Bank derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group and the Bank neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

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

IV. Modifications of loans

The Group and Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and Bank assess whether or not the new terms are substantially different to the original terms.

The Group and Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

IV. Modifications of loans (continued)

If the terms are substantially different, the Group and Bank derecognize the original financial asset and recognizes a ‘new’ asset at fair value and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and Bank also assess whether the new financial asset recognized 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 recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognizes 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).

V. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Bank currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Group of similar transactions such as in the Group’s and the Bank’s trading activity.

VI. Amortized cost measurement

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

VII. Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Group measures the fair

value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group or the Bank determine that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

VIII. Impairment: Expected Credit Losses (ECL)

The Group and Bank recognize loss allowances for ECL on the following financial instruments that are not measured at FVTPL, i.e. i) financial assets that are debt instruments and ii) loan commitments issued.

No impairment loss is recognized on equity investments.

The Group and Bank measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (i.E. Stage 1).

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7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

VIII. Impairment: Expected Credit Losses (ECL) (continued)

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which a 12-month ECL is recognized are referred to as “Stage 1” financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as “Stage 2” financial instruments. Credit-impaired instruments are referred to as “Stage 3” financial instruments.

BOM guidelines

The Bank also carries out impairment assessment in line with the Macroprudential rules as issued by the Bank of Mauritius. All individually significant loans and advances with objective evidence of impairment are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment using the Minimum Portfolio Provision and the Additional Portfolio Provision.

Measurement of ECL

The Group and the Bank assess on a forward-looking basis the Expected Credit Loss associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Group and the Bank recognize a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

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

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortized cost are credit-impaired (i.e. Stage 3 financial instruments).

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the group or the Bank on terms that the group or the Bank would otherwise not consider;
- it is becoming probable that the borrower will enter Bankruptcy or another financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets; and
- loan commitments: generally, as a provision.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

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7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

VIII. Impairment: Expected Credit Losses (ECL) (continued)

Write-offs (continued)

This is generally the case when the Group or the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in “impairment losses on financial instruments” in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and Banks’s procedures for recovery of amounts due.

IX. Designation at fair value through profit or loss

The Group has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 33 provides details of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

I. Cash and cash equivalents

‘Cash and cash equivalents’ include notes and coins on hand, unrestricted balances held with central Banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

m. Loans and advances

‘Loans and advances’ are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances originated by the Bank by providing money directly to the borrower (at draw-down) are categorized as loans and receivables by the Bank and are carried at amortized 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.

All loans and advances are recognized when cash is advanced to borrowers.

n. Investment securities

The “investment securities” caption in the statement of financial position includes:

- debt investment securities measured at amortized cost. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- debt securities measured at fvoci.

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

o. Property and equipment

I. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

II. Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

o. Property and equipment (continued)

II. Depreciation (continued)

The estimated useful lives of significant items of property and equipment are as follows:

Improvement to leasehold property	5 years
Computer equipment	3 to 5 years-
Office equipment	3 to 5 years
Furniture, fixtures and fittings	3 to 5 years
Motor vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

p. Goodwill and Intangible assets

I. Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented separately on the Statement of Financial Position. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

II. Software

Software acquired by the Group is measured at cost less accumulated amortization and any accumulated impairment losses.

Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

q. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

r. Deposits, borrowed fund and subordinated liabilities

Deposits, borrowed funds and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, borrowed funds and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

s. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

I. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

II. Bank levies

A provision for Bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognized when that minimum activity threshold is reached.

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7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

t. Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are recognized as off balance sheet liabilities and commitments respectively.

u. Employee benefits

I. Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Group and the Bank have 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 recognized as an expense when employees have rendered service that entitle them to the contributions. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund. The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognized as a liability and disclosed as unfunded obligations under retirement benefits obligations.

II. Defined benefit plans

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 recognized 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 present value of the defined benefit obligation is determined by discounting the estimated future cash flow using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they occur. The Group and the Bank determine the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate to the net defined benefit liability/(asset) and the fair value of the planned asset. Net interest expense/(income) is recognized in consolidated and separate statement of profit or loss. Service costs comprising current service cost and past service cost are recognized immediately in the consolidated and separate statement of profit or loss. Current service cost reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit charges curtailments and settlements.

III. Preferential loans to employees

The Group and the Bank grant loans to its employees at preferential rates. The prepaid employee benefits on these loans is accounted for under 'other assets' and is recognized in consolidated and separate statement of profit or loss over the shorter of the life of the loan and the expected service life of the employee. The interest rate on the loan reverts to market rate from the day the employee is no longer employed by the Group and the Bank. There may be cases where, following special arrangements, the Bank agrees to keep the loan of the leavers at preferential rates. The prepaid employee benefits is the difference between the present value of future cash flows discounted at commercial rate (which are rates that would be given to similar customers in arm's length transactions), and the carrying amount of the loan. Interest on such loans is then recognized at market rate over the life of the loan.

IV. Termination benefits

Termination benefits are payable when employment is terminated by the Group and the Bank before the normal retirement date, or when the employee accepts voluntary redundancy in exchange of these benefits. The Bank recognizes termination benefits at the earlier of the following dates:

1. when the Bank can no longer withdraw the offer of those benefits;
2. when the Bank recognizes costs for a restructuring that is within the scope of IAS 37 and involves payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**7. OTHER SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****v. Share capital and reserves**

The Group classifies instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

w. Segment reporting

Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses and tax assets and liabilities.

x. Derivative financial instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Gains or losses arising from change in fair value of the derivatives are included in the profit or loss as net gain/ (loss) on dealing in foreign currencies and derivatives. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards involving Mauritian Rupees are based on treasury bills rate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately in profit or loss. The Group and the Bank's derivative transactions, while providing effective economic hedges under the Group and the Bank's Risk Management policies, do not qualify for hedge accounting under the specific rules of IFRS 9 and are, therefore, treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

y. Dividend policy

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

**z. Acceptances, letters of credit and financial guarantee
contracts****I. Acceptances and letters of credit**

Acceptances comprise undertakings by the Group and the Bank to pay bills of exchange drawn on customers. The Group and the Bank expect most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances and letters of credit are accounted for as off-balance sheet items and are disclosed as contingent liabilities and commitments.

II. Financial guarantee contracts

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

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortization calculated to recognize in profit or loss the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. Any increase in the liability relating to guarantees is taken to profit or loss.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**8. NET INTEREST INCOME**

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income						
Cash and cash equivalents	2,754	1,143	794	2,743	1,142	794
Loans and advances to Banks	16,818	40,415	44,913	16,783	40,379	44,913
Loans and advances to customers	546,326	555,787	641,179	524,612	536,024	623,242
Investment securities	72,851	82,536	69,549	64,850	75,419	65,264
Other	5,888	62	1,075	5,888	62	1,075
Total interest income	644,637	679,943	757,510	614,876	653,026	735,288
Interest expense						
Deposits from Banks	(2,785)	(637)	(16,138)	(2,785)	(637)	(16,138)
Deposits from customers	(200,952)	(216,103)	(248,303)	(190,563)	(208,024)	(242,150)
Borrowed funds	(12,683)	(14,205)	(381)	(12,655)	(14,174)	(381)
Investment securities	(1,452)	(1,872)	(988)	(1,452)	(1,873)	(988)
Subordinated liabilities	(6,744)	(7,083)	(9,690)	(6,744)	(7,083)	(9,690)
Total interest expense	(224,616)	(239,900)	(275,500)	(214,199)	(231,791)	(269,347)
Net interest income	420,021	440,043	482,010	400,677	421,235	465,941
Interest income relating to impaired financial assets	9,790	5,055	9,230	9,790	5,055	9,230

	Bank		
	2018	2017	2016
	Rs 000	Rs 000	Rs 000
Segment A			
Interest income			
Cash and cash equivalents	-	-	-
Loans and advances to Banks	522	267	-
Loans and advances to customers	446,009	445,745	379,139
Investment securities	64,850	75,419	65,264
Other	-	62	860
Total interest income	511,381	521,493	445,263
Segment B			
Interest income			
Cash and cash equivalents	2,743	1,142	794
Loans and advances to Banks	16,261	40,112	44,914
Loans and advances to customers	78,603	90,279	244,102
Other	5,888	-	215
Total interest income	103,495	131,533	290,025
Total interest income from segment A and segment B	614,876	653,026	735,288
Segment A			
Interest expense			
Deposits form Banks	(5)	(10)	(163)
Deposits from customers	(159,548)	(144,520)	(139,855)
Borrowed funds	496	-	-
Investment securities	(1,452)	(1,873)	(988)
Total interest expense	(160,509)	(146,403)	(141,006)
Segment B			
Interest expense			
Deposits from Banks	(2,780)	(637)	(15,975)
Deposits from customers	(31,015)	(63,504)	(102,295)
Borrowed funds	(13,151)	(14,164)	(381)
Subordinated liabilities	(6,744)	(7,083)	(9,690)
Total interest expense	(53,690)	(85,388)	(128,341)
Total interest expense from segment A and segment B	(214,199)	(237,791)	(269,347)

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9. NET FEE AND COMMISSION INCOME

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Fee and commission income						
Customer and credit related fees	175,617	138,054	139,295	134,634	102,944	116,753
Fee and commission expense						
InterBank transaction fees	(2,620)	(1,854)	(2,058)	(2,620)	(1,854)	(2,058)
Other	(18,283)	(28,444)	(38,542)	(16,520)	(26,473)	(36,920)
Total fee and commission expense	(20,903)	(30,298)	(40,600)	(19,140)	(28,327)	(38,978)
Net fee and commission income	154,714	107,756	98,695	115,494	74,617	77,775

	Bank		
	2018	2017	2016
	Rs 000	Rs 000	Rs 000
Segment A			
Fee and commission income			
Customer and credit related fees	92,887	82,692	65,382

Segment B			
Fee and commission income			
Customer and credit related fees	41,747	20,252	51,371
Total fee and commission income from segment A and segment B	134,634	102,944	116,753

Segment A			
Fee and commission expense			
InterBank transaction fees	(2,620)	(1,854)	(1,050)
Other	(13,263)	(25,511)	(18,830)
Total fee and commission expense	(15,883)	(27,365)	(19,880)

Segment B			
Fee and commission expense			
InterBank transaction fees	-	-	(1,008)
Other	(3,257)	(962)	(18,090)
Total fee and commission expense	(3,257)	(962)	(19,098)
Total fee and commission expense from segment A and segment B	(19,140)	(28,327)	(38,978)

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9. NET FEE AND COMMISSION INCOME (CONTINUED)

a. Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major types of services. The table also includes a reconciliation of the disaggregated fee and commission income with the Bank's reportable segments.

	Group			Bank		
	2018	2017	2016	2018	2017	2016
Major Service Lines						
Account services	16,987	14,865	6,543	12,729	10,260	2,846
Card services	11,192	11,248	9,758	11,192	11,248	9,758
Transactions	43,343	32,959	30,555	13,124	9,681	16,184
Trade Finance	19,676	14,506	19,294	16,600	11,174	17,869
Loans Commitments fees	62,196	33,282	31,906	60,570	31,423	30,570
Others	1,320	896	639	1,279	831	548
Net fee and commission as reported in Note 9	154,714	107,756	98,695	115,494	74,617	77,775

b. Contract balances

The following table provides information about receivables and contract liabilities from customers.

	2018	2017	2016	2018	2017	2016
Receivables, which are included in « other assets »	86	252	117	86	252	117
Contract liabilities, which are included in « other liabilities »	45,556	45,896	44,514	45,524	45,832	44,484

The contract liabilities primarily relate to the non-refundable up-front fees received from customers on disbursing a loan. This is recognized as revenue over the period of the loan. The contracts don't have a minimum stated term. A customer can prepay the loan at any time.

The contract assets relate to counter-guarantee contract.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9. NET FEE AND COMMISSION INCOME (CONTINUED)

c. Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers are measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations specified in a contract with customers, including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Account services	The Bank provides services to customers including account management, subscription e-Banking and other servicing fees. These fees are charged to customer's account on a monthly basis.	Revenue from account service and servicing fees is recognized over time as the services are provided.
Card services	The Bank provides means of payment to customers including card. The fees for card are charged once a year on the beginning of the year and the commissions are charged for each transaction.	Revenue from card of payment are charged upon delivery of the card and some commissions are charged for each transaction.
Transactions	The Bank provides services such as transfer, cheques and others.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Trade Finance	The Bank provides services like letters of credit, documentary remittance and others.	Revenue from trade finance is recognized over time as the services are provided.
Loans Commitments fees	The Bank provides several types of loan. And several types of fees are associated including fees, guarantee, early repayment, and others arrangement commission, participation fee, undrawn facility fees, guarantee commission.	Revenue related to caution and fees are recognized over the period of the loan. Early repayment is recognized over time as the services are provided.

10. NET TRADING INCOME

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Net gain on dealing in foreign currencies and derivatives	79,728	77,814	70,597	65,636	77,814	70,597
Segment A						
Foreign Exchange				49,816	58,883	51,946
Segment B						
Foreign Exchange				15,820	8,027	11,202

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11. NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Net fair value movement in financial assets at fair value through profit or loss	-	-	(27,941)	58,447	(189,706)	(27,941)
Indemnification received from BPCE International	-	-	-	-	139,782	-
	-	-	(27,941)	58,447	(49,924)	(27,941)

12. OTHER INCOME

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Management fees	-	-	-	700	4,493	35,166
Other	806	4,533	56,976	10,000	10,000	10,000
Other income	806	4,533	56,976	10,700	14,493	45,166

Segment A

Other Income	521	3,093	3,062
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Segment B

Other Income	10,179	11,400	42,104
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NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. PERSONNEL EXPENSES

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Wages and salaries	242,635	237,897	235,862	235,985	232,032	230,549
Compulsory social security contributions	7,625	7,847	6,379	6,745	6,468	5,683
Contributions pension plan	12,741	14,397	23,416	12,741	14,397	23,416
Increase in liability for pension plans	1,462	-	-	1,462	-	-
Other	3,746	6,466	11,523	3,263	6,466	10,988
	268,209	266,607	277,180	260,196	259,363	270,636

Employee Benefit Liabilities

	Group and Bank Restated		
	2018	2017	2016
	Rs 000	Rs 000	Rs 000
Reconciliation of present value of defined benefit obligation			
Balance at 1 January	13,186	9,795	19,063
Included in profit or loss			
Current service cost	704	1,620	1,409
Past service cost	-	-	(10,689)
Interest expense	758	588	567
	1,462	2,208	(8,713)

Included in OCI

Remeasurements loss (gain):			
- Actuarial loss (gain)	(6,720)	1,183	-
arising from:			
- Demographic assumption		-	-
- Experience adjustment		-	-
	(6,720)	1,183	-

Other

Change in estimates	-	-	-
Benefit paid	(1,125)	-	(555)
	(1,125)	-	(555)
Balance at 31 December	6,803	13,186	9,795

Principal actuarial assumptions at the end of the year

	Group and Bank		
	2018	2017	2016
Discount rate	6.00%	7.81%	7.50%
Rate of salary increases	3.50%	5.00%	6.00%
Retirement Age	65	65	65

Sensitivity analysis on defined benefit obligation at end of period

	2018	2017	2016
	Rs 000	Rs 000	Rs 000
Increase due to 1% increase in discount rate	3,775	6,816	18,836
Decrease due to a 1% decrease in discount rate	12,609	21,358	21,858

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. PERSONNEL EXPENSES (CONTINUED)

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.

a. Future cash flows

The funding policy requires that the Bank makes provision for all the required contributions, as determined by an Actuarial report.

