MAU BANK

2018
Annual Report

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CORPORATE
INFORMATION

Corporate Information

DIRECTORS:

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

KEY MANAGEMENT TEAM:

	Position
Mr Mungar Premchand *(As from 23 November 2018)*	Chief Executive Officer
Mr Nagarajan Sridhar *(As from 24 September 2015 to 21 September 2018)*	Chief Executive Officer
Mr Vydelingum Vishuene *(As from 01 July 2016 to 13 October 2017)*	Executive Head – Corporate Banking and Treasury
Mr Toynoo Yougeshsingh (Asish) *(As from 03 October 2016)*	Chief Financial Officer
Mr Motee Ramesh *(As from 03 February 2016)* *(As from 24 September 2018 to 22 November 2018)*	 Chief Risk Officer Officer in charge
Mr Mardaymootoo Pillay Chedumbrum (Nanda) *(As from 03 February 2016)*	Executive Head – Operations
Mr Yasdeo Rawoteea (Rajesh) *((As from 01 February 2017)*	Executive Head – Human Resources
Mrs Luximon-Mathur Jessma *(As from 1 November 2016)*	Head of compliance
Mr Kundan Anil Kumar *(As from 02 February 2017)*	Executive Head – SME Banking
Miss Saddul Anouchka *(As from 03 January 2017)*	Head of Corporate Affairs, Brand Management and Marketing
Mr Muhem Dharmarajan *(As from 01 February 2017 to 27 August 2017)*	Acting Executive Head – Information & Technology Services
Mr Prabhu Sudheer *(As from 28 August 2017)*	Chief Information and Digital Officer
Mr Bhagavan Ramakrishna *(As from 12 October 2017)*	Head of Retail Banking
Mr Appadoo Yogendra *(As from 15 July 2018)*	Head of International Banking
Mr Carver Jean Clifford Eric *(As from 22 January 2018)*	Head of Asset Financing
Mr Vyapooree Govinden Modeliar *(As from 09 February 2018)*	Head of Market
Mr Agrawalla Anup Kumar *(As from 27 February 2018)*	Head of Wealth Management

Corporate Information (Contd)

KEY MANAGEMENT TEAM (CONTD):

	Position
Mr Mussai Satish *(As from 09 March 2018)*	Head Large Corporate and Debt Restructuring
Mr Albert Clint *(As from 09 March 2018)*	Head of Commercial Banking
Mr Beebeejaun Muhammad Asif *(As from 01 June 2018)*	Head of Special Asset Management

INTERNAL AUDIT:

Mr Rambojun Hurrydutt *(As from 03 February 2016 to 28 February 2018)*	Head of Internal Audit
Mrs Nujeebun Shameema Bibi Khan *(As from 01 March 2018)*	Acting Head of Internal Audit

SECRETARY:

Ms Prosand Ashiti *(As from 27 October 2016)*	Company Secretary and Head of Legal

REGISTERED OFFICE:

MauBank Building
25 Bank Street
Cybercity
Ebene 72201
Republic of Mauritius

AUDITOR:

Deloitte

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

Chief Executive Statement

Dear Stakeholders

It is with great pleasure that I address you, as the newly appointed Chief Executive of MauBank for the first time. I would like to start by thanking the Board of Directors of the Bank for having trusted me to lead the Bank. As with any organisation, the role of a chief executive comes with its set of challenges; but it is with immense pride that I take on this role. The opportunities that are open to the Bank are great, and I look forward to seeing what the Bank can achieve when we embrace them.

I took office as the Chief Executive on the 23rd November 2018. I may not have been here for very long, but the work that has gone into bringing the Bank to where it is now is not lost on me. I take this opportunity to thank my colleagues for the commitment and dedication. The success of the Bank is due to the strategic direction set by the Board of Directors and the hard work of my colleagues. With that in mind, I have the pleasure to present the Bank's Annual Report for the year ended 30th June 2018.

Financial Highlights for Year 2018:

The financial year ending June 2018 was closed on a positive note. Operating income increased by MUR 198 million. This marks a 20% increase to reach MUR 1.193 billion. The Bank's profit before tax and impairment for the financial year has steadily progressed to MUR 203 million, compared to MUR 37.5 million for 2017 and a loss of MUR 151 million in 2016.

The Bank allowed for an impairment of MUR 166.6 million on its Loans and Advances Portfolio. This had a significant impact on our bottom line, reducing the net profit to MUR 10.8 million. While planning for the future, we shall make progress by ensuring that we are more resilient, by becoming a more stable financial institution. In making the impairment of our Loans and Advances Portfolio, we are ensuring that the value of our assets is fairly reflected. This gives us the foundations to achieve our goal of making our income more sustainable.

Our shareholders remain committed to the mission of the Bank. Our shareholders understand the role that the Bank can play in our economy and have supported the Bank's pursuit to realign our balance sheet in accordance with the industry norm. Our Capital Adequacy Ratio witnessed a marked improvement to 16.87% against the Bank of Mauritius guideline of 11.25%. Our shareholders have demonstrated their commitment to us; through their efforts, the Bank now stands strongly capitalized and resilient. These are the foundations necessary for the Bank to achieve sustained growth.

Foundation for Growth:

The Bank is committed to moving beyond our recent past. The Bank has already made good progress on this path. We are in the process of formulating a corporate strategy to achieve our overriding aim: to be a more customer focused bank. We are a Mauritian bank, so we must be a supporter of Mauritian businesses; we must become their trusted partner. We will do so by listening to our customers, and addressing their needs and requirements so that we may deliver a better customer experience. The development of this initiative rests on a solid governance framework and a sound risk management policy.

Chief Executive Statement

Corporate Governance and Risk Management:

At the very core of what the Bank will do, we will review and enhance the corporate governance structure. The organization will continuously reform itself in line with international best practices in areas of transparency, accountability and good governance. We must make significant progress in these areas.

The Bank's Risk Management function is set to develop further based on well-established governance process of the '*Three Lines of Defence*' model. This comprises of the Board of Directors and Executive Management inculcating an active risk-based supervision role with policy formulation, the Risk Management function responsible for assessment, monitoring and reporting and the Internal Audit & Compliance function providing an independent and objective view of the status and functioning of the Bank's risk management practices. I believe the adoption of a corporate governance framework coupled with an appropriate risk management policy will catalyse the Bank's transformation journey.

Embracing the transformation Journey:

The Bank started its digital journey through the re-engineering of its processes to standardize, eliminate inefficiencies, centralize operational activities and automate to scale. This is done with the objective of simplifying our processes with the overriding objective of providing a better customer experience.

This year marked an important milestone in the Bank's digital transformation. The Bank developed and implemented the state of the art mobile App, ***WIthMe***. ***WIthMe*** offers a unique experience for MauBank's customers. In developing ***WIthMe***, we have listened to our customers. Base on their suggestions, we have developed a product that provides a simple interface and allows our customers to do more. ***WIthMe*** allows our customers to complete banking transactions with third party banks. This is a significant leap. Our customers can now carry out functions seamlessly. ***WIthMe*** also offers unique feature of an account opening procedure authenticated via a video-call.

Additionally, MauBank is the first bank in the country to provide a platform that offers an in-principle approval in 10 minutes for prospective clients. This product, ***MyLease*** allows our customers to apply online for vehicle leasing facilities using API (Application Programming Interface) interfacing with its back-end systems.

The Bank's 2019 Objectives:

Possibly the most important step taken to kick start the Bank's journey of transformation is the establishment of our Centre of Excellence. The primary objective of our Centre of Excellence is to review the existing processes of the Bank. Through it, we are re-thinking the sufficiency and efficiency of our operations. For instance, it has enabled us to re-examine our loans and credit card application process. We are reviewing the bottlenecks in our implementation processes to enable us to be more responsive. We are reviewing whether we are able to deliver on our customers' expectations in an efficient and timely manner.

Importantly for us, our Centre of Excellence is reviewing our complaints procedure. We want to ensure that we are listening to what our customers have to say. Only by doing so can we improve and strengthen our offering. Only by listening to our customers can we offer more focused products to offer a better experience to our customers. The establishment of our Centre of Excellence is an important step to enable us to become a more customer focused bank.

2019 will be a key year in the Bank's transformation. We will continue to lay the foundations by placing technology innovation at the core of what we do. We will place more importance on the Bank's human capital environment; we want this to drive a change in our culture and create a positive environment for our colleagues so that they may be better able to focus on our customers.

There are many challenges in the operating and global environment. 2019 will see the Bank step up its efforts in its transformative journey. We will continue to ruthlessly review our processes and by stubbornly seeking to simplify and be more efficient in what we do, we will be better positioned to deliver a better experience to our customers. In so doing, we will ensure the sustainability of our growth and profit and we will create a stronger MauBank.

MR P. MUNGAR
Chief Executive Officer

Directors' Report

The Board of Directors of MauBank Ltd, the "Bank", is pleased to present its Annual Report together with the financial statements of the Bank and its subsidiary for the financial year ended 30 June 2018. The financial statements have been prepared in accordance with the requirements set out in the Bank of Mauritius Guideline on Public Disclosure of Information, the International Financial Reporting Standards, the Financial Reporting Act 2004, the Companies Act 2001 and the Banking Act 2004. The Bank and its subsidiary are collectively referred to as the "Group".

TRANSFER OF UNDERTAKING

On 04 January 2016, MauBank Ltd (formerly known as Mauritius Post and Cooperative Bank Ltd "MPCB") acquired the assets and liabilities of the National Commercial Bank Ltd (NCB) pursuant to a transfer of undertaking carried out as per the provisions of Section 32 A of the Banking Act 2004.

GLOBAL ECONOMIC OUTLOOK

According to the July 2018 World Economic Outlook (WEO) published by the IMF, Global growth is projected to reach 3.9 percent in 2018 and 2019, but the expansion is becoming less even, and risks to the outlook are mounting. The rate of expansion appears to have peaked in some major economies and growth has become less synchronized. In the United States, near-term momentum is strengthening and the US dollar has appreciated by around 5 percent in recent weeks. Growth projections for the euro area, Japan, and the United Kingdom are slugish reflecting negative surprises to activity in early 2018. Among emerging market and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals. Growth projections have been revised down for Argentina, Brazil, and India, while the outlook for some oil exporters has strengthened.

The balance of risks has shifted further to the downside, including in the short term. The recently announced and anticipated tariff increases by the United States and retaliatory measures by trading partners have increased the likelihood of escalating and sustained trade actions. These could derail the recovery and depress medium-term growth prospects, both through their direct impact on resource allocation and productivity and by raising uncertainty and taking a toll on investment. Financial market conditions remain accommodative for advanced economies - with compressed spreads, stretched valuations in some markets, and low volatility - but this could change rapidly. Possible triggers include rising trade tensions and conflicts, geopolitical concerns, and mounting political uncertainty. Higher inflation readings in the United States, where unemployment is below 4 percent but markets are pricing in a much shallower path of interest rate increases than the one in the projections of the Federal Open Market Committee, could also lead to a sudden reassessment of fundamentals and risks by investors. Tighter financial conditions could potentially cause disruptive portfolio adjustments, sharp exchange rate movements, and further reductions in capital inflows to emerging markets, particularly those with weaker fundamentals or higher political risks.

Source: IMF World Economic Outlook

REVIEW OF THE MAURITIAN ECONOMY

Most indicators point to a firming up of macroeconomic fundamentals and an economic renewal leading to a higher growth path. Both the IMF and Moody's have expressed optimism on the Mauritian economy. In March 2018, Moody's re-affirmed the Baa1 rating for Mauritius, a rating which according to them is supported by strong growth and macroeconomic resiliency to shocks.

In 2017, GDP expanded by 3.8 percent, with positive growth in all sectors, except sugarcane and textile. It is expected that GDP growth would be 3.9 percent in 2018, mainly driven by financial services, construction and tourism. Sectors such as agriculture, food processing, textile, construction, retail trade, ICT and global business are expected to register a higher growth rate than in 2017. In nominal terms, GDP at market prices increased by 5.8 percent in 2017 compared to 6.1 percent in 2016. It is expected to pick up to 7.0 percent in 2018.

The unemployment rate declined to 7.3 percent in 2016 and further to 7.1 percent in 2017. Year-on-year inflation rate in December 2017 was 4.2 percent compared to 2.3 percent in December 2016 mainly due to the increase in prices of petroleum products, prices of vegetables following unfavourable climatic conditions and excise taxes on tobacco and alcoholic products. It was at 3.7 percent in April 2018.

Directors' Report

Outlook

The baseline scenario is for economic conditions to remain buoyant on the back of favorable external conditions and the pick-up in public investment, notably Mauritius's sizable road decongestion program. Economic growth is projected in the range of 4 - 4.2%, broadly consistent with the estimated pace of potential growth in output. Growth could even accelerate if the government's ambitious public infrastructure program gathers pace and stimulates more private investment.

The economy's external financing position should benefit from continued strength in services exports (mainly tourism) and brighter prospects for goods exports due to stronger economic growth in Mauritius's key trading partners.

Development Challenges

Absolute poverty levels in Mauritius are low. Having overcome extreme poverty, Mauritius's key development challenge is to foster more inclusive growth and boost shared prosperity.

Mauritius's relatively large offshore financial sector is adjusting to the need of a fast-changing global regulatory environment, and there are ambitious plans under development to re-position Mauritius as a regional financial hub. Future developments in the sector are critical to the overall economic outlook for Mauritius as it contributes significantly to jobs and income, and to the country's external financing position.

Over the long term, Mauritius faces the challenge of sustaining its model of historically inclusive growth as it progresses toward its government's goal of becoming a high-income economy. As a small island country with a narrow domestic skills' base and an aging population, the realization of this ambition will hinge on improving the education system and addressing current constraints to labor participation and productivity.

Source: World Bank publication and budget speech 2018/2019

BANKING SECTOR IN MAURITIUS

The banking sector remained adequately capitalised and supported by a gradual improvement of profitability ratios that was attributable mainly to the performance of domestic-owned banks. Growth in total banking assets remained moderate, with accumulation of domestic assets by local banks largely offsetting the contraction in foreign assets held by branches and subsidiaries of foreign-owned banks.

However, financial soundness indicators point to lingering weaknesses associated with high non-performing loans ratios pertaining to both domestic and cross border credit, a decline in the coverage ratios, and bank claims on the private sector being contingent to credit concentration risk. Non-bank deposit-taking institutions have also reported average rates of growth in total assets although the strengthening of the aggregate capital adequacy ratio points to increased resilience of the non-bank deposit-taking sector to withstand balance sheet shocks.

The payment and clearing systems regulated and supervised by the Bank of Mauritius remained resilient, and payments were processed and settlement effected within the prescribed parameters and with high degree of technical reliability. The Mauritius Automated Clearing and Settlement System and the Port Louis Automated Clearing House operated smoothly without any significant downtime, confirming their robust capacity to process high volumes of transactions based on Real Time Gross Settlement principles.

Source: Monetary Policy and Financial Stability Report Bank of Mauritius

FINANCIAL RESULTS AND BUSINESS ACTIVITIES

The Bank's total assets was Rs 26.59 billion as at 30 June 2018 against Rs 26.23 billion as at 30 June 2017 whilst gross loans and advances to customers stood at Rs 11.73 billion as at 30 June 2018 compared to Rs 18.47 billion at 30 June 2017 following a debt restructuring exercise. On the other hand, the Bank has experienced an increase in its deposit base from Rs 21.95 billion at 30 June 2017 to Rs 22.35 billion, an increase of 1.82%.

The Bank ended the year 30 June 2018 with a profit after tax of Rs 10.80 million against a profit after tax of Rs 141.37 million for the year ended 30 June 2017 due to additional charge raised on legacy loans during the year . Net interest income improved from Rs 623.89 million for the year ended 30 June 2017 to Rs 730.43 million for the financial year ended 30 June 2018.

Please refer to the Management Discussion and Analysis on page 138 for more details.

CORPORATE GOVERNANCE

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

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

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

i. Audit Committee

ii. Risk Management Committee

iii. Nomination and Remuneration Committee

iv. Conduct Review Committee

v. Board Credit Committee

vi. Corporate Governance Committee

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

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

SUBSTANTIAL SHAREHOLDERS

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

MauBank Holdings Ltd	99.96 %
Other Shareholders	0.04 %

DIRECTORS' REMUNERATION

The remuneration and other benefits received by the directors for MauBank Ltd and MauBank Investment Ltd amounted to Rs 21,961,779 for year ended 30 June 2018 compared to Rs 17,692,755 for the year ended 30 June 2017 and Rs 9,378,689 for the period ended 30 June 2016.

DIRECTORS' SERVICE CONTRACTS

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

APPOINTMENT OF OFFICER IN CHARGE

Pending the appointment of a new Chief Executive Officer in replacement of Mr Sridhar Nagarajan, Mr Ramesh Motee was appointed officer in charge on 24 September 2018 until 22 November 2018.

Directors' Report

DIRECTORS' SHARE INTERESTS

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

AUDITOR

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

	The Group			The Bank		
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Audit fees	**3,691,500**	3,220,000	3,105,000	**3,565,000**	3,105,000	2,875,000
Other services	**1,932,000**	-	2,990,000	**1,932,000**	-	2,990,000
TOTAL	**5,623,500**	3,220,000	6,095,000	**5,497,000**	3,105,000	5,865,000

Other services payable for the year ended 30 June 2018 to Deloitte relates to:

- Report on capital injection in MauBank Ltd as at 31 December 2016.
- Review of financial information of MauBank Ltd for period ended 31 March 2017.
- Review of the existing Mobile Banking and Mobile Payment System.
- Review of the New Mobile Banking and Mobile Payment System.
- Data migration analysis.
- Agreed Upon Procedures in respect of the impaired loans and advances.

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

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

PROSPECTS AHEAD

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed and complied with, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business in the foreseeable future; and
- State whether the Code of Corporate Governance has been adhered to, or if not, give reasons where there has been no compliance

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

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

ACKNOWLEDGEMENTS

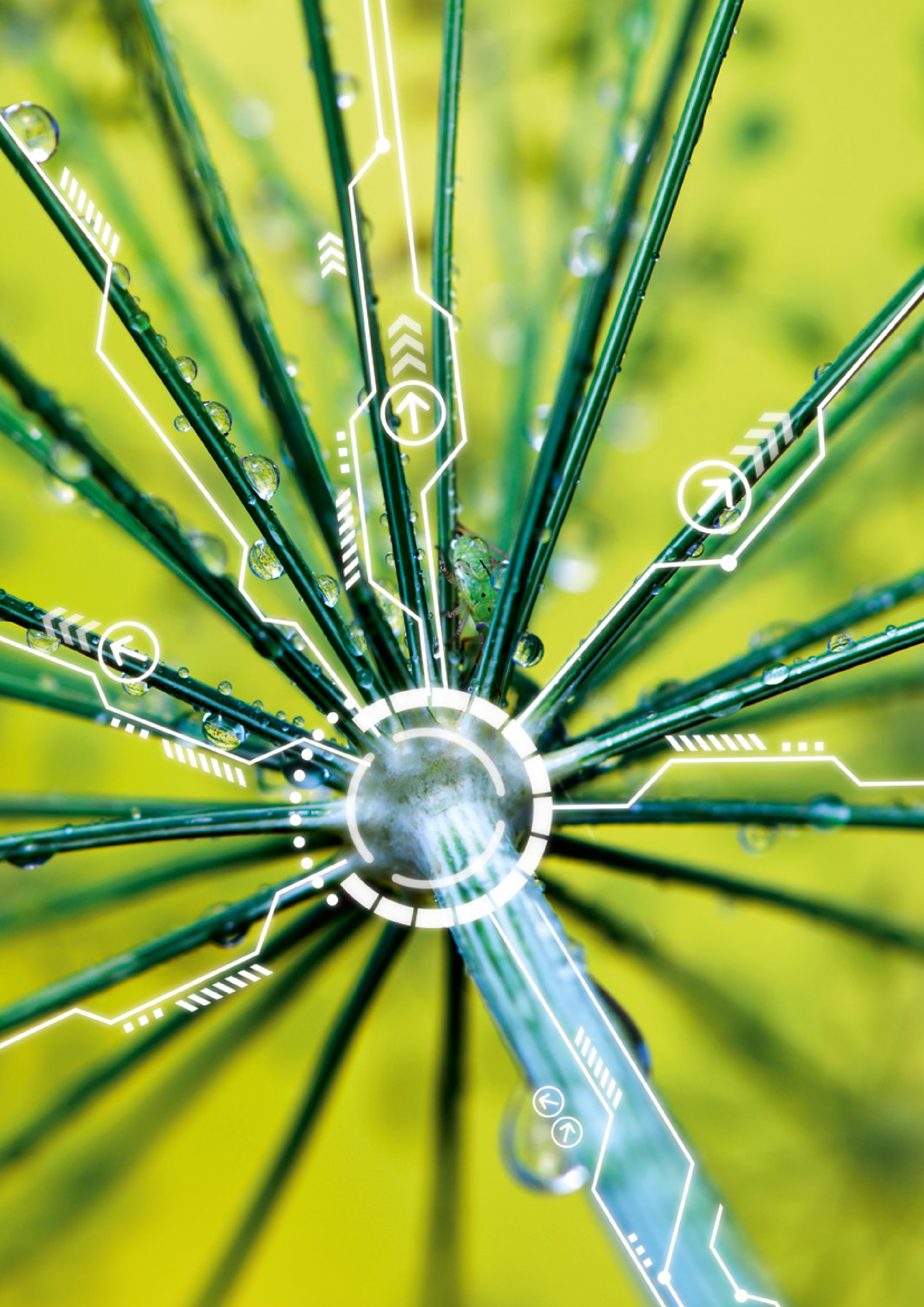
The Bank is grateful for the support given by the Government as ultimate shareholder, the Honourable Prime Minister and Minister of Finance and Economic Development and the Financial Secretary. The Bank is also grateful to management and the employees for their support. The Bank wishes to convey its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

DR D. PALIGADU *Director* *On behalf of Board of Directors*	**MR J. CODABUX** *Director* *On behalf of Board of Directors*	**MR P. MUNGAR** *Director and Chief Executive Officer* *On behalf of Board of Directors*

Date: 10 December 2018

Ebene 72201, Republic of Mauritius

CORPORATE GOVERNANCE REPORT



Corporate Governance Report

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

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

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

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

1. STATEMENT OF COMPLIANCE BY THE BOARD

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

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

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

The abovementioned system provides structures for the following:

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

To the best of its knowledge, the Board has relentlessly endeavored towards attaining, adhering and maintaining throughout the financial year 2017 / 2018, the highest level of Corporate Governance in accordance with the Guideline on Corporate Governance issued by the Bank of Mauritius ("BOM"), the National Code for Corporate Governance and other relevant Legislations.

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

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

These Principles are:

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

2.1 PRINCIPLE 1: GOVERNANCE STRUCTURE

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

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

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

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

i. Audit Committee
ii. Risk Management Committee
iii. Nomination and Remuneration Committee
iv. Conduct Review Committee
v. Board Credit Committee
vi. Corporate Governance Committee
vii. Strategy and Finance Committee
(Ceased on 6 April 2017 and reinstated on 4 April 2018)

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

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

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

2.1.1 Key Features of Board processes

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

Key decisions taken by the Board, include:

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

2.1.2 Website

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

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

2.1.3 STATEMENT OF COMPLIANCE TO PRINCIPLE 1

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

Corporate Governance Report

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

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

2.2.1 Board Size and Composition

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

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

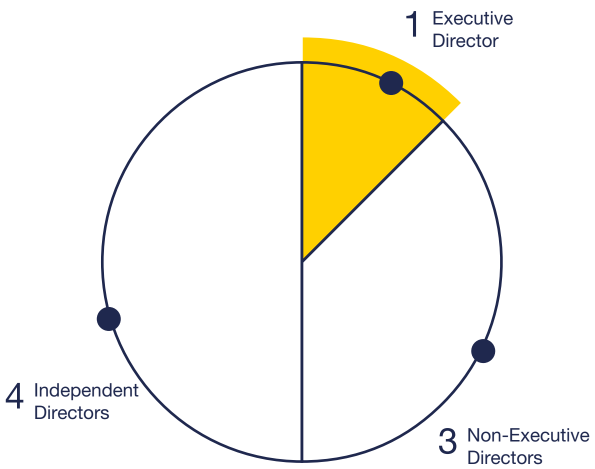
Currently with the membership of eight (8) Directors, the Board believes that it is commensurate to the Bank's current business activities. The Directors are re-elected on an annual basis during the Annual Meeting of Shareholders. The last Annual Meeting was held on 13 December 2017.

The Bank is in its transformation phase and high caliber Executives have been recruited and are geared up to take up the role of the second Executive Director. For the financial year ended 30 June 2018, the Chief Executive Officer was the only Executive Director at the Bank and he was supported by a robust executive management team.