Expected employer contribution for the next year Rs 15.7 million. Weighted average duration of the defined benefit obligation 13 years.

Note: Employee benefits obligations have been provided for based on the report from Feber, an insurance consultant and broker operating in Mauritius.

b. Fund Investment

The contributions under the Bank's Pension Scheme are invested through Unit Linked Fund as per details below:

- 33% in Local Equity;
- 47% in Local Fixed Income;
- 14% in Foreign Equity;
- 5% in Cash & Cash Equivalents;
- 1% in Property.

These defined benefit plans, through the Fund Investment expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

14. OPERATING LEASES EXPENSES

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Operating lease	51,223	49,830	48,243	45,753	44,557	43,500

The Group and the Bank lease a number of branches and office premises under operating leases. The leases typically run for periods of 3 to 5 years, with the lease of the Corporate office being for 10 years. There are no restrictions placed upon the lessee by entering the leases.

At 31 December, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Less than one year	43,424	43,742	39,189	39,634	43,694	39,151
Between one and five years	133,769	136,486	142,894	121,824	136,334	142,772
More than five years	498	21,442	42,937	-	21,436	42,932
	177,691	201,670	225,020	161,458	201,464	224,855

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**15. OTHER EXPENSES**

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Software licensing and other IT costs	64,079	63,446	70,615	54,594	55,136	60,365
Professional fees	15,551	9,324	3,109	14,169	7,940	2,784
Other	131,368	130,476	125,633	117,826	118,643	97,136
	210,998	203,246	199,357	186,589	181,719	160,285

16. INCOME TAXES**I. Income taxes****a. Amounts recognized in profit or loss**

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Current tax expense	1,163	1,491	699	804	1,124	927
Deferred tax movement	157,965	(27,839)	(1,739)	157,965	(28,566)	(997)
Total income tax expense/(credit)	159,128	(26,348)	(1,040)	158,769	(27,442)	(70)

Segment A

Current tax expense	-	-	-
Deferred tax movement	158,090	(31,728)	4,143
Income tax (credit) / tax expense	158,090	(31,728)	4,143

Segment B

Current tax expense	804	1,124	927
Deferred tax movement	(125)	3,162	(5,140)
Income tax (credit) / expense	679	4,286	(4,213)
Total income (credit) / tax expense	158,769	(27,442)	(70)

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**16. INCOME TAXES (CONTINUED)****I. Income taxes (continued)****b. Reconciliation of income taxes**

	Group			Bank		
	2018	2017	2016	2018	2017	2016
Profit/ (loss) before tax	123,702	131,408	51,248	114,129	70,184	57,993
Tax at statutory tax rate	17,477	10,842	7,729	17,119	10,528	8,699
Foreign tax credit	(8,863)	(8,529)	(10,036)	(8,863)	(8,529)	(10,036)
Non-deductible expenses	75	1,520	86	75	1,520	86
Non-taxable income	(3,648)	-	-	(3,648)	-	-
Corporate social responsibility	180	(18)	(9)	180	(18)	(9)
Special levy on Banks	804	672	(470)	804	672	(470)
Tax impact relating to change in shareholding	124,853	-	-	124,853	-	-
Tax impact relating to change in rate	57,205	-	-	57,205	-	-
Other	(28,955)	(30,835)	1,660	(28,956)	(31,615)	1,660
Total income tax (expense) / credit	159,128	(26,348)	(1,040)	158,769	(27,442)	(70)

Segment A

Profit/ (loss) before tax	40,273	(895)	(25,368)
Tax at statutory tax rate	6,041	(134)	(3,528)
Non-deductible expenses	-	1,444	11
Corporate social responsibility	180	(18)	(9)
Special levy on Banks	-	-	(470)
Tax impact relating to change in shareholding	121,020	-	(151)
Tax impact relating to change in rate	59,639	-	-
Other	(28,790)	(33,020)	(151)
Total income tax expense	158,090	(31,728)	(4,147)

Segment B

Profit/ (loss) before tax	73,856	71,079	83,361
Tax at statutory tax rate	11,078	10,662	12,545
Foreign tax credit	(8,863)	(8,529)	(10,036)
Non-deductible expenses	75	76	75
Non-taxable income	(3,648)	-	-
Special levy on Banks	804	672	-
Tax impact relating to change in shareholding	3,833	-	-
Tax impact relating to change in rate	(2,434)	-	-
Other	(166)	1,405	1,493
Total income tax expense	679	4,286	4,077

c. Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income Segment A ('Residents') of the preceding financial year to Government-approved CSR projects.

d. Special levy

Special levy on Banks was legislated by the Government of Mauritius in 2007, as amended by the Finance Act 2009. Every Bank shall in every year be liable to pay the taxation authorities a special levy calculated at 3.4% of its book profit and 1% of its operating income derived during the previous year. Operating income means the sum of net interest income and other income before deducting non-interest expense.

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16. INCOME TAXES (CONTINUED)

II. Movement in Deferred tax balances

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	204,294	175,807	179,916	204,294	175,080	178,264
(Charged)/Credited to equity	3,836	648	(2,370)	3,836	648	(4,181)
Charged to profit or loss	(157,965)	27,839	(1,739)	(157,965)	28,566	997
At 31 December	50,165	204,294	175,807	50,165	204,294	175,080
Deferred tax assets:						
Allowance for loan losses	43,660	82,652	142,908	43,660	82,652	142,908
Other	6,133	128,181	47,400	6,133	128,181	46,673
	49,793	210,833	190,308	49,793	210,833	189,581
Deferred tax liabilities:						
Accelerated capital allowances	(5,750)	(3,510)	(9,067)	(5,750)	(3,510)	(9,067)
Fair value gains	3,836	(34)	(34)	3,836	(34)	(34)
Other	2,286	(2,995)	(5,400)	2,286	(2,995)	(5,400)
	(372)	(6,539)	(14,501)	372	(6,539)	(14,501)
Net deferred tax assets	50,165	204,294	175,807	50,165	204,294	175,080

Bank	Segment A	Segment B	Total
2018	Rs 000	Rs 000	Rs 000
Balance at 01 January	197,438	6,856	204,294
Property, Equipment and Software	(2,145)	(94)	(2,239)
Allowance for loan losses	(2,965)	637	(2,328)
Fair value gains	3,836	-	3,836
Tax impact relating to change in shareholding	(121,020)	(3,833)	(124,853)
Tax impact relating to change in rate	(59,639)	2,434	(57,205)
Other adjustments	27,258	1,402	28,660
Balance at 31 December	42,763	7,402	50,165

2017			
Balance at 01 January	165,062	10,018	175,080
Property, Equipment and Software	2,618	354	2,972
Allowance for loan losses	(47,526)	(13,431)	(60,957)
Fair value gains	-	-	-
Other adjustments	77,284	9,915	87,199
Balance at 31 December	197,438	6,856	204,294

2016			
Balance at 01 January	160,919	17,345	178,264
Property, Equipment and Software	(8,649)	(188)	(8,837)
Allowance for loan losses	2,031	428	2,459
Fair value gains	10,610	(2,016)	8,594
Other adjustments	151	(5,551)	(5,400)
Balance at 31 December	165,062	10,018	175,080

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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16. INCOME TAXES (CONTINUED)

III. Current tax liabilities

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Current tax liabilities	970	1,002	1,273	624	688	1,049

Segment A			
Current tax liabilities	-	-	-
Segment B			
Current tax liabilities	624	688	1,049

17. CASH AND CASH EQUIVALENTS

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash in hand	195,185	209,715	126,794	160,731	171,638	104,941
Foreign currency notes and coins	20,382	29,388	19,498	20,382	29,388	19,498
Unrestricted balances with central Banks	1,443,415	1,339,553	719,319	1,316,062	1,198,561	667,798
Money market placements	734,316	6,758	5,512,821	734,316	6,758	5,512,821
Balances with Banks abroad	36,499	186,832	478,043	300,695	192,248	485,438
	2,429,797	1,772,246	6,856,475	2,532,186	1,598,593	6,790,496

Segment A			
Cash in hand	160,731	171,638	104,941
Foreign currency notes and coins	20,382	29,388	19,498
Unrestricted balances with central Banks	1,316,062	1,198,561	667,798
Money market placements	-	-	-
	1,497,175	1,399,587	792,237

Segment B			
Money market placements	734,316	6,758	5,512,821
Balances with Banks abroad	300,695	192,248	485,438
	1,035,011	199,006	5,998,259
Total cash and cash equivalents	2,532,186	1,598,593	6,790,496

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18. LOANS AND ADVANCES TO BANKS

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Loans and advances to Banks						
- in Mauritius (Segment A)	27,560	-	17,800	27,560	-	17,800
- outside Mauritius (Segment B)	15,508	240,030	627,960	15,508	240,030	627,960
	43,068	240,030	645,760	43,068	240,030	645,760
Remaining term to maturity						
Up to 3 months	-	-	370,012	-	-	370,012
Over 3 months and up to 6 months	16,190	6,994	28,544	16,190	6,994	28,544
Over 6 months and up to 12 months	26,878	30,566	30,024	26,878	30,566	30,024
Over 1 year and up to 5 years	-	202,470	217,180	-	202,470	217,180
Over 5 years	-	-	-	-	-	-
	43,068	240,030	645,760	43,068	240,030	645,760

19. LOANS AND ADVANCES TO CUSTOMERS

a. Remaining term to maturity

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Retail customers						
- Mortgages	3,762,270	3,479,562	3,088,924	3,762,113	3,479,238	3,088,501
- Other retail loans	482,065	506,789	755,978	477,027	499,410	741,089
Corporate customers	8,958,525	7,248,035	6,380,710	8,851,280	7,109,263	6,295,460
Entities outside Mauritius	656,016	1,251,499	2,880,089	656,011	1,251,498	2,878,918
	13,858,876	12,485,885	13,105,701	13,746,431	12,339,409	13,003,968
Less allowance for impairment	(659,147)	(738,164)	(1,520,943)	(631,966)	(720,770)	(1,507,606)
	13,199,729	11,747,721	11,584,758	13,114,465	11,618,639	11,496,362
Remaining term to maturity						
Up to 3 months	6,251,187	5,489,680	7,039,117	6,154,104	5,363,175	6,955,944
Over 3 months and up to 6 months	84,085	56,528	60,520	84,080	51,060	60,291
Over 6 months and up to 12 months	19,066	19,216	419,191	14,987	18,255	416,222
Over 1 year and up to 5 years	1,286,640	1,225,215	1,431,231	1,275,363	1,211,673	1,415,869
Over 5 years	6,217,898	5,695,246	4,155,642	6,217,897	5,695,246	4,155,642
	13,858,876	12,485,885	13,105,701	13,746,431	12,339,409	13,003,968

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

a. Remaining term to maturity (continued)

	Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000
Segment A			
Retail customers			
- Mortgages	3,230,148	2,916,268	2,592,812
- Other retail loans	419,868	435,986	480,442
Corporate customers	7,776,907	6,162,891	5,955,805
	11,426,923	9,515,145	9,029,059
Less allowance for impairment	(562,160)	(604,967)	(968,251)
	10,864,763	8,910,178	8,060,808
Remaining term to maturity			
Up to 3 months	4,447,191	3,350,841	3,894,805
Over 3 months and up to 6 months	82,099	42,445	47,660
Over 6 months and up to 12 months	9,402	13,680	71,427
Over 1 year and up to 5 years	1,201,730	1,177,640	1,307,299
Over 5 years	5,686,501	4,930,539	3,707,868
	11,426,923	9,515,145	9,029,059
Segment B			
Retail customers			
- Mortgages	531,965	562,970	495,690
- Other retail loans	57,159	63,424	260,647
Corporate customers	1,074,373	946,372	339,656
Entities outside Mauritius	656,011	1,251,498	2,878,916
	2,319,508	2,824,264	3,974,909
Less allowance for impairment	(69,806)	(115,803)	(539,355)
	2,249,702	2,708,461	3,435,554
Remaining term to maturity			
Up to 3 months	1,706,912	2,012,334	3,061,138
Over 3 months and up to 6 months	1,981	8,615	12,632
Over 6 months and up to 12 months	5,585	4,575	344,795
Over 1 year and up to 5 years	73,634	34,033	108,570
Over 5 years	531,396	764,707	447,774
	2,319,508	2,824,264	3,974,909

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19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

b. Credit concentration of risk by industry sectors

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Agriculture and fishing	275,878	918,339	787,914	275,217	917,460	787,062
Manufacturing	1,848,955	1,803,779	1,158,678	1,845,143	1,788,165	1,150,828
Tourism	1,098,837	619,590	393,821	1,094,916	618,858	391,949
Transport	49,788	86,104	488,627	37,875	73,896	473,984
Construction	4,395,578	4,098,393	3,787,679	4,390,742	4,091,316	3,779,965
Financial and business services	1,076,437	1,554,426	2,407,461	1,071,779	1,550,432	2,403,772
Traders	1,312,419	1,394,151	2,079,265	1,235,786	1,299,095	2,021,926
Personal	392,470	414,984	427,594	390,294	412,304	424,855
Professional	85,378	92,130	319,814	82,360	87,106	316,208
Global Business Licence holders	1,064,993	701,533	278,210	1,064,993	701,533	278,210
Others	2,258,143	802,456	976,638	2,257,326	799,244	975,208
	13,858,876	12,485,885	13,105,701	13,746,431	12,339,409	13,003,967
Segment A						
Agriculture and fishing				275,217	883,715	425,212
Manufacturing				1,673,393	1,187,387	498,602
Tourism				1,094,916	618,858	391,949
Transport				13,339	1,585	1,717
Construction				3,858,777	3,528,346	3,284,276
Financial and business services				613,943	1,157,485	1,777,778
Traders				1,229,089	1,104,409	1,552,030
Personal				333,135	348,880	395,434
Professional				82,360	87,106	84,983
Others				2,252,754	597,374	617,078
				11,426,923	9,515,145	9,029,059
Segment B						
Agriculture and fishing				-	33,745	361,850
Manufacturing				171,750	600,778	652,226
Tourism				-	-	-
Transport				24,536	72,311	472,267
Construction				531,965	562,970	495,690
Financial and business services				457,836	392,948	625,994
Traders				6,697	194,686	469,897
Personal				57,159	63,424	29,421
Professional				-	-	231,226
Global Business Licence holders				1,064,993	701,533	278,210
Others				4,572	201,870	358,128
				2,319,508	2,824,265	3,974,909

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19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c. Allowance for impairment

Group	Individual allowances for impairment	Collective allowances and general provisions for Impairment	Low-interest rate loans impairment	Total
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 January 2016	1,286,812	137,609	-	1,424,421
Charge for the year	70,713	(22,148)	-	48,565
Effect of foreign currency movements	(31,265)	-	-	(31,265)
Receivable on counter guarantee	118,858	-	-	118,858
Write-offs	(39,836)	-	-	(39,836)
At 31 December 2016	1,405,282	115,461	-	1,520,743
Charge for the year	(118,357)	32,032	-	(86,325)
Effect of foreign currency movements	18,739	(833)	-	17,906
Receivable on counter guarantee	(118,839)	-	-	(118,839)
Write-offs	(595,321)	-	-	(595,321)
At 31 December 2017	591,504	146,660	-	738,164
Charge for the year	8,474	21,602	-	30,076
Effect of foreign currency movements	(6,162)	(53)	-	(6,215)
Reclassification provision in securities	(94,549)	-	-	(94,549)
Write-offs	(8,329)	-	-	(8,329)
At 31 December 2018	490,938	168,209	-	659,147
Bank				
At 1 January 2016	1,278,393	136,522	-	1,414,915
Charge for the year	62,446	(21,895)	-	40,551
Effect of foreign currency movements	(28,830)	-	-	(28,830)
Receivable on counter guarantee	118,858	-	-	118,858
Write-offs	(37,888)	-	-	(37,888)
At 31 December 2016	1,392,979	114,627	-	1,507,606
Charge for the year	(124,204)	31,980	-	(92,224)
Effect of foreign currency movements	16,456	-	-	16,456
Receivable on counter guarantee	(118,839)	-	-	(118,839)
Write-offs	(592,229)	-	-	(592,229)
At 31 December 2017	574,163	146,607	-	720,770
Charge for the year	(2,293)	20,561	-	18,268
Effect of foreign currency movements	(5,347)	-	-	(5,347)
Reclassification provision in securities	(94,549)	-	-	(94,549)
Write-offs	(7,176)	-	-	(7,176)
At 31 December 2018	464,798	167,168	-	631,966

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c. Allowance for impairment (continued)

Net impairment loss on financial assets

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Collective allowance and general provision for impairment	(21,602)	(32,032)	22,148	(20,561)	(31,979)	21,895
Charge for the year	(90,209)	(198,949)	(70,738)	(78,012)	(193,104)	(62,471)
Reversal	89,921	1,031,130	-	87,338	1,028,376	-
Bad debts written off / Recoveries	(8,186)	(713,824)	25	(7,033)	(711,069)	25
	(30,076)	86,325	(48,565)	(18,268)	92,224	(40,551)

d. Allowance for credit impairment by industry sectors

Group	2018				2017		
Group – Total	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Collective /portfolio allowances and general provisions for impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture, forestry and fishing	275,878	4,752	743	2,718	3,461	9,561	8,283
Manufacturing	1,848,955	297,314	164,869	15,607	180,476	70,181	337,420
Accommodation and food service activities	1,098,837	-	-	21,999	21,999	38,814	36,727
Transportation and storage	49,788	12,839	12,836	417	13,253	1,178	5,749
Construction	4,395,578	79,535	41,443	52,120	93,563	97,351	210,648
Other Financial Corporations	1,076,437	2,105	2,102	10,767	12,869	59,131	65,507
Wholesale and retail trade; and repair of motor vehicles and motorcycles	1,312,419	93,807	52,739	12,536	65,275	236,226	363,381
Personal	392,470	129,686	86,838	19,468	106,306	102,974	112,138
Professional	85,378	63,909	37,169	219	37,388	57,450	289,247
Global Business Licence holders	1,064,993	25,067	25,006	10,400	35,406	31,663	29,161
Others	2,258,143	67,227	67,193	21,958	89,151	33,635	62,682
	13,858,876	776,241	490,938	168,209	659,147	738,164	1,520,943

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

d. Allowance for credit impairment by industry sectors (continued)

Bank	2018				2017		
Bank – Total	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Collective /portfolio allowances and general provisions for impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture, forestry and fishing	275,217	4,752	743	2,709	3,452	9,552	8,274
Manufacturing	1,845,143	295,290	163,862	15,583	179,445	68,696	336,510
Accommodation and food service activities	1,094,916	1	-	21,921	21,921	38,807	36,708
Transportation and storage	37,875	12,704	12,703	253	12,956	833	4,847
Construction	4,390,742	74,758	40,044	52,119	92,163	97,858	211,156
Other Financial Corporations	1,071,779	3	-	10,734	10,734	58,093	65,433
Wholesale and retail trade; and repair of motor vehicles and motorcycles	1,235,786	66,032	32,764	11,867	44,631	223,040	353,815
Personal	390,294	129,686	86,838	19,436	106,274	102,953	112,108
Professional	82,360	62,780	36,040	196	36,236	56,091	287,369
Global Business Licence holders	1,064,993	25,067	25,006	10,400	35,406	31,663	29,161
Others	2,257,326	66,831	66,798	21,950	88,748	33,184	62,224
	13,746,431	737,904	464,798	167,168	631,966	720,770	1,507,605

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

d. Allowance for credit impairment by industry sectors (continued)

Bank	2018					2017	2016
	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Collective/ portfolio allowances and general provisions for impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Segment A							
Agriculture,Forestry and Fishing	275,217	4,752	743	2,709	3,452	9,214	4,655
Manufacturing	1,673,393	295,290	163,862	13,865	177,727	62,988	116,998
Accomodation and food services activities	1,094,916	1	-	21,921	21,921	38,807	36,707
Transport and storage	13,339	12,704	12,703	6	12,709	110	100
Construction	3,858,777	74,758	40,044	44,208	84,252	60,704	203,716
Other Financial Corporations	613,943	3	-	6,150	6,150	11,717	21,498
Wholesale and retail trade; and repair of motor vehicles and motorcyles	1,229,089	66,031	32,764	11,848	44,612	220,064	349,106
Personal	333,135	106,734	67,335	19,020	86,355	82,608	93,196
Professional	82,360	62,780	36,040	196	36,236	56,091	56,143
Others	2,252,753	66,831	66,798	21,904	88,702	31,141	58,641
	11,426,922	689,884	420,289	141,827	562,116	573,444	940,760
Segment B							
Agriculture, Forestry and Fishing	-	-	-	-	-	338	3,619
Manufacturing	171,750	-	-	1,718	1,718	5,708	219,512
Accomodation and food services activities	-	-	-	-	-	-	-
Transport and storage	24,536	-	-	247	247	723	4,747
Construction	531,965	-	-	7,911	7,911	37,154	7,440
Other Financial Corporations	457,836	-	-	4,584	4,584	46,376	43,935
Wholesale and retail trade and repair of motor vehicles and motocyles	6,697	-	-	19	19	2,976	4,709
Personal	57,159	22,952	19,503	416	19,919	20,345	18,913
Professional	-	-	-	-	-	-	231,226
Global Business Licence holders	1,064,993	25,067	25,006	10,400	35,406	31,663	29,161
Others	4,573	-	-	46	46	2,043	3,582
	2,319,509	48,019	44,509	25,341	69,850	147,326	566,844

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20. INVESTMENT SECURITIES

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Investment securities	1,961,203	2,503,659	1,835,894	1,823,685	2,426,590	1,746,350
Fair value through OCI						
Government of Mauritius bonds	1,097,203	1,337,298	788,983	1,097,203	1,337,298	788,984
Treasury Bills	336,469	798,731	1,046,911	198,951	721,662	957,366
Bank of Mauritius Bills	449,559	197,318	-	449,559	197,318	-
Amortised Cost						
Corporate Bonds	172,521	170,312	-	172,521	170,312	-
Less Impairment	(94,549)	-	-	(94,549)	-	-
	1,961,203	2,503,659	1,835,894	1,823,685	2,426,590	1,746,350
Segment A						
Government of Mauritius bonds				1,097,203	1,337,298	788,984
Treasury Bills				198,951	721,662	957,366
Bank of Mauritius Bills				449,559	197,318	-
				1,745,713	2,256,278	1,746,350
Segment B						
Corporate Bonds				172,521	170,312	-
Less Impairment				(94,549)	-	-
				77,972	170,312	-

21. INVESTMENT IN SUBSIDIARY

Bank	2018 Rs 000	2017 Rs 000	2016 Rs 000
Investment in subsidiary as at 31 December (Level 3)	58,447	-	189,706
Bank	2018 Rs 00	2017 Rs 000	2016 Rs 000
	-	189,706	190,201
At 01 January	-	189,706	190,201
Additions during the year	-	-	27,687
Fair value adjustments (Note 11)	58,447	(189,706)	(27,941)
Effect of foreign currency	-	-	(241)
	58,447	-	189,706

Details of investments held by the Bank are as follows:

Name of Investee Company	Country of incorporation	Business Activity	Type of shares	% holding		Fair value		
				2018	2017	2018 Rs 000	2017 Rs 000	2016 Rs 000
BM Madagascar	Madagascar	Banking	Ordinary shares	72.67	72.67	58,447	-	189,706

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**22. PROPERTY AND EQUIPMENT**

Group	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Land & Building	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost							
Balance at 01 January 2016	102,838	100,327	30,888	18,143	13,759	-	265,955
Additions	5,055	24,974	4,425	163	9,730	8,188	52,535
Scrapped assets	-	-	-	-	(8,262)	-	(8,262)
Foreign currency translation	(1,585)	(1,343)	(548)	(121)	(218)	-	(3,815)
Balance at 31 December 2016	106,308	123,958	34,765	18,185	15,009	8,188	306,413
Balance at 01 January 2017	106,308	123,958	34,765	18,185	15,009	8,188	306,413
Additions	5,600	11,069	814	538	-	-	18,021
Disposal	(262)	-	-	-	(1,484)	-	(1,746)
Scrapped assets	(41)	(35,888)	(4,656)	-	-	-	(40,585)
Foreign currency translation	1,524	743	301	65	119	-	2,752
Balance at 31 December 2017	113,129	99,882	31,224	18,788	13,644	8,188	284,855
Balance at 01 January 2018	113,129	99,882	31,224	18,788	13,644	8,188	284,855
Additions	7,245	19,536	623	622	17	1,538	29,581
Disposal	(545)	-	(1,051)	(923)	-	-	(2,519)
Scrapped assets	(62,419)	(8,735)	(5,875)	(9,034)	(21)	-	(86,084)
Foreign currency translation	(898)	(885)	(281)	(66)	(120)	(566)	(2,816)
Balance at 31 December 2018	56,512	109,798	24,640	9,387	13,520	9,160	223,017
Accumulated depreciation and impairment losses							
Balance at 01 January 2016	84,275	85,377	20,808	17,332	12,031	-	219,823
Depreciation for the year	7,325	11,848	3,320	420	3,852	1,997	28,762
Scrapped assets	-	-	-	-	(8,262)	-	(8,262)
Foreign currency translation	(1,650)	(1,332)	(507)	(119)	(184)	-	(3,792)
Balance at 31 December 2016	89,950	95,893	23,621	17,633	7,437	1,997	236,531
Balance at 01 January 2017	89,950	95,893	23,621	17,633	7,437	1,997	236,531
Depreciation for the year	6,196	15,358	3,806	293	3,741	1,935	31,329
Disposal	(225)	-	-	-	(1,484)	-	(1,709)
Scrapped assets	(41)	(35,877)	(4,656)	-	-	-	(40,574)
Foreign currency translation	(963)	725	286	67	111	-	226
Balance at 31 December 2017	94,917	76,099	23,057	17,993	9,805	3,932	225,803
Balance at 01 January 2018	94,917	76,099	23,057	17,993	9,805	3,932	225,803
Depreciation for the year	6,739	16,927	3,709	304	3,465	(1,934)	29,210
Disposal	(529)	-	(1,048)	(923)	-	-	(2,500)
Scrapped assets	(62,244)	(8,735)	(5,824)	(9,027)	(21)	-	(85,851)
Foreign currency translation	1,128	(727)	(298)	(65)	(119)	(326)	(407)
Balance at 31 December 2018	40,011	83,564	19,596	8,282	13,130	1,672	166,255
Carrying amounts							
Balance at 31 December 2016	16,358	28,065	11,144	552	7,572	6,191	69,882
Balance at 31 December 2017	18,212	23,783	8,167	795	3,839	4,256	59,050
Balance at 31 December 2018	16,501	26,234	5,044	1,105	390	7,488	56,762

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	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Bank						
Cost						
Balance at 01 January 2016	89,606	89,112	26,314	17,131	11,938	234,101
Additions	5,594	24,713	4,341	163	9,730	44,541
Scrapped asset	-	-	-	-	(8,262)	(8,262)
Balance at 31 December 2016	95,200	113,825	30,655	17,294	13,406	270,380
Balance at 01 January 2017	95,200	113,825	30,655	17,294	13,406	270,380
Additions	5,277	9,011	738	538	-	15,564
Disposal	(261)	-	-	-	(1,485)	(1,746)
Scrapped assets	(32)	(35,752)	(4,220)	-	-	(40,004)
Balance at 31 December 2017	100,184	87,084	27,173	17,832	11,921	244,194
Balance at 01 January 2018	100,184	87,084	27,173	17,832	11,921	244,194
Additions	6,085	14,219	470	622	17	21,413
Disposal	(545)	-	(296)	(923)	-	(1,764)
Scrapped assets	(62,419)	(8,735)	(5,875)	(9,034)	(21)	(86,084)
Balance at 31 December 2018	43,305	92,568	21,472	8,497	11,917	177,759
Accumulated depreciation and impairment losses						
Balance at 01 January 2016	71,885	74,254	16,580	16,344	10,492	189,555
Depreciation for the year	6,643	11,738	3,089	413	3,625	25,508
Scrapped asset	-	-	-	-	(8,262)	(8,262)
Balance at 31 December 2016	78,528	85,992	19,669	16,757	5,855	206,801
Balance at 01 January 2017	78,528	85,992	19,669	16,757	5,855	206,801
Depreciation for the year	6,088	15,002	3,668	286	3,711	28,755
Disposal	(225)	-	-	-	(1,484)	(1,709)
Scrapped assets	(32)	(35,741)	(4,220)	-	-	(39,993)
Balance at 31 December 2017	84,359	65,253	19,117	17,043	8,082	193,854
Balance at 01 January 2018	84,359	65,253	19,117	17,043	8,082	193,854
Depreciation for the year	6,506	15,006	3,622	299	3,465	28,898
Disposal	(529)	-	(293)	(923)	-	(1,745)
Scrapped assets	(62,244)	(8,735)	(5,824)	(9,027)	(21)	(85,851)
Balance at 31 December 2018	28,092	71,524	16,622	7,392	11,526	135,156
Carrying amounts						
Balance at 31 December 2016	16,672	27,833	10,986	537	7,551	65,579
Balance at 31 December 2017	15,825	21,831	8,056	789	3,839	50,340
Balance at 31 December 2018	15,213	21,044	4,849	1,105	391	42,603

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22. PROPERTY AND EQUIPMENT (CONTINUED)

2018						
Segment A	13,692	18,939	4,364	994	352	38,343
Segment B	1,521	2,105	485	111	39	4,260
	15,213	21,044	4,849	1,105	391	42,603
2017						
Segment A	14,100	19,908	7,132	761	3,482	45,383
Segment B	1,725	1,923	924	28	357	4,957
	15,825	21,831	8,056	789	3,839	50,340
2016						
Segment A	14,855	25,249	9,739	537	6,785	57,165
Segment B	1,818	2,583	1,247	-	766	6,414
	16,673	27,832	10,986	537	7,551	63,579