Also, recognising the importance of diversity, MauBank is currently engaged in creating new and inspiring possibilities for women within the Bank. As such the appointment of women at Board Level is under consideration pending the selection of the right candidates.

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

2.2.2 Board Composition

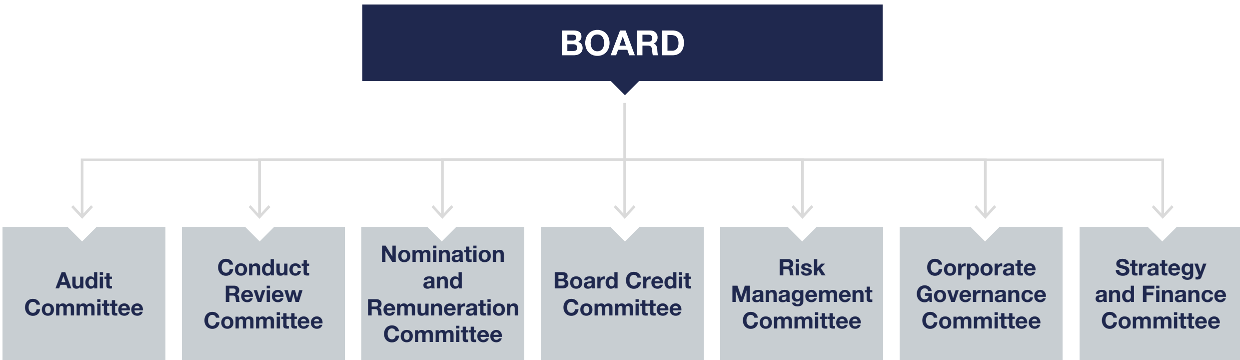


Composition:

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

2.2.3 The Board and its committees structure & Mandate

2.2.3.1 Board and Committees Structure



2.2.3.2 Board Mandate

The Board as empowered by the Bank's Constitution and Charter has the responsibility, among other things, to:

- Function independently of management;
- Operate at a higher level than management;
- Exercise leadership, enterprise, intellectual honesty, integrity and judgment in directing the Bank so that it achieves sustainable prosperity;
- Ensure that policies, procedures and practices are in place to protect the Bank's assets and reputation;
- Consider the necessity and appropriateness of installing a mechanism by which breaches of the principles of corporate governance may be reported;
- Monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
- Ensure that there is a suitable induction and evaluation program in place which meets specific needs of the Bank and its directors.
- The latest evaluation exercise has been carried out in August 2017.
- Appoint the CEO and ensure that succession is professionally planned in good time; and
- Balance 'conformance' and 'performance'. Conformance is compliance with the various laws, regulations and codes governing companies. Ensuring performance requires the development of a commensurate enterprise culture within the organisation so that returns to shareholders are maximized while respecting the interests of other stakeholders.

Corporate Governance Report

2.2.4 COMMITTEES OF THE BOARD

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

The Strategy and Finance Committee was reconstituted on 4 April 2018.

The main objectives, responsibilities and the membership of the Board Committees, as at 30 June 2018, are set out below:

2.2.4.1 Audit Committee

Mandate:

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

Composition:

- Mr. Gokhool Ashvin Jain (Chairman)
- Mr. Codabux Muhammad Javed
- Mr. Nicolas Jean Marie Cyril

2.2.4.2 Conduct Review Committee

Mandate:

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

Composition:

- Mr. Codabux Muhammad Javed (Chairman)
- Mr. Gokhool Ashvin Jain
- Mr. Nicolas Jean Marie Cyril
- Dr. Paligadu Dharamraj
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Mungar Premchand (Appointed on 23 November 2018)

2.2.4.3 Nomination and Remuneration Committee

Mandate:

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

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

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

Composition:

- Mr. Said Lalloo (Chairman) (Resigned on 01 October 2018)
- Dr. Paligadu Dharamraj
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Putchay Vassoo Allymootoo
- Mr. Mungar Premchand (Appointed on 23 November 2018)

2.2.4.4 Board Credit Committee

Mandate:

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

Composition:

- Dr. Paligadu Dharamraj (Chairman)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Putchay Vassoo Allymootoo
- Mr. Nilamber Anoop Kumar
- Mr. Mungar Premchand (Appointed on 23 November 2018)
- Mr. Nicolas Jean Marie Cyril (Appointed as a member of the committee on 24 September 2018)

2.2.4.5 Risk Management Committee

Mandate:

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

Composition:

- Mr. Nilamber Anoop Kumar (Chairman)
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Nicolas Jean Marie Cyril
- Mr. Gokhool Ashvin Jain
- Mr. Codabux Muhammad Javed
- Mr.Mungar Premchand (Appointed on 23 November 2018)

2.2.4.6 Corporate Governance Committee

Mandate:

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

Corporate Governance Committee

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

Specifically, the duties of the Committee are to:

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

Composition:

- Mr. Putchay Vassoo Allymootoo
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Nilamber Anoop
- Mr Mungar Premchand (Appointed on 23 November 2018)

2.2.4.7 Strategy and Finance Committee

Mandate:

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

Composition:

- Mr. Lalloo Said (Chairman) (Resigned on 01 October 2018)
- Mr. Gokhool Ashvin Jain
- Dr. Paligadu Dharamraj
- Mr. Nagarajan Sridhar (Resigned on 21 September 2018)
- Mr. Codabux Muhammad Javed
- Mr. Mungar Premchand (Appointed on 23 November 2018)

Corporate Governance Report

2.2.5 BOARD AND COMMITTEES ATTENDANCE

The Following table gives the record of attendance at meetings of the Bank's Board and its Committees during the financial year ended 30 June 2018:

	BOARD	AUDIT COMMITTEE	CONDUCT REVIEW COMMITTEE	RISK MANAGEMENT COMMITTEE	BOARD CREDIT COMMITTEE	NOMINATION & REMUNERATION COMMITTEE	CORPORATE GOVERNANCE COMMITTEE	STRATEGY & FINANCE COMMITTEE
Number of meetings held during FY 2017/2018	15	6	5	4	23	3	1	1
Meetings Attended by:								
Mr Lalloo Said	12					3		1
Mr Gokhool Ashvin Jain	14	6	5	4				1
Mr Nicolas Jean Marie Cyril	12	6	5	4				
Mr Nagarajan Sridhar	15		5	4	20	2	1	1
Mr Nilamber Anoop Kumar	13			4	19		1	
Dr Paligadu Dharamraj	15		3		23	3		1
Mr Putchay Vassoo Allymootoo	12				22	3	1	
Mr Codabux Muhammad Javed	14	6	5	4				1

2.2.6 Directors' Independence

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

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

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

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

2.2.7 Company Secretary

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

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

The details on the Company Secretary can be found in the Administration section on page 163.

2.2.8 STATEMENT OF COMPLIANCE TO PRINCIPLE 2

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

2.3 PRINCIPLE 3: DIRECTORS APPOINTMENT PROCEDURES

"There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The Search for Board candidates should be conducted and appointments made on merit against objective criteria. The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key office holders."

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

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

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

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

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

2.3.2 Profile of Directors

The directors' profile is described on page 160 to 161 in the "Administrative Information" Section.

2.3.3 Website

As per the recommendations of the Code under principle, the profile of each director can be found on the Bank's website.

2.3.4 STATEMENT OF COMPLIANCE TO PRINCIPLE 3

"We, the Directors of MauBank Ltd confirm that to the best of our knowledge MauBank Ltd has complied with its obligations and requirements of Principle 3 of the Code of Corporate Governance and that the Board assumes full responsibilities for succession planning and for the appointment and induction of new directors to the Board. The Board of Directors has also reviewed the development and ongoing education of directors by attending relevant workshops".

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2.4 PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

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

2.4.1 Legal Duties of Directors

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

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

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

2.4.2 Evaluation of the Board, its Committees and individual directors

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

For the financial year ended 30 June 2018, an evaluation questionnaire devised by the Bank, was circulated to each Director for their feedback. The questionnaire as circulated in November 2017 catered for the following:

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

The results of the assessments are discussed at Board level. For the year ended 30 June 2018, the majority of Directors consider the Board and its Committees to be effective. The suggestions put forth in the questionnaire are discussed and implemented, if need be, after constructive discussions.

The Board considers the devised questionnaire as overall effective and adequate for the Bank as the confidentiality of the answers is fully maintained and Board members have been given the opportunity to freely express themselves.

2.4.3 Directors' Interests and Dealings in Shares

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

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

2.4.4 Related Party Transactions and Practices

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

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

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

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

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

Related party transactions include:

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

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

(c) Conditional sales agreements;

(d) Consulting or professional services contracts with directors;

(e) Investment equity of a related party;

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

(g) Acquisition, sale or lease of assets.

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

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

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

Exposure of the Bank's top six related parties as at 30 June 2018 were Rs 514.53 Mn, Rs 227.42 Mn, Rs 130.80 Mn, Rs 6.93 Mn, Rs 6.12 Mn and Rs 5.50 Mn. These balances represented 26.39%, 11.67%, 6.71%, 0.36%, 0.31% and 0.28% respectively of the Bank's Tier 1 capital. The total top six related parties represented Rs 891.30 Mn or 45.72 % of Tier 1 capital.

2.4.5 Access to information

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

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

2.4.6 Information Technology and Information Security

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

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

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

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

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

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

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2.4.7 Directors' Remuneration

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

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

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

The remuneration of the NonExecutive Directors and the Executive Director, is as follows:

	30 June 2018	30 June 2017
	Rs	Rs
Non-Executive Directors	4,138,000	3,280,000
Executive Directors	17,823,779	14,412,755
	21,961,779	17,692,755

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

2.4.8 Statement of Remuneration Philosophy

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

The Board regularly monitors and evaluates compliance with its code of conduct and ethics policy. The Board last reviewed the Bank's Code of Conduct and Ethics Policy in 2017.

2.4.9 Website

The Bank's Code of Conduct and Ethics policy can be found on the Bank's Website.

2.4.10 STATEMENT OF COMPLIANCE TO PRINCIPLE 4

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

2.5 PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

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

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

The risk management framework and process is set out at pages 142 to 155 in the management and discussion analysis report.

2.5.1 Whistleblowing Policy

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

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

These concerns could include:

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

This Policy aims to:

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

2.5.2 STATEMENT OF COMPLIANCE TO PRINCIPLE 5

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

2.5 PRINCIPLE 6: REPORTING WITH INTEGRITY

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

2.6.1 Directors' Responsibilities in respect of the Financial Statements

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

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed and complied with, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business in the foreseeable future; and
- State whether the Code of Corporate Governance has been adhered to, or if not, give reasons where there has been no compliance.

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

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

Corporate Governance Report

2.6.2 Corporate Social Responsibility

MauBank Ltd firmly believes that sustainable growth can only be achieved in partnership with the community in which it operates. In its CSR calendar for the year 2017/2018, the Bank upheld its objectives to be a socially responsible bank. In line with its corporate mission to continuously exceed the expectations of its stakeholders, which includes the community at large, the Bank contributed to the social upliftment of the Mauritian society by extending its financial support to NGO's like Breast Cancer care, Global Rainbow Foundation and Association of Disability Service Providers, amongst others.

2.6.3 STATEMENT OF COMPLIANCE TO PRINCIPLE 6

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

2.6 PRINCIPLE 7: AUDIT

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

2.7.1 Internal audit

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

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

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

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

The plan is executed by the Head of Department, who is assisted by six staffs, all of whom have the requisite experience in banking, finance, information and communication technology and audit. Progress reports on the execution of the plan are tabled in each Audit Committee meeting.

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

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

All high risk units and the medium risk units were covered satisfactorily as part of annual plan 2017/2018.

Mr. Hurrydutt Rambojun has been heading the Internal Audit Department up to end of February 2018. As from 01 March 2018, Mrs Shameema Juhoor is acting as Head of Internal Audit Department and she is supported by a team of six staff. She is a fellow member of the Association of Chartered Certified Accountants.

2.7.2 External auditors

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

	The Group			The Bank		
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Audit fees	**3,691,500**	3,220,000	3,105,000	**3,565,000**	3,105,000	2,875,000
Other services	**1,932,000**	-	2,990,000	**1,932,000**	-	2,990,000
TOTAL	**5,623,500**	3,220,000	6,095,000	**5,497,000**	3,105,000	5,865,000

Other services payable for the year ended 30 June 2018 to Deloitte relates to:

- Report on capital injection in MauBank Ltd as at 31 December 2016.
- Review of financial information of MauBank Ltd for period ended 31 March 2017.
- Review of the existing Mobile Banking and Mobile Payment System.
- Review of the New Mobile Banking and Mobile Payment System.
- Data migration analysis.
- Agreed Upon Procedures in respect of the impaired loans and advances as at 31 March 2018.

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

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

2.7.3 STATEMENT OF COMPLIANCE TO PRINCIPLE 7

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

2.7 PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

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

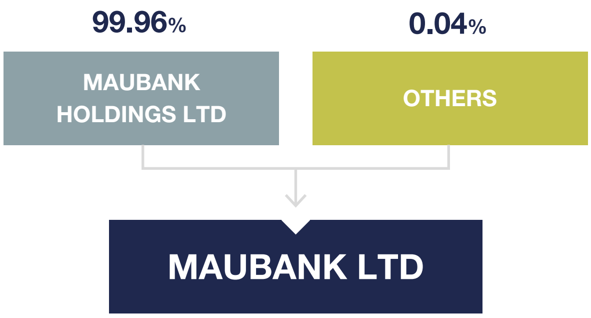
2.8.1 SHAREHOLDING

As at 30 June 2018, the share capital of the Bank stood at Rs.2,466,420,956 represented by 6,801,813,502 shares. The Bank has twelve (12) shareholders on its shares register with MauBank Holdings Ltd ("Holdings") holding 99.96% interest in the Bank and the remaining shares being held by 11 shareholders inclusive of public sector bodies and cooperative societies. The holding company is owned at 100% by the Government of Mauritius.

Corporate Governance Report

2.8.2 GROUP STRUCTURE

The Holding Structure of the Bank as at 30 June 2018 is shown below:



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

- Mr. Goolabchund Goburdhun
- Mr. Tamanah Appadu
- Ms. Vijaya Kumaree Sumputh
- Mr. Sridhar Nagarajan (Resigned on 21 September 2018)
- Mr. Radhakrishna Chellapermal

The Chief Executive Officer of the Bank is the only common director in the holding company.

2.8.3 SHAREHOLDERS DIARY

The last annual meeting was held on 13 December 2017. A Special Meeting of Shareholders was held on 18 June 2018 with regards the approval for the Capital Reduction exercise at the Bank.

2.8.3 STATEMENT OF COMPLIANCE

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

Statement of Compliance

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

Name of Public Interest Entity ("PIE"):	MauBank Ltd
Reporting Period :	Year ended 30 June 2018

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

DR D. PALIGADU
Director
On behalf of Board of Directors

MR J. CODABUX
Director
On behalf of Board of Directors

MR P. MUNGAR
Director and Chief Executive Officer
On behalf of Board of Directors

10 December 2018

Statement of management's responsibility for financial reporting

FOR THE YEAR ENDED 30 JUNE 2018

The financial statements for the Bank's operations presented in this Annual Report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Banking Act 2004, the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and Bank of Mauritius Guideline on Public Disclosure of Information have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through its sub committees such as the Audit Committee and the Conduct Review, Risk Management and Corporate Governance Committee, which comprise independent and non executive directors who are not officers or employees of the Bank, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant related party transactions.

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

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

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

DR D. PALIGADU
Director
On behalf of Board of Directors

MR J. CODABUX
Director
On behalf of Board of Directors

MR P. MUNGAR
Director and Chief Executive Officer
On behalf of Board of Directors

Date: 10 December 2018

Ebene 72201, Republic of Mauritius

Report from the Secretary

I certify, to the best of my knowledge and belief, that the Bank has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001, in terms of Section 166 (d), during the year ended 30 June 2018.

MS. ASHITI PROSAND
LLB (Hons), LLM in International Business Law, ACIS
Secretary

10 December 2018

Ebene, Republic of Mauritius

Independent auditors' report to the Shareholders of MauBank Ltd

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **MauBank Ltd** (the "Bank") and its subsidiary (collectively the "Group") set out on pages 38 to 135, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 30 June 2018, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Loans and Advances – Allowance for credit impairment	
Allowance for credit impairment on loans and advances at 30 June 2018 amount to MUR 324,103,853 which include charge to profit or loss for the year ended 30 June 2018 amounting to MUR 166,617,172. Due to the substantial amount of the loans and advances outstanding at the reporting date and the significance of the judgements applied, allowance for credit impairment on loans and advances is considered a key audit matter. The determination of assumptions for the measurement of impairment is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details on loans and advances and assumptions used in determining allowance for credit impairment are disclosed in Note 4 to the consolidated and separate financial statements. The most significant judgments are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used	Our audit procedures included among others: • Obtaining audit evidence in respect of key controls over the processes for impairment events identification and collateral valuation. • Inspecting the minutes of Credit Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment. • Challenging the methodologies applied by using our industry knowledge and experience. • Assessing the key changes in the assumptions against industry standards and historical data. • Obtaining audit evidence of management judgments and assumptions, especially focusing on the consistency of the approach. • Performing a risk-based test of loans and advances to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment. We found the assumptions used in determining the allowance for credit impairment and disclosures in the consolidated and separate financial statements to be appropriate.

Independent auditors' report to the Shareholders of MauBank Ltd (Cont'd)

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

The Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

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

The Banking Act 2004

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

The 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 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 Corporate Governance Report is consistent with the requirements of the Code.

Other information

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

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of directors for the consolidated and separate financial statements

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

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

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

Independent auditors' report to the Shareholders of MauBank Ltd (Cont'd)

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent auditors' report to the Shareholders of MauBank Ltd (Cont'd)

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

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

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

Deloitte

Deloitte
Chartered Accountants

R. Srinivasan

R. Srinivasa Sankar, FCA
Licensed by FRC

10 December 2018

Statements of financial position

AS AT 30 JUNE 2018

	Notes	The Group			The Bank		
		30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
		Rs	Rs	Rs	Rs	Rs	Rs
ASSETS							
Cash and cash equivalents	8(a)	**1,329,205,952**	1,010,739,364	1,698,430,216	**1,329,205,952**	1,010,739,364	1,698,430,216
Loans to and placements with banks	9	**314,467,714**	31,882,936	51,854,597	**314,467,714**	31,882,936	51,854,597
Derivative assets	29	**1,006,361**	4,713,177	-	**1,006,361**	4,713,177	-
Trading assets	10	**1,192,675,454**	2,104,995,098	3,586,299,612	**1,192,675,454**	2,104,995,098	3,586,299,612
Investment securities	11	**2,928,036,240**	2,451,527,737	2,289,211,089	**2,928,036,240**	2,451,527,737	2,289,211,089
Loans and advances to customers	12	**11,177,109,838**	16,356,199,941	15,878,082,285	**11,404,531,039**	16,596,257,505	16,132,282,752
Property, plant and equipment	13(a)	**1,791,989,667**	1,870,866,045	1,440,113,315	**1,541,772,716**	1,610,833,207	1,164,688,637
Intangible assets	13(b)	**220,608,500**	197,966,229	191,319,095	**220,608,500**	197,966,229	191,319,095
Investment properties	14	**66,460,000**	66,460,000	69,350,000	**66,460,000**	66,460,000	69,350,000
Investment in subsidiary	15	**-**	-	-	**100,000**	100,000	100,000
Current tax assets	38(c)	**1,621,967**	17,544,346	24,546,102	**836,872**	15,834,563	23,152,238
Deferred tax assets	38(d)	**380,941,082**	389,291,055	486,291,220	**380,128,812**	388,733,705	486,291,220
Receivable from fellow subsidiary	16	**5,097,577,730**	-	-	**5,097,577,730**	-	-
Other assets	17	**2,075,455,065**	1,713,994,660	2,765,791,542	**2,113,478,233**	1,749,873,721	2,791,054,015
Total assets		**26,577,155,570**	26,216,180,588	28,481,289,073	**26,590,885,623**	26,229,917,242	28,484,033,471
Liabilities							
Deposits from customers	18	**22,336,114,499**	21,942,251,035	28,213,435,943	**22,346,501,200**	21,949,484,950	28,217,283,658
Derivative liabilities	29	**531,529**	3,688,085	-	**531,529**	3,688,085	-
Other borrowed funds	19	**399,431,739**	330,578,652	420,260,638	**399,431,739**	330,578,652	420,260,638
Subordinated liabilities	20	**-**	162,622,782	162,657,647	**-**	162,622,782	162,657,647
Other liabilities	21	**676,545,270**	416,949,207	454,307,869	**675,999,158**	416,482,707	454,023,868
Retirement benefits obligations	22	**65,214,969**	98,413,385	63,516,816	**65,214,969**	98,413,385	63,516,816
Total liabilities		**23,477,838,006**	22,954,503,146	29,314,178,913	**23,487,678,595**	22,961,270,561	29,317,742,627
SHAREHOLDERS' EQUITY							
Stated capital	23	**2,466,420,956**	6,670,858,232	3,270,858,232	**2,466,420,956**	6,670,858,232	3,270,858,232
Statutory reserve	24	**1,619,995**	-	-	**1,619,995**	-	-
Retained earmings/(accumulated losses)	25	**135,936,241**	(4,071,936,443)	(4,204,437,276)	**130,793,712**	(4,073,999,197)	(4,205,256,592)
Net owned funds		**2,603,977,192**	2,598,921,789	(933,579,044)	**2,598,834,663**	2,596,859,035	(934,398,360)
General banking reserve	26	**90,709,840**	90,709,840	90,709,840	**90,709,840**	90,709,840	90,709,840
Fair value reserve	11(c)	**(21,739,662)**	145,675,619	-	**(21,739,662)**	145,675,619	-
Revaluation reserve	27	**426,370,194**	426,370,194	9,979,364	**435,402,187**	435,402,187	9,979,364
Total equity attributable to equity holders of the parent		**3,099,317,564**	3,261,677,442	(832,889,840)	**3,103,207,028**	3,268,646,681	(833,709,156)
Total liabilities and equity		**26,577,155,570**	26,216,180,588	28,481,289,073	**26,590,885,623**	26,229,917,242	28,484,033,471

The notes on pages 045 to 135 form an integral part of these financial statements.

Statements of financial position

AS AT

		The Group			The Bank		
	Notes	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
		Rs	Rs	Rs	Rs	Rs	Rs
Contingent liabilities							
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers	28(b)	**1,364,714,537**	1,533,123,885	1,663,288,741	**1,364,714,537**	1,533,123,885	1,663,288,741
Credit commitments	30	**2,617,580,952**	1,590,756,948	736,307,141	**2,617,580,952**	1,590,756,948	736,307,141

Approved by the Board of Directors and authorised for issue on 10 December 2018 and signed on its behalf by

DR D. PALIGADU
Director
On behalf of Board of Directors

MR J. CODABUX
Director
On behalf of Board of Directors

MR P. MUNGAR
Director and Chief Executive Officer
On behalf of Board of Directors

The notes on pages 045 to 135 form an integral part of these financial statements.

Statements of profit or loss and other comprehensive income

FOR THE YEAR ENDED

	Notes	The Group			The Bank		
		Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
		Rs	Rs	Rs	Rs	Rs	Rs
Interest income		**1,250,003,778**	1,392,054,011	1,245,262,981	**1,265,387,720**	1,408,830,982	1,263,476,995
Interest expense		**(534,955,443)**	(784,940,189)	(805,662,891)	**(534,955,443)**	(784,940,189)	(805,662,891)
Net interest income	31	**715,048,335**	607,113,822	439,600,090	**730,432,277**	623,890,793	457,814,104
Fee and commission income		**133,672,468**	121,792,549	94,994,204	**133,672,468**	121,792,549	94,994,204
Fee and commission expense		**(3,391,396)**	(3,293,164)	(3,645,556)	**(3,391,396)**	(3,293,164)	(3,645,556)
Net fee and commission income	32	**130,281,072**	118,499,385	91,348,648	**130,281,072**	118,499,385	91,348,648
Net trading income	33	**88,532,864**	83,285,245	53,333,933	**88,532,864**	83,285,245	53,333,933
Other income	34	**244,345,509**	169,584,888	21,532,306	**244,345,509**	169,584,888	21,532,306
		332,878,373	252,870,133	74,866,239	**332,878,373**	252,870,133	74,866,239
Operating income		**1,178,207,780**	978,483,340	605,814,977	**1,193,591,722**	995,260,311	624,028,991
Personnel expenses	36	**(449,362,844)**	(404,538,388)	(299,026,137)	**(449,362,844)**	(404,538,388)	(299,026,137)
Operating lease expenses	44	**(48,526,213)**	(66,671,969)	(51,123,261)	**(79,474,130)**	(97,619,888)	(82,071,180)
Depreciation and amortisation	13	**(151,069,547)**	(135,018,690)	(154,851,484)	**(141,155,402)**	(125,090,455)	(143,715,757)
Other expenses	37	**(321,473,899)**	(330,815,579)	(251,747,694)	**(320,527,924)**	(330,486,692)	(250,820,225)
Profit/(loss) before impairment and income tax		**207,775,277**	41,438,714	(150,933,599)	**203,071,422**	37,524,888	(151,604,308)
Net impairment (loss)/reversal on financial assets	35	**(166,617,172)**	139,275,093	(174,516,063)	**(166,617,172)**	139,275,093	(174,516,063)
Profit/(loss) after impairment but before income tax		**41,158,105**	180,713,807	(325,449,662)	**36,454,250**	176,799,981	(326,120,371)
Income tax (expense)/credit	38(b)	**(27,278,364)**	(38,105,190)	423,919,736	**(25,654,284)**	(35,434,802)	424,091,089
Profit for the year attributable to equity holders of the parent	39	**13,879,741**	142,608,617	98,470,074	**10,799,966**	141,365,179	97,970,718
Earnings per share	40	**0.00**	0.03	0.05	**0.00**	0.03	0.05

The notes on pages 045 to 135 form an integral part of these financial statements.