23. INTANGIBLE ASSETS AND GOODWILL

a. Computer Software

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost						
Balance at 01 January	200,789	255,380	170,569	186,285	242,832	158,264
Additions	2,826	18,748	86,016	1,299	17,425	84,568
Write-off	(321)	(73,972)	-	(321)	(73,972)	-
Foreign currency translation	(1,000)	633	(1,205)	-	-	-
Balance at 31 December	202,294	200,789	255,380	187,263	186,285	242,832
Accumulated amortization						
Balance at 01 January	83,691	121,024	95,140	70,934	109,932	84,362
Amortization for the year	36,570	36,115	26,982	35,319	34,974	25,616
Write-off	(321)	(73,972)	-	(321)	(73,972)	-
Foreign currency translation	(881)	524	(1,098)	-	-	(46)
Balance at 31 December	119,059	83,691	121,024	105,932	70,934	109,932
Net book value						
Balance at 31 December	83,235	117,098	134,356	81,331	115,351	132,900

Carrying amounts at end of year by segments

Segment A	72,384	102,662	118,288
Segment B	8,947	12,689	14,612
	81,331	115,351	132,900

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23. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

b. Goodwill

	Group		
	2018	2017	2016
Balance at 31 December	-	-	75,707

24. OTHER ASSETS

Summary

	Group			Bank		
	2018	2017	2016	2018	2017	2016
Accounts receivable and prepayments	17,728	21,872	199,710	16,608	20,973	198,850
Accrued interest receivable	27,591	28,314	26,966	26,964	27,898	26,901
Mandatory deposits with central Banks	826,306	773,730	657,037	826,306	773,730	657,037
Balances due in clearing	373,146	50,841	14,614	354,233	28,138	-
Other receivables	30,261	26,444	22,234	13,867	10,163	17,761
	1,275,032	901,201	920,561	1,237,978	860,902	900,549

Segment A

	2018	2017	2016
Accounts receivable and prepayments	16,051	19,349	162,671
Accrued interest receivable	21,995	21,275	13,500
Mandatory deposits with central Banks	826,306	773,730	657,037
Balances due in clearing	354,233	28,138	-
Other receivables	5,489	6,520	17,710
	1,224,074	849,012	850,918

Segment B

	2018	2017	2016
Accounts receivable and prepayments	557	1,624	36,179
Accrued interest receivable	4,969	6,623	13,401
Other receivables	8,378	3,643	51
	13,904	11,890	49,631

Total other assets

	1,237,978	860,902	900,549
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25. DEPOSITS FROM BANKS

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Deposits	9,273	16	1,209	1,690	-	1,209

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26. DEPOSITS FROM CUSTOMERS

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	RS 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Retail customers						
Current accounts	1,144,732	1,199,774	1,443,092	1,119,527	1,174,677	1,409,641
Savings accounts	1,856,869	1,946,597	1,812,531	1,834,084	1,920,629	1,775,137
Time deposits with remaining term to maturity						
Up to 3 months	259,570	231,179	221,761	248,807	228,977	221,761
Over 3 months and up to 6 months	113,638	128,590	120,336	112,305	127,159	119,310
Over 6 months and up to 12 months	354,678	333,293	229,692	319,078	307,362	208,546
Over 1 year and up to 5 years	770,856	642,130	652,651	770,856	642,130	652,446
Over 5 years	1,345	-	1,005	1,345	-	1,005
Corporate customers						
Current accounts	4,426,701	3,304,897	2,412,863	4,305,531	3,100,578	2,326,055
Savings accounts	53,315	214,490	570,494	53,315	214,490	570,472
Time deposits with remaining term to maturity						
Up to 3 months	1,672,213	1,885,908	7,183,229	1,667,805	1,878,720	7,180,664
Over 3 months and up to 6 months	373,471	895,136	459,107	331,952	865,073	452,643
Over 6 months and up to 12 months	1,073,290	533,486	469,373	1,070,625	510,928	468,347
Over 1 year and up to 5 years	415,474	261,792	13,312	414,869	261,145	13,312
	12,516,152	11,577,272	15,589,446	12,250,099	11,231,868	15,399,339

	Bank		
	2018	2017	2016
	Rs 000	Rs 000	Rs 000
Segment A			
Retail customers			
Current accounts	796,534	781,250	939,732
Savings accounts	1,422,559	1,441,002	1,254,578
Time deposit with remaining term to maturity Up to 3 months	168,843	129,669	133,311
Over 3 months and up to 6 months	48,920	91,491	73,181
Over 6 months and up to 12 months	148,737	175,790	116,912
Over 1 year and up to 5 years	566,370	403,492	386,580
Over 5 years	1,275	-	1,005
Corporate customers			
Current accounts	2,465,243	1,578,600	1,271,826
Savings accounts	53,215	214,342	570,327
Time deposit with remaining term to maturity			
Up to 3 months	1,619,645	1,706,245	840,260
Over 3 months and up to 6 months	331,952	527,421	452,643
Over 6 months and up to 12 months	1,000,482	443,438	460,076
Over 1 year and up to 5 years	414,869	261,145	13,092
	9,038,644	7,753,885	6,513,523

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26. DEPOSITS FROM CUSTOMERS (CONTINUED)

	Bank		
	2018	2017	2016
	Rs 000	Rs 000	Rs 000
Segment B			
Retail customers			
Current accounts	322,993	393,427	469,910
Savings accounts	411,525	479,627	520,559
Time deposit with remaining term to maturity			
Up to 3 months	79,964	99,308	88,449
Over 3 months and up to 6 months	63,385	35,668	46,129
Over 6 months and up to 12 months	170,341	131,572	91,634
Over 1 year and up to 5 years	204,486	238,638	265,866
Over 5 years	70	-	-
Corporate customers			
Current accounts	1,840,288	1,521,978	1,054,228
Savings accounts	100	148	144
Time deposit with remaining term to maturity			
Up to 3 months	48,160	172,475	6,340,405
Over 3 months and up to 6 months	-	337,652	-
Over 6 months and up to 12 months	70,143	67,490	8,272
Over 1 year and up to 5 years	-	-	220
	3,211,455	3,477,983	8,885,816

27. BORROWED FUNDS

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Borrowed funds						
Remaining term to maturity						
Up to 3 months	3,617,032	2,029,295	3,525,718	3,617,032	2,029,227	3,525,718
Over 3 months and up to 6 months	-	907,650	251,884	-	907,650	251,884
Over 6 months and up to 12 months	-	-	86,844	-	-	86,844
Over 1 year and up to 5 years	20,072	214,901	223,245	20,072	214,901	223,245
Over 5 years	-	-	29,343	-	-	29,343
	3,637,104	3,151,846	4,117,034	3,637,104	3,151,778	4,117,034
Segment A						
Borrowings from financial institutions	20,072	25,880	29,343			
Remaining term to maturity						
Up to 3 months	-	-	-			
Over 6 months and up to 12 months	-	-	-			
Over 1 year and up to 5 years	20,072	25,880	-			
Over 5 years	-	-	29,343			
	20,072	25,880	29,343			

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27. BORROWED FUNDS (CONTINUED)

Segment B			
Borrowings from Banks abroad	3,617,032	3,125,898	4,087,691
Remaining term to maturity			
Up to 3 months	3,617,032	2,029,227	3,525,718
Over 3 months and up to 6 months	-	907,650	251,884
Over 6 months and up to 12	-	-	86,844
Over 1 year and up to 5 years	-	189,021	223,245
Over 5 years	-	-	-
	3,617,032	3,125,898	4,087,691

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Derivative financial instruments	6	-	2,284	6	16	2,284
Segment A						
Derivative financial instruments				6	16	99
Segment B						
Derivative financial instruments (Forward contracts)				-	-	2,185

Derivative financial instruments include mainly foreign exchange forward contracts and currency swaps. These are initially recognised at fair value on the date the derivative contracts are entered into and subsequently remeasured at their fair values. Fair values of derivatives between two currencies are based on interest rate differential between the two currencies. Fair values of forwards are based on treasury bills rate or LIBOR prevailing at reporting date.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

29. SUBORDINATED LIABILITIES

	Group and Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000
Subordinated debt	-	202,470	274,283
Remaining term to maturity			
Less than 3 years	-	-	57,153
More than 3 years but less than 5 years	-	202,470	217,110
Over 5 years	-	-	-
	-	202,470	274,283
Segment B			
Subordinated debt	-	202,470	274,283

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30. OTHER LIABILITIES

	Group			Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000
Recognised liability for defined benefit obligations	6,804	13,186	20,145	6,804	13,186	20,145
Creditors and accruals	157,233	179,848	186,281	133,836	162,131	176,346
Accrued interest payable	78,932	62,039	62,623	74,991	58,384	61,597
Other	310,151	131,805	53,178	518,393	145,991	42,774
	553,120	386,878	322,227	734,024	379,692	300,862

Segment A

Recognised liability for defined benefit obligations	4,898	13,186	20,145
Creditors and accruals	114,982	91,12	136,144
Accrued interest payable	59,798	65,796	37,192
Other	360,668	28,461	21,132
	540,346	198,569	214,613

Segment B

Recognised liability for defined benefit obligations	1,906	-	-
Creditors and accruals	18,854	43,736	40,202
Accrued interest payable	15,193	19,857	24,405
Other	157,725	117,530	21,642
	193,678	181,123	86,249
	734,024	379,692	300,862

Total other liabilities

31. SHARE CAPITAL

	Group and Bank		
	2018 Rs 000	2017 Rs 000	2016 Rs 000
Issued capital			
At 1 January,	1,944,015	1,944,015	1,749,016
Issue of shares	274,050	-	194,999
At 31 December,	2,218,065	1,944,015	1,944,015
Number of shares			
At 1 January,	2,505,035	2,505,035	2,253,760
Issue of shares	353,139	-	251,275
At 31 December,	2,858,174	2,505,035	2,505,035

The issued capital comprises ordinary shares at no per value.

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The Translation Reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

II. Fair value reserve

The Fair Value Reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

III. Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local Banking legislations. These reserves are not distributable.

33. FINANCIAL ASSETS AND LIABILITIES

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

Group	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying amount	Fair value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
31 December 2018				Total	Total
Assets					
Cash and cash equivalents	-	-	2,429,797	2,429,797	2,429,797
Loans and advances to Banks	-	-	43,068	43,068	43,068
Loans and advances to customers	-	-	13,199,729	13,199,729	13,199,729
Investment securities	1,961,203	-	-	1,961,203	1,961,203
Other assets	-	-	1,275,032	1,275,032	1,275,032
	1,961,203	-	16,947,626	18,908,829	18,908,829
Liabilities					
Deposits from Banks	-	-	9,273	9,273	9,273
Deposits from customers	-	-	12,516,152	12,516,152	12,516,152
Borrowed funds	-	-	3,637,104	3,637,104	3,637,104
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	553,121	553,121	553,121
	-	-	16,715,650	16,715,650	16,715,650
31 December 2017					
Assets					
Cash and cash equivalents	-	-	1,772,246	1,772,246	1,772,246
Loans and advances to Banks	-	-	240,030	240,030	240,030
Loans and advances to customers	-	-	11,747,721	11,747,721	11,747,721
Investment securities	2,503,659	-	-	2,503,659	2,503,659
Other assets	-	-	901,201	901,201	901,201
	2,503,659	-	14,661,198	17,164,857	17,164,857
Liabilities					
Deposits from Banks	-	-	16	16	16
Deposits from customers	-	-	11,577,272	11,577,272	11,577,272
Borrowed funds	-	-	3,151,846	3,151,846	3,151,846
Subordinated liabilities	-	-	202,470	202,470	202,470
Other liabilities	-	-	386,878	386,878	386,878
	-	-	15,318,482	15,318,482	15,318,482

**NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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Group (continued)	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying amount	Fair value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
31 December 2016				Total	Total
Assets					
Cash and cash equivalents	-	-	6,856,475	6,856,475	6,856,475
Loans and advances to Banks	-	-	645,760	645,760	645,760
Loans and advances to customers	-	-	11,584,758	11,584,758	11,584,758
Investment securities	1,835,894	-	-	1,835,894	1,835,894
Other assets	-	-	920,561	920,561	920,561
	1,835,894	-	20,021,404	21,843,448	21,843,448
Liabilities					
Deposits from Banks	-	-	1,209	1,209	1,209
Deposits from customers	-	-	15,589,446	15,589,446	15,589,446
Borrowed funds	-	-	4,117,034	4,117,034	4,117,034
Subordinated liabilities	-	-	274,282	274,282	274,282
Other liabilities	-	-	322,227	322,227	322,227
	-	-	20,304,198	20,304,198	20,304,198
Bank					
31 December 2018					
Assets					
Cash and cash equivalents	-	-	2,532,186	2,532,186	2,532,186
Loans and advances to Banks	-	-	43,068	43,068	43,068
Loans and advances to customers	-	-	13,114,465	13,114,465	13,114,465
Investment securities	1,823,685	-	-	1,823,685	1,823,685
Other assets	-	-	1,237,978	1,237,978	1,237,978
	1,823,685	-	16,927,697	18,751,383	18,751,383
Liabilities					
Deposits from Banks	-	-	1,690	1,690	1,690
Deposits from customers	-	-	12,250,099	12,250,099	12,250,099
Borrowed funds	-	-	3,637,104	3,637,104	3,637,104
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	734,024	734,024	734,024
	-	-	16,622,917	16,622,917	16,622,917

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33. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Bank (continued)	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying amount	Fair value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
31 December 2017				Total	Total
Assets					
Cash and cash equivalents	-	-	1,598,593	1,598,593	1,598,593
Loans and advances to Banks	-	-	240,030	240,030	240,030
Loans and advances to customers	-	-	11,618,639	11,618,639	11,618,639
Investment securities	2,426,590	-	-	2,426,590	2,426,590
Other assets	-	-	860,902	860,902	860,902
	2,426,590	-	14,318,164	16,744,754	16,744,754
Liabilities					
Deposits from Banks	-	-	-	-	-
Deposits from customers	-	-	11,231,868	11,231,868	11,231,868
Borrowed funds	-	-	3,151,778	3,151,778	3,151,778
Subordinated liabilities	-	-	202,470	202,470	202,470
Other liabilities			379,692	379,692	379,692
	-	-	14,965,808	14,965,808	14,965,808
31 December 2016					
Assets					
Cash and cash equivalents	-	-	6,790,496	6,790,496	6,790,496
Loans and advances to Banks	-	-	645,760	645,760	645,760
Loans and advances to customers	-	-	11,496,362	11,496,362	11,496,362
Investment securities	1,746,350	-	-	1,746,350	1,746,350
Other assets			900,549	900,549	900,549
	1,746,350	-	19,833,167	21,579,517	21,579,517
Liabilities					
Deposits from Banks	-	-	1,209	1,209	1,209
Deposits from customers	-	-	15,399,339	15,399,339	15,399,339
Borrowed funds	-	-	4,117,034	4,117,034	4,117,034
Subordinated liabilities	-	-	274,283	274,283	274,283
Other liabilities			300,862	300,862	300,862
	-	-	20,092,727	20,092,727	20,092,727

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34. CONTINGENCIES

a. Commitments

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Undrawn credit facilities	2,198,734	1,914,449	3,287,930	2,189,717	1,898,619	3,265,984
Segment A						
Undrawn credit facilities				1,134,377	1,131,287	1,296,817
Segment B						
Undrawn credit facilities				1,055,340	767,332	1,969,167

b. Pledged assets

	Group and Bank		
	2018	2017	2016
	Rs 000	Rs 000	Rs 000
Government Bonds (Segment A)	177,000	200,000	200,000

c. Contingent liabilities

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Acceptances on account of customers	60,482	16,462	54,551	60,482	16,462	54,551
Guarantees on account of customers	1,953,530	1,267,745	809,581	1,951,148	1,260,321	802,013
Letters of credit and other obligations on account of customers	466,331	343,270	443,978	463,797	327,440	422,032
Foreign exchange contracts	26,322	64,562	418,281	25,408	64,652	250,642
Other contingent items	49,312	128,024	51,645	861	864	34,335
	2,555,977	1,820,153	1,778,036	2,501,696	1,669,739	1,563,573
Segment A						
Acceptances on account of customers				950	3,455	1,851
Guarantees on account of customers				1,755,854	976,175	480,611
Letters of credit and other obligations on account of customers				18,966	11,216	316,525
Foreign exchange contracts				25,408	64,652	250,642
Other contingent items				861	864	6,020
				1,802,039	1,056,362	1,055,649
Segment B						
Acceptances on account of customers				59,532	13,007	52,700
Guarantees on account of customers				195,294	284,146	321,402
Letters of credit and other obligations on account of customers				444,831	316,224	105,507
Foreign exchange contracts				-	-	-
Other contingent items				-	-	28,315
				699,657	613,377	507,924

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35. RELATED PARTIES

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with its holding company, BCP and Chaabi International Bank Offshore.