Statements of profit or loss and other comprehensive income

FOR THE YEAR ENDED (CONTD)

	Notes	The Group			The Bank		
		Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
		Rs	Rs	Rs	Rs	Rs	Rs
Profit for the year		**13,879,741**	142,608,617	98,470,074	**10,799,966**	141,365,179	97,970,718
Other comprehensive (loss)/ income:							
Items that will not be reclassified subsequently to profit or loss							
Gain on revaluation of property, plant and equipment		**-**	478,733,886	-	**-**	489,615,805	-
Deferred tax on revaluation of property, plant and equipment		**-**	(62,343,056)	-	**-**	(64,192,982)	-
Actuarial loss for the year	22(iii)	**(10,631,732)**	(12,178,053)	(13,066,137)	**(10,631,732)**	(12,178,053)	(13,066,137)
Deferred tax on actuarial loss	38	**1,807,394**	2,070,269	2,221,243	**1,807,394**	2,070,269	2,221,243
Items that may be classified subsequently to profit or loss:							
Change in fair value of available-for-sale financial assets	11	**(167,415,281)**	145,675,619	(98,410)	**(167,415,281)**	145,675,619	(98,410)
Other comprehensive (loss)/ income for the year, net of tax		**(176,239,619)**	551,958,665	(10,943,304)	**(176,239,619)**	560,990,658	(10,943,304)
Total comprehensive (loss)/income for the year attributable to equity holders of the parent		**(162,359,878)**	694,567,282	87,526,770	**(165,439,653)**	702,355,837	87,027,414
Transfer to Statutory Reserve	24	**(1,619,995)**	-	-	**(1,619,995)**	-	-

Approved by the Board of Directors and authorised for issue on 10 December 2018 and signed on its behalf by

DR D. PALIGADU
Director
On behalf of Board of Directors

MR J. CODABUX
Director
On behalf of Board of Directors

MR P. MUNGAR
Director and Chief Executive Officer
On behalf of Board of Directors

The notes on pages 045 to 135 form an integral part of these financial statements.

Statements of changes in equity

FOR THE YEAR ENDED

	Stated Capital	Statutory Reserve	Retained earnings	General Banking Reserve	Fair Value Reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Group							
At 01 July 2017	**6,670,858,232**	**-**	**(4,071,936,443)**	**90,709,840**	**145,675,619**	**426,370,194**	**3,261,677,442**
Capital reduction (Note 23)	**(4,204,437,276)**		**4,204,437,276**				**-**
Profit for the year	**-**	**-**	**13,879,741**	**-**	**-**	**-**	**13,879,741**
Transfer to statutory reserve (Note 24)	**-**	**1,619,995**	**(1,619,995)**	**-**	**-**	**-**	**-**
Change in fair value of available-for-sale financial assets	**-**	**-**	**-**	**-**	**(167,415,281)**	**-**	**(167,415,281)**
Actuarial loss for the year	**-**	**-**	**(10,631,732)**	**-**	**-**	**-**	**(10,631,732)**
Deferred tax on actuarial loss	**-**	**-**	**1,807,394**	**-**	**-**	**-**	**1,807,394**
At 30 June 2018	**2,466,420,956**	**1,619,995**	**135,936,241**	**90,709,840**	**(21,739,662)**	**426,370,194**	**3,099,317,564**
The Group							
At 01 July 2016	3,270,858,232	-	(4,204,437,276)	90,709,840	-	9,979,364	(832,889,840)
Issue of ordinary shares (Note 23)	3,400,000,000	-	-	-	-	-	3,400,000,000
Profit for the year	-	-	142,608,617	-	-	-	142,608,617
Gain on revaluation of property, plant and equipment	-	-	-	-	-	478,733,886	478,733,886
Deferred tax on revaluation of property, plant and equipment	-	-	-	-	-	(62,343,056)	(62,343,056)
Gain on fair value of available-for-sale financial assets	-	-	-	-	145,675,619	-	145,675,619
Actuarial loss for the year	-	-	(12,178,053)	-	-	-	(12,178,053)
Deferred tax on actuarial loss	-	-	2,070,269	-	-	-	2,070,269
At 30 June 2017	6,670,858,232	-	(4,071,936,443)	90,709,840	145,675,619	426,370,194	3,261,677,442
The Group							
At 01 July 2015	1,136,962,400	-	(1,075,884,712)	90,709,840	98,410	9,979,364	161,865,302
Issue of ordinary shares (Note 23)	2,133,895,832	-	-	-	-	-	2,133,895,832
Adjustment on transfer of undertaking (Note 46)	-	-	(3,216,177,744)	-	-	-	(3,216,177,744)
Profit for the year	-	-	98,470,074	-	-	-	98,470,074
Reversal of gain on fair value of available-for-sale financial assets	-	-	-	-	(98,410)	-	(98,410)
Actuarial loss for the year	-	-	(13,066,137)	-	-	-	(13,066,137)
Deferred tax on actuarial loss	-	-	2,221,243	-	-	-	2,221,243
At 30 June 2016	**3,270,858,232**	**-**	**(4,204,437,276)**	**90,709,840**	**-**	**9,979,364**	**(832,889,840)**

The notes on pages 045 to 135 form an integral part of these financial statements.

Statements of changes in equity

FOR THE YEAR ENDED (CONTD)

	Stated Capital	Statutory Reserve	Retained earnings	General Banking Reserve	Fair Value Reserve	Revaluation Reserve	Total equity attributable to equity holders of the parent
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Bank							
At 01 July 2017	**6,670,858,232**	**-**	**(4,073,999,197)**	**90,709,840**	**145,675,619**	**435,402,187**	**3,268,646,681**
Capital reduction (Note 23)	**(4,204,437,276)**	**-**	**4,204,437,276**	**-**	**-**	**-**	**-**
Profit for the year	**-**	**-**	**10,799,966**	**-**	**-**	**-**	**10,799,966**
Transfer to statutory reserve (Note 24)	**-**	**1,619,995**	**(1,619,995)**	**-**	**-**	**-**	**-**
Change in fair value of available-for-sale financial assets	**-**	**-**	**-**	**-**	**(167,415,281)**	**-**	**(167,415,281)**
Actuarial loss for the year	**-**	**-**	**(10,631,732)**	**-**	**-**	**-**	**(10,631,732)**
Deferred tax on actuarial loss	**-**	**-**	**1,807,394**	**-**	**-**	**-**	**1,807,394**
At 30 June 2018	**2,466,420,956**	**1,619,995**	**130,793,712**	**90,709,840**	**(21,739,662)**	**435,402,187**	**3,103,207,028**
The Bank							
At 01 July 2016	3,270,858,232	-	(4,205,256,592)	90,709,840	-	9,979,364	(833,709,156)
Issue of ordinary shares (Note 23)	3,400,000,000	-	-	-	-	-	3,400,000,000
Profit for the year	-	-	141,365,179	-	-	-	141,365,179
Gain on revaluation of property, plant and equipment	-	-	-	-	-	489,615,805	489,615,805
Deferred tax on revaluation of property, plant and equipment	-	-	-	-	-	(64,192,982)	(64,192,982)
Gain on fair value of available-for-sale financial assets	-	-	-	-	145,675,619	-	145,675,619
Actuarial loss for the year	-	-	(12,178,053)	-	-	-	(12,178,053)
Deferred tax on actuarial loss	-	-	2,070,269	-	-	-	2,070,269
At 30 June 2017	6,670,858,232	-	(4,073,999,197)	90,709,840	145,675,619	435,402,187	3,268,646,681
The Bank							
At 01 July 2015	1,136,962,400	-	(1,076,204,672)	90,709,840	98,410	9,979,364	161,545,342
Issue of ordinary shares (Note 23)	2,133,895,832	-	-	-	-	-	2,133,895,832
Adjustment on transfer of undertaking (Note 46)	-	-	(3,216,177,744)	-	-	-	(3,216,177,744)
Profit for the year	-	-	97,970,718	-	-	-	97,970,718
Reversal of gain on fair value of available-for-sale financial assets	-	-	-	-	(98,410)	-	(98,410)
Actuarial loss for the year	-	-	(13,066,137)	-	-	-	(13,066,137)
Deferred tax on actuarial loss	-	-	2,221,243	-	-	-	2,221,243
At 30 June 2016	**3,270,858,232**	**-**	**(4,205,256,592)**	**90,709,840**	**-**	**9,979,364**	**(833,709,156)**

The notes on pages 045 to 135 form an integral part of these financial statements.

Cash flow statements for the year ended

	Notes	The Group			The Bank		
		Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
		Rs	Rs	Rs	Rs	Rs	Rs
Cash from operating activities							
Profit/(loss) before income tax		**41,158,105**	180,713,807	(325,449,662)	**36,454,250**	176,799,981	(326,120,371)
Adjustments for:							
Impairment losses on loans and advances	35	**180,266,854**	(102,911,900)	174,516,063	**180,266,854**	(102,911,900)	174,516,063
Depreciation	13(a)	**107,189,283**	100,795,450	118,004,905	**97,275,138**	90,867,215	106,869,178
Amortisation	13(b)	**43,880,264**	34,223,240	36,846,579	**43,880,264**	34,223,240	36,846,579
(Profit)/loss on disposal of property, plant and equipment	34	**(416,308)**	(1,160,284)	(553,314)	**(416,308)**	(1,160,284)	(553,314)
Loss/(profit) on revaluation of trading assets	34	**3,527,975**	3,231,340	(4,329,624)	**3,527,975**	3,231,340	(4,329,624)
Revaluation of investment properties	14	**-**	2,890,000	-	**-**	2,890,000	-
Retirement benefit obligations		**(43,830,148)**	22,718,516	4,447,231	**(43,830,148)**	22,718,516	4,447,231
		331,776,025	240,500,169	3,482,178	**317,158,025**	226,658,108	(8,324,258)
Changes in operating assets and liabilities							
Decrease/(increase) in trading assets		**908,791,669**	1,478,073,174	(2,754,285,276)	**908,791,669**	1,478,073,174	(2,754,285,276)
Decrease/(Increase) in derivative		**550,260**	(1,025,092)	-	**550,260**	(1,025,092)	-
Decrease/(Increase) in loans and advances to customers		**4,998,823,249**	(375,205,756)	1,424,044,584	**5,011,459,612**	(361,062,853)	1,437,140,395
Increase in receivable from fellow subsidiary	16	**(5,097,577,729)**	-	-	**(5,097,577,729)**	-	-
Increase/(decrease) in deposits from customers		**393,863,464**	(6,271,184,908)	(1,361,218,160)	**397,016,250**	(6,267,798,708)	(1,358,927,128)
(Increase)/decrease in other assets		**(361,584,006)**	1,051,796,882	29,851,114	**(363,728,113)**	1,041,180,294	5,047,097
Increase/(decrease) in other liabilities		**259,596,063**	(37,358,662)	(195,576,149)	**259,516,451**	(37,541,161)	(195,511,210)
Cash generated from/(used in) operations		**1,434,238,995**	(3,914,404,193)	(2,853,701,709)	**1,433,186,425**	(3,921,516,238)	(2,874,860,380)
Tax paid	38(c)	**(3,618,469)**	(2,528,294)	(56,817,878)	**(955,269)**	(834,563)	(55,252,661)
Tax refund received	38(c)	**2,543,451**	8,152,238	-	**834,563**	8,152,238	-
Contribution to CSR activities	38(c)	**-**	-	(6,616,021)	**-**	-	(6,616,021)
Net cash from/(used in) operating activities		**1,433,163,977**	(3,908,780,249)	(2,917,135,608)	**1,433,065,719**	(3,914,198,563)	(2,936,729,062)
Cash from investing activities							
(Increase)/decrease in securities		**(643,923,784)**	(16,641,029)	129,025,899	**(643,923,784)**	(16,641,029)	129,025,899
Placements with correspondent banks		**(282,584,778)**	19,971,661	(47,622,764)	**(282,584,778)**	19,971,661	(47,622,764)
Acquisition of property, plant and equipment	13(a)	**(29,107,465)**	(54,219,052)	(75,440,254)	**(29,009,207)**	(48,800,738)	(55,846,800)
Acquisition of intangibles	13(b)	**(66,522,535)**	(40,870,374)	(60,202,570)	**(66,522,535)**	(40,870,374)	(60,202,570)
Proceeds from disposal of property, plant and equipment		**1,210,868**	2,565,042	2,821,739	**1,210,868**	2,565,042	2,821,739
Net cash (used in)/from investing activities		**(1,020,927,694)**	(89,193,752)	(51,417,950)	**(1,020,829,436)**	(83,775,438)	(31,824,496)
Cash from financing activities							
Decrease in other borrowed funds	8(b)	**68,853,087**	(89,681,986)	(92,180,210)	**68,853,087**	(89,681,986)	(92,180,210)
Proceeds from issue of shares		**-**	3,400,000,000	1,600,000,000	**-**	3,400,000,000	1,600,000,000
(Decrease)/increase in subordinated liabilities	8(b)	**(162,622,782)**	(34,865)	20,661	**(162,622,782)**	(34,865)	20,661
Net cash (used in)/from financing activities		**(93,769,695)**	3,310,283,149	1,507,840,451	**(93,769,695)**	3,310,283,149	1,507,840,451
Net increase/(decrease) in cash and cash equivalents		**318,466,588**	(687,690,852)	(1,460,713,107)	**318,466,588**	(687,690,852)	(1,460,713,107)
Cash and cash equivalents, at start of the year		**1,010,739,364**	1,698,430,216	1,348,161,042	**1,010,739,364**	1,698,430,216	1,348,161,042
Cash acquired on transfer of undertaking	46	**-**	-	1,810,982,281	**-**	-	1,810,982,281
Cash and cash equivalents, at end of the year	8	**1,329,205,952**	1,010,739,364	1,698,430,216	**1,329,205,952**	1,010,739,364	1,698,430,216

The notes on pages 045 to 135 form an integral part of these financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

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

MauBank Ltd (formerly known as Mauritius Post and Cooperative Bank Ltd "MPCB") or the "Bank" has on the 04 January 2016, acquired the assets and liabilities of the National Commercial Bank Ltd (NCB) from MauBank Holdings Ltd pursuant to a transfer of undertaking carried out as per the provisions of Section 32 A of the Banking Act 2004.

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

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

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

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

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

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

In the current year, the Group and the Bank have applied all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2017.

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

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

IAS 7 Statement of Cash Flows - Amendments as a result of the Disclosure initiative

The Group and the Bank have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. A reconciliation between opening and closing balances of these items is provided in note 8(b).

IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses

IFRS 12 Disclosure of Interests in Other Entities - Amendments resulting from Annual Improvements 2014-2016 Cycle (Clarifying scope)

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

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

2.2 New and revised Standards in issue but not yet effective

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

IAS 12	Income Taxes - Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)
IAS 19	Employee Benefits - Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest (effective 1 January 2019)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
IFRS 9	Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective 1 January 2018)
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associates or joint venture (effective date deferred indefinitively)
IFRS 15	Revenue from Contracts with Customers - Original issue (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers - Clarifications to IFRS 15 (effective 1 January 2018)
IFRS 16	Leases - Original issue (effective 1 January 2019)
IFRIC 22	Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
IFRIC 23	Uncertainty over Income Tax Treatments (effective 1 January 2019)

The directors anticipate that these amendments will be applied in the Group's and the Bank's financial statements at the above effective dates in future periods. Except for the impact of IFRS 9, which is as detailed below, the directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

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

2.2 New and revised Standards in issue but not yet effective (Contd)

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an entity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

Based on analysis of the Bank's financial assets and financial liabilities as at 30 June 2018 on the facts and circumstances that exist as at date, the directors of the Bank have assessed the impact of IFRS 9 to the financial statements as follows:

Impairment

Financial assets measured at amortised cost will be subject to impairment provisions of IFRS 9. The Bank expects to apply the expected credit losses approach as required by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Overall considerations

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

3.2 Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.3 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.4 Cash and cash equivalents

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

3.5 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are measured as described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

· loans and receivables;

· financial assets at fair value through profit or loss;

· held-to-maturity investments; and

· available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than: (a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading; or (b) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest rate method. The Group's cash and cash equivalents, loans to and placements with banks, loans and advances and other assets fall into this category of financial assets. Interest on loans and advances is included in the statement of profit or loss and other comprehensive income and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the credit facility and recognised in the statement of profit or loss and other comprehensive income as 'net impairment loss on financial assets'.

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Treasury bills are classified as financial assets at fair value through profit or loss. They are initially measured at fair value. Subsequently, they are remeasured to fair value with the unrealised gains and losses on revaluation included in the statement of profit or loss and other comprehensive income under other income/expenses. Interest accrued on securities classified as financial assets at fair value through profit or loss is accounted for in the statement of profit or loss and other comprehensive income as interest income.

The Group uses derivatives such as forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value are included in net trading income

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.5 Financial instruments (Contd)

Classification and subsequent measurement of financial assets (Contd)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. If the Group was to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale. Held-to-maturity investments comprise government stocks, treasury notes, treasury bills, placements with overseas banks and other investments. They are measured at amortised cost, less any impairment losses. Accrued interest income on held-to-maturity investments is accounted for in the statement of profit or loss and other comprehensive income as interest income.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include Treasury Bills.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for interest income and impairment losses which are recognised in profit or loss.

Other securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method is recognised in the consolidated statement of profit or loss and other comprehensive income within "interest income".

Classification and subsequent measurement of financial liabilities

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

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

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

3.6 Offsetting financial instruments

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.7 Provision for impairment losses

(i) Loans and advances are stated net of provisions for impairment losses. An allowance for credit losses is established if there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms of the loan agreement.

(ii) Provisions for impairment losses are made up of specific allowance and portfolio allowance.

(a) Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the prevailing effective interest rate of the advance. Loans and advances that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are set to normal status only after they have been properly serviced for a period of three consecutive months.

(b) A portfolio allowance for credit impairment is maintained on the aggregate amount of all loans and advances to allow for potential losses not specifically identified. The portfolio allowance is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as on current economic and other relevant conditions. The Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition prescribes that the portfolio allowance should be no less than 1 per cent of the aggregate amount of loans and advances excluding loans granted to or guaranteed by the Government of Mauritius and excluding loans to the extent that they are supported by collateral of liquid assets held by the Group.

In addition, as per the requirements of the Guideline on Additional Macroprudential Measures for the Banking Sector issued by the Bank of Mauritius in October 2013 and with effect from 01 July 2014, the Group has also provided for an additional allowance of 0.5 per cent on all its loans and advances classified under the housing sector and 1.0 per cent under construction, tourism and personal sectors.

The charge for portfolio allowance is recognised in the statement of profit or loss and other comprehensive income.

(iii) General provision: a general provision is designed to cover potential losses that are not captured in the provisions for individually assessed loans and 'portfolio' loans and is treated under equity as a General Banking Reserve. Such reserve is not distributable.

(iv) All impaired loans are reviewed and analysed at each reporting date. A provision for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the loan agreement.

(v) A write off is made when all or part of a loan is deemed uncollectible. Write-offs are charged against provisions and subsequent recoveries, in part or in full of amounts previously written-off, are credited to "Bad debts recovered" in the statement of profit or loss and other comprehensive income.

(vi) In compliance with the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, when a borrower misses a contractual instalment on interest or principal, his loan is designated for an assessment of the degree of impairment and this assessment must be completed within 60 days of the first indication of impairment.

(vii) **Agricultural credits**

Payments of principal and interest on agricultural credits are aligned with the timing of the harvest. Instalments on loans and advances are payable so as to coincide with proceeds received, which are receivable after the end of the harvest season. Agricultural credits are treated as impaired only if payment is not received three months after the end of the harvest season.

(viii) **Renegotiated loans**

Loans and advances that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are set to normal status only after they have been properly serviced for a period of three consecutive months.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.8 Property, plant and equipment

Freehold land and buildings

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

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

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

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

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

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

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

Computer and office equipment	**10% - 25%**
Furniture and fittings	**14%**
Motor vehicles	**20%**

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

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

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.9 Intangibles

Computer software is stated at cost less accumulated amortisation. Computer software is amortised on a straight line basis over its estimated useful life of 4 to 10 years.

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

3.10 Investment property

Investment properties are properties held to earn rental and/or for capital appreciation, and are accounted for using the fair value model. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. The valuation is done every 3 years. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

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

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

3.11 Investment in subsidiary

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.12 Interest income and expense

Interest income and expense are recognised in the statement of profit or loss and other comprehensive income for all interest bearing instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

3.13 Fees and commissions

Fees and commissions are recognised on accrual basis, when the service has been provided, unless collectability is in doubt.

3.14 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

3.15 Income taxes

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

(a) Current tax

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

(b) Deferred taxation

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

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

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

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.15 Income taxes (Contd)

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

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

(d) Special Levy

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

3.16 Retirement and other post retirement benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

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

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

The Bank carries out an actuarial valuation every year.

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

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

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

(c) State plan

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

3.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. At the time of the effective payment, the provision is deducted from the corresponding expenses.

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.18 Leases

(a) The Group as a lessor

Finance leases

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

Operating leases

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

(b) The Group as a lessee

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

3.19 Segment reporting

The Group's business is organised under two segments, namely Segment A and Segment B. Segment B relates to the banking business that gives rise to "foreign sourced income". All other banking businesses are classified under Segment A. For the years ended 30 June 2016, 30 June 2017 and 30 June 2018, information on Segment B was not significant in relation to the entire business of the Group and was consequently not disclosed (Note 45).

3.20 Repossessed property

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

3.21 Acceptances

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

3.22 Guarantees

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

3.23 Off-balance sheet arrangements

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

3.24 Hedging

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

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

Fair value hedges

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

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

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

Derivative financial instruments

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

3.25 Impairment of assets

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

3.26 Equity

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

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

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

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

Other reserves represent statutory and non-statutory reserves.

3.27 Related parties

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

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

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

Significant management judgement

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

(i) *Held-to-maturity investments*

In accordance with guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

(ii) *Recognition of deferred tax assets*

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

(iii) *Going concern assumption*

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

Also refer to note 42.

Estimation uncertainty

(i) *Specific allowance for credit impairment*

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

(ii) *Portfolio allowance for credit impairment*

The portfolio allowance for credit impairment is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as management estimate of the impact of current economic and other relevant conditions on the recoverability of the loans and advances portfolio.

(iii) *Useful lives of depreciable assets*

Management reviews its estimates of the useful lives of depreciated assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(iv) *Fair value measurement*

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

(v) *Limitation of sensitivity analysis*

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

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

Estimation uncertainty (contd)

(vi) Provision for retirement benefit

Retirement benefit obligation has been valued by Actuary on accounting estimated and as per provision of the Employment Rights Act 2008. Management considers that they have used its best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

5 FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets						
Financial assets at fair value through profit or loss:						
Derivative assets	**1,006,361**	4,713,177	-	**1,006,361**	4,713,177	-
Trading assets	**1,192,675,454**	2,104,995,098	3,586,299,612	**1,192,675,454**	2,104,995,098	3,586,299,612
Held-to-maturity investments:						
Government securities	**-**	-	2,286,868,865	**-**	-	2,286,868,865
Available-for-sale financial assets						
Government securities	**2,903,627,049**	2,426,640,674	-	**2,903,627,049**	2,426,640,674	-
Other securities	**24,409,191**	24,887,063	2,342,224	**24,409,191**	24,887,063	2,342,224
	2,928,036,240	2,451,527,737	2,342,224	**2,928,036,240**	2,451,527,737	2,342,224
Loans and receivables:						
Cash and cash equivalents	**1,329,205,952**	1,010,739,364	1,698,430,216	**1,329,205,952**	1,010,739,364	1,698,430,216
Loans to and placements with banks	**314,467,714**	31,882,936	51,854,597	**314,467,714**	31,882,936	51,854,597
Loans and advances to customers	**11,177,109,838**	16,356,199,941	15,878,082,285	**11,404,531,039**	16,596,257,505	16,132,282,752
Receivable from fellow subsidiary	**5,097,577,730**	-	-	**5,097,577,730**	-	-
Other assets	**230,352,809**	116,917,965	340,286,543	**268,375,979**	154,238,669	370,873,563
	18,148,714,043	17,515,740,206	17,968,653,641	**18,414,158,414**	17,793,118,474	18,253,441,128
Total financial assets	**22,270,432,098**	22,076,976,218	23,844,164,342	**22,535,876,469**	22,354,354,486	24,128,951,829
Financial liabilities						
Financial liabilities at fair value through profit or loss:						
Derivative liabilities	**531,529**	3,688,085	-	**531,529**	3,688,085	-
Financial liabilities measured at amortised cost:						
Deposits from customers	**22,336,114,499**	21,942,251,035	28,213,435,943	**22,346,501,200**	21,949,484,950	28,217,283,658
Other borrowed funds	**399,431,739**	330,578,652	420,260,638	**399,431,739**	330,578,652	420,260,638
Subordinated liabilities	**-**	162,622,782	162,657,647	**-**	162,622,782	162,657,647
Other liabilities	**670,972,416**	416,618,996	453,248,198	**670,822,416**	416,152,496	452,964,198
	23,406,518,654	22,852,071,465	29,249,602,426	**23,416,755,355**	22,858,838,880	29,253,166,141
Total financial liabilities	**23,407,050,183**	22,855,759,550	29,249,602,426	**23,417,286,884**	22,862,526,965	29,253,166,141

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

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

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

5.1 Credit risk analysis

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

5.1.1 Credit risk measurement

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

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.1 Credit risk measurement (Contd)

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

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

5.1.2 Risk limit, control and mitigation policies

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.2 Risk limit, control and mitigation policies (Contd)

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Group and the Bank on behalf of a customer authorising a third party to draw drafts on the Group and the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

5.1.3 Impairment and provisioning policies

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

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

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

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

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

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

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	**1,150,303,600**	759,505,060	1,346,593,629	**1,150,303,600**	759,505,060	1,346,593,629
Loans to and placements with banks	**314,467,714**	31,882,936	51,854,597	**314,467,714**	31,882,936	51,854,597
Derivative assets	**1,006,361**	4,713,177	-	**1,006,361**	4,713,177	-
Trading assets	**1,192,675,454**	2,104,995,098	3,586,299,612	**1,192,675,454**	2,104,995,098	3,586,299,612
Investment securities	**2,928,036,240**	2,451,527,737	2,289,211,089	**2,928,036,240**	2,451,527,737	2,289,211,089
Loans and advances to customers	**11,177,109,838**	16,356,199,941	15,878,082,285	**11,404,531,039**	16,596,257,505	16,132,282,752
Receivable from fellow subsidiary	**5,097,577,730**	-	-	**5,097,577,730**	-	-
Other assets*	**230,352,809**	116,917,965	340,286,543	**268,375,979**	154,238,669	370,873,563
	22,091,529,746	21,825,741,914	23,492,327,755	**22,356,974,117**	22,103,120,182	23,777,115,242

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

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

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers	**1,364,714,537**	1,533,123,885	1,663,288,741	**1,364,714,537**	1,533,123,885	1,663,288,741
Credit commitments	**2,617,580,952**	1,590,756,948	736,307,141	**2,617,580,952**	1,590,756,948	736,307,141

The above table represents credit risk exposure to the Group and the Bank as at 30 June 2018, 30 June 2017 and 30 June 2016, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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

- **79.07%** (2017:89.09%; 2016: 93.30%) of the loans and advances portfolio is backed by collaterals:
- **82.27%** (2017:50.07%; 2016: 57.91%) of the loans and advances portfolio is considered to be neither past due nor impaired; and
- of the **Rs 2,077Mn** (2017: Rs 9,221Mn; 2016: Rs 7,621Mn) loans and advances assessed on an individual basis, **Rs 703Mn** (2017:Rs 5,963Mn; 2016: Rs 4,668Mn) is considered impaired.

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.5 Loans and advances

Loans and advances are summarised as follows:

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Neither past due nor impaired	**9,424,436,853**	9,005,334,289	10,230,990,229	**9,651,858,054**	9,245,391,853	10,485,190,696
Past due but not impaired	**1,377,885,708**	3,257,900,324	2,953,056,511	**1,377,885,708**	3,257,900,324	2,953,056,511
Individually impaired	**698,891,130**	5,963,341,700	4,667,983,922	**698,891,130**	5,963,341,700	4,667,983,922
Gross amount	**11,501,213,691**	18,226,576,313	17,852,030,662	**11,728,634,892**	18,466,633,877	18,106,231,129
Less allowance for credit impairment	**(324,103,853)**	(1,870,376,372)	(1,973,948,377)	**(324,103,853)**	(1,870,376,372)	(1,973,948,377)
Net amount	**11,177,109,838**	16,356,199,941	15,878,082,285	**11,404,531,039**	16,596,257,505	16,132,282,752

At 30 June 2018, the total impairment provision for loans and advances was **Rs 324,103,853** (2017: Rs 1,870,376,372 and 2016: Rs 1,973,948,377) of which **Rs 147,243,528** (2017: Rs 1,669,610,494 and 2016: Rs 1,773,577,417) represented the specific provision on impaired loans and the remaining amount of **Rs 176,860,325** (2017: Rs 200,765,878 and 2016: Rs 200,370,960) represented the portfolio provision and restructuring allowance. Further information on the allowance for credit impairment on loans and advances are provided in Note 12.

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

(a) ***Loans and advances past due but not impaired***

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Past due up to 90 days	**1,377,885,708**	3,110,707,453	2,724,346,990
Past due 91-180 days	**-**	147,112,740	119,413,826
Past due more than 180 days	**-**	80,131	109,295,695
	1,377,885,708	3,257,900,324	2,953,056,511

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.5 Loans and advances (Contd)

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

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

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
Individually impaired loans	**698,891,130**	5,963,341,700	4,667,983,922
Fair value of collaterals	**1,624,146,969**	9,788,195,977	6,350,226,702

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

The Group and the Bank

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status only if the account is properly serviced for a period of three months. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled **Rs 333,998,897** (30 June 2017: Rs 480,455,097 and 30 June 2016: Rs 363,807,269) for the period under review.

5.1.6 Repossessed collaterals

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

Nature of assets

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
Land	**12,400,000**	1,920,000	11,225,000

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1 Credit risk analysis (Contd)

5.1.7 Concentration of loans and advances with credit risk exposure

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

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Agriculture and Fishing	**1,159,785,684**	726,991,832	456,010,032	**1,159,785,684**	726,991,832	456,010,032
Manufacturing	**560,217,678**	1,379,539,441	1,285,326,979	**560,217,678**	1,379,539,441	1,285,326,979
Tourism	**1,140,970,797**	2,189,304,920	1,849,655,427	**1,140,970,797**	2,189,304,920	1,849,655,427
Transport	**319,278,373**	409,138,052	538,795,960	**319,278,373**	409,138,052	538,795,960
Construction	**3,394,685,709**	7,088,001,098	7,356,009,669	**3,622,106,910**	7,328,058,662	7,610,210,136
Financial and Business Services	**1,423,094,383**	950,357,151	189,282,765	**1,423,094,383**	950,357,151	189,282,765
Traders	**1,126,165,789**	2,492,488,024	2,564,335,752	**1,126,165,789**	2,492,488,024	2,564,335,752
New Economy	**24,501,954**	56,868,921	64,231,830	**24,501,954**	56,868,921	64,231,830
Personal	**1,013,576,507**	1,349,356,505	1,588,033,084	**1,013,576,507**	1,349,356,505	1,588,033,084
Education	**202,413,003**	259,719,055	276,964,063	**202,413,003**	259,719,055	276,964,063
Professional	**32,219,808**	134,665,382	163,430,666	**32,219,808**	134,665,382	163,430,666
Others	**1,104,304,006**	1,190,145,932	1,519,954,435	**1,104,304,006**	1,190,145,932	1,519,954,435
	11,501,213,691	18,226,576,313	17,852,030,662	**11,728,634,892**	18,466,633,877	18,106,231,129

5.1.8 Country risk management

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

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

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.1.8 Country risk management (Contd)

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

At 30 June 2016, 60.30% of the risk weighted exposures were in AA+ countries, 30.62% were in AA countries and the remaining 9.08% spread between AA- to BBB-. The highest exposures were in North America represented by 61.46%, 34.61% were found in Europe and the remaining were spread between Africa and East Asia/India/Middle East, 2.21% and 1.72% respectively.

5.2 Market risk analysis

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

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

5.2.1 Foreign currency sensitivity

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

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

The Subsidiary is not exposed to any foreign currency risk since it did not have any financial assets or financial liabilities denominated in foreign currencies as at 30 June 2018.

The Group's reporting currency is the Mauritian Rupee (MUR) but it has assets, liabilities, income and expenses in other currencies. The following table summarises the Group's exposure to the foreign exchange rate risk at 30 June 2018, 30 June 2017 and 30 June 2016.

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2018 (The Group)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	324,083	108,341	835,467	26,483	34,832	1,329,206
Loans to and placements with banks	-	-	282,542	25,183	6,743	314,468
Derivative assets	1,006	-	-	-	-	1,006
Trading assets	1,192,675	-	-	-	-	1,192,675
Investment securities	2,927,316	-	720	-	-	2,928,036
Loans and advances to customers	10,263,365	695,103	318,204	224,482	61	11,501,215
Receivable from fellow subsidiary	5,097,578	-	-	-	-	5,097,578
Other assets	198,185	6,075	26,093	-	-	230,353
Total assets	20,004,208	809,519	1,463,026	276,148	41,636	22,594,537
Less allowance for credit impairment	(324,104)	-	-	-	-	(324,104)
	19,680,104	809,519	1,463,026	276,148	41,636	22,270,433
Liabilities						
Deposits from customers	19,746,946	576,231	1,751,881	222,205	38,851	22,336,114
Derivative liabilities	532	-	-	-	-	532
Other borrowed funds	150,280	249,152	-	-	-	399,432
Other liabilities	662,823	2,509	4,063	1,486	91	670,972
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	20,560,581	827,892	1,755,944	223,691	38,942	23,407,050
Net on-balance sheet position	(880,477)	(18,373)	(292,918)	52,457	2,694	(1,136,617)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,364,715
Credit commitments						2,617,581
Total off-balance sheet amount						3,982,296

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2016 (The Group)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	1,322,252	84,636	218,205	57,446	15,891	1,698,430
Loans to and placements with banks	35,636	-	-	-	16,219	51,855
Trading assets	3,586,300	-	-	-	-	3,586,300
Investment securities	2,288,491	-	720	-	-	2,289,211
Loans and advances to customers	16,184,120	875,376	601,018	191,516	-	17,852,030
Other assets	154,730	57,924	90,384	37,249	-	340,287
Total assets	23,571,529	1,017,936	910,327	286,211	32,110	25,818,113
Less allowance for credit impairment	(1,973,948)	-	-	-	-	(1,973,948)
	21,597,581	1,017,936	910,327	286,211	32,110	23,844,165
Liabilities						
Deposits from customers	26,208,550	687,270	1,096,671	194,061	26,884	28,213,436
Other borrowed funds	17,971	347,350	6,733	48,207	-	420,261
Other liabilities	392,281	6,341	12,627	41,902	97	453,248
Subordinated liabilities	162,658	-	-	-	-	162,658
Total liabilities	26,781,460	1,040,961	1,116,031	284,170	26,981	29,249,603
Net on-balance sheet position	(5,183,879)	(23,025)	(205,704)	2,041	5,129	(5,405,438)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,663,289
Credit commitments						736,307
Total off-balance sheet amount						2,399,596

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2018 (The Bank)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	324,083	108,341	835,467	26,483	34,832	1,329,206
Loans to and placements with banks	-	-	282,542	25,183	6,743	314,468
Derivative assets	1,006	-	-	-	-	1,006
Trading assets	1,192,675	-	-	-	-	1,192,675
Investment securities	2,927,316	-	720	-	-	2,928,036
Loans and advances to customers	10,490,785	695,103	318,204	224,482	61	11,728,635
Receivable from fellow subsidiary	5,097,578	-	-	-	-	5,097,578
Other assets	236,208	6,075	26,093	-	-	268,376
Total assets	20,269,651	809,519	1,463,026	276,148	41,636	22,859,980
Less allowance for credit impairment	(324,104)	-	-	-	-	(324,104)
	19,945,547	809,519	1,463,026	276,148	41,636	22,535,876
Liabilities						
Deposits from customers	19,757,333	576,231	1,751,881	222,205	38,851	22,346,501
Derivative liabilities	532	-	-	-	-	532
Other borrowed funds	150,280	249,152	-	-	-	399,432
Other liabilities	662,673	2,509	4,063	1,486	91	670,822
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	20,570,818	827,892	1,755,944	223,691	38,942	23,417,287
Net on-balance sheet position	(625,271)	(18,373)	(292,918)	52,457	2,694	(881,411)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,364,715
Credit commitments						2,617,581
Total off-balance sheet amount						3,982,296

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2017 (The Bank)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	418,456	42,957	375,505	141,618	32,203	1,010,739
Loans to and placements with banks	21,551	-	-	-	10,332	31,883
Derivative assets	4,713	-	-	-	-	4,713
Trading assets	2,104,995	-	-	-	-	2,104,995
Investment securities	2,450,808	-	720	-	-	2,451,528
Loans and advances to customers	16,668,433	1,090,161	584,438	123,539	63	18,466,634
Other assets	128,308	-	25,931	-	-	154,239
Total assets	21,797,264	1,133,118	986,594	265,157	42,598	24,224,731
Less allowance for credit impairment	(1,870,376)	-	-	-	-	(1,870,376)
	19,926,888	1,133,118	986,594	265,157	42,598	22,354,355
Liabilities						
Deposits from customers	19,978,182	672,508	1,002,384	263,300	33,111	21,949,485
Derivative liabilities	3,688	-	-	-	-	3,688
Other borrowed funds	2,238	299,340	2,155	26,846	-	330,579
Other liabilities	367,075	5,349	4,579	39,069	80	416,152
Subordinated liabilities	162,623	-	-	-	-	162,623
Total liabilities	20,513,806	977,197	1,009,118	329,215	33,191	22,862,527
Net on-balance sheet position	(586,918)	155,921	(22,524)	(64,058)	9,407	(508,172)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,533,124
Credit commitments						1,590,757
Total off-balance sheet amount						3,123,881

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

At 30 June 2016 (The Bank)	MUR	EURO	USD	GBP	OTHER	TOTAL
	Rs'000	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent	Rs'000 equivalent
Assets						
Cash and cash equivalents	1,322,252	84,636	218,205	57,446	15,891	1,698,430
Loans to and placements with banks	35,636	-	-	-	16,219	51,855
Trading assets	3,586,300	-	-	-	-	3,586,300
Investment securities	2,288,491	-	720	-	-	2,289,211
Loans and advances to customers	16,438,321	875,376	601,018	191,516	-	18,106,231
Other assets	185,317	57,924	90,384	37,249	-	370,874
Total assets	23,856,317	1,017,936	910,327	286,211	32,110	26,102,901
Less allowance for credit impairment	(1,973,948)	-	-	-	-	(1,973,948)
	21,882,369	1,017,936	910,327	286,211	32,110	24,128,953
Liabilities						
Deposits from customers	26,212,397	687,270	1,096,671	194,061	26,885	28,217,284
Other borrowed funds	17,971	347,350	6,733	48,207	-	420,261
Other liabilities	391,998	6,341	12,627	41,902	96	452,964
Subordinated liabilities	162,658	-	-	-	-	162,658
Total liabilities	26,785,024	1,040,961	1,116,031	284,170	26,981	29,253,167
Net on-balance sheet position	(4,902,655)	(23,025)	(205,704)	2,041	5,129	(5,124,214)
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers						1,663,289
Credit commitments						736,307
Total off-balance sheet amount						2,399,596

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

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

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

It assumes the following percentage changes in the exchange rates for the year ended 30 June 2018:

	30 June 2018	30 June 2017	30 June 2016
	% change	% change	% change
The Group and the Bank			
United States Dollar	**1.00%**	4.00%	2.00%
Euro	**3.00%**	1.00%	1.00%
Great Britain Pound	**2.00%**	7.00%	13.00%
Australian Dollar	**3.00%**	1.00%	1.00%
Canadian Dollar	**1.00%**	4.00%	1.00%
Danish Krone	**3.00%**	3.00%	2.00%
Hong Kong Dollar	**0.00%**	5.00%	2.00%
Indian Rupee	**5.00%**	1.00%	3.00%
Japanese Yen	**2.00%**	12.00%	22.00%
New Zealand Dollar	**7.00%**	1.00%	7.00%
Norwegian Krone	**4.00%**	4.00%	4.00%
Singapore Dollar	**2.00%**	6.00%	2.00%
South African Rand	**5.00%**	8.00%	17.00%
Swedish Krona	**5.00%**	5.00%	0.00%
Swiss Franc	**3.00%**	2.00%	2.00%
Saudi Arabian Riyal	**1.00%**	5.00%	2.00%
United Arab Emirates Dirham	**1.00%**	4.00%	2.00%
Chinese Yuan	**3.00%**	6.00%	4.00%

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

If the foreign currencies had strengthened/weakened by the above percentages, then this would have had the following impact on profit and equity for the year ended 30 June 2018.

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.1 Foreign currency sensitivity (Contd)

	30 June 2018		30 June 2017		30 June 2016	
	Impact on profit for the year and on equity		Impact on profit for the year and on equity		Impact on profit for the year and on equity	
The Group and the Bank	**Strengthened**	**Weakened**	**Strengthened**	**Weakened**	**Strengthened**	**Weakened**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
United States Dollar	**(2,400,252)**	**2,400,252**	2,021,868	(2,021,868)	554,962	(554,962)
Euro	**(2,320,091)**	**2,320,091**	3,653	(3,653)	8,593	(8,593)
Great Britain Pound	**720,019**	**(720,019)**	2,916	(2,916)	25,034	(25,034)
Australian Dollar	**(4,952)**	**4,952**	153	(153)	124	(124)
Canadian Dollar	**355**	**(355)**	585	(585)	658	(658)
Danish Krone	**-**	**-**	-	-	-	-
Hong Kong Dollar	**-**	**-**	6,529	(6,529)	6,668	(6,668)
Indian Rupee	**(59,094)**	**59,094**	1,630	(1,630)	6,334	(6,334)
Japanese Yen	**(640)**	**640**	1,242	(1,242)	800,797	(800,797)
New Zealand Dollar	**9,982**	**(9,982)**	109	(109)	20,268	(20,268)
Singapore Dollar	**6,602**	**(6,602)**	28,514	(28,514)	20,686	(20,686)
South African Rand	**5,280**	**(5,280)**	461	(461)	400	(400)
Swiss Franc	**3,777**	**(3,777)**	606	(606)	10,619	(10,619)
Saudi Arabian Riyal	**288**	**(288)**	632	(632)	1,578	(1,578)
United Arab Emirates Dirham	**(33)**	**33**	9	(9)	2,966	(2,966)
Chinese Yuan	**15,916**	**(15,916)**	6,754	(6,754)	8,011	(8,011)
Total	**(4,022,843)**	**4,022,843**	2,075,661	(2,075,661)	1,467,698	(1,467,698)

Interest rate sensitivity

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

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

At 30 June 2018 (The Group)	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	382,727	120,784	-	-	-	-	825,695	1,329,206
Loans to and placements with bank	-	-	2,248	206,796	105,424	-	-	-	314,468
Derivative assets	-	-	-	-	-	-	-	1,006	1,006
Trading assets	-	283,321	171,308	493,809	244,237	-	-	-	1,192,675
Investment securities	-	-	304,083	302,130	531,869	860,619	926,993	2,342	2,928,036
Loans and advances to customers	10,386,399	1,126	165,031	8,744	39,561	689,397	210,957	-	11,501,215
Receivable from fellow subsidiary	-	5,097,578	-	-	-	-	-	-	5,097,578
Other assets	-	-	-	-	-	-	-	230,353	230,353
Total Assets	10,386,399	5,764,752	763,454	1,011,479	921,091	1,550,016	1,137,950	1,059,396	22,594,537
Less allowance for credit impairment	-	-	-	-	-	-	-	-	(324,104)
Total assets	10,386,399	5,764,752	763,454	1,011,479	921,091	1,550,016	1,137,950	1,059,396	22,270,433

At 30 June 2018	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	18,054,694	700,788	518,508	518,385	506,556	1,455,306	581,877	-	22,336,114
Derivative liabilities	-	-	-	-	-	-	-	532	532
Other borrowed funds	-	150,029	23	25,430	25,732	198,218	-	-	399,432
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	670,972	670,972
Total liabilities	18,054,694	850,817	518,531	543,815	532,288	1,653,524	581,877	671,504	23,407,050
Net on-balance sheet interest sensitivity gap	(7,668,295)	4,913,935	244,923	467,664	388,803	(103,508)	556,073	387,892	(1,136,617)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

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

At 30 June 2017 (The Group)	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	172,405	-	-	-	-	-	838,334	1,010,739
Loans to and placements with bank	-	-	13,169	8,023	10,691	-	-	-	31,883
Derivative assets	-	-	-	-	-	-	-	4,713	4,713
Trading assets	-	541,724	1,019,631	543,640	-	-	-	-	2,104,995
Investment securities	-	-	406,242	-	439,025	1,055,615	548,304	2,342	2,451,528
Loan and advances to customers	17,016,235	153,744	320,511	14,964	64,057	348,737	308,328	-	18,226,576
Other assets	-	-	-	-	-	-	-	116,917	116,917
Total Assets	17,016,235	867,873	1,759,553	566,627	513,773	1,404,352	856,632	962,306	23,947,351
Less allowance for credit impairment	-	-	-	-	-	-	-	-	(1,870,376)
Total assets	17,016,235	867,873	1,759,553	566,627	513,773	1,404,352	856,632	962,306	22,076,975

At 30 June 2017	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	17,760,675	324,746	578,118	494,065	716,956	1,236,836	830,855	-	21,942,251
Derivative liabilities	-	-	-	-	-	-	-	3,688	3,688
Other borrowed funds	-	36,864	155,322	25,170	25,958	85,627	1,638	-	330,579
Subordinated liabilities	-	82,244	-	80,379	-	-	-	-	162,623
Other liabilities	-	-	-	-	-	-	-	416,619	416,619
Total liabilities	17,760,675	443,854	733,440	599,614	742,914	1,322,463	832,493	420,307	22,855,760
Net on-balance sheet interest sensitivity gap	(744,440)	424,019	1,026,113	(32,987)	(229,141)	81,889	24,139	541,999	(778,785)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Group's exposure to interest rate risk at 30 June 2016:

At 30 June 2016 (The Group)	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	-	-	-	-	-	-	1,698,430	1,698,430
Loans to and placements with bank	-	2,000	-	7,502	42,353	-	-	-	51,855
Trading assets	-	1,170,725	1,086,483	328,960	1,000,132	-	-	-	3,586,300
Investment securities	-	-	115,994	-	-	1,302,046	868,829	2,342	2,289,211
Loans and advances to customers	17,398,334	153,199	59,451	2,486	22,421	29,759	186,380	-	17,852,030
Other assets	-	-	-	-	-	-	-	340,287	340,287
Total Assets	17,398,334	1,325,924	1,261,928	338,948	1,064,906	1,331,805	1,055,209	2,041,059	25,818,113
Less allowance for credit impairment	-	-	-	-	-	-	-	-	(1,973,948)
Total assets	17,398,334	1,325,924	1,261,928	338,948	1,064,906	1,331,805	1,055,209	2,041,059	23,844,165

At 30 June 2016	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	19,725,817	239,934	1,228,055	1,584,883	2,791,291	1,446,001	1,197,455	-	28,213,436
Other borrowed funds	-	48,601	3,905	471	13,966	140,028	213,290	-	420,261
Subordinated liabilities	-	7,510	-	-	5,148	150,000	-	-	162,658
Other liabilities	-	-	-	-	-	-	-	453,248	453,248
Total liabilities	19,725,817	296,045	1,231,960	1,585,354	2,810,405	1,736,029	1,410,745	453,248	29,249,603
Net on-balance sheet interest sensitivity gap	(2,327,483)	1,029,879	29,968	(1,246,406)	(1,745,499)	(404,224)	(355,536)	1,587,811	(5,405,438)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