	Nature of relationship	Group			Bank		
		2018	2017	2016	2018	2017	2016
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Placements with Banks	Group companies	725,080	241,321	217,110	725,080	241,321	217,110
Loans and advances	Holding company	4,573	-	-	4,573	-	-
	Group companies	-	86,657	410,189	-	86,657	405,004
	Key management personnel	264,754	17,591	189,239	264,754	17,591	188,238
Deposits	Holding company	-	17,431	-	-	17,431	-
	Group companies	129,221	425	-	129,221	425	-
	Subsidiary	-	-	-	52,137	-	-
	Key management personnel	68,677	27,822	64,563	68,677	27,822	64,563
Balances due to	Holding company	-	-	17,431	-	-	17,431
	Group companies	-	45,414	4,032	-	45,414	4,032
	Subsidiary	-	-	-	2,574	-	-
Borrowed funds	Holding company	3,617,031	3,125,899	1,519,770	3,617,031	3,125,899	1,519,770
Subordinated liabilities	Holding company	-	202,470	274,263	-	202,470	274,263
Amounts due to	Holding company	-	-	2,167	-	-	2,167
Income from swap and securities transactions	Holding company	-	4,629	6,654	-	4,629	6,654
	Group companies	40,121	29,572	32,648	40,121	29,572	32,648
	Key management personnel	9,127	1,313	6,817	9,127	1,313	6,746
Interest expense	Holding company	-	11,962	9,326	-	11,962	9,326
	Group companies	5,511	7,854	7,035	5,511	7,854	7,035
	Key management personnel	787	817	1,386	787	817	1,386
Fee and commission	Holding company	-	7,510	20,056	-	7,510	20,056
Management Fee Paid	Holding company	-	33,953	8,395	-	33,953	8,395
Management Fee Received	Subsidiary	-	-	20,297	10,000	11,400	13,985
Indemnification from BPCE I	Holding company	-	139,182	27,941	-	139,182	27,941

The related party transactions were carried out under market terms and conditions with exception of loans to key management personnel who benefitted from potential rates as applicable to staff of the Bank. Credit facilities granted to related parties are secured except for credit cards and short term and immaterial facilities.

Key management personnel compensation

Key management personnel compensation comprises the following:

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Short-term employee benefits	47,551	57,521	74,528	45,422	57,005	68,609
Post-employment benefits	2,529	2,235	11,274	2,529	2,089	11,274
	50,080	59,756	85,802	47,951	59,094	79,883

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Board of Directors is ultimately responsible for risk management. It approves the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Group and the Bank operate.

The principal risks arising from financial instruments to which the Group and the Bank is exposed include credit risk, liquidity risk, market risk and operational risk.

a. Risk Management framework and governance structure

Effective risk management is fundamental to the sustainability of the Group and the Bank. The role of the risk management function is to identify, assess, measure and manage those risks that arise in the pursuit of the Group's strategic goals.

The Group's and the Bank's approach to managing risk is set out in the various risk and compliance policies as approved by the Risk Management Committee. The policies generally have two components:

- » Governance committees;
- » Governance documents.

Governance committees are in place at both a Board and management level. They have clearly defined mandates and delegated authorities which are reviewed regularly. Board subcommittees responsible for the oversight of various aspects of risk are the Risk Management Committee, Corporate Governance Committee and Audit Committee. The management committees responsible for the oversight of risk management are Credit Committee, Provisioning and Excess Committee, Watchlist Committee, Compliance Committee, IT Committee, Risk Committee and Assets and Liabilities Committee.

Governance documents comprise frameworks, policies and procedures which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks.

The Group and the Bank use the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks. The first line of defence is made up of the management of business lines and the originators of risk. The second line of defence functions provides independent oversight of risks. The risk management functions, including compliance, report to the chief risk officer. Group internal audit (GIA) is the third line of defence and reports to and operates under a mandate from the Chief Executive and Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective assurance. It has the authority

to independently determine the scope and extent of work to be performed.

b. Credit Risk

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk and concentration risk. The Group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from off balance sheet commitments entered into with our clients and market counterparties.

The Group and the Bank manage credit risk through

- » maintaining a strong culture of responsible lending and a robust risk policy and control framework;
- » identifying, assessing and measuring credit risk clearly and accurately across the group, from the level of individual facilities up to the total portfolio;
- » defining, implementing and continually re-evaluating our risk appetite under actual and stress conditions;
- » monitoring the group's credit risk relative to limits;
- » ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

The primary governance committees overseeing credit risk are the Bank's Credit Committee and BCP Credit Committees, responsible for credit risk and credit concentration risk decision-making, and delegation thereof to credit officers and committees within defined parameters. The committees approve key aspects of rating systems. Regular model validation and reporting to Risk and Audit committees is undertaken.

The Group and the Bank have adopted the standardised approach for credit risk.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

I. Credit Portfolio Analysis – Credit Quality

In Rs 000	Loans and advances to customers					
	Group			Bank		
	2018	2017	2016	2018	2017	2016
Total neither past due nor impaired	12,811,040	11,487,678	10,496,003	12,736,944	11,388,829	10,440,889
Past due but not impaired						
due up to 30 days	234,002	48,861	11,818	234,002	48,861	10,447
31-90 days	3,652	478,625	89,725	3,652	478,625	89,394
91-180 days	32,955	195	61,565	32,955	195	61,565
180 days+	1	-	307	1	-	307
Total past due but not impaired	270,610	527,681	163,415	270,610	527,681	161,713
Individually impaired	777,226	998,206	2,446,283	738,877	950,580	2,401,366

In Rs 000	Investment securities					
	Group			Bank		
	2018	2017	2016	2018	2017	2016
Total neither past due nor impaired	1,882,363	2,333,347	1,835,894	1,744,846	2,256,278	1,746,350
Individually impaired	173,389	170,312	-	173,389	170,312	-
Total	2,055,752	2,503,659	1,835,894	1,918,235	2,426,590	1,746,350

In Rs 000	Loans and advances to customers					
	Group			Bank		
	2018	2017	2016	2018	2017	2016
Allowance for impairment						
Individual	490,938	591,504	1,406,568	464,798	574,163	1,392,979
Collective	168,209	146,660	114,375	167,168	146,607	114,627
Total allowance for impairment	659,147	738,164	1,520,943	631,966	720,770	1,507,606

II. Loans and advances with renegotiated terms

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure.

In Rs 000	Loans and advances to customers					
	Group			Bank		
	2018	2017	2016	2018	2017	2016
Gross carrying amount	107,913	287,774	352,075	107,913	283,115	352,075
Of which Impaired amount	78,412	102,244	1,142	78,412	102,244	1,142
Allowance for impairment	19,041	40,838	1,142	19,041	40,838	1,142
Net carrying amount	88,872	246,936	350,933	88,872	242,277	350,933

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

III. Credit Portfolio Analysis – by Risk Grade

The Group and the Bank rate its credit portfolio, according to the perceived risk level, as follows:

- » For its Corporate Portfolio, the Group and the Bank have adopted the an internal rating model [ONI, Outil de Notation International];
- » For its Retail portfolio, the Group and the Bank have adopted an internally developed rating scorecard.

With respect to Banks and Financial Institutions, the Group and the Bank have developed a mapping using ratings of eligible External Rating Agencies.

In Rs 000	Loans and advances to customers					
	Group			Bank		
	2018	2017	2016	2018	2017	2016
Grade 1-4	6,841,820	6,011,971	4,913,395	6,781,305	5,941,369	3,908,238
Grade 5-6	2,902,117	2,734,390	3,027,572	2,901,785	2,714,333	3,022,022
Grade 7-9	3,337,713	2,737,031	2,719,899	3,324,464	2,733,127	2,710,510
Grade X (impaired)	777,226	1,001,253	2,443,918	738,877	950,580	2,401,366
No credit grading	-	1,239	917	-	-	961,832
Total gross amount	13,858,876	12,485,885	13,105,701	13,746,431	12,339,409	13,003,968
Allowance for impairment (individual and collective)	(659,147)	(738,164)	(1,520,943)	(631,966)	(720,770)	(1,507,606)
Net carrying amount	13,199,729	11,747,721	11,584,758	13,114,465	11,618,639	11,496,362
Off balance sheet						
Grade 1-4	3,284,848	2,768,671	2,626,371	3,280,137	2,746,078	2,432,393
Grade 5-6	499,890	266,872	410,947	499,890	266,211	401,169
Grade 7-9	878,096	894,628	1,583,657	873,996	894,628	1,583,486
Grade X (impaired)	7,725	3,431	10,380	7,725	3,432	10,380
No credit grading	205	-	-	-	-	177,949
Total exposure	4,670,764	3,933,602	4,631,355	4,661,748	3,910,349	4,605,377

In Rs 000	Loans and advances to Banks					
	Group			Bank		
	2018	2017	2016	2018	2017	2016
Outstanding Exposure						
Grade 0-4	43,068	240,030	645,760	43,068	240,030	645,760
Grade 5-6	-	-	-	-	-	-
Grade 7-9	-	-	-	-	-	-
Grade X (impaired)	-	-	-	-	-	-
No credit grading	-	-	-	-	-	-
Total gross amount	43,068	240,030	645,760	43,068	240,030	645,760
Allowance for impairment (individual and collective)	-	-	-	-	-	-
Net carrying amount	43,068	240,030	645,760	43,068	240,030	645,760

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

IV. Portfolio analysis by market / product

The Group and the Bank assess its credit portfolio in the context of ECL from a market/product perspective, thereby grouping loans by homogeneity in the context of probability of default / loss given default.

Group (Rs '000)	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to customers at amortised cost					
Corporate	3,863,608	3,002,246	348,431	7,214,285	5,604,763
Retail	204,183	29,234	130,171	363,588	385,733
Professional	162,031	17,735	147,654	327,420	624,773
Global business	1,599,073	381,265	13,327	1,993,665	2,503,756
Mortgage / Real estate	3,548,264	342,607	69,047	3,959,918	3,366,860
	9,377,159	3,773,087	708,630	13,858,876	12,485,885
Loss allowance	(83,285)	(84,924)	(490,938)	(659,147)	(691,313)
Carrying amount	9,251,756	3,730,338	217,692	13,199,729	11,794,572
Investment securities at amortised cost					
Corporate bond	-	-	172,521	172,521	170,312
Loss allowance	-	-	(94,549)	(94,549)	-
Carrying amount	-	-	77,972	77,972	170,312
Off-balance sheet (loan commitments)					
Corporate	1,104,355	1,069,707	4,782	2,178,844	1,888,438
Retail	70,029	1,864	240	72,133	50,839
Professional	10,890	5,181		16,071	18,356
Global business	1,934,368	281,500		2,215,868	1,798,440
Mortgage / Real estate	170,304	8,528	4,782	178,832	177,530
Total	3,289,946	1,366,780	5,022	4,661,748	3,933,603
Bank (Rs '000)					
Loans and advances to Customers at amortised cost					
Corporate	3,813,638	2,980,301	310,082	7,104,021	5,460,538
Retail	202,650	28,586	130,171	361,407	383,482
Professional	162,031	17,735	147,654	327,420	624,773
Global business	1,599,073	381,265	13,327	1,993,665	2,503,756
Mortgage / Real estate	3,548,264	342,607	69,047	3,959,918	3,366,860
	9,325,656	3,750,494	670,281	13,746,431	12,339,409
Loss allowance	(124,724)	(42,444)	(464,798)	(631,966)	(673,191)
Carrying amount	9,200,932	3,708,050	205,483	13,114,465	11,666,218
Investment securities at amortised cost					
Corporate bond	-	-	172,521	172,521	170,312
Loss allowance	-	-	(94,549)	(94,549)	-
Carrying amount	-	-	77,972	77,972	170,312
Off-balance sheet (loan commitments)					
Corporate	1,104,355	1,069,707	4,782	2,178,844	1,865,184
Retail	70,029	1,864	240	72,133	50,839
Professional	10,890	5,181	-	16,071	18,356
Global business	1,934,368	281,500	-	2,215,868	1,798,440
Mortgage / Real estate	170,304	8,528	-	178,832	177,530
Total	3,289,946	1,366,780	5,022	4,661,748	3,910,349

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

IV. Portfolio analysis by market / product (continued)

The above segments have been aligned with Basel and loans and advances and loan commitments (on a contract basis) are categorised within the above segments. The classification considers that:

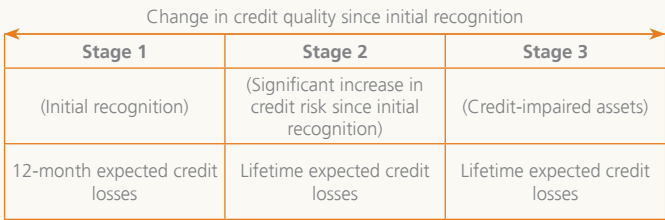
- » each counterparty with a real estate loan contract, regardless of its risk segment (individuals or corporate), is allocated to the ifrs 9 segment mortgage / real estate.
- » each counterparty with at least one commitment that does not fall into the mortgage / real estate category is allocated to an ifrs 9 asset segment according to its risk segment.

V. Expected credit loss measurement

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

- » A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group.
- » If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. Please refer to Note 36 (b) (ii) (1) for a description of how the Group and Bank determine when a significant increase in credit risk has occurred.
- » If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. Please refer to Note 36 (b) (ii) (2) for a description of how the Group and the Bank define credit- impaired and default.
- » Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 36 (b) (ii) (3) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- » A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 36 (b) (ii) (4) includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



1. Determining Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group and Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and expert credit assessment and including forward- looking information.

The Group and Bank use the following criteria for determining whether there has been a significant increase in credit risk at each reporting date:

- » forbearance status: a customer is considered to be in Forbearance if the latter has at least one “modified loan” which is generally a quantitative indicator of SICR.
- » monitoring of customers in the Watch List (WL): The purpose of the WL committees is to review the main performing files that require a particular follow-up (presence of unpaid bills or overruns, alerts on the account, contagion, decommissioning doubtful).
- » as a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group and Bank determine a probation period during which the financial asset is required to demonstrate “good behaviour” to provide evidence that its credit risk has declined sufficiently. The probation period of the Bank is 6 months.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

V. Expected credit loss measurement (continued)

1. Determining Significant Increase in Credit Risk (continued)

The Group and the Bank monitor the effectiveness of the criteria used to identify significant increases in credit risk by annual reviews to confirm that:

- » the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- » the criteria do not align with the point in time when an asset becomes 30 days past due;
- » The average time between the identification of a significant increase in credit risk and default appears reasonable;
- » exposures are not generally transferred directly from 12-month ecl measurement to credit- impaired; and
- » there is no unwarranted volatility in loss allowance from transfers between 12-month pd (stage 1) and lifetime pd (stage 2).

2. Definition of default and credit-impaired assets

The Group and the Bank define a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- » the borrower is in long-term forbearance
- » the borrower is deceased
- » the borrower is insolvent
- » Tthe borrower is in breach of financial covenant(s)
- » an active market for that financial asset has disappeared because of financial difficulties
- » concessions have been made by the lender relating to the borrower’s financial difficulty
- » it is becoming probable that the borrower will enter Bankruptcy

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with the macro prudential rules issued by the Bank of Mauritius.

3. Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

- » The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- » EAD is based on the amounts the Group and the Bank expect to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- » Loss Given Default (LGD) represents the expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

Key assumptions for Stage 1 and Stage 2

The ECL is determined by projecting the PD, LGD and EAD by market as set out in Note 36 (b) Portfolio analysis by market and are applied on a contract basis. The three components are multiplied together to arrive at the ECL. The key assumptions for PD, LGD and EAD are described below, taking into consideration any limitations as regards data used.

Probability of Default

For the First Time Application of IFRS 9, the credit risk rating evolution from the Bank’s internal rating tool, is not retained due to unavailability of historical information for credit grades (i.e. only available from April 2016 following change in MIS).

For the current reporting period, the PD has been estimated from a transition perspective over a select timeframe, i.e. “new” doubtful loans in year N expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Professional, Global business, Mortgage / Real estate.

The Lifetime PD is estimated for all contracts with a remaining maturity of more than 1 year. The Lifetime PD is derived as follows: multiplying the 12M PD by number of years remaining on discounted EADs. The discounted EAD is approximated by halving the remaining maturity in years.

Exposure at Default

The Exposure at Default considers the current outstanding amounts of the loan book at the reporting date and loan commitments (off balance sheet items which include trade financing facilities, undrawn credit facilities amongst others.

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36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

V. Expected credit loss measurement (continued)

3. Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

For loan commitments, the exposure at default is estimated by considering the current drawn balance at the reporting date and adjusting it with a “Credit Conversion Factor (CCF)” which allows for the expected drawdown of the remaining limit by the time of default. These CCF are in line with the BOM requirements. In estimating the Lifetime PD, the EAD at the reporting date will be considered as the EAD throughout the lifetime of the credit facility (as explained above).

Loss Given Default

LGD is the magnitude of the likely loss if there is a default. The Group and the Bank estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD estimation considers the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For the current reporting period, the LGD has been estimated from a transition perspective over a select timeframe, i.e. actual write offs in year N expressed as a percentage of total non-performing litigious loans of the previous years (N-1).

The Group and the Bank have a limited history of write offs which is volatile by market and by year (i.e. the credit facilities remain at 100% provision of gross exposure until recovery is not completed). Consequently, a uniform PD has been applied to all “markets”.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

Key assumptions for Stage 3

Credit-impaired assets, as defined earlier, is subject to individual assessment (which also factors in forward- looking information from a more holistic perspective).

As part of the individual assessment, the Group and the Bank determine the expected shortfall between contractual cash flows and expected cash flows. Expected cash flows are either in the form of short term and long-term payments (obtained from discussions with the client or the existence of financial forecasts for corporates) and cash flows to be generated from the foreclosure of collateral (usually fixed and or floating charges). These cash flows are together discounted at the original Effective Interest Rate. The discounts applied in estimating value from foreclosure is the same as the BOM Guidelines.

The ECL is then determined as the difference between the EAD at the reporting date and the expected cash flows to be received, discounted for time value of money.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4. Forward-looking information incorporated in the ECL models

The Group and the Bank incorporate forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The approach taken by the Group and the Bank in applying forward looking information in the estimates of expected losses, is the projection of the risk parameters according to different macroeconomic scenarios, more specifically, the evolution of the projected real GDP growth rates.

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36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

V. Expected credit loss measurement (continued)

5. Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

Group (Rs '000)	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances at amortised cost					
Balance at 1 January	117,194	28,048	551,072	696,314	-
New financial assets purchased	288	-	3,359	3,647	-
Net remeasurement of loss allowance	(45,498)	56,877	(71,851)	(60,472)	-
Write-offs	-	-	(2,896)	(2,896)	-
Foreign exchange and other movements	-	-	(1,502)	(1,502)	-
Adjustment for BOM Guidelines *	-	-	-	24,056	-
Balance at 31 December	71,984	84,925	478,182	659,147	696,314
Investment securities at amortised cost					
Balance at 1 January	-	-	42,578	42,578	-
New financial assets purchased	-	-	-	-	-
Net remeasurement of loss allowance	-	-	45,448	45,448	-
Write-offs	-	-	-	-	-
Foreign exchange and other movements	-	-	(3,801)	(3,801)	-
Adjustment for BOM Guidelines *	-	-	10,324	10,324	-
Balance at 31 December	-	-	94,549	94,549	42,578
Bank (Rs '000)					
Loans and advances at amortised cost					
Balance at 1 January	116,477	28,048	533,667	678,192	-
New financial assets purchased	-	-	0	0	-
Net remeasurement of loss allowance	(45,634)	56,871	(77,213)	(65,977)	-
Write-offs	-	-	(2,803)	(2,803)	-
Foreign exchange and other movements	-	-	(1,502)	(1,502)	-
Adjustment for BOM Guidelines *	-	-	-	24,056	-
Balance at 31 December	70,843	84,919	452,149	631,966	678,192
Investment securities at amortised cost					
Balance at 1 January	-	-	42,578	42,578	-
New financial assets purchased	-	-	-	-	-
Net remeasurement of loss allowance	-	-	45,448	45,448	-
Write-offs	-	-	-	-	-
Foreign exchange and other movements	-	-	(3,801)	(3,801)	-
Adjustment for BOM Guidelines *	-	-	10,324	10,324	-
Balance at 31 December	-	-	94,549	94,549	42,578

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36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

V. Expected credit loss measurement (continued)

5. Loss allowance (continued)

* The Bank also computes specific provision and general provisions in line with the requirements of the Bank of Mauritius's Credit Impairment Guideline.

As regard general provisions, the guideline requires a Minimum Portfolio Provision of 1% on all performing loans and all non-performing loans with nil provision amount. Additional Portfolio Provisions are also mandatory for the following sectors (0.5% for housing sector and 1.0% for commercial, residential and land parcelling, tourism and personal sector).

As regard specific provisions, the guideline requires the use of provision rates (20%, 50% or 100%) based on the number of days outstanding to be applied to the expected shortfall in cash flows. The guidelines also provide the basis for estimating the net realisable value of the collateral (being either 40% in cases where legal proceedings have commenced and the loan is due for more than 1 year or 50% in all other cases).

The Bank has (will) set up an IFRS 9 model committee, which will take place at least once a year, to review the results of the back testing studies that will be carried out and update the parameters of the IFRS 9 general provision model (PD, LGD, Forward Looking). The model can also be improved with new inputs over time, concerning additional criteria to be added (distinction between buckets for PD rates, LGD, discounting future cash flows).

General and Portfolio Provisioning

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all “neither past due nor impaired” loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines.

A reconciliation of the level of General Provisions and Macro Prudential Provisions are as follows:

In Rs 000	2018	2017
	Bank	Bank
Gross Loans and advances to customers	13,746,431	12,339,409
Add Loans and advances to Banks not qualified for exemption	-	-
Add Interest receivable	-	-
Add credit balances eligible for set off	-	-
Less Impaired loans	(738,877)	(1,120,892)
Less Loans secured by cash collateral	-	(66,549)
Less Loans secured by Bank guarantees	-	(1,665,788)
Less Loans treated as claims on Banks and exempted	-	-
Net adjusted loans and advances	13,007,554	9,486,180
1% General Provision	148,432	116,024
0.5% Macro Prudential Provision	18,736	30,583
Total General and Macro Prudential Provision	167,168	146,607
In Rs 000		
Balance Sheet General Provision	167,168	146,607
General Reserve	-	-
Balance Sheet General Provision	167,168	146,607

As per Banque Centrale de Madagascar requirements, there is no General Provisioning nor Portfolio Provisioning requirements for the Bank's subsidiary, BM Madagascar. However, provisions have been computed using IFRS 9 model as described above.

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36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

V. Expected credit loss measurement (continued)

6. Concentrations of credit risk

The Group and the Bank maintain a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and geographic location.

Large Exposures

The Group and the Bank adopt the definition of “Large exposures”, as defined by the Bank of Mauritius Guidelines on Credit Concentration Risk. The table below shows the “Large exposures” as at 31st December 2018.

Customer / Group of closely related customers	Total exposures after set offs (MMUR)	% of Bank's capital base
1	1,032	49%
2	897	42%
3	878	41%
4	650	31%
5	602	28%
6	591	28%
7	480	23%
8	465	22%
9	458	22%
10	445	21%
11	425	20%
12	360	17%
13	344	16%
14	305	14%
15	304	14%
16	262	12%
17	248	12%
18	248	12%
19	239	11%
Aggregate exposure of “Large Exposures”	9,233	435%

Sector wise distribution

In Rs 000	Loans and advances to customers			
	2018		2017	
	Group	Bank	Group	Bank
Agriculture, Forestry & Fishing	275,878	275,217	918,339	917,460
Manufacturing	1,848,955	1,845,143	1,803,779	1,788,165
Education	-	-	21,470	21,467
Accommodation and food service activities	1,098,837	1,094,916	619,591	618,858
Transportation and Storage	49,788	37,875	86,103	73,896
Construction	4,395,579	4,390,742	4,098,393	4,091,316
Other Financial Corporations	1,076,437	1,071,779	1,554,260	1,550,267
Freeport Enterprise Certificate Holders	-	-	19,935	19,935
Wholesale and retail trade and repair of motor vehicles	1,312,419	1,235,786	1,394,317	1,299,260
Personal	392,470	390,294	414,984	412,304
Professional	85,378	82,360	92,129	87,106
Global Business Licence Holders	1,064,993	1,064,993	701,533	701,533
Infrastructure	-	-	742,262	742,152
Others	2,258,142	2,257,326	18,790	15,690
Total amount	13,858,876	13,746,431	12,485,885	12,339,409

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36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

V. Expected credit loss measurement (continued)

6. Concentrations of credit risk (continued)

Country wise distribution

In Rs 000	Loans and advances to customers			
	2018		2017	
	Group	Bank	Group	Bank
Australia	827	827	9,955	9,955
Germany	111	111	-	-
Belgium	9,603	9,603	-	-
Canada	-	-	2,050	2,050
China	195,550	195,550	201,701	201,701
Curacao	-	-	33,145	33,145
Equatorial Guinea	965	965	-	-
France	667,822	667,820	611,328	607,265
Gabon	-	-	19,462	19,462
India	172,018	172,018	168,725	168,725
Italy	24,070	24,070	-	-
Ivory Coast	168	168	28,270	28,270
Luxembourg	-	-	168,725	168,725
Madagascar	113,062	621	302,598	160,234
Malaysia	6,422	6,422	-	-
Maldives	-	-	193	144
Mauritius	12,432,169	12,432,168	10,259,802	10,259,802
Morocco	4,573	4,573	-	-
Netherlands	41	41	-	-
Nigeria	249	249	23	23
Rwanda	260	260	-	-
Seychelles	2,466	2,466	605	605
Sierra Leone	166	166	-	-
Singapore	14,823	14,823	28,145	28,145
South Africa	46,918	46,918	84,228	84,228
Switzerland	55,053	55,053	250,766	250,766
United Arab Emirates	23,292	23,291	28,466	28,466
United Kingdom	88,201	88,201	276,692	276,692
Thailand	-	-	8,073	8,073
Vietnam	-	-	2,911	2,911
Others	47	47	22	22
Total amount	13,858,876	13,746,431	12,485,885	12,339,409

In Rs 000	Loans and advances to Banks			
	2018		2017	
	Group	Bank	Group	Bank
Egypt	-	-	-	-
Mauritius	-	-	-	-
France	-	-	-	-
Total amount	-	-	-	-

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

b. Credit Risk (continued)

V. Expected credit loss measurement (continued)

6. Concentrations of credit risk (continued)

Credit risk mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

The main types of collateral taken are:

- » mortgage bonds over residential, commercial and industrial properties;
- » cession of book debts;
- » floating charge over plant and equipment and the assets of the company.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Groups of companies and weaker counterparties. Guarantor counterparties include Banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

c. Liquidity Risk

Liquidity risk is the risk that the Group and the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due. The nature of Banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. The Group and the Bank manage liquidity in accordance with approved risk policies, compliant with Bank of Mauritius guideline.

The liquidity risk management framework differentiates between:

- » Tactical (shorter-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by the Treasury Committee.
- » Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- » Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity

buffers in accordance with anticipated stress events.

The primary governance committee overseeing this risk is the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

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36. FINANCIAL RISK REVIEW (CONTINUED)

c. Liquidity Risk (continued)

Maturities (contractual) of assets and financials liabilities

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non- maturity	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	2,429,797	-	-	-	-	-	-	2,429,797
Loans and advances to Banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	2,145,316	2,902,086	350,168	210,532	530,919	6,940,289	779,566	13,858,876
Investment securities	1,049,643	-	-	243,464	590,124	-	172,521	2,055,752
Other assets	37,053	-	-	-	-	-	1,237,979	1,275,032
	5,704,877	2,902,086	350,168	453,996	1,121,043	6,940,289	2,190,066	19,662,525
Less allowances for credit impairment								(753,696)
Total assets								18,908,829
2018								
Liabilities								
Deposits from Banks	-	-	-	-	-	-	9,273	9,273
Deposits from customers	1,171,400	1,819,591	1,409,589	3,350,810	1,257,694	3,507,068	-	12,516,152
Borrowed funds	3,617,031	-	-	-	-	20,073	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	553,121	-	-	-	-	-	-	553,121
	5,341,552	1,819,591	1,409,589	3,350,810	1,257,694	3,527,141	9,273	16,715,650
Equity								2,382,365
Total liabilities								19,098,915
Net Liquidity Gap	363,325	1,082,495	(1,059,421)	(2,896,814)	(136,651)	3,413,148	2,180,793	2,946,875

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36. FINANCIAL RISK REVIEW (CONTINUED)

c. Liquidity Risk (continued)

Maturities (contractual) of assets and financials liabilities (continued)

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non- maturity	Total
2017	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	1,772,246	-	-	-	-	-	-	1,772,246
Loans and advances to Banks	-	-	6,994	30,565	-	202,470	-	240,030
Loans and advances to customers	3,328,844	1,343,195	55,053	18,950	549,434	6,021,890	1,168,519	12,485,885
Investment securities	218,232	448,235	323,803	106,492	1,052,890	354,007	-	2,503,659
Other assets	40,314	-	-	-	-	-	860,886	901,201
	5,359,636	1,791,430	385,850	156,008	1,602,324	6,578,367	2,029,405	17,903,020
Less allowances for credit impairment								(738,164)
Total assets								17,164,856
2017								
Liabilities								
Deposits from Banks	16	-	-	-	-	-	-	16
Deposits from customers	1,453,694	1,518,694	1,649,463	2,155,372	1,065,057	3,733,136	1,856	11,577,272
Borrowed funds	360,138	1,669,157	383,230	524,420	-	214,901	-	3,151,846
Subordinated liabilities	-	-	-	-	-	202,470	-	202,470
Other liabilities	71,774	-	-	-	-	-	315,104	386,878
	1,885,622	3,187,851	2,032,693	2,679,792	1,065,057	4,150,507	316,960	15,318,482
Equity								2,225,799
Total liabilities								17,544,281
Net Liquidity Gap								
	3,474,014	(1,396,421)	(1,646,843)	(2,523,784)	537,267	2,427,860	1,712,445	