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

At 30 June 2018 (The Bank)	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	382,727	120,784	-	-	-	-	825,695	1,329,206
Loans to and placements with bank	-	-	2,248	206,796	105,424	-	-	-	314,468
Derivative assets	-	-	-	-	-	-	-	1,006	1,006
Trading assets	-	283,321	171,308	493,809	244,237	-	-	-	1,192,675
Investment securities	-	-	304,083	302,130	531,869	860,619	926,993	2,342	2,928,036
Loans and advances to customers	10,386,398	1,126	165,031	8,744	39,561	689,397	438,378	-	11,728,635
Receivable from fellow subsidiary	-	5,097,578	-	-	-	-	-	-	5,097,578
Other assets	-	-	-	-	-	-	-	268,376	268,376
Total Assets	10,386,398	5,764,752	763,454	1,011,479	921,091	1,550,016	1,365,371	1,097,419	22,859,980
Less allowance for credit impairment	-	-	-	-	-	-	-	-	(324,104)
Total assets	10,386,398	5,764,752	763,454	1,011,479	921,091	1,550,016	1,365,371	1,097,419	22,535,876

At 30 June 2018	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	18,065,081	700,788	518,508	518,385	506,556	1,455,306	581,877	-	22,346,501
Derivative liabilities	-	-	-	-	-	-	-	532	532
Other borrowed funds	-	150,029	23	25,430	25,732	198,218	-	-	399,432
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	670,822	670,822
Total liabilities	18,065,081	850,817	518,531	543,815	532,288	1,653,524	581,877	671,354	23,417,287
Net on-balance sheet interest sensitivity gap	(7,678,683)	4,913,935	244,923	467,664	388,803	(103,508)	783,494	426,065	(881,411)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

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

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

The table below summarises the Bank's exposure to interest rate risk at 30 June 2016:

At 30 June 2016 (The Bank)	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	-	-	-	-	-	-	-	1,698,430	1,698,430
Loans to and placements with bank	-	2,000	-	7,502	42,353	-	-	-	51,855
Trading assets	-	1,170,725	1,086,483	328,960	1,000,132	-	-	-	3,586,300
Investment securities	-	-	115,994	-	-	1,302,046	868,829	2,342	2,289,211
Loans and advances to customers	17,398,334	153,199	59,451	2,486	22,421	29,759	440,581	-	18,106,231
Other assets	-	-	-	-	-	-	-	370,874	370,874
Total Assets	17,398,334	1,325,924	1,261,928	338,948	1,064,906	1,331,805	1,309,410	2,071,646	26,102,901
Less allowance for credit impairment	-	-	-	-	-	-	-	-	(1,973,948)
Total assets	17,398,334	1,325,924	1,261,928	338,948	1,064,906	1,331,805	1,309,410	2,071,646	24,128,953

At 30 June 2016	Floating	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1– 3 years	Over 3 years	Non–interest sensitive	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Liabilities									
Deposits from customers	19,725,817	241,476	1,228,439	1,585,844	2,792,252	1,446,001	1,197,455	-	28,217,284
Other borrowed funds	-	48,601	3,905	471	13,966	140,028	213,290	-	420,261
Subordinated liabilities	-	7,510	-	-	5,148	150,000	-	-	162,658
Other liabilities	-	-	-	-	-	-	-	452,964	452,964
Total liabilities	19,725,817	297,587	1,232,344	1,586,315	2,811,366	1,736,029	1,410,745	452,964	29,253,167
Net on-balance sheet interest sensitivity gap	(2,327,483)	1,028,337	29,584	(1,247,367)	(1,746,460)	(404,224)	(101,335)	1,618,682	(5,124,214)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

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

The calculations are based on the financial instruments held at the reporting date and which are sensitive to changes in interest rates. All other variables are held constant. The table below depicts the movement in profit and equity at 30 June 2018 given an increase or a decrease of 2% in interest rates.

	The Group			The Bank		
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Increase	216,538	91,537	104,755	216,538	91,537	104,755

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

Average interest by major currencies for monetary financial instruments is:

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

	EURO	USD	GBP	MUR
	%	%	%	%
The Group and the Bank				
At 30 June 2017				
Assets				
Cash and balances with Central Bank	N/A	N/A	N/A	N/A
Balances with banks in Mauritius	N/A	N/A	N/A	N/A
Balances with banks abroad	N/A	N/A	N/A	N/A
Investment securities:				
- Held-to-maturity	N/A	N/A	N/A	4.13
- Available for Sale	N/A	N/A	N/A	3.24
- Held for trading	N/A	N/A	N/A	1.94
Loans and advances to customers	3.24	4.86	4.07	6.53
Other investments	N/A	N/A	N/A	N/A
Liabilities				
Deposits	1.23	1.91	1.28	3.31
Balances with banks in Mauritius and other financial institutions	N/A	N/A	N/A	N/A
Subordinated debt	N/A	N/A	N/A	10.00
Borrowings from Central Bank	0.70	2.45	N/A	N/A

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.2 Market risk analysis (Contd)

5.2.2 Interest rate sensitivity (Contd)

	EURO	USD	GBP	MUR
	%	%	%	%
The Group and the Bank				
At 30 June 2016				
Assets				
Cash and balances with Central Bank	N/A	N/A	N/A	N/A
Balances with banks in Mauritius	N/A	N/A	N/A	N/A
Balances with banks abroad	N/A	N/A	N/A	N/A
Investment securities:				
- Held-to-maturity	N/A	N/A	N/A	6.00
- Available for Sale	N/A	N/A	N/A	N/A
- Held for trading	N/A	N/A	N/A	2.30
Loans and advances to customers	4.40	5.09	5.13	9.18
Other investments	N/A	N/A	N/A	N/A
Liabilities				
Deposits	1.67	1.67	1.62	4.27
Balances with banks in Mauritius and other financial institutions	N/A	N/A	N/A	1.94
Subordinated debt	N/A	N/A	N/A	10.00
Borrowings from Central Bank	0.82	1.90	N/A	N/A

5.3 Liquidity analysis

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

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

- can meet its financial obligations as they fall due in the normal course of business; and
- maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short notice

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

- Cashflow management where the Group creates a continuously maturing stream of assets and liabilities;
- Maintenance of a liquid assets portfolio; and
- Maintenance of a diversified liability base

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

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

At 30 June 2016 (The Group)	Sight Rs'000	Up to 1 month Rs'000	2 – 3 months Rs'000	4 – 6 months Rs'000	7 – 12 months Rs'000	1 – 3 years Rs'000	Over 3 years Rs'000	Non-maturity items Rs'000	Total Rs'000
Assets									
Cash and cash equivalents	1,398,416	300,014	-	-	-	-	-	-	1,698,430
Loans to and placements with banks	-	-	2,000	7,502	42,353	-	-	-	51,855
Trading assets	249,956	920,770	1,086,483	328,960	1,000,131	-	-	-	3,586,300
Investment securities	-	-	115,994	-	-	1,302,046	868,829	2,342	2,289,211
Loans and advances to customers	196,426	4,085,109	1,608,275	459,869	418,151	1,558,799	9,525,401	-	17,852,030
Other assets	-	-	-	-	-	-	-	340,287	340,287
	1,844,798	5,305,893	2,812,752	796,331	1,460,635	2,860,845	10,394,230	342,629	25,818,113
Less allowance for credit losses	-	-	-	-	-	-	-	-	(1,973,948)
Total assets	1,844,798	5,305,893	2,812,752	796,331	1,460,635	2,860,845	10,394,230	342,629	23,844,165
Liabilities									
Deposits from customers	2,241,161	2,751,156	3,227,577	5,444,560	6,697,532	4,108,161	3,743,289	-	28,213,436
Other borrowed funds	-	48,602	3,905	471	13,966	140,028	213,289	-	420,261
Other liabilities	-	-	-	-	-	-	-	453,248	453,248
Subordinated liabilities	-	7,510	-	-	5,148	150,000	-	-	162,658
Total liabilities	2,241,161	2,807,268	3,231,482	5,445,031	6,716,646	4,398,189	3,956,578	453,248	29,249,603
Net on-balance sheet liquidity gap	(396,363)	2,498,625	(418,730)	(4,648,700)	(5,256,011)	(1,537,344)	6,437,652	(110,619)	(5,405,438)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

	Sight	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	Over 3 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 30 June 2016 (The Bank)									
Assets									
Cash and cash equivalents	1,398,416	300,014	-	-	-	-	-	-	1,698,430
Loans to and placements with banks	-	-	2,000	7,502	42,353	-	-	-	51,855
Trading assets	249,956	920,770	1,086,483	328,960	1,000,131	-	-	-	3,586,300
Investment securities	-	-	115,994	-	-	1,302,046	868,829	2,342	2,289,211
Loans and advances to customers	196,427	4,085,109	1,608,275	459,869	418,151	1,558,799	9,779,601	-	18,106,231
Other assets	-	-	-	-	-	-	-	370,874	370,874
	1,844,799	5,305,893	2,812,752	796,331	1,460,635	2,860,845	10,648,430	373,216	26,102,901
Less allowance for credit losses	-	-	-	-	-	-	-	-	(1,973,948)
Total assets	1,844,799	5,305,893	2,812,752	796,331	1,460,635	2,860,845	10,648,430	373,216	24,128,953
Liabilities									
Deposits from customers	2,241,546	2,752,310	3,227,962	5,445,522	6,698,494	4,108,161	3,743,289	-	28,217,284
Other borrowed funds	-	48,602	3,905	471	13,966	140,028	213,289	-	420,261
Other liabilities	-	-	-	-	-	-	-	452,964	452,964
Subordinated liabilities	-	7,510	-	-	5,148	150,000	-	-	162,658
Total liabilities	2,241,546	2,808,422	3,231,867	5,445,993	6,717,608	4,398,189	3,956,578	452,964	29,253,167
Net on-balance sheet liquidity gap	(396,747)	2,497,471	(419,115)	(4,649,662)	(5,256,973)	(1,537,344)	6,691,852	(79,748)	(5,124,214)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5 FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity analysis (Contd)

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

	On Demand	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	Over 3 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
The Group									
Financial liabilities									
Deposits from customers	13,244,621	675,424	1,150,309	885,371	1,467,458	3,134,495	1,778,436	-	22,336,114
Derivative liabilities	-	532	-	-	-	-	-	-	532
Other borrowed funds	150,029	-	23	25,430	25,732	198,218	-	-	399,432
Other liabilities	-	-	-	349,668	-	-	-	321,304	670,972
Subordinated liabilities	-	-	-	-	-	-	-	-	-
30 June 2018	**13,394,650**	**675,956**	**1,150,332**	**1,260,469**	**1,493,190**	**3,332,713**	**1,778,436**	**321,304**	**23,407,050**
30 June 2017	12,343,663	542,251	1,172,217	1,155,303	1,787,363	3,661,693	1,776,651	416,619	22,855,760
30 June 2016	12,451,953	916,222	2,145,605	2,796,666	3,943,804	4,061,213	2,480,892	453,248	29,249,603

	Demand	Up to 1 month	2 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	Over 3 years	Non-maturity items	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
The Bank									
Financial liabilities									
Deposits from customers	13,255,008	675,424	1,150,309	885,371	1,467,458	3,134,495	1,778,436	-	22,346,501
Derivative liabilities	-	532	-	-	-	-	-	-	532
Other borrowed funds	150,029	-	23	25,430	25,732	198,218	-	-	399,432
Other liabilities	-	-	-	349,668	-	-	-	321,154	670,822
Subordinated liabilities	-	-	-	-	-	-	-	-	-
30 June 2018	**13,405,037**	**675,956**	**1,150,332**	**1,260,469**	**1,493,190**	**3,332,713**	**1,778,436**	**321,154**	**23,417,287**
30 June 2017	12,350,896	542,251	1,172,217	1,155,303	1,787,363	3,661,693	1,776,651	416,153	22,862,527
30 June 2016	12,455,801	916,222	2,145,605	2,796,666	3,943,804	4,061,213	2,480,892	452,964	29,253,167

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

5. FINANCIAL INSTRUMENT RISK (CONTD)

Risk management objectives and policies (Contd)

5.3 Liquidity risk analysis (Contd)

At 30 June 2018, 30 June 2017 and 30 June 2016, off-balance sheet financial facilities have contractual maturity dates not exceeding three years.

6 FAIR VALUE MEASUREMENT

6.1 Fair value measurement of financial instruments

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

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

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

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

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

THE GROUP AND THE BANK

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

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

30 June 2016	Note	Level 1	Level 2	Level 3	Total
		Rs	Rs	Rs	Rs
Assets					
Trading assets	(ii)	-	3,586,299,612	-	3,586,299,612
Available-for-sale financial assets	(ii) and 11(b)	-	-	-	-
Fair value		-	3,586,299,612	-	3,586,299,612

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

6 FAIR VALUE MEASUREMENT (CONTD)

6.1 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD)

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

(I) MEASUREMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(II) TRADING ASSETS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

6.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

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

ASSETS FOR WHICH FAIR VALUE APPROXIMATES CARRYING VALUE

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

FIXED RATE FINANCIAL INSTRUMENTS

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

6 FAIR VALUE MEASUREMENT (CONTD)

6.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE (CONTD)

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

6 FAIR VALUE MEASUREMENT (CONTD)

6.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE (CONTD)

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

	30 June 2016			
	The Group		The Bank	
	Carrying value	Total fair value	Carrying value	Total fair value
	Rs	Rs	Rs	Rs
Financial assets				
Held-to-maturity:				
Government securities	2,286,868,865	2,286,868,865	2,286,868,865	2,286,868,865
Loans and receivables:				
Cash and cash equivalents	1,698,430,216	1,698,430,216	1,698,430,216	1,698,430,216
Loan to and placement with banks	51,854,597	51,854,597	51,854,597	51,854,597
Loans and advances to customers	15,878,082,285	16,005,325,984	16,132,282,752	16,259,526,451
Other assets	340,286,543	340,286,543	370,873,563	370,873,563
	17,968,653,641	18,095,897,340	18,253,441,128	18,380,684,827
Total financial assets	20,255,522,506	20,382,766,205	20,540,309,993	20,667,553,692
Financial liabilities				
Financial liabilities measured at amortised cost:				
Deposits from customers	28,213,435,943	28,256,766,649	28,217,283,658	28,260,614,364
Other borrowed funds	420,260,638	420,260,638	420,260,638	420,260,638
Subordinated liabilities	162,657,647	162,657,647	162,657,647	162,657,647
Other liabilities	453,248,198	453,248,198	452,964,198	452,964,198
Total liabilities	29,249,602,426	29,292,933,132	29,253,166,141	29,296,496,847

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

6 FAIR VALUE MEASUREMENT (CONTD)

6.3 Fair value measurement of non-financial assets

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

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

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

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

30 June 2016 **The Group**	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Property, plant and equipment and investment properties:				
Land and buildings	-	-	1,143,073,005	1,143,073,005
Investment properties	-	-	69,350,000	69,350,000

30 June 2016 **The Bank**	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Property, plant and equipment and investment properties:				
Land and buildings	-	-	892,115,772	892,115,772
Investment properties	-	-	69,350,000	69,350,000

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

Freehold land and buildings (Level 3)

Freehold land and buildings are revalued as indicated in note 3.8. The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. The last valuation was perfomed in the year ended 30 June 2017.

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

7 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

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

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

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

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

Now with the implementation of Basel III since 01 July 2014, the Bank has to maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Capital Adequacy Ratio') at or above a minimum of 10%, a minimum total CAR plus capital conservation buffer of 11.25%. , a Common Equity Tier 1 (CET1) CAR of at least 6.5% and a Tier 1 CAR of at least 8%.

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

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

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

(a) stated capital;

(b) statutory reserve;

(c) fair value reserve; and

(d) accumulated losses

(ii) The Bank has no Additional Tier 1 (AT1) capital as at 30 June 2018

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

7 CAPITAL MANAGEMENT POLICIES AND PROCEDURES (CONTD)

The following table summarises the composition of regulatory capital and the ratios of the Bank as at 30 June 2018, 30 June 2017 and 30 June 2016 respectively. During the year ended 30 June 2018, the Bank complied with all of the externally imposed capital requirements to which it is subject. At 30 June 2018, capital adequacy ratio was 16.87% as compared to 13.29% at 30 June 2017. The Bank had a Capital Adequacy Ratio of less than 10% as at 30 June 2016.

	The Bank	The Bank	The Bank
	30 June 2018	30 June 2017	30 June 2016
	Rs'000	Rs'000	Rs'000
Tier 1 Capital			
Common Equity Tier 1 Capital: instruments and reserves			
Paid up share capital	2,466,421	6,670,858	3,270,858
Accumulated profit/(losses)	130,794	(4,063,891)	(4,205,256)
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surplus on land and building assets)	(20,120)	135,568	-
Common equity Tier 1 Capital before regulatory adjustments	2,577,095	2,742,535	(934,398)
Common equity Tier 1 Capital: regulatory adjustments	(601,408)	(587,371)	(678,281)
Total regulatory adjustments to Common equity Tier 1 Capital	1,975,687	2,155,164	(1,612,679)
Additional Tier 1 Capital: instrument	-	-	-
Additional Tier 1 Capital: regulatory adjustments	-	-	-
Additional Tier 1 capital	-	-	-
Tier 1 Capital	1,975,687	2,155,164	(1,612,679)
Tier 2 Capital			
Tier 2 Capital: instruments and provisions			
Instruments issued by the Bank that meet the criteria for inclusion in Tier 2 Capital	-	-	30,000
Provisions and loan loss reserves	156,223	225,921	209,713
Surplus arising from revaluation of land and buildings owned by the Bank	195,931	195,931	4,491
Tier 2 Capital before regulatory adjustments	352,154	421,852	244,204
Tier 2 Capital: regulatory adjustments	(671)	(671)	(671)
Tier 2 Capital	351,483	421,181	243,533
Total Regulatory Capital (Rs)	2,327,170	2,576,345	(1,369,146)
Risk Weighted Assets (Rs)	13,794,028	19,384,800	17,900,631
Common Equity Tier 1 Capital Adequacy Ratio (%)	14.32	11.12	(9.01)
Tier 1 Capital Adequacy Ratio (%)	14.32	11.12	(9.01)
Capital Adequacy Ratio (%)	16.87	13.29	(7.65)

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

8(a) CASH AND CASH EQUIVALENTS

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Cash in hand	**158,848,687**	237,029,017	331,682,032
Foreign currency notes and coins	**20,053,665**	14,205,287	20,154,555
Balances with banks in Mauritius and abroad	**399,414,307**	587,099,788	366,713,329
Unrestricted balances with the Central Bank (Note (a))	**247,378,833**	-	679,866,259
Loans to and placements with banks (Note (b))	**503,510,460**	172,405,272	300,014,041
	1,329,205,952	1,010,739,364	1,698,430,216

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

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

8(b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES.

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

	01 July 2017	Financing cash inflows	Financing cash outflows	30 June 2018
	Rs	Rs	Rs	Rs
Other borrowed funds (Note 19)	**330,578,652**	**9,546,216,800**	**(9,477,363,713)**	**399,431,739**
Subordinated liabilities (Note 20)	**162,622,782**	**-**	**(162,622,782)**	**-**
	493,201,434	**9,546,216,800**	**(9,639,986,495)**	**399,431,739**

9 LOANS TO AND PLACEMENTS WITH BANKS

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Placements with overseas banks	**314,467,714**	31,882,936	51,854,597
Remaining term to maturity			
- Within 3 months	**2,248,312**	13,169,362	1,999,705
- Over 3 and up to 6 months	**206,795,890**	8,022,743	7,502,475
- Over 6 months	**105,423,512**	10,690,831	42,352,417
	314,467,714	31,882,936	51,854,597

10 TRADING ASSETS

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Held-for-trading securities:			
Treasury bills	**1,192,675,454**	2,104,995,098	3,586,299,612
Remaining terms to maturity			
- Within 3 months	**454,629,572**	1,561,355,307	2,257,208,539
- Over 3 and up to 6 months	**493,809,377**	543,639,791	328,959,579
- Over 6 and up to 12 months	**244,236,505**	-	1,000,131,494
	1,192,675,454	2,104,995,098	3,586,299,612

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

11 INVESTMENT SECURITIES

	30 June 2018 The Group and the Bank Rs	30 June 2017 The Group and the Bank Rs	30 June 2016 The Group and the Bank Rs
Held-to maturity investments (Note (a) below)	**-**	-	2,286,868,865
Available-for-sale financial assets (Note (b) below)	**2,928,036,240**	2,451,527,737	2,342,224
	2,928,036,240	2,451,527,737	2,289,211,089

	30 June 2018 The Group and the Bank Rs	30 June 2017 The Group and the Bank Rs	30 June 2016 The Group and the Bank Rs
Remaining terms to maturity			
- Within 3 months	**304,082,735**	406,241,284	14,827,301
- Over 3 and up to 6 months	**302,130,163**	-	101,166,417
- Over 6 and up to 12 months	**531,869,073**	439,024,771	-
- Over 1 and up to 3 years	**862,961,495**	1,080,502,336	1,304,372,224
- Over 3 and up to 5 years	**193,257,536**	-	358,376,216
- Over 5 years	**733,735,238**	525,759,346	510,468,931
	2,928,036,240	2,451,527,737	2,289,211,089

	30 June 2018 The Group and the Bank Rs	30 June 2017 The Group and the Bank Rs	30 June 2016 The Group and the Bank Rs
(a) **Held-to-maturity investments**			
Government stocks	**-**	-	731,184,320
Treasury Notes	**-**	-	1,555,684,545
	-	-	2,286,868,865

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

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

	30 June 2018 The Group and the Bank Rs	30 June 2017 The Group and the Bank Rs	30 June 2016 The Group and the Bank Rs
Government Stocks	**1,181,223,567**	525,759,346	-
Treasury Notes	**1,722,403,482**	1,900,881,328	-
Corporate Bonds	**22,066,967**	22,544,839	-
Other securities	**2,342,224**	2,342,224	2,342,224
	2,928,036,240	2,451,527,737	2,342,224

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

11 INVESTMENT SECURITIES (CONTD)

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
(c) Fair value reserve			
Balance at start of year	**145,675,619**	-	98,410
Gain on fair value of available-for-sale financial assets	**-**	145,675,619	-
Change in fair value of available-for-sale financial assets	**(167,415,281)**	-	(98,410)
Balance at end of year	**(21,739,662)**	145,675,619	-

12 LOANS AND ADVANCES TO CUSTOMERS

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Retail customers						
Credit cards	**82,349,451**	118,110,880	111,530,239	**82,349,451**	118,110,880	111,530,239
Mortgages	**2,824,655,611**	3,547,739,259	3,741,725,604	**2,824,655,611**	3,547,739,259	3,741,725,604
Other retail loans	**1,022,257,212**	1,339,325,441	1,625,258,630	**1,022,257,212**	1,339,325,441	1,625,258,630
Corporate customers	**7,344,999,655**	12,192,507,229	11,241,928,526	**7,572,420,856**	12,432,564,793	11,496,128,993
Entities outside Mauritius	**102,396,952**	216,606,981	224,451,744	**102,396,952**	216,606,981	224,451,744
Other	**124,554,810**	812,286,523	907,135,919	**124,554,810**	812,286,523	907,135,919
	11,501,213,691	18,226,576,313	17,852,030,662	**11,728,634,892**	18,466,633,877	18,106,231,129
Less allowance for credit impairment	**(324,103,853)**	(1,870,376,372)	(1,973,948,377)	**(324,103,853)**	(1,870,376,372)	(1,973,948,377)
Net	**11,177,109,838**	16,356,199,941	15,878,082,285	**11,404,531,039**	16,596,257,505	16,132,282,752

(a) Remaining term to maturity

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
- Within 3 months	**2,811,108,198**	6,881,018,344	5,889,811,000	**2,811,108,198**	6,881,018,344	5,889,811,000
- Over 3 and up to 6 months	**264,320,671**	703,437,135	459,868,612	**264,320,671**	703,437,135	459,868,612
- Over 6 and up 12 months	**696,974,438**	514,869,613	418,150,760	**696,974,438**	514,869,613	418,150,760
- Over 1 and up to 3 years	**1,535,779,967**	1,373,907,515	1,558,798,928	**1,535,779,967**	1,373,907,515	1,558,798,928
- Over 3 and up to 5 years	**1,470,200,885**	1,825,916,097	2,138,792,888	**1,470,200,885**	1,825,916,097	2,138,792,888
- Over 5 years	**4,722,829,532**	6,927,427,609	7,386,608,474	**4,950,250,733**	7,167,485,173	7,640,808,941
	11,501,213,691	18,226,576,313	17,852,030,662	**11,728,634,892**	18,466,633,877	18,106,231,129