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36. FINANCIAL RISK REVIEW (CONTINUED)

c. Liquidity Risk (continued)

Bank	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non- maturity	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	-2,532,186	-	-	-	-	-		2,532,186
Loans and advances to Banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	2,084,315	2,902,019	350,163	210,245	526,801	6,934,011	738,877	13,746,431
Investment securities	1,049,643	-	-	105,078	590,124	-	172,521	1,917,366
Other assets	-	-	-	-	-	-	1,237,978	1,237,978
	5,709,212	2,902,019	350,163	315,323	1,116,925	6,934,011	2,149,376	19,477,029
Less allowances for credit impairment								(726,516)
Total assets								18,750,013
2018								
Liabilities								
Deposits from Banks							1,690	1,690
Deposits from customers	988,601	1,818,054	1,366,740	3,312,545	1,257,091	3,507,068	-	12,250,099
Borrowed funds	3,617,032	-	-	-	-	20,072	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	734,024	-	-	-	-	-	-	734,024
Total liabilities	5,339,657	1,818,054	1,366,740	3,312,545	1,257,091	3,527,140	1,690	16,622,917
Equity								2,360,381
Total liabilities								18,983,298
Net Liquidity Gap	369,555	1,083,965	(1,016,577)	(2,997,222)	(140,166)	(3,406,871)	2,147,686	
Credit Commitments								

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

c. Liquidity Risk (continued)

Bank	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non- maturity	Total
2017	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	1,598,593	-	-	-	-	-	-	1,598,593
Loans and advances to Banks	-	-	6,994	30,565	-	202,470	-	240,030
Loans and advances to customers	3,240,997	1,343,183	51,060	17,988	548,417	6,016,872	1,120,892	12,339,409
Investment securities	149,972	448,235	323,803	97,683	1,052,890	354,007	-	2,426,590
Other assets	-	-	-	-	-	-	860,902	860,902
	4,989,562	1,791,418	381,858	146,236	1,601,307	6,573,349	1,981,794	17,465,524
Less allowances for credit impairment								(720,770)
Total assets								16,744,754
2017								
Assets								
Deposits from Banks	-	-	-	-	-	-		-
Deposits from customers	1,197,965	1,511,507	1,617,969	2,106,883	1,064,410	3,733,134		11,231,868
Borrowed funds	360,070	1,669,157	383,230	524,420	-	214,901		3,151,778
Subordinated liabilities	-	-	-	-	-	202,470		202,470
Other liabilities	-	-	-	-	-	-	379,692	379,692
Total liabilities	1,558,035	3,180,664	2,001,199	2,631,303	1,064,410	4,150,505	379,692	14,965,808
Equity								2,148,227
Total liabilities								17,114,035
Net Liquidity Gap	3,431,527	(1,389,246)	(1,619,341)	(2,485,067)	536,897	2,422,844	1,602,102	
Credit Commitments								

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36. FINANCIAL RISK REVIEW (CONTINUED)

d. Market Risk

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, caused by adverse movements in market variables such as currency exchange and interest rates, credit spreads, recovery rates, correlations, equity, bond and commodity prices, and implied volatilities in all of these variables.

The Group's and the Bank's key market risks are:

- » trading Book Interest Rate risk;
- » banking Book Interest Rate risk;
- » foreign currency risk.

The governance committees overseeing market risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

I. Interest rate risk in the Banking Book

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of Banking assets and liabilities. This is further divided into the following sub risk types:

- » Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- » Yield curve risk: shifts in the yield curve that have adverse effects on the income or underlying economic value.
- » Basis risk: hedge price not moving in line with the price of the hedged position.

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36. FINANCIAL RISK REVIEW (CONTINUED)

d. Market Risk (continued)

III. Currency risk

The Group's and the Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Group	MUR	USD	GBP	EUR	Other	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	550,051	625,696	25,552	1,034,937	193,561	2,429,797
Loans and advances to Banks	27,560	-	2,390	-	13,118	43,068
Loans and advances to customers	7,592,569	2,649,816	18,587	3,485,505	112,399	13,858,876
Investment securities	1,745,713	-	-	172,521	137,518	2,055,752
Other assets	272,484	3,537	529	3,230	995,252	1,275,032
	10,188,377	3,279,049	47,058	4,696,193	1,451,848	19,662,525
Less allowances for credit impairment						(753,696)
Total assets						18,908,830
2018						
Liabilities						
Deposits from Banks	9,273	-	-	-	-	9,273
Deposits from customers	6,545,094	2,040,682	70,373	3,428,192	431,811	12,516,152
Borrowed funds	-	618,300	-	3,018,804	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	186,458	264,594	2,132	103,642	37,687	594,513
Total liabilities	6,740,825	2,923,576	72,505	6,550,638	469,498	16,757,042
Net on-balance sheet position less allowances for credit impairment	3,447,552	355,473	(25,447)	(1,854,445)	982,350	2,905,483

Group	MUR	USD	GBP	EUR	Other	Total
2017	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	485,462	950,654	13,461	101,238	221,431	1,772,246
Loans and advances to Banks	-	202,470	2,497	-	35,062	240,029
Loans and advances to customers	6,647,391	2,088,167	34,459	3,569,421	146,447	12,485,885
Investment securities	2,256,277	-	-	170,312	77,069	2,503,658
Other assets	860,902	-	-	1,029	39,270	901,201
	10,250,032	3,241,291	50,417	3,482,000	519,279	17,903,019
Less allowances for credit impairment						(738,164)
Total assets						17,164,855
2017						
Liabilities						
Deposits from Banks	-	-	-	-	-	-
Deposits from customers	7,862,672	2,053,981	33,152	1,215,336	412,131	11,577,272
Borrowed funds	-	890,868	6,356	2,254,554	-	3,151,778
Subordinated liabilities	-	202,470	-	-	-	202,470
Other liabilities	303,859	-	-	-	3,019	386,878
Total liabilities	8,166,531	3,147,319	39,508	3,469,890	415,150	15,318,398
Net on-balance sheet position less allowances for credit impairment	2,083,501	93,972	10,909	12,110	104,129	2,584,621

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

d. Market Risk (continued)

III. Currency risk (continued)

Bank	MUR	USD	GBP	EUR	Other	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	550,051	625,251	25,552	1,299,458	31,874	2,532,186
Loans and advances to Banks	27,560	-	2,390	-	13,118	43,068
Loans and advances to customers	7,592,569	2,649,783	18,587	3,485,481	11	13,746,431
Investment securities	1,745,713	-	-	172,521	-	1,918,234
Other assets	272,484	3,537	529	3,072	958,356	1,237,978
	10,188,377	3,278,571	47,058	4,960,532	1,003,359	19,477,897
Less allowances for credit impairment						(726,516)
Total assets						18,751,381
2018						
Liabilities						
Deposits from Banks	1,690	-	-	-	-	1,690
Deposits from customers	6,545,094	2,037,108	70,373	3,426,980	170,544	12,250,099
Borrowed funds	-	618,300	-	3,018,804	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	145,068	205,594	2,133	376,776	4,453	734,024
Total liabilities	6,691,852	2,861,002	72,506	6,822,560	174,997	16,662,917
Net on-balance sheet position less allowances for credit impairment	3,496,525	417,569	(25,448)	(1,862,028)	828,362	2,854,980

Bank	MUR	USD	GBP	EUR	Other	Total
2017	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	485,461	950,237	13,461	100,356	49,078	1,598,593
Loans and advances to Banks	-	202,470	2,497	-	35,063	240,030
Loans and advances to customers	6,647,391	2,088,133	34,459	3,569,415	11	12,339,409
Investment securities	2,256,278	-	-	170,312	-	2,426,590
Other assets	860,902	-	-	-	-	860,902
	10,250,032	3,240,840	50,417	3,840,083	84,142	17,465,524
Less allowances for credit impairment						(720,770)
Total assets						16,744,754
2017						
Liabilities						
Deposits from Banks	-	-	-	-	-	-
Deposits from customers	7,862,672	2,051,584	33,152	1,213,721	70,739	11,231,868
Borrowed funds	-	890,868	6,357	2,254,553	-	3,151,778
Subordinated liabilities	-	202,470	-	-	-	202,470
Other liabilities	379,692	-	-	-	-	379,692
Total liabilities	8,242,364	3,144,922	39,509	3,468,274	70,739	14,965,808
Net on-balance sheet position less allowances for credit impairment	2,007,668	95,918	10,908	371,809	13,413	2,499,716

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

d. Market Risk (continued)

III. Currency risk (continued)

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in MUR equivalent, resulting from a 1% shock to foreign currency risk exposures, with respect to designated financial instruments, foreign-denominated cash balances and accruals and intragroup foreign denominated debt.

	Group		Bank	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Effect of +/- 1% change	5,435	5,811	6,407	4,920

e. Capital Management

The Group's and the Bank's objective in its capital management function is designed to ensure that regulatory requirements are met at all times and that the Group and the Bank are capitalised in line with the regulatory requirements. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

At the regulatory level, the minimum capital adequacy ratio set by BoM for Banks presently stands at 10% of risk-weighted assets, with newly-unveiled Basel III rules which came into force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks.

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III, the following limits and minima are applicable:

- » A minimum Core Equity Tier 1 ratio of 5.5% ;
- » A minimum Tier 1 ratio of 6.5%; and
- » A Minimum Capital Adequacy Ratio of 10%.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase- in rules when they become effective.

I. Implementation of new capital requirements under Basel III

Table below reflects the minimum capital requirements and phase-in periods applicable to Banks in Mauritius.

	July 2014	2015	2016	2017	2018	2019	2020
	(All dates are as of 1 January)						
Minimum CET 1 CAR	5.5 %	6.0 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %
Capital Conservation Buffer				0.625 %	1.25 %	1.875 %	2.5 %
Minimum CET 1 CAR plus Capital Conservation Buffer	5.5 %	6.0%	6.5 %	7.125 %	7.75 %	8.375 %	9.0 %
Phase in of deductions from CET 1			50%	60%	80%	100%	100%
Minimum Tier 1 CAR	6.5 %	7.5 %	8.0 %	8.0 %	8.0 %	8.0%	8.0 %
Minimum Total CAR	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
Minimum Total CAR Plus Capital Conservation Buffer	10.0 %	10.0 %	10.0 %	10.625 %	11.25 %	11.875%	12.5 %

Capital instruments that no longer qualify as
AT1 capital or Tier 2capital

Phased out over 10 year horizon beginning 1 July 2014

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

e. Capital Management (continued)

II. Capital structure

Regulatory capital adequacy is measured through three risk-based ratios:

- » CET I: ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.
- » Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements.
- » Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

As at 31st December 2018, the Bank's and Group's capital instruments comprised of only Ordinary Shares issued;

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below :

	Group		Bank	
	2018	2017	2018	2017
	Rs M	Rs M	Rs M	Rs M
BASEL III				
Tier 1 Capital				
Paid up or assigned capital (note 31)	2,218	1 944	2,218	1 944
		10		10
Statutory reserve	102	2	102	2
Other disclosed free reserves, including undistributed balance in income statement	33	78	19	36
Current year's retained profits				
Minority interests	4	9	-	-
Deduct:				
Goodwill (note 23)	-	-	-	-
Investment in Subsidiary (note 21)	-	-	(47)	-
Other Intangible assets (note 23)	(83)	(117)	(81)	(115)
Deferred Tax (note 16)	(50)	(205)	(50)	(205)
CET 1 Capital	2,224	1,811	2,161	1 762
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	2,224	1,811	2,161	1 762
Tier 2 Capital				
Portfolio Provision (note 19)	168	147	167	147
Subordinated debts (note 29)	-	104	-	104
Deduct:				
Investment in Subsidiary (note 21)	-	-	(12)	-
Total Tier 2 Capital	168	251	155	251
Total Capital Base	2,392	2,062	2,316	2013

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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36. FINANCIAL RISK REVIEW (CONTINUED)

e. Capital Management (continued)

III. Risk Weighted Assets for Credit Risk

The Bank has adopted the Standardised Approach for credit risk capital allocation.

Risk Weighted On-Balance Sheet Assets	GROUP				Bank	
		Risk Weight	Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
		%	Rs M			
Cash items		0 - 20	214	-	181	-
Claims on Sovereigns		0 - 150	1,874	133	1,741	-
Claims on Central Banks		0	2,296	586	2,173	463
Claims on Multilateral development Banks		0 - 150	-	-	-	-
Claims on Banks		20 - 150	1,070	64	1,069	62
Claims on non-central government public sector entities		0 - 150	-	-	-	-
Claims on corporates		20 - 150	8,709	8,743	8,640	8,640
Claims included in the regulatory retail portfolio		75	191	143	191	143
Claims secured by residential property		35-100	3,757	3,207	3,757	3,207
Claims secured by commercial real estate		100	117	117	117	117
Past due claims		50-150	306	306	278	330
Other assets		100	916	916	753	753
Total Risk Weighted On-Balance Sheet Assets			19,450	14,215	18,900	13,715

Risk Weighted Off-Balance Sheet Assets	Credit Conversion Factor	Risk Weight	Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
Transaction-related contingent items	50	0-100	1,950	975	1,948	974
Trade-related contingencies	20	0-100	524	105	524	105
Other commitments	20	0-100	1,980	471	1,973	467
Foreign exchange contracts	2	100	25	1	25	1
Total Risk Weighted Off-Balance Sheet Assets			4,479	1,552	4,470	1,547

Total Risk Weighted On & Off Balance Sheet Assets	23,929	15,767	23,370	15,262
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IV. Risk Weighted Assets for Operational Risk

The Group applies the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

The Capital Charge for the Group has been computed as follows:

- annual gross income: Rs 752 million
- average gross income over 3 years: Rs 674 million
- capital charge for operational risk: Rs 101 million

The Capital Charge for the Bank has been computed as follows:

- annual gross income: Rs 689 million
- average gross income over 3 years: Rs 614 million
- capital charge for operational risk: Rs 92 million

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

e. Capital Management (continued)

V. Risk Weighted Capital Adequacy Ratio

The regulatory Capital Adequacy Ratio is as follows:

	Group			Bank		
	2018	2017	2016	2018	2017	2016
	Rs M	Rs M	Rs M	Rs M	Rs M	Rs M
Core Equity Tier 1 Capital	2,224	1,811	1,504	2,161	1,762	1,561
Total Tier 1 Capital	2,224	1,811	1,504	2,161	1,762	1,561
Total Tier 2 Capital	168	251	301	155	251	205
Total Capital Base	2,392	2,062	1,805	2,316	2,013	1,766
Risk Weighted Assets	16,830	15,218	14,040	16,188	13,641	13,601
CET 1 Ratio	13.2%	11.9%	10.7%	13.3%	12.1%	11.5%
Tier 1 Ratio	13.2%	11.9%	10.7%	13.3%	12.1%	11.5%
Capital Adequacy Ratio	14.2%	13.6%	12.9%	14.3%	13.9%	13.0%

f. Fair values of financial instruments

The tables that follow analyse the Group's and Bank's financial assets and liabilities that are measured at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS. The different levels are based on the extent to which observable market data and inputs are used in the calculation of the fair value of the financial assets and liabilities. The levels of the hierarchy are defined as follows:

Level 1 – fair values are based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair values are calculated using valuation techniques based on observable inputs, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes financial assets and liabilities valued using quoted market prices in active markets for similar financial assets or liabilities, quoted prices for identical or similar financial assets or liabilities in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly derived or corroborated from observable market data.

Level 3 – fair values are based on valuation techniques using significant unobservable inputs. This category includes financial assets and liabilities where the valuation technique includes unobservable inputs that have a significant effect on the financial asset or liability's valuation. This category includes financial assets and liabilities that are valued based on quoted prices for similar financial assets or liabilities and for which significant unobservable adjustments or assumptions are required to reflect differences between the financial assets or liabilities.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

f. Fair values of financial instruments (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group 2018	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
In Rs 000				
Assets				
Investment securities		1,791,208	-	1,791,208
Liabilities				
Derivatives financial instruments	-	-	6	6
Group 2017				
In Rs 000				
Assets				
Investment securities	-	2,503,659	-	2,503,659
Liabilities				
Derivatives financial instruments	-	-	16	16
Group 2016				
In Rs 000				
Assets				
Investment securities	-	1,835,894	-	1,835,894
Liabilities				
Derivatives financial instruments	-	-	2,284	2,284

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

f. Fair values of financial instruments (continued)

Bank 2018	Fair Value			Carrying amount
In Rs 000	Level 1	Level 2	Level 3	
Assets				
Investment securities		1,653,690	-	1,653,690
Investment in subsidiary		-	58,447	58,447
Liabilities				
Derivatives financial instruments	-	-	6	6
Bank 2017				
In Rs 000				
Assets				
Investment securities	-	1,936,056	-	1,936,056
Investment in subsidiary	-	-	-	-
	-	1,936,056	189,706	2,125,762
Liabilities				
Derivatives financial instruments	-	-	16	16
Bank 2016				
In Rs 000				
Assets				
Investment securities	-	1,746,350	-	1,746,350
Investment in subsidiary	-	-	189,706	189,706
	-	1,746,350	189,706	1,936,056
Liabilities				
Derivatives financial instruments	-	-	2,284	2,284

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FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36. FINANCIAL RISK REVIEW (CONTINUED)

f. Fair values of financial instruments (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group’s principal valuation techniques as at 31 December 2016 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

Level 3 financial assets and financial liabilities

The fair value of an unquoted equity investment is deemed to be reliably measured if:

- » the variability in the range of reasonable fair value estimates is not significant; or
- » the probabilities of the various estimates within the range can be reasonably assessed.

In case of investment in subsidiary (operating in Madagascar) the Bank has considered the Net Assets approach as an appropriate estimate of fair value at the year ended 31 December 2018.

Hence, there are no significant quantitative observable inputs which will affect the fair value of the investment in subsidiary.

g. Collateral and other credit enhancements

Credit mitigation instruments are used to reduce the Bank’s lending risk, resulting in security against most of the exposures. In the event a counterparty is in default, the Bank has the ability to call on different type of collaterals which in turn are driven by portfolio, product or counterparty type. The collateral includes 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.

h. Write-Off Policy

The Bank is compliant with the new regulatory guideline on write-off of non-performing assets issued in November 2018. This new regulatory framework will allowed Bank to write-off non-performing assets. The write-off will merely shift the non-performing asset to a memorandum account from the balance sheet of the Bank. Once an amount has been written-off from the balance sheet, there can be no write-back / reverse adjustments. In the event that there is any recovery on the account, it would be directly recognised in the income statement for the year.

37. SUPPLEMENTARY INFORMATION AS
REQUIRED BY THE BANK OF MAURITIUS

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into segments A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to ‘foreign source income’. Segment A activity relates to all Banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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37. SUPPLEMENTARY INFORMATION AS
REQUIRED BY THE BANK OF MAURITIUS
(CONTINUED)

I. Statements of profit or loss

Bank Rs'000		Segment A	2018 Segment B	Total	Segment A	2017 Segment B	Total	Segment A	2016 Segment B	Total
	Note	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income		511,381	103,495	614,876	521,493	131,533	653,026	445,263	290,025	735,288
Interest expense		(160,509)	(53,690)	(214,199)	(146,403)	(85,388)	(231,791)	(141,006)	(128,341)	(269,347)
Net interest income	8	350,872	49,805	400,677	375,090	46,145	421,235	304,257	161,684	465,941
Fee and commission income		92,887	41,747	134,634	82,692	20,252	102,944	65,382	51,371	116,753
Fee and commission expense		(15,883)	(3,257)	(19,140)	(27,365)	(962)	(28,327)	(19,880)	(19,098)	(38,978)
Net fee and commission income	9	77,004	38,490	115,494	55,327	19,290	74,617	45,502	32,273	77,775
Net trading income	10	49,816	15,820	65,636	58,883	8,027	66,910	51,946	11,202	63,148
Net income from other financial instruments at fair value through profit or loss	11	-	58,447	58,447	-	(49,924)	(49,924)	-	(27,941)	(27,941)
Net gain from sales of Securities		4,609	33,589	38,198						
Other income	12	521	10,179	10,700	3,093	11,400	14,493	3,062	42,104	45,166
		131,950	156,525	288,475	117,103	(11,207)	105,896	100,510	57,638	158,148
Revenue		482,822	206,330	689,152	492,393	34,938	527,331	404,767	219,322	624,089
Personnel expenses	13	(215,307)	(44,889)	(260,196)	(218,785)	(40,578)	(259,363)	(227,334)	(43,302)	(270,636)
Operating lease expenses	14	(41,260)	(4,493)	(45,753)	(36,699)	(7,858)	(44,557)	(38,330)	(5,170)	(43,500)
Depreciation and amortization	22 & 23	(57,910)	(6,307)	(64,217)	(54,269)	(9,463)	(63,732)	(45,500)	(5,624)	(51,124)
Other expenses	15	(163,926)	(22,663)	(186,589)	(150,572)	(31,147)	(181,719)	(120,283)	(40,002)	(160,285)
		(478,403)	(78,352)	(556,755)	(460,325)	(89,046)	(549,371)	(431,447)	(94,098)	(525,545)
Operating profit					32,068	(54,108)	(22,040)	(26,680)	125,224	98,544
Net impairment loss on financial assets	20	35,803	(54,071)	(18,268)	(24,167)	116,391	92,224	(33,090)	(7,461)	(40,551)
Profit / (Loss) before tax		40,222	73,907	114,129	7,901	62,283	70,184	(59,768)	117,763	57,993
Income tax (Expense) / Credit	16(i)	(158,090)	(679)	(158,769)	31,728	(4,286)	27,442	(70)	-	(70)
Profit / (Loss)		(117,868)	73,228	(44,640)	39,629	57,997	97,626	(59,838)	117,763	57,923

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
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37. SUPPLEMENTARY INFORMATION AS
REQUIRED BY THE BANK OF MAURITIUS
(CONTINUED)

II. Statement of financial position

		Segment A	Segment B	2018	Segment A	Segment B	2017	Segment A	Segment B	2016
	Note	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets										
Cash and cash equivalents	17	1,497,175	1,035,011	2,532,186	1,399,587	199,006	1,598,593	792,237	5,998,259	6,790,496
Loans and advances to Banks	18	27,560	15,508	43,068	-	240,030	240,030	17,800	627,960	645,760
Loans and advances to customers	19	11,426,923	2,319,508	13,114,465	8,941,701	2,676,938	11,618,639	8,060,808	3,435,554	11,496,362
Investment securities	20	1,745,713	77,972	1,823,685	2,256,278	170,312	2,426,590	1,746,350	-	1,746,350
Investment in subsidiary	21	-	58,447	58,447	-	-	-	-	189,706	189,706
Property and equipment	22	38,343	4,260	42,603	45,383	4,957	50,340	57,165	6,414	63,579
Intangible assets	23	73,198	8,133	81,331	102,662	12,689	115,351	118,288	14,612	132,900
Deferred tax assets	16 (ii)	42,763	7,402	50,165	181,112	23,182	204,294	165,062	10,018	175,080
Other assets	24	1,224,074	13,904	1,237,978	849,012	11,890	860,902	850,918	49,631	900,549
Total assets		15,513,631	3,466,904	18,983,928	13,775,735	3,339,004	17,114,740	11,808,628	10,332,154	22,140,782
Liabilities										
Deposits from Banks	25	1,690	-	1,690	-	-	-	-	1,209	1,209
Deposits from customers	26	9,038,645	3,211,454	12,250,099	7,753,885	3,477,983	11,231,868	6,513,523	8,885,816	15,399,339
Borrowed funds	27	-	3,637,104	3,637,104	25,880	3,125,898	3,151,778	29,343	4,087,691	4,117,034
Derivative financial instruments		6	-	6	-	16	16	-	-	-
Subordinated liabilities	28	-	-	-	-	202,470	202,470	-	274,283	274,283
Current tax liabilities	16 (iii)	-	624	624	688	-	688	-	1,049	1,049
Other liabilities	30	541,490	192,534	734,024	219,550	181,123	400,673	254,287	48,859	303,146
Total liabilities		9,581,831	7,041,716	16,623,547	8,000,003	6,987,474	14,987,477	6,797,153	13,298,907	20,096,060
Equity										
Share capital	31			2,218,065			1,944,015			1,944,015
Retained earnings	32			18,961			35,917			(63,374)
Reserves	32			123,355			147,331			164,081
Total equity attributable to the equity holders of the Bank				2,360,381			2,127,263			2,044,722
Total liabilities and equity				18,983,928			17,114,740			22,140,782

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

38. CORRECTION OF ERROR IN ACCOUNTING FOR
RETIREMENT BENEFIT OBLIGATION

The error has been corrected by restating each of the affected
financial statement line items for the prior periods as follows:

Statement of financial position (extract)	2016	Group Effects of restatement	2016	2016	Bank Effects of restatement	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Total assets	22,299,200	-	22,299,200	22,140,782	-	22,140,782
Liabilities						
Total liabilities	20,307,756	-	20,307,756	20,096,060	-	20,096,060
Equity						
Share capital	1,944,015	-	1,944,015	1,944,015	-	1,944,015
Retained earnings	(145,250)	-	(145,250)	(63,374)	-	(63,374)
Reserves	172,369	-	172,369	164,081	-	164,081
Total equity attributable to the equity holders of the Bank	1,971,134	-	1,971,134	2,044,722	-	2,044,722
Non-controlling interests	20,310	-	20,310	-	-	-
Total equity	1,991,444	-	1,991,444	2,044,722	-	2,044,722
Total liabilities and equity	22,299,200	-	22,299,200	22,140,782	-	22,140,782

Statement of financial position (extract)	2017	Group Effects of restatement	Restated 2017	2017	Bank Effects of restatement	Restated 2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Total assets	17,545,299	-	17,545,299	17,114,739	-	17,114,739
Liabilities						
Total liabilities excluding other liabilities	14,932,606	-	14,932,606	14,586,804	-	14,586,804
Other liabilities	407,859	(20,965)	386,894	400,673	(20,965)	379,708
Total liabilities	15,340,465	(20,965)	15,319,500	14,987,477	(20,965)	14,966,512
Equity						
Share capital	1,944,015	-	1,944,015	1,944,015	-	1,944,015
Retained earnings	77,903	20,965	98,868	35,916	20,965	56,881
Reserves	161,499	-	161,499	147,331	-	147,331
Total equity attributable to the equity holders of the Bank	2,183,417	20,965	2,204,382	2,127,262	20,965	2,148,227
Non-controlling interests	21,417	-	21,417	-	-	-
Total equity	2,204,834	20,965	2,225,799	2,127,262	20,965	2,148,227
Total liabilities and equity	17,545,299	20,965	17,545,299	17,114,739	20,965	17,114,739

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

38. CORRECTION OF ERROR IN ACCOUNTING FOR
RETIREMENT BENEFIT OBLIGATION (CONTINUED)

	Group		Bank		
	2016	Effects of restatement	2016	2016	Effects of restatement
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Profit before tax	51,248	-	51,248	57,993	-
Income tax (expense) / credit	(1,040)	-	(1,040)	(70)	-
Profit for the year	50,208	-	50,208	57,923	-
Other comprehensive income		-			-
Items that may be reclassified to profit or loss		-			-
Foreign currency translation differences for foreign operations	(17,599)	-	(17,599)	204	-
Net change in fair value of available for sale financial assets	12,391	-	12,391	12,391	-
Items that will not be reclassified to profit or loss		-			-
Remeasurement of retirement benefit obligations	-	-	-	-	-
Other	-	-	-	-	-
Other comprehensive income	(5,208)	-	(5,208)	12,595	-
Total comprehensive income for the year	45,000	-	45,000	70,518	-

	Group		Bank		
	2017	Effects of restatement	2017	2017	Effects of restatement
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Profit before tax	131,408	131,408	131,408	70,184	70,184
Income tax (expense) / credit	26,348	26,348	26,348	27,442	27,442
Profit for the year	157,756	157,756	157,756	97,626	97,626

Other comprehensive income					
Items that may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations	5,280	-	5,280	(600)	-
Net change in fair value of available for sale financial assets	(6,391)	-	(6,391)	(6,391)	-
Items that will not be reclassified to profit or loss	-	-	-	-	-
Remeasurement of retirement benefit obligations	(8,095)	20,965	12,870	(8,095)	20,965
Other	64,840	-	64,840	-	-
Other comprehensive income	55,634	20,965	76,599	(15,086)	20,965
Total comprehensive income for the year	213,390	20,965	234,355	82,540	20,965

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

39. ULTIMATE HOLDING COMPANY

The immediate holding company is Banque Centrale Populaire (BCP) incorporated in Morocco.

40. LIQUIDITY COVERAGE RATIO

During FY 2018, due to the persistence of excess liquidity conditions in MUR, the LCR ratio was maintained above 100%; in foreign currencies, the Bank constituted the required stock of High-Quality Liquid Assets to meet the regulatory requirement. The overall ratio stands at 318 % which demonstrates the Bank’s resilience should it face any shortfall of liquidity.

	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
HIGH-QUALITY LIQUID ASSETS		
Total High-Quality Liquid Assets (HQLA)	3 431 985 388	3 431 985 388
CASH OUTFLOWS		
Retail deposits and term deposits from small business customers	4 436 419 833	307 682 508
Unsecured wholesale funding	5 026 880 786	1 909 894 523
Credit and liquidity facilities	2 667 051 412	278 204 591
Other contractual funding obligations	627 578 203	627 578 203
TOTAL CASH OUTFLOWS	12 757 930 235	3 123 359 825
CASH INFLOWS		
Other cash inflows	2 682 771 353	2 045 480 785
TOTAL CASH INFLOWS	2 682 771 353	2 045 480 785
	TOTAL ADJUSTED VALUE	
TOTAL HQLA		3 431 985 388
TOTAL NET CASH OUTFLOWS		1 077 879 040
LIQUIDITY COVERAGE RATIO (%)		318%

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