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(b) NET INVESTMENT IN FINANCE LEASES

	Up to 1 year	Over 1 up to 5 years	Over 5 years	Total
	Rs	Rs	Rs	Rs
The Group and the Bank				
2018				
Gross investment in finance leases	**399,529,934**	**462,685,594**	**49,268,293**	**911,483,821**
Less unearned finance income	**(44,937,098)**	**(55,471,323)**	**(2,872,771)**	**(103,281,192)**
Net investment in finance leases	**354,592,836**	**407,214,271**	**46,395,522**	**808,202,629**
2017				
Gross investment in finance leases	497,116,074	513,866,083	27,014,981	1,037,997,138
Less unearned finance income	(56,244,596)	(52,829,619)	(2,175,455)	(111,249,670)
Net investment in finance leases	440,871,478	461,036,464	24,839,526	926,747,468
2016				
Gross investment in finance leases	625,476,081	787,878,240	62,838,890	1,476,193,211
Less unearned finance income	(85,680,407)	(89,779,320)	(2,901,987)	(178,361,714)
Net investment in finance leases	539,795,674	698,098,920	59,936,903	1,297,831,497

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

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

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	**30 June 2018**	30 June 2017	30 June 2016
	Rs'000	Rs'000	Rs'000	**Rs'000**	Rs'000	Rs'000
Agriculture and Fishing	**1,088,112**	325,137	558,243	**1,088,112**	325,137	558,243
Manufacturing	**-**	351,755	508,626	**-**	351,755	508,626
Of which EPZ	**-**	-	*184,463*	**-**	-	*184,463*
Tourism	**278,053**	1,046,577	768,136	**278,053**	1,046,577	768,136
Construction	**238,924**	897,857	1,217,484	**238,924**	897,857	1,471,784
Financial and Business Services	**925,743**	-	125,000	**925,743**	-	125,000
Traders	**-**	100,476	197,289	**-**	100,476	197,289
Professional	**-**	-	81,073	**-**	-	81,073
Education	**-**	-	-	**-**	-	-
Others (Infrastructure, public non-financial, Personal, transport & Other Customers)	**418,497**	163,318	525,552	**418,497**	163,318	525,552
	2,949,329	2,885,120	3,981,403	**2,949,329**	2,885,120	4,235,703

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(d) Allowance for credit impairment

	Specific allowances for impairment	Portfolio allowance and general provision for impairement	Rescheduled advances allowances	Total
	Rs	Rs	Rs	Rs
The Group and the Bank				
Balance at 01 July 2015 (Restated)	1,992,892,791	114,651,720	-	2,107,544,511
Provision for credit impairment from transfer of undertaking	433,310,455	81,801,189	-	515,111,644
Provision for credit impairment for the year (Note (d) (i) and (ii) below)	168,168,814	3,918,051	-	172,086,865
Loans written off	(820,794,643)	-	-	(820,794,643)
Balance at 30 June 2016	1,773,577,417	200,370,960	-	1,973,948,377
(Reversal of)/Provision for credit impairment for the year (Note (d) (i) and (ii) below)	(103,966,923)	(889,364)	1,284,282	(103,572,005)
Balance at 30 June 2017	**1,669,610,494**	**199,481,596**	**1,284,282**	**1,870,376,372**
Shortfall on loan and advances settlement	**(16,978,086)**	**-**	**-**	**(16,978,086)**
(Reversal of)/Provision for credit impairment for the year (Note (d) (i) and (ii) below)	**203,555,132**	**(24,009,911)**	**104,358**	**179,649,579**
Specific provision reversed on carved out adjustment (Note (e) below)	**(1,708,944,012)**	**-**	**-**	**(1,708,944,012)**
Balance at 30 June 2018	**147,243,528**	**175,471,685**	**1,388,640**	**324,103,853**

(i) **Portfolio provision**

The Bank has made portfolio provision as per table below after offsetting collateral of liquid assets in the portfolio

	30 June 2018	30 June 2017	30 June 2016
	%	%	%
Sector			
Construction Housing	**1.505**	1.505	1.505
Commercial, Residential & Land parcelling	**2.005**	2.005	2.005
Tourism	**2.005**	2.005	2.005
Personal	**2.005**	2.005	2.005
Others	**1.005**	1.005	1.005

(ii) **Specific allowances for impairment**

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

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

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(d) Allowance for credit impairment (Contd)

(iii) Allowance for credit impairment by industry sectors

	Gross amount of loans	Non-Performing loans	Specific allowances for credit impairment	Portfolio allowances for credit impairment	Restructuring allowances	Total allowances for credit impairment 30 June 2018	Total allowances for credit impairment 30 June 2017	Total allowances for credit impairment 30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Group								
Agriculture and Fishing	1,159,785,684	20,665,381	637,194	12,070,317	-	12,707,511	70,880,970	78,409,041
Manufacturing	560,217,678	168,168,540	113,553,742	4,154,221	5,800	117,713,763	88,040,997	32,480,193
Tourism	1,140,970,797	195,581,298	-	19,985,185	-	19,985,185	82,687,773	71,549,402
Transport	319,278,373	2,282,399	-	3,358,945	13,148	3,372,093	25,439,835	14,326,083
Construction	3,394,685,709	23,065,029	-	76,082,417	1,094,954	77,177,371	698,541,212	880,574,926
Financial and Business Services	1,423,094,383	271,974,016	21,970,434	12,197,472	-	34,167,906	39,047,305	39,968,274
Traders	1,126,165,789	6,826,347	6,365,544	11,860,716	98,558	18,324,818	640,989,316	701,289,358
Information Technology	24,501,954	1,042,382	245,885	248,582	-	494,467	2,468,235	2,807,745
Personal	1,013,576,507	191,394	60,721	21,422,587	85,779	21,569,087	180,384,067	121,593,430
Education	202,413,003	-	-	2,144,803	26,492	2,171,295	10,003,071	5,087,705
Professional	32,219,808	-	-	341,407	-	341,407	7,156,352	5,223,436
Others	1,104,304,006	9,094,345	4,410,008	11,605,033	63,909	16,078,950	24,737,239	20,638,784
	11,501,213,691	698,891,131	147,243,528	175,471,685	1,388,640	324,103,853	1,870,376,372	1,973,948,377

Notes to the financial statements

FOR YEAR ENDED 30 JUNE 2018

12 LOANS AND ADVANCES TO CUSTOMERS (CONTD)

(d) Allowance for credit impairment (Contd)

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

	Gross amount of loans	Non-Performing loans	Specific allowances for credit impairment	Portfolio allowances for credit impairment	Restructuring allowances	Total allowances for credit impairment 30 June 2018	Total allowances for credit impairment 30 June 2017	Total allowances for credit impairment 30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
The Bank								
Agriculture and Fishing	1,159,785,684	20,665,381	637,194	12,070,317	-	12,707,511	70,880,970	78,409,041
Manufacturing	560,217,678	168,168,540	113,553,742	4,154,221	5,800	117,713,763	88,040,997	32,480,193
Tourism	1,140,970,797	195,581,298	-	19,985,185	-	19,985,185	82,687,773	71,549,402
Transport	319,278,373	2,282,399	-	3,358,945	13,148	3,372,093	25,439,835	14,326,083
Construction	3,622,106,910	23,065,029	-	76,082,417	1,094,954	77,177,371	698,541,212	880,574,926
Financial and Business Services	1,423,094,383	271,974,016	21,970,434	12,197,472	-	34,167,906	39,047,305	39,968,274
Traders	1,126,165,789	6,826,347	6,365,544	11,860,716	98,558	18,324,818	640,989,316	701,289,358
Information Technology	24,501,954	1,042,382	245,885	248,582	-	494,467	2,468,235	2,807,745
Personal	1,013,576,507	191,394	60,721	21,422,587	85,779	21,569,087	180,384,067	121,593,430
Education	202,413,003	-	-	2,144,803	26,492	2,171,295	10,003,071	5,087,705
Professional	32,219,808	-	-	341,407	-	341,407	7,156,352	5,223,436
Others	1,104,304,006	9,094,345	4,410,008	11,605,033	63,909	16,078,950	24,737,239	20,638,784
	11,728,634,892	698,891,131	147,243,528	175,471,685	1,388,640	324,103,853	1,870,376,372	1,973,948,377

(e) Sale of portffolio of loans and advances

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

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

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

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

In addition, Maubank Ltd shall continue to manage the portfolio in conformity with applicable laws, and also ensure the recovery functions for the ultimate economic benefit of the buyer in consideration for the payment of a management fee and a recovery fee computed in accordance with the principles set out in the agreement.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

13(a) PROPERTY, PLANT AND EQUIPMENT

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

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

13(a) PROPERTY, PLANT AND EQUIPMENT (CONTD)

	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
The Group					
Cost/Valuation					
At 01 July 2015	380,134,741	268,097,534	102,348,681	4,707,009	755,287,965
On transfer of undertaking (Note 46)	802,807,117	194,696,948	341,982,851	19,311,650	1,358,798,566
Additions during the year	11,324,160	37,551,800	21,916,897	4,647,397	75,440,254
Disposal during the year	-	-	-	(9,513,234)	(9,513,234)
At 30 June 2016	1,194,266,018	500,346,282	466,248,429	19,152,822	2,180,013,551
Depreciation					
At 01 July 2015	6,487,829	180,926,263	80,673,536	1,927,475	270,015,103
On transfer of undertaking (Note 46)	32,466,300	159,294,868	155,450,032	11,913,849	359,125,049
Charge for the year	12,238,884	50,810,027	52,754,222	2,201,772	118,004,905
Disposal during the year	-	-	-	(7,244,821)	(7,244,821)
At 30 June 2016	51,193,013	391,031,158	288,877,790	8,798,275	739,900,236
Carrying amount					
At 30 June 2016	1,143,073,005	109,315,124	177,370,639	10,354,547	1,440,113,315

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

13(a) PROPERTY, PLANT AND EQUIPMENT (CONTD)

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

	Freehold land and buildings	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs
The Bank					
Cost/Valuation					
At 01 July 2015	132,931,447	251,577,573	97,204,128	2,349,050	484,062,198
On transfer of undertaking	802,807,117	194,696,948	341,982,851	19,311,650	1,358,798,566
Additions during the year	-	35,986,478	15,212,925	4,647,397	55,846,800
Disposal during the year	-	-	-	(9,513,234)	(9,513,234)
At 30 June 2016	935,738,564	482,260,999	454,399,904	16,794,863	1,889,194,330
Depreciation					
At 01 July 2015	4,015,796	179,816,840	80,161,863	1,761,788	265,756,287
On transfer of undertaking	32,466,300	159,294,868	155,450,032	11,913,849	359,125,049
Charge for the year	7,140,696	46,649,759	50,876,951	2,201,772	106,869,178
Disposal during the year	-	-	-	(7,244,821)	(7,244,821)
At 30 June 2016	43,622,792	385,761,467	286,488,846	8,632,588	724,505,693
Carrying amount					
At 30 June 2016	892,115,772	96,499,532	167,911,058	8,162,275	1,164,688,637

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

	The Group			The Bank		
	2018	2017	2016	**2018**	2017	2016
	Rs	Rs	Rs	Rs	Rs	Rs
Cost	**1,150,950,089**	1,150,950,089	1,145,595,624	**887,068,170**	887,068,170	887,068,170
Accumulated depreciation	**(89,585,406)**	(70,320,049)	(51,081,818)	**(71,487,033)**	(57,499,315)	(43,511,597)
	1,061,364,683	1,080,630,040	1,094,513,806	**815,581,137**	829,568,855	843,556,573

The valuation of the Group's and the Bank's freehold land and buildings is made every three years. Management is of the opinion that that has been no change in value of the Bank's freehold land and buildings in the year ended 30 June 2018.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

13(b) INTANGIBLE ASSETS

The Group and the Bank

	Computer software Rs	Total Rs
Cost		
At 01 July 2015	290,423,094	290,423,094
On transfer of undertaking (Note 46)	209,597,187	209,597,187
Additions during the year	60,202,570	60,202,570
At 30 June 2016	560,222,851	560,222,851
Additions during the year	40,870,374	40,870,374
At 30 June 2017	**601,093,225**	**601,093,225**
Additions during the year	**66,522,535**	**66,522,535**
At 30 June 2018	**667,615,760**	**667,615,760**
Amortisation		
At 01 July 2015	164,590,505	164,590,505
On transfer of undertaking (Note 46)	167,466,672	167,466,672
Charge for the year	36,846,579	36,846,579
At 30 June 2016	368,903,756	368,903,756
Charge for the year	34,223,240	34,223,240
At 30 June 2017	**403,126,996**	**403,126,996**
Charge for the year	**43,880,264**	**43,880,264**
At 30 June 2018	**447,007,260**	**447,007,260**
Carrying amount		
At 30 June 2018	**220,608,500**	**220,608,500**
At 30 June 2017	197,966,229	197,966,229
At 30 June 2016	191,319,095	191,319,095

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

14 INVESTMENT PROPERTIES

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Balance at start of year	**66,460,000**	69,350,000	-
On transfer of undertaking (Note 46)	**-**	-	69,350,000
Revaluation loss (Note 34)	**-**	(2,890,000)	-
Balance at end of year	**66,460,000**	66,460,000	69,350,000

No rental income was received and no operation expenses were incurred during the year under review towards the investment property (Year ended 30 June 2017 and 30 June 2016: Rs Nil). The investment properties were revalued independently by Prime Pillar Valuation Services Ltd, Chartered Valuer, during the year ended 30 June 2017 on a market value basis except for the property situated at Plaine Lauzun which has been revalued on a forced sales basis to be prudent due to absence of a seller's market.

The valuation of the Bank's investment properties is made every three years. Management is of the opinion that there has been no change in value of the Bank's investment properties in the year ended 30 June 2018.

15 Investment in subsidiary

15.1 Unquoted and at cost

	30 June 2018	30 June 2017	30 June 2016
	The Bank	The Bank	The Bank
	Rs	Rs	Rs
Balance at end of year	**100,000**	100,000	100,000

15.2 Details of the subsidiary are as follows:

Name of subsidiary	Principal activity	Type of shares	% holding	30 June 2018	30 June 2017	30 June 2016
				Rs	Rs	Rs
MauBank Investment Ltd	Land promoter and property developer	Ordinary shares	100	100,000	100,000	100,000

15.3 The subsidiary was incorporated in the Republic of Mauritius on 17 March 2014 as a private company with liability limited by shares.

15.4 The Bank has 100% holding in MauBank Investment Ltd and the proportion of the voting rights in this subsidiary undertakings held directly by the Bank does not differ from the proportion of ordinary shares held.

15.5 The cost of the investment is considered to be a reflection of its fair value.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

16 RECEIVABLE FROM FELLOW SUBSIDIARY

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Receivable from EAMC Ltd						
- On sale of portfolio of loans and advances (Note 12(e))	**4,747,909,423**	-	-	**4,747,909,423**	-	-
- On sale of other assets (Note 21)	**349,668,307**	-	-	**349,668,307**	-	-
	5,097,577,730	-	-	**5,097,577,730**	-	-

The receivable from fellow subsidiary carries interest at the rate of 5% p.a. As mentioned in note 42, the receivable has been settled on 10 December 2018..

17 OTHER ASSETS

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Mandatory balances with Central Bank (Note (i) below)	**1,776,990,532**	1,504,483,720	2,358,391,984	**1,776,990,532**	1,504,483,720	2,358,391,984
Due from the subsidiary (Note (ii) below)	**-**	-	-	**32,805,779**	32,103,312	25,369,629
Due from holding company (Note (ii) below)	**18,923**	33,750	-	**18,923**	33,750	-
Balances due in clearing	**72,785,301**	41,503,350	226,892,691	**72,785,301**	41,503,350	226,892,691
Project costs	**22,651,845**	43,272,615	19,932,013	**22,651,845**	43,272,615	19,932,013
Prepayments	**42,028,172**	37,079,951	43,627,367	**42,028,172**	37,079,951	38,302,820
Receivables	**59,588,381**	54,818,652	48,183,467	**64,805,769**	58,594,400	53,400,858
Repossessed properties	**24,667,957**	22,127,456	65,210,385	**24,667,957**	22,127,456	65,210,385
Others	**76,723,954**	10,675,166	3,553,635	**76,723,955**	10,675,167	3,553,635
	2,075,455,065	1,713,994,660	2,765,791,542	**2,113,478,233**	1,749,873,721	2,791,054,015

(i) At 30 June 2018, the minimum average cash balance to be maintained by the Bank as per the Banking Act 2004 amounted to **Rs 1,776,990,532** (2017: Rs 1,504,483,720 and 2016: Rs 2,358,391,984). These funds are not available for daily business.

(ii) The amount due from the subsidiary and holding company is interest free, unsecured and repayable on demand.

(iii) The receivables above include an amount of **Rs 700,344,387** (2017: Rs 700,344,387 and 2016: Rs 700,344,387) in respect of hire purchase portfolio taken over from ex National Commercial Bank Ltd on which provision for impairment has been fully made. The receivables are interest free with no specific repayment date.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

18 DEPOSITS FROM CUSTOMERS

RETAIL, CORPORATE AND GOVERNMENT

		The Group			The Bank		
		30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
		Rs	Rs	Rs	Rs	Rs	Rs
(a)	Demand	**2,314,292,145**	1,713,477,544	2,256,289,600	**2,324,678,846**	1,720,711,459	2,260,137,315
	Savings	**10,930,328,866**	10,630,184,951	10,195,664,099	**10,930,328,866**	10,630,184,951	10,195,664,099
	Time deposits	**9,091,493,488**	9,598,588,540	15,761,482,244	**9,091,493,488**	9,598,588,540	15,761,482,244
		22,336,114,499	21,942,251,035	28,213,435,943	**22,346,501,200**	21,949,484,950	28,217,283,658
(b)	Time deposits with remaining term to maturity:						
	- Within 3 months	**1,825,733,535**	1,436,349,355	3,001,810,035	**1,825,733,535**	1,436,349,355	3,001,810,035
	- Over 3 and up to 6 months	**885,371,370**	1,049,753,815	2,796,194,703	**885,371,370**	1,049,753,815	2,796,194,703
	- Over 6 and up to 12 months	**1,467,458,076**	1,761,406,085	3,924,689,749	**1,467,458,076**	1,761,406,085	3,924,689,749
	- Over 1 and up to 3 years	**3,134,494,674**	3,576,066,241	3,771,184,511	**3,134,494,674**	3,576,066,241	3,771,184,511
	- Over 3 and up to 5 years	**1,731,484,333**	1,730,834,295	2,202,418,254	**1,731,484,333**	1,730,834,295	2,202,418,254
	- Over 5 years	**46,951,500**	44,178,749	65,184,992	**46,951,500**	44,178,749	65,184,992
		9,091,493,488	9,598,588,540	15,761,482,244	**9,091,493,488**	9,598,588,540	15,761,482,244

19 OTHER BORROWED FUNDS

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Borrowings from the Central Bank	**249,151,600**	293,631,622	354,082,932
Borrowings from banks in Mauritius	**150,027,940**	34,709,455	48,207,000
Borrowings from non-bank financial institution	**252,199**	2,237,575	17,970,706
	399,431,739	330,578,652	420,260,638
Remaining term to maturity			
- Within 3 months	**150,051,322**	192,297,112	52,506,670
- Over 3 and up to 6 months	**25,429,780**	25,059,043	471,252
- Over 6 and up to 12 months	**25,732,286**	25,957,610	13,965,747
- Over 1 and up to 3 years	**198,218,351**	85,626,720	140,027,633
- Over 3 and up to 5 years	**-**	1,638,167	213,289,336
	399,431,739	330,578,652	420,260,638

The borrowings from the Central Bank is secured against government stocks whilst the borrowings from banks in Mauritius and from non-bank financial institution are unsecured.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

20 SUBORDINATED LIABILITIES

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Subordinated liabilities	-	162,622,782	162,657,647
Remaining term to maturity			
- Within 3 months	-	82,243,768	-
- Over 3 and up to 6 months	-	80,379,014	-
- Over 6 and up to 12 months	-	-	-
- Over 1 and up to 3 years	-	-	162,657,647
	-	162,622,782	162,657,647

21 OTHER LIABILITIES

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Cheques in clearance	**99,847,496**	50,710,378	53,083,541	**99,847,496**	50,710,378	53,083,541
Due on extinction of guarantees (Note 16)	**349,668,307**	-	-	**349,668,307**	-	-
Other payables and accruals	**227,029,467**	366,238,829	401,224,328	**226,483,355**	365,772,329	400,940,327
	676,545,270	416,949,207	454,307,869	**675,999,158**	416,482,707	454,023,868

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS

Pension plan

The pension plan is a final salary defined benefit plan for senior employees and is wholly funded by the Bank. It provides for a pension at retirement and a benefit on death or disablement in service before retirement. The assets of the plan are held independently and administered by a private insurance company. Employee benefits obligations have been based on reports from Swan Life and Aon Hewitt Ltd dated 11 October 2018 and 20 September 2018 respectively.

(i) Amounts recognised in the statements of financial position:

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
Present value of funded obligations	**(136,896,338)**	(158,067,070)	(113,980,692)
Fair value of plan assets	**71,681,369**	59,653,685	50,463,876
Liabilities in the statement of financial position	**(65,214,969)**	(98,413,385)	(63,516,816)

(ii) Amounts recognised in the statements of profit or loss and other comprehensive income:

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
Current service cost	**5,109,320**	7,337,934	2,793,092
Past service cost	**(35,529,000)**	20,231,000	-
Scheme expenses	**750,123**	291,546	-
Cost of insuring benefits	**263,064**	218,550	-
Interest cost	**8,153,005**	5,413,760	3,342,841
Expected return on plan assets	**(3,426,530)**	(3,357,078)	(1,688,702)
Total included in pension and other costs	**(24,680,018)**	30,135,712	4,447,231
Actual return on plan assets	**3,752,530**	2,282,709	1,855,958

(iii) Movements in the liability recognised in the statements of financial position:

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
At start	**(98,413,385)**	(63,516,816)	-
On transfer of undertaking (Note 46)	**-**	-	(46,003,448)
Total expenses as above	**24,680,018**	(30,135,712)	(4,447,231)
Actuarial losses recognised in other comprehensive income following adoption of revised IAS 19	**(10,631,732)**	(12,178,053)	(13,066,137)
Employer contributions	**19,150,130**	7,417,196	-
At end	**(65,214,969)**	(98,413,385)	(63,516,816)

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(iv) Movements in defined benefit obligations:

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
At start	**(158,067,070)**	(113,980,692)	-
On transfer of undertaking	**-**	-	(94,704,366)
Current service cost	**(5,109,320)**	(7,337,934)	(2,793,092)
Interest cost	**(8,153,004)**	(5,413,760)	(3,342,841)
Actuarial losses	**(2,128,944)**	(11,103,684)	(13,233,393)
Past service cost	**35,529,000**	(20,231,000)	-
Benefits paid	**1,033,000**	-	93,000
At end	**(136,896,338)**	(158,067,070)	(113,980,692)

(v) Movements in the fair value of plan assets:

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
At start	**59,653,685**	50,463,876	-
On transfer of undertaking	**-**	-	48,700,918
Expected return on plan assets	**3,426,530**	3,357,078	1,688,702
Actuarial (losses)/gain	**(8,502,789)**	(1,074,369)	167,256
Employer contributions	**18,931,130**	7,417,196	-
Scheme expenses	**(750,123)**	(291,546)	-
Cost of insuring risks benefits	**(263,064)**	(218,550)	-
Benefits paid	**(814,000)**	-	(93,000)
At end	**71,681,369**	59,653,685	50,463,876

(vi) Analysis of amount recognized in Other Comprehensive Income:

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
Gains/(losses) on pension scheme assets	**575,211**	(1,074,369)	167,256
Experience gains/ (losses) on the liabilities	**7,893,310**	(1,918,958)	(13,404,758)
Changes in assumptions underlying the present value of the scheme	**(10,022,253)**	(9,184,726)	171,365
Change in effect of asset ceiling	**(9,078,000)**	-	-
	(10,631,732)	(12,178,053)	(13,066,137)

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(vii) Expected return on assets

The assets of the plan are invested in the deposit administration fund of Swan Life and Aon Hewitt Ltd. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above corresponds to a notional allocation of the underlying investments based on the long term strategy of the fund.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

(viii) Description of the pension plan

The Bank participates in a defined contribution (DC) pension plan which is administered by SICOM. Its contributions for DC employees are expensed to the income statement.

The Bank also operates a defined benefit pension plan administered by the trustees of Ex BAI Group Pension Fund. The Bank has no defined benefit liability at 30 June 2018 in respect of this plan (30 June 2017: Rs 25,667,000 and 30 June 2016: Rs 10,073,000).

Certain employees of the Bank, whose employment from Ex-National Commercial Bank (NCB) has been transferred to the Bank during the year ended 30 June 2016 pursuant to a transfer of undertaking, are previously covered under DBBA and DBML Plans, Defined Benefit Schemes held with the BAI Group Pension Funds. The Bank has not contributed any amount to the BAI Group Pension Funds of the Schemes since April 2015. The nil liability as at 30 June 2018 have been arrived at based on the following methodology:

(a) The ex-members of the DB section (namely DBBA and DBML) of the BAI Group Pension Fund (BAIGPF) will be entitled to a transfer value calculated as at 30 June 2018 using the old DB formulae and assuming accrual cease date of 30 June 2015 valued on the transfer value basis determined by the Trustees of the Fund. Last year, it was assumed that they would be entitled to a deferred pension based on the old DB formula assuming accrual cease date of 30 June 2017 and these were valued using a buyout basis.

(b) They will join the DC scheme with SICOM as from 1 July 2018 with their respective transfer values and deemed accumulated contributions from 1 July 2015 to 30 June 2018 increased with interest. For this year's exercise, the transfer values to which the ex-members of DBBA and DBML are entitled have been held as a liability as at 30 June 2018.

The negative past service cost recognised in the IAS 19 schedules for DBBA and DBML is mainly due to the following:

(a) Last year it was assumed that the ex- DBBA and DBML members would be entitled to a deferred pension valued on a buyout basis (i.e. a net post-retirement discount rate of 3.5%), which resulted in values that were higher than the transfer values that will now be paid.

(b) Last year, the deferred pension used in the actuarial calculations was based on an accrual cease date of 30 June 2017 as compared to this year where a deferred pension/transfer value has been assumed based on an accrual cease date of 30 June 2015.

In addition, both the DBBA and DBML pension schemes have surpluses at the valuation date (i.e. assets are higher than liabilities). It has been assumed that a limit on the net asset should be applied on these surpluses to reflect the possibility that these could be used by the trustees of the BAI Group Pension Fund to enhance benefits.

The Defined contribution members (DCUL) of the BAIGPF will also join the DC scheme with SICOM effective 1 July 2018. Their accumulated fund has been estimated by taking their accumulated fund from BAIGPF as at 30 June 2018 and adding their deemed accumulated contributions from 1 April 2015 to 30 June 2018 with interest.

The Bank has recognised a defined benefit liability of **Rs 13,361,000** in its balance sheet as at 30 June 2018 (30 June 2017: Rs 17,710,000 and 30 June 2016: Rs 6,423,000) in respect of any additional residual retirement gratuities or full retirement gratuities that are expected to be paid out of the Bank's cash flow to its employees under the Employment Rights Act (ERA) 2008.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(viii) Description of the pension plan (Continued)

The Bank operates a final salary defined benefit pension plan for some of its employees. The plan exposes the Bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk (where the plan is funded): The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk (where the plan is funded and an annuity is paid over life expectancy): The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Bank has a residual obligation imposed by ERA 2008 on top of its DC plan. It is therefore particularly exposed to investment under-performance of the DC plan.

There has been no plan amendment, curtailment or settlement during the year except for the past service costs recognised during the year.

In addition to above defined benefit plan, the Bank also has a defined plan administered by Swan Life. The Bank has recognised a net defined benefit liability of **Rs 51,853,969** in its balance sheet as at 30 June 2018 (30 June 2017: Rs 55,036,385 and 30 June 2016: Rs 47,020,816).

The assets of the plan are invested in the Deposit Administration Policy underwritten by Swan Life. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes. It is a long-term investment Policy which aims to provide a smooth progression of returns from one year to the next without regular fluctuations associated with asset-linked investments such as Equity Funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4% p.a.

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FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes

(a) DBBA Pension Scheme

	30 June 2018	30 June 2017	30 June 2016
	Rs	**Rs**	**Rs**
The Group and the Bank			
Reconciliation of the Effect of the Asset Ceiling			
- Opening balance	**-**	-	-
- Amount recognised in P&L	**-**	-	-
- Amount recognized in OCI	**8,581,000**	-	-
- Closing balance	**8,581,000**	-	-
Allocation of Plan Assets at End of Year	**%**	%	%
- Equity – Overseas quoted	**-**	3	3
- Equity – Overseas unquoted	**-**	0	1
- Equity – Local quoted	**1**	19	20
- Equity – Local unquoted	**3**	0	0
- Debt – Overseas quoted	**-**	0	0
- Debt – Overseas unquoted	**-**	0	0
- Debt – Local quoted	**-**	0	0
- Debt – Local unquoted	**-**	7	8
- Property – Overseas	**-**	0	0
- Property – Local	**3**	4	4
- Investment Funds	**-**	14	28
- Cash and other	**93**	53	36
Total	**100**	100	100
Allocation of Plan Assets at End of Year	**%**	%	%
- Reporting entity's own transferable financial instruments	**-**	-	-
- Property occupied by reporting entity	**-**	-	-
- Other assets used by reporting entity	**-**	-	-
Principal Assumptions used at End of Year			
- Discount rate	**N/A**	3.50%	7.00%
- Rate of salary increases	**N/A**	0.00%	5.50%
- Rate of pension increases	**N/A**	0.00%	0.50%
- Average retirement age (ARA)	**N/A**	60	60
- Average life expectancy for:			
- Male at ARA	**N/A**	19.5 years	19.5 years
- Female at ARA	**N/A**	24.2 years	24.2 years

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FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes (Contd)

(a) DBBA Pension Scheme (Contd)

Sensitivity Analysis on Defined Benefit Obligation at End of year

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
- Increase due to 1% decrease in discount rate	N/A	N/A	5,236,000
- Decrease due to 1% increase in discount rate	N/A	N/A	3,979,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cashflows

- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

- Expected employer contribution for the next year	-	Rs 11,883,000	Rs 1,052,000
- Weighted average duration of the defined benefit obligation	-	0 year	23 years

(b) DBML Pension Scheme

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group and the Bank			
Reconciliation of the Effectof the Asset Ceiling			
- Opening balance	-	-	-
- Amount recognised in P&L	-	-	-
- Amount recognized in OCI	497,000	-	-
- Closing balance	497,000	-	-
Allocation of Plan assets at End of Year	%	%	%
- Equity – Overseas quoted	-	3	3
- Equity – Overseas unquoted	-	0	1
- Equity – Local quoted	1	19	20
- Equity – Local unquoted	3	0	-
- Debt – Overseas quoted	-	0	-
- Debt – Overseas unquoted	-	0	-
- Debt – Local quoted	-	0	-
- Debt – Local unquoted	-	7	8
- Property – Overseas	-	0	-
- Property – Local	3	4	4
- Investment Funds	-	14	28
- Cash and other	93	53	36
Total	100	100	100

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes (Contd)

(b) DBML Pension Scheme (Contd)

	30 June 2018	30 June 2017	30 June 2016
	%	%	%
The Group and the Bank			
Allocation of Plan assets at End of Year			
- Reporting entity's own transferable financial instruments	-	-	-
- Property occupied by reporting entity	-	-	-
- Other assets used by reporting entity	-	-	-
Principal Assumptions used at End of Year			
- Discount rate	N/A	3.50%	7.00%
- Rate of salary increases	N/A	0.00%	5.50%
- Rate of pension increases	N/A	0.00%	0.50%
- Average retirement age (ARA)	N/A	60	60
- Average life expectancy for:			
- Male at ARA	N/A	19.5 years	19.5 years
- Female at ARA	N/A	24.2 years	24.2 years
Sensitivity Analysis on Defined Benefit Obligation at End of Year			
	Rs	Rs	Rs
- Increase due to 1% decrease in discount rate	N/A	N/A	2,921,000
- Decrease due to 1% increase in discount rate	N/A	N/A	2,373,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cashflows

- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

	30 June 2018	30 June 2017	30 June 2016
- Expected employer contribution for the next year	-	Rs 13,784,000	Rs 1,134,000
- Weighted average duration of the defined benefit obligation	-	0 year	16 years

(c) Retirement Gratuities

	30 June 2018	30 June 2017	30 June 2016
The Group and the Bank			
Principal Assumptions used at End of Year			
- Discount rate	6.90%	6.00%	7.00%
- Rate of salary increases	5.00%	4.00%	5.50%
- Rate of pension increases	1.00%	1.00%	0.50%
- Average retirement age (ARA)	65	65	65
- Average life expectancy for:			
- Male at ARA	15.9 years	15.9 years	15.9 years
- Female at ARA	20.0 years	20.0 years	20.0 years

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes (Contd)

(c) Retirement Gratuities (Contd)

The Group and the Bank

Sensitivity Analysis on Defined Benefit Obligation at End of Year

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
- Increase due to 1% decrease in discount rate	**9,290,000**	9,243,000	2,561,000
- Decrease due to 1% increase in discount rate	**4,837,000**	5,671,000	1,925,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Employment Rights Act 2008 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the pension fund with reference to the Bank's share of contributions. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cashflows

- The funding policy is to pay benefits out of the reporting entity's cashflow as and when due.

	30 June 2018	30 June 2017	30 June 2016
- Expected employer contribution for the next year	**Rs 62,000**	Rs 480,000	Rs Nil
- Weighted average duration of the defined benefit obligation	**23 years**	23 years	22 years

(d) Defined benefit plan with Swan Life

	30 June 2018	30 June 2017	30 June 2016
The Group and the Bank			
Principal Assumptions used at End of Year			
- Discount rate	**5.80%**	6.00%	6.50%
- Future long-term salary increase	**5.00%**	4.00%	5.00%
- Future guaranteed increase	**- %**	0.00%	0.00%
- Post retirement mortality tables	**Swan Annuity Rates**	Swan Annuity Rates	Swan Annuity Rates
Amounts for the current and previous periods			
Defined benefit obligation	**(105,121,338)**	(87,650,070)	(71,368,692)
Plan assets	**53,267,369**	32,613,685	24,347,876
Surplus/(Deficit)	**(51,853,969)**	(55,036,385)	(47,020,816)
Actuarial losses on plan liabilities	**(8,582,944)**	(10,426,684)	(1,200,393)
Actuarial gains/(losses) on plan assets	**249,211**	(170,369)	167,256

Sensitivity Analysis on Defined Benefit Obligation at End of Year

	Rs	Rs	Rs
- Increase due to 1% increase in future long term salary assumption	**8,166,075**	7,392,892	6,385,798
- Decrease due to 1% decrease in future long term salary assumption	**7,250,267**	-	-
- Increase due to 1% decrease in discount rate	**7,624,476**	-	-
- Decrease due to 1% increase in discount rate	**6,676,357**	5,933,984	5,314,015

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

22 RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Pension plan (Contd)

(ix) Pension schemes (Contd)

(d) Defined benefit plan with Swan Life (Contd)

The sensitivity analysis above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

Future cashflows			
- Expected employer contribution for the next year	**Rs 9,200,000**	Rs 9,000,000	Rs 9,000,000
- Weighted average duration of the defined benefit obligation	**7 years**	7 years	8 years

23 STATED CAPITAL

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	**The Group and the Bank**	**The Group and the Bank**
	Rs	**Rs**	**Rs**
Issued, subscribed and paid up			
At start and of year	**6,670,858,232**	3,270,858,232	1,136,962,400
Issued on transfer of undertaking (Note 46)	**-**	-	533,895,832
Issued during the year for cash (Note (ii) below)	**-**	3,400,000,000	1,600,000,000
Capital reduction (Note (i))	**(4,204,437,276)**	-	-
At end of year	**2,466,420,956**	6,670,858,232	3,270,858,232

(i) Following the shareholders' resolution dated 18 June 2018, the stated capital of the Bank was reduced by an amount of Rs 4,204,437,276, representing the accumulated losses of the Group at 30 June 2016 and which is not represented by the value of its assets, and brought to an amount of Rs 2,466,420,956. The number of shares in issue remains at 6,801,813,502. MauBank Holdings Ltd is the main shareholder of the Bank with a holding of 99.96%.

(ii) During the year ended 30 June 2017, the Government of Mauritius ("GOM"), through MauBank Holdings Ltd, injected Rs 3,400M in the form of new equity capital.

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	**The Group and the Bank**	**The Group and the Bank**
	Number	**Number**	**Number**
Issued, subscribed and paid up			
Number of shares at par value			
Number of shares of par value Rs 100 each	**3,839,624**	3,839,624	3,839,624
Number of shares of no par value			
At start of year / period	**6,797,973,878**	3,397,973,878	753,000,000
Number of shares of no par value issued during the year	**-**	3,400,000,000	2,644,973,878
	6,797,973,878	6,797,973,878	3,397,973,878
Total number of shares in issue	**6,801,813,502**	6,801,813,502	3,401,813,502

Both the Rs 100 par value and the no par value shares carry the same rights.

Each share confers on the holder the right to:

· one vote on a poll at a meeting of the Bank on any resolution;

· an equal share in dividends authorised by the Board; and

· an equal share in the distribution of the surplus assets of the Bank.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

24 STATUTORY RESERVE

Pursuant to the provision of the Banking Act 2004, a sum equal to no less than 15% of the profit after tax is transferred to a Statutory Reserve Account, until the balance in that reserve account is equal to the Bank's paid up capital. This reserve is not distributable. However, if there are accumulated losses, this transfer is not applicable.

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
The Group and the Bank	Rs	Rs	Rs
Balance at start of year	-	-	-
Transfer from profit or loss for the year	1,619,995	-	-
Balance at end of year	1,619,995	-	-

25 RETAINED EARNINGS/(ACCUMULATED LOSSES)

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at start of year	(4,071,936,443)	(4,204,437,276)	(1,075,884,712)	(4,073,999,197)	(4,205,256,592)	(1,076,204,672)
Adjustment on transfer of undertaking	-	-	(3,216,177,744)	-	-	(3,216,177,744)
Adjustment on Capital reduction (Note 23(i))	4,204,437,276	-	-	4,204,437,276	-	-
	132,500,833	(4,204,437,276)	(4,292,062,456)	130,438,079	(4,205,256,592)	(4,292,382,416)
Profit for the year	13,879,741	142,608,617	98,470,074	10,799,966	141,365,179	97,970,718
Actuarial loss for the year	(10,631,732)	(12,178,053)	(13,066,137)	(10,631,732)	(12,178,053)	(13,066,137)
Deferred tax on actuarial loss	1,807,394	2,070,269	2,221,243	1,807,394	2,070,269	2,221,243
Net income available to shareholders	5,055,403	132,500,833	87,625,180	1,975,628	131,257,395	87,125,824
	137,556,236	(4,071,936,443)	(4,204,437,276)	132,413,707	(4,073,999,197)	(4,205,256,592)
Transfer to statutory reserve (Note 24)	(1,619,995)	-	-	(1,619,995)	-	-
Balance at end of year	135,936,241	(4,071,936,443)	(4,204,437,276)	130,793,712	(4,073,999,197)	(4,205,256,592)

26 GENERAL BANKING RESERVE

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Balance at start and end of year	90,709,840	90,709,840	90,709,840

The General Banking Reserve is designed to cover potential losses that are not captured under specific and general provisions. Transfers from retained earnings are made whenever necessary. This reserve is not distributable.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

27 REVALUATION RESERVE

	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	The Group	The Group	The Group	The Bank	The Bank	The Bank
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at beginning of year	**426,370,194**	9,979,364	9,979,364	**435,402,187**	9,979,364	9,979,364
Increase arising on revaluation of properties	**-**	478,733,886	-	**-**	489,615,805	-
Deferred tax liability arising on revaluation	**-**	(62,343,056)	-	**-**	(64,192,982)	-
Balance at start and end of year	**426,370,194**	426,370,194	9,979,364	**435,402,187**	435,402,187	9,979,364

28 CONTINGENT LIABILITIES

(a) *Legal matters*

As at 30 June 2018, there were a few cases entered against the Bank with an aggregate contingent liability of Rs 868,160,764 as set out below. These cases include:

(i) A case entered by a client whose account has been non performing. The client is claiming Rs 300Mn alleging inter alia that it is not indebted towards the Bank. The Bank is advised that it has a strong case to resist the claim which is considered to be a delaying tactic. The Bank has already initiated proceedings for recovery of the debt.

(ii) A case entered by a client whose account has been non performing. The client is claiming damages of Rs 200 Mn and seeking to prevent the Bank from taking recovery actions. The Bank is advised that it has a strong case to resist the claim which is considered to be a mere delaying tactic. The Bank has already initiated proceedings for recovery of the debt.

(iii) Cases entered by two clients for Rs 200 Mn for alleged wrongful disposal of properties provided as security to the Bank. Court judgment has already been delivered in favor of the Bank. The clients entered an incidental application before court to nullify the sale by levy. The Bank is advised that it has a strong case to resist both cases.

(iv) Industrial dispute claims against the Bank amount to approximately Rs 83 Mn.

(v) Actions entered against the Bank for transactions effected following emails of persons allegedly being hacked where claims amount approximately to Rs 12 Mn. The Bank is advised that it has a strong case to resist the claim.

Additionally, the Bank is involved in other disputes, law suits, claims that arise from time to time in the ordinary course of business. Except as discussed above, the Bank does not believe there are any other contingent liabilities that are expected to have any material adverse effect on its financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

28 CONTINGENT LIABILITIES (CONTD)

(b) Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Acceptances on account of customers	**44,524,077**	10,593,843	48,336,991
Guarantees on account of customers	**1,159,990,899**	1,441,414,497	1,412,976,327
Letters of credit and other obligations on account of customers	**34,683,478**	13,876,038	56,350,631
Outward bills for collection	**125,516,083**	67,239,507	145,624,792
	1,364,714,537	1,533,123,885	1,663,288,741

29 DERIVATIVES

The fair value of derivative instruments are analysed as follows:

The Group and the Bank	Notional principal amount	Fair value	Gain	loss	Net
	MUR	MUR	MUR	MUR	MUR
30 June 2018					
Foreign exchange forward contracts	91,877,557	92,335,560	903,719	(445,716)	458,003
Foreign exchange swap contracts	119,306,916	119,294,698	46,451	(58,669)	(12,218)
Foreign exchange spot contracts	20,105,289	20,134,336	56,191	(27,144)	29,047
	231,289,762	**231,764,594**	**1,006,361**	**(531,529)**	**474,832**
30 June 2017					
Foreign exchange forward contracts	106,806,971	104,488,063	422,059	(2,740,966)	(2,318,907)
Foreign exchange swap contracts	301,519,924	304,863,924	4,291,118	(947,119)	3,343,999
Foreign exchange spot contracts	103,788,218	103,788,218	-	-	-
	512,115,113	513,140,205	4,713,177	(3,688,085)	1,025,092
30 June 2016					
Foreign exchange contracts*	104,331,890	-	-	-	-

* Foreign exchange contracts include forward and spot contracts

30 CREDIT COMMITMENTS

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Loans and other facilities			
Undrawn credit facilities	**2,617,580,952**	1,590,756,948	736,307,141

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

31 NET INTEREST INCOME

	The Group			The Bank		
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Interest income						
Loans and advances to customers	**1,039,409,016**	1,143,444,855	1,054,596,866	**1,054,792,958**	1,160,221,825	1,072,810,880
Investment Securities:						
- Treasury bills	**45,055,017**	74,839,239	59,531,051	**45,055,017**	74,839,239	59,531,051
- Government stocks	**49,098,060**	69,823,294	44,050,400	**49,098,060**	69,823,294	44,050,400
- Treasury notes	**75,292,614**	66,339,606	48,050,989	**75,292,614**	66,339,606	48,050,989
- Corporate Bonds	**1,155,000**	208,849	-	**1,155,000**	208,849	-
Placements with overseas banks and deposit-taking institution	**4,504,767**	3,001,746	759,885	**4,504,767**	3,001,746	759,885
Others:						
Trade finance	**35,489,304**	34,396,422	38,273,790	**35,489,304**	34,396,423	38,273,790
Total interest income	**1,250,003,778**	1,392,054,011	1,245,262,981	**1,265,387,720**	1,408,830,982	1,263,476,995
Interest expense						
Deposits from customers	**529,898,971**	766,379,530	788,084,589	**529,898,971**	766,379,530	788,084,589
Subordinated liabilities	**2,363,014**	14,979,340	15,020,660	**2,363,014**	14,979,340	15,020,660
Other borrowed funds	**726,601**	795,776	673,658	**726,601**	795,776	673,658
Others	**1,966,857**	2,785,543	1,883,984	**1,966,857**	2,785,543	1,883,984
Total interest expense	**534,955,443**	784,940,189	805,662,891	**534,955,443**	784,940,189	805,662,891
Net interest income	**715,048,335**	607,113,822	439,600,090	**730,432,277**	623,890,793	457,814,104

32 NET FEE AND COMMISSION INCOME

	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Fee and commission income			
Commission on guarantees	**15,185,593**	11,613,183	10,854,684
Commission on insurances and pensions	**11,257,283**	11,067,134	11,275,636
Commission on loans and advances to customers	**30,272,818**	22,749,067	22,280,028
Commission on savings	**28,725,683**	27,841,315	16,245,963
Commission on trade finance	**20,242,790**	21,191,007	16,284,547
Others	**27,988,301**	27,330,843	18,053,346
Total fee and commission income	**133,672,468**	121,792,549	94,994,204
Fee and commission expense			
Hire purchase service charge	**-**	-	1,211,033
Others	**3,391,396**	3,293,164	2,434,523
Total fee and commission expense	**3,391,396**	3,293,164	3,645,556
Net fee and commission income	**130,281,072**	118,499,385	91,348,648

33 NET TRADING INCOME

	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Foreign exchange transactions	**89,083,124**	82,260,153	53,333,933
(Loss)/gain on fair value of derivative (Note 29)	**(550,260)**	1,025,092	-
	88,532,864	83,285,245	53,333,933

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

34 OTHER INCOME

	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
(Loss)/Profit on revaluation of investment securities	**(3,527,975)**	(3,231,340)	4,329,624
Loss on revaluation of investment properties	**-**	(2,890,000)	-
Rental income	**28,673,024**	27,742,403	10,469,576
Profit on disposal of property, plant and equipment	**416,308**	1,160,284	553,314
(Loss)/profit on disposal of non banking and other assets	**(14,281)**	(47,544)	6,179,792
Profit on sale of investment	**45,617,293**	146,851,085	-
Dividend income	**465,028**	-	-
Long outstanding payables written back	**172,716,112**	-	-
	244,345,509	169,584,888	21,532,306

35 NET IMPAIRMENT LOSS/(REVERSAL) ON FINANCIAL ASSETS

	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Specific allowance for impairment (Note 12 (d))	**203,555,132**	(103,966,923)	168,168,814
Portfolio allowance and general provision for impairment (Note 12 (d))	**(24,009,911)**	(889,364)	3,918,051
Rescheduled advances allowances (Note 12 (d))	**104,358**	1,284,282	-
Bad debts written off for which no provision were made	**617,275**	660,105	2,429,198
Bad debts recovered	**(13,649,682)**	(36,363,193)	-
	166,617,172	(139,275,093)	174,516,063

36 PERSONNEL EXPENSES

	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Wages and salaries	**375,759,123**	287,528,513	231,058,670
Compulsory social security obligations	**14,950,770**	13,976,155	9,729,635
Defined contribution and benefit plan	**(11,913,627)**	40,166,654	16,590,603
Other personnel expenses	**70,566,578**	62,867,066	41,647,229
	449,362,844	404,538,388	299,026,137

Notes to the financial statements

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37 OTHER EXPENSES

	The Group			The Bank		
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Business promotion and marketing expenses	**23,450,028**	21,447,259	21,032,264	**23,450,028**	21,447,259	21,032,264
Travel expenses	**8,283,419**	4,770,076	2,858,565	**8,283,419**	4,770,076	2,858,565
Office operating expenses	**73,081,255**	74,309,172	50,856,308	**73,081,255**	74,309,172	50,856,308
Stationeries	**12,901,607**	9,490,393	10,568,704	**12,901,607**	9,490,393	10,568,704
General administration expenses	**16,995,115**	16,498,385	15,044,403	**16,974,227**	16,497,689	15,041,684
Professional fees	**28,853,629**	26,852,351	21,754,290	**28,073,329**	26,669,851	21,003,113
Insurances	**7,164,242**	6,044,857	7,024,795	**7,019,455**	5,899,165	6,851,221
Repairs and maintenance	**93,652,822**	102,370,255	77,092,698	**93,652,822**	102,370,255	77,092,698
Utilities	**48,580,389**	56,505,421	44,326,666	**48,580,389**	56,505,421	44,326,666
Training	**4,134,870**	10,145,635	1,189,001	**4,134,870**	10,145,636	1,189,002
Operational losses	**4,376,523**	2,381,775	-	**4,376,523**	2,381,775	-
	321,473,899	330,815,579	251,747,694	**320,527,924**	330,486,692	250,820,225

38 INCOME TAX EXPENSE

(a) Income tax

The applicable tax rate in Mauritius is 15% for the year ended 30 June 2018 (2017 and 2016: 15%). In addition, the Bank is subject to 2% relating to Corporate Social Responsibility for the year ended 30 June 2018 (2017 and 2016: 2%). As at 30 June 2018, the Group had no income tax liability (2017: Rs Nil and 2016: Rs Nil), but instead had an income tax asset of **Rs 1,621,967** (Note 38(c)) (2017: Rs 17,544,346 and 2016: Rs24,546,102) at that date. At the reporting date, the Bank has net accumulated taxable losses of Rs 957,274,194 and Rs 1,422,950,422 which will expire on 30 June 2021 and 30 June 2023 respectively.

The Group is subject to the Advanced Payment Scheme (APS) and the Corporate Social Responsibility Fund (CSR Fund).

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

Under the APS, the Bank is required to submit an APS Statement and pay tax quarterly on the basis of either last year's income or the income for the current quarter.

Contribution to the CSR Fund is a rate of 2% on the chargeable income of the preceeding financial year.

(b) Statement of profit or loss and other comprehensive income

	The Group			The Bank		
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Income tax on adjusted profit for the year	**1,695,104**	1,371,580	171,353	**-**	-	-
Under/(Over)provision of income tax in prior year	**899**	(14,660)	-	**-**	-	-
Tax liability of prior years paid	**118,397**	-	-	**118,397**	-	-
Tax receivable expensed	**15,000,000**	-	-	**15,000,000**	-	-
Irrecoverable tax deducted at source of prior years expensed	**123,600**	-	-	**123,600**	-	-
Movement in deferred taxation	**10,157,367**	36,727,378	(424,091,089)	**10,412,287**	35,434,802	(424,091,089)
CSR contribution	**182,997**	20,892	-	**-**	-	-
Tax expense/(credit)	**27,278,364**	38,105,190	(423,919,736)	**25,654,284**	35,434,802	(424,091,089)

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38 INCOME TAX EXPENSE (CONTD)

(c) Statement of financial position

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at start of year	(17,544,346)	(24,546,102)	38,716,444	(15,834,563)	(23,152,238)	38,716,444
Income tax on adjusted profit for the year	1,695,104	1,371,580	171,353	-	-	-
Overprovision of income tax in prior year	899	(14,660)	-	-	-	-
Special Levy	-	-	-	-	-	-
CSR contribution	182,997	20,892	-	-	-	-
CSR paid during the year	-	-	(6,616,021)	-	-	(6,616,021)
Tax refund received during the year	2,543,451	8,152,238	-	834,563	8,152,238	-
Tax receivable expensed	15,000,000	-	-	15,000,000	-	-
Tax paid during the year	(1,097,982)	(128,514)	(55,005,461)	-	-	(55,005,461)
Tax deducted at source	(2,402,090)	(2,399,780)	(1,812,417)	(836,872)	(834,563)	(247,200)
Balance at end of year	(1,621,967)	(17,544,346)	(24,546,102)	(836,872)	(15,834,563)	(23,152,238)
Presented as follows:						
Current tax assets	(1,621,967)	(17,544,346)	(24,546,102)	(836,872)	(15,834,563)	(23,512,238)

(d) Deferred tax assets

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at start of year	(389,291,055)	(486,291,220)	18,622,010	(388,733,705)	(486,291,220)	18,622,010
Movement during the year						
- Charged/(credited) to statements of profit or loss	10,157,367	36,727,378	(424,091,089)	10,412,287	35,434,802	(424,091,089)
- Credited to statements of changes in equity	-	-	(78,600,898)	-	-	(78,600,898)
- (Credited)/Charged to other comprehensive income	(1,807,394)	60,272,787	(2,221,243)	(1,807,394)	62,122,713	(2,221,243)
	8,349,973	97,000,165	(504,913,230)	8,604,893	97,557,515	(504,913,230)
Balance at end of year	(380,941,082)	(389,291,055)	(486,291,220)	(380,128,812)	(388,733,705)	(486,291,220)

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

38 INCOME TAX EXPENSE (CONTD)

(d) Deferred tax assets (Contd)

The analysis of deferred tax assets is as follows:

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Accelerated tax depreciation	**42,537,226**	40,588,293	31,454,743	**41,499,570**	39,295,717	31,454,743
Provision for credit impairment	**(55,097,655)**	(317,963,983)	(335,571,224)	**(55,097,655)**	(317,963,983)	(335,571,224)
Retirement benefit obligations	**(11,086,545)**	(16,730,275)	(10,797,859)	**(11,086,545)**	(16,730,275)	(10,797,859)
Revaluation of building	**62,343,056**	62,343,056	-	**64,192,982**	64,192,982	-
Tax loss carried forward	**(404,638,068)**	(157,528,146)	(171,376,880)	**(404,638,068)**	(157,528,146)	(171,376,880)
Other timing difference	**(14,999,096)**	-	-	**(14,999,096)**	-	-
Balance at end of year	**(380,941,082)**	(389,291,055)	(486,291,220)	**(380,128,812)**	(388,733,705)	(486,291,220)

(e) Income tax reconciliation

The tax charge on the Group's and the Bank's profit/loss differs from the theoretical amount that would arise using the basic tax rate of the Group as follows:

	The Group			The Bank		
	Year ended 30 June 2018	30 June 2017	30 June 2016	Year ended 30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Profit/(loss) before income tax	**41,158,105**	180,713,807	(325,449,662)	**36,454,250**	176,799,981	(326,120,371)
Tax at 17%	**6,996,878**	30,721,347	(55,326,443)	**6,197,223**	30,055,997	(55,440,463)
Non-allowable items	**65,734,480**	7,591,337	2,733,957	**64,894,553**	5,607,191	2,726,624
Exempt income	**(313,563,517)**	(228,386)	(736,036)	**(312,993,232)**	(228,386)	(736,036)
Deferred taxation	**10,157,367**	-	(370,591,214)	**10,412,287**	-	(370,641,214)
CSR contribution	**182,997**	20,892	-	**-**	-	-
Others	**257,770,159**	-	-	**257,143,453**	-	-
Tax expense / (income)	**27,278,364**	38,105,190	(423,919,736)	**25,654,284**	35,434,802	(424,091,089)

(f) Time lapse of tax losses

Tax losses lapses if not claimed within five years. Tax loss carried forward is as follows:

	Tax loss brought forward	Tax loss arising during the year	Tax loss utilised during the year	Tax loss carried forward
	Rs	Rs	Rs	Rs
Year Ended				
30 June 2016	-		-	(1,002,556,186)
30 June 2017	(1,002,556,186)		45,281,994	(957,274,192)
30 June 2018	(957,274,192)	(1,422,949,744)	-	(2,380,223,936)

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

39 PROFIT FOR THE YEAR

	The Group			The Bank		
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016	**Year ended 30 June 2018**	Year ended 30 June 2017	Year ended 30 June 2016
	Rs	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Profit for the year is arrived at after charging:						
Depreciation and amortisation	**151,069,547**	135,018,690	154,851,484	**141,155,402**	125,090,455	143,715,757
Directors' emoluments	**21,961,779**	17,692,755	9,378,689	**21,193,779**	17,692,755	9,098,689
Payable to auditors (including VAT):						
- Audit services	**3,691,500**	3,220,000	3,105,000	**3,565,000**	3,105,000	2,875,000
- Fees for other services	**1,932,000**	-	2,990,000	**1,932,000**	-	2,990,000
Staff costs (Note 36)	**455,362,844**	404,538,388	299,026,137	**455,362,844**	404,538,388	299,026,137
Operating lease rentals (Note 44(b(i))	**48,526,213**	66,671,969	51,123,261	**79,474,130**	97,619,888	82,071,180
and crediting:						
Rental income (Note 34)	**28,673,024**	27,742,403	10,469,576	**28,673,024**	27,742,403	10,469,576

40 EARNINGS PER SHARE

The earnings per share for the year ended 30 June 2018 and for the comparative year and period were calculated as follows:

The Group	**Earnings per share (Rs)**	**Profit for the year attributable to equity holders of the parent (Rs)**	**Weighted Average Number of shares used**
Year ended 30 June 2018	**0.00**	**13,879,741**	**6,801,813,502**
Year ended 30 June 2017	0.03	142,608,617	5,190,306,653
Year ended 30 June 2016	0.05	98,470,074	2,009,609,210

The Bank	**Earnings per share (Rs)**	**Profit for the year attributable to equity holders of the parent (Rs)**	**Weighted Average Number of shares used**
Year ended 30 June 2018	**0.00**	**10,799,966**	**6,801,813,502**
Year ended 30 June 2017	0.03	141,365,179	5,190,306,653
Year ended 30 June 2016	0.05	97,970,718	2,009,609,210

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

41 RELATED PARTY TRANSACTIONS

Transactions and balances between the Group and its related parties are as follows:

	Directors and Key management personnel	Entities in which directors and key management personnel have significant interest	Entities holding at least 10% interest in the Bank
	Rs	Rs	Rs
Loans and advances			
At 30 June 2018	**32,304,673**	-	-
At 30 June 2017	32,886,407	-	-
At 30 June 2016	21,314,812	-	-
Deposits			
At 30 June 2018	**40,097,802**	-	-
At 30 June 2017	36,405,714	-	-
At 30 June 2016	27,992,540	-	-
Interest income			
Year ended 30 June 2018			
Loans and advances	**868,002**	-	-
Year ended 30 June 2017			
Loans and advances	1,013,512	-	-
Year ended 30 June 2016			
Loans and advances	316,981	-	-
Interest expense			
Year ended 30 June 2018			
Deposits	**591,357**	-	-
Year ended 30 June 2017			
Deposits	783,555	-	-
Year ended 30 June 2016			
Deposits	485,595	-	-
Management compensation (Short-term employee benefits)			
Year ended 30 June 2018	**66,197,790**	-	-
Year ended 30 June 2017	47,932,966	-	-
Year ended 30 June 2016	21,858,016	-	-

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

41 RELATED PARTY TRANSACTIONS (CONTD)

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

Credit facilities granted to related parties are secured except for credit cards, money market lines and facilities provided to related financial institution counterparties in accordance with our policy and are settled from the underlying obligor's operating cash flow.

Transactions and balances with the subsidiary, fellow subsidiary and holding company are as follows:

	30 June 2018	30 June 2017	30 June 2016
	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)
	Rs	Rs	Rs
Subsidiary			
Balances:			
Loans and advances	**227,421,201**	240,057,564	254,200,467
Deposits	**(10,386,700)**	(7,233,914)	(3,847,715)
Amount due	**32,805,779**	32,103,312	25,369,629
Rental deposits	**6,000,000**	6,000,000	6,000,000
Transactions:			
Interest income	**(15,294,933)**	(16,776,971)	(18,214,013)
Rental expense	**36,000,000**	36,000,000	36,000,000
Fellow subsidiary			
Balance and Transaction:			
Amount due on disposal of loans and advances portfolio	**5,097,577,730**	-	-
Holding company			
Balances:			
Amount due for expenses paid	**18,923**	33,750	-
Bank balances held	**(2,650,886)**	(2,195,994)	(86,297)

The subsidiary had no transactions with the major shareholders (entities holding at least 10% interest in the Group).

42 Events after the reporting period

Subsequent to the year end, the Bank provided a loan of Rs 3,100,000,000 to its holding company, MauBank Holdings Ltd. The loan is for a duration of 12 years at an interest rate of PLR minus 1.75% and the repayment of the capital and interest portion of the loan is guaranteed by the Government of Mauritius.

The receivable of Rs 5,097,577,730 from the fellow subsidiary was settled on 10 December 2018.

43 Assets pledged

The following assets have been pledged as collateral to secure borrowing facilities from the Central Bank.

	30 June 2018	30 June 2017	30 June 2016
	The Group and the Bank	The Group and the Bank	The Group and the Bank
	Rs	Rs	Rs
Government stocks	**500,000,000**	646,100,000	720,000,000

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

44 OTHER COMMITMENTS

(a) Capital Commitments

	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs
The Group			
Approved and contracted for	**22,638,449**	40,806,322	58,958,908
The Bank			
Approved and contracted for	**22,638,449**	40,806,322	52,556,908

(b) Operating Lease Commitments

(i) The Group and the Bank as a lessee

	The Group			The Bank		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Minimum lease payments under operating leases recognised in the consolidated statement of profit or loss and other comprehensive income for the year	**48,526,213**	66,671,969	51,123,261	**79,474,130**	97,619,888	82,071,180
At the reporting date, the Group and the Bank had outstanding commitment under non-cancellable operating leases, which fall due as follows:						
Within 1 year	**28,603,432**	26,530,289	43,858,859	**64,214,923**	62,173,859	75,581,699
After 1 period and before 5 years	**44,116,365**	53,377,290	86,111,237	**42,492,399**	87,788,290	139,847,764
After 5 years	**15,268,310**	20,737,526	129,690,067	**6,557,438**	11,603,180	14,996,219
	87,988,107	100,645,105	259,660,163	**113,264,760**	161,565,329	230,425,682

Operating lease payments represent rentals payable for office space. Leases are negotiated for an average of 5 years and rentals are fixed for an average of 5 years. The subsidiary has also rented land under operating lease.

(ii) The Group and the Bank as a lessor

Property rental income earned during the year was **Rs 28,673,024** (30 June 2017: Rs 27,742,403 and 30 June 2016: Rs 10,469,576). Properties held for rental have a committed tenant for 5 years.

At the reporting date, the Bank had contracted with tenants for the following future minimum lease payments.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

44 OTHER COMMITMENTS (CONTD)

(b) Operating Lease Commitments (Contd)

(ii) The Group and the Bank as a lessor (Contd)

	30 June 2018	30 June 2017	30 June 2016
	Rs	**Rs**	**Rs**
Within one year	**16,510,896**	15,126,106	4,944,000
After 1 year and before 5 years	**54,660,897**	31,737,271	7,004,000
After 5 years	**43,246,144**	25,349,336	-
	114,417,937	72,212,713	11,948,000

45 SEGMENTAL INFORMATION

In accordance with the Bank of Mauritius Guidelines, the Bank's business has been split into Segment A and Segment B. Segment A relates to banking business other than Segment B business. Segment B is essentially directed to the provision of international financial services that give rise to foreign source income. Such services may be fund based or non-fund based. As most of the balances and transactions during the year were all in Segment A and Segment B transactions was minimal as set out in the table below, segmental disclosures is not needed in accordance with the Bank of Mauritius Guidelines.

The Bank's assets and interest income on Segment B in relation to total assets and total interest income were as follows:

	Assets	Interest Income
	Rs	**Rs**
At 30 June 2018		
Segment B	**1,130,828,013**	**8,347,289**
Total *(Segment A and B)*	**26,590,885,623**	**1,265,387,720**
% of total	**4.25%**	**0.66%**
At 30 June 2017		
Segment B	791,455,531	10,934,212
Total *(Segment A and B)*	26,229,917,242	1,408,830,982
% of total	3.01%	0.78%
At 30 June 2016		
Segment B	567,336,092	6,132,463
Total *(Segment A and B)*	28,484,033,471	1,263,476,995
% of total	1.99%	0.49%

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

46 TRANSFER OF UNDERTAKING

On 04 January 2016, MauBank Ltd acquired the assets and liabilities of the National Commercial Bank Ltd (NCB) from MauBank Holdings Ltd pursuant to a transfer of undertaking carried out as per the provisions of Section 32 A of the Banking Act 2004. The details of various assets and liabilities acquired and consideration paid is given below:

	Rs
Assets acquired	
Cash and cash equivalents	1,810,982,281
Loans and advances to customers	7,093,918,963
Investment securities	1,214,573,337
Investment property	69,350,000
Property, plant and equipment	999,673,517
Intangible assets	42,130,515
Deferred tax assets	78,600,898
Other assets	1,346,385,364
Total assets	**12,655,614,875**
Liabilities assumed	
Deposits from customers	14,245,112,088
Other borrowed funds	496,982,465
Retirement benefits obligations	46,003,448
Other liabilities	549,798,786
Total liabilities	**15,337,896,787**
Net liabilities of National Commercial Bank Ltd at close of 03 January 2016	**(2,682,281,912)**
Equity shares issued to MauBank Holdings Ltd as consideration	**(533,895,832)**
Excess of consideration paid over net assets acquired	**(3,216,177,744)**

47 IMMEDIATE HOLDING COMPANY AND ULTIMATE SHAREHOLDER

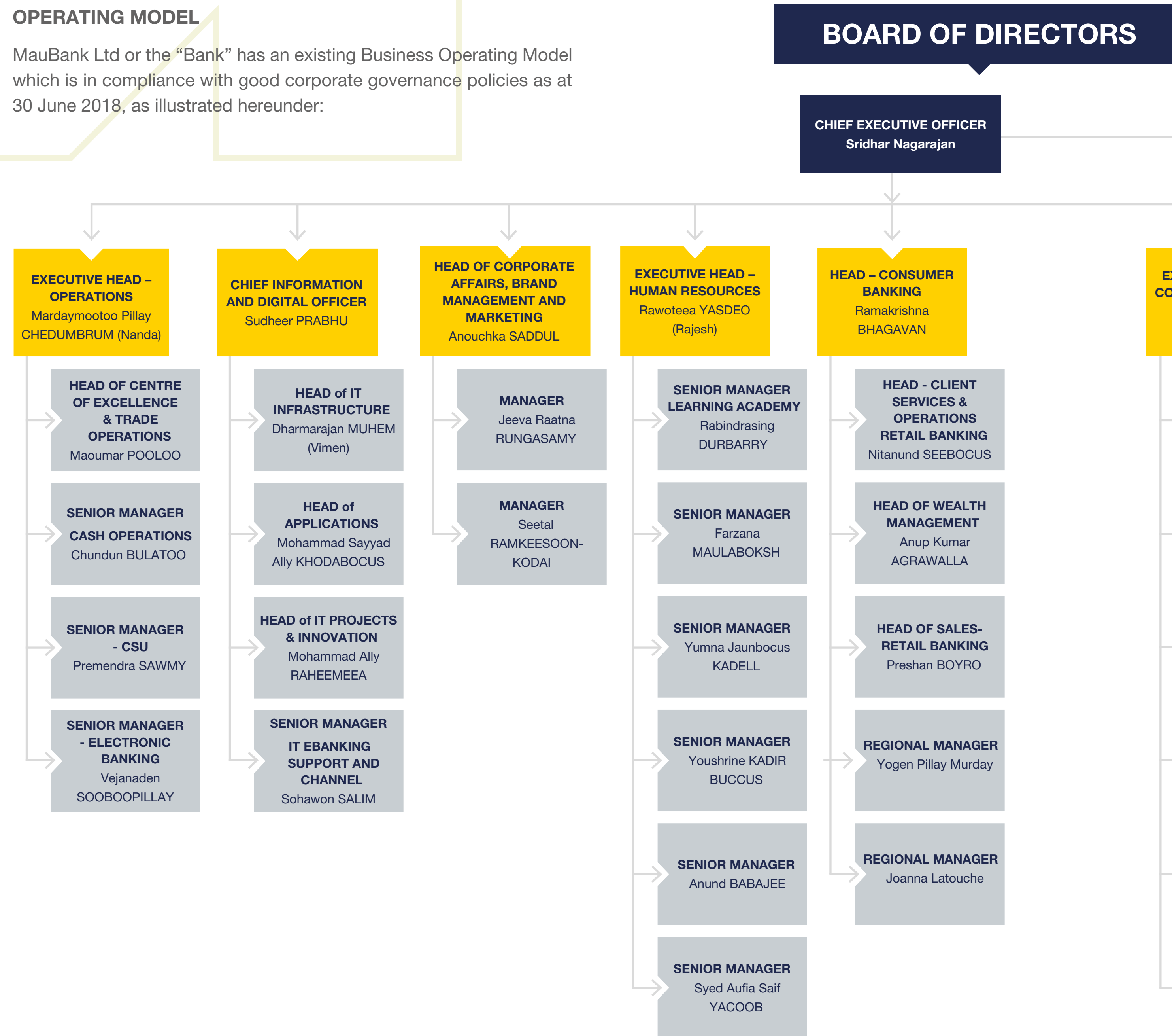
The directors regard MauBank Holdings Ltd, a company incorporated and domiciled in Mauritius, as their immediate holding company and the Government of Mauritius as their ultimate shareholder.

MANAGEMENT DISCUSSION & ANALYSIS

Management discussion and analysis

OPERATING MODEL

MauBank Ltd or the “Bank” has an existing Business Operating Model which is in compliance with good corporate governance policies as at 30 June 2018, as illustrated hereunder:



HEAD OF INTERNAL AUDIT
TBR

SENIOR MANAGER
Shameema JUHOOR

XECUTIVE HEAD – RPORTE BANKING & TREASURY
TBA

- **HEAD OF DOMESTIC CORPORATE, CORPORATE BANKING** Jean Clint ALBERT
- **HEAD OF INTERNATIONAL BANKING** Yogendra (Robin) APPADOO
- **HEAD OF SPECIAL ASSETS MANAGEMENT** Assif BEEBEEJAUN
- **HEAD OF LARGE CORPORATE & DEBT RESTRUCTURING** Satish MUSSAI
- **HEAD OF ASSET FINANCING** Eric CARVER
- **HEAD OF MARKETS** Govinden VYAPOREE

EXECUTIVE HEAD - SME
Anil Kumar KUNDAN

- **HEAD OF BUSINESS BANKING - SME** Vimla Ramphul BACHA
- **HEAD OF SALES SME** Hemant Kishore RAMKHELAWON

CHIEF RISK OFFICER
Ramesh MOTEE

- **SENIOR MANAGER - SECURITY & RISK** Byas MOHESOWA
- **HEAD of OPERATIONAL RISK** Gayetree Sunita ACHARUZ- SAWOKY
- **SENIOR MANAGER - CORPORATE CREDIT** Mehdi Hassn Bin Mohammud AUCKBARALLY
- **SENIOR MANAGER SME CREDIT** Devendra DOSIEAH
- **CREDIT PORTFOLIO MANAGEMENT SENIOR MANAGER** Jean Hugues TRANQUILLE
- **MANAGER RETAIL ANALYST** Ranganaden RUNGASSAMY

HEAD OF COMPLIANCE
Jessma MATHUR

- **SENIOR MANAGER –COMPLIANCE & MLRO** Dheebaven SOOBROYEN
- **COMPLIANCE MANAGER** Divya BUHORAH-JOTAHA

COMPANY SECRETARY & HEAD OF LEGAL UNIT
Ashiti PROSAND

- **ASSISTANT COMPANY SECRETARY & LEGAL OFFICER** Rajeev BOYJOONAUTH

CHIEF FINANCIAL OFFICER
Yougeshsingh TOYNOO (Asish)

- **FINANCIAL CONTROLLER** Damodarsingh Deepak Mohadeb
- **HEAD OF ASSET & LIABILITIES MANAGEMENT** Paran Govinden
- **SENIOR MANAGER** Jevin MUNUSAMI
- **SENIOR MANAGER** Parwez SOOBRATTY
- **SENIOR MANAGER** Anjanee ROOPCHAND
- **SENIOR MANAGER** Danaluchmee SADASSEEVEN
- **SENIOR MANAGER** HUNG TIM SANG Chrissie
- **HEAD OF FACILITIES** Prakash Poorun

Management discussion and analysis (Contd)

FINANCIAL REVIEW

KEY FINANCIAL INDICATORS

Area of Performance	01 JULY 2017 TO 30 JUNE 2018	01 JULY 2016 TO 30 JUNE 2017	01 JULY 2015 TO 30 JUNE 2016
	TWELVE MONTHS	TWELVE MONTHS	TWELVE MONTHS
	Rs'Mn	Rs'Mn	Rs'Mn
Net Interest Income	730.43	623.89	457.81
Non Interest Income	463.16	371.37	166.21
Operating Income	1,193.59	995.26	624.03
Operating Expense (including depreciation)	(990.52)	(957.74)	(775.63)
Profit/(loss) before impairment loss	203.07	37.52	(151.60)
Impairment (loss)/reversal	(166.62)	139.28	(174.52)
Profit/(loss) after impairment loss but before taxes	36.45	176.80	(326.12)
Income tax (expense)/credit	(25.65)	(35.43)	424.09
Profit after Tax	10.80	141.37	97.97
Total Assets	26,590.89	26,229.92	28,484.03
Total Advances	11,728.63	18,466.63	18,106.23
Total Deposits	22,346.50	21,949.48	28,217.28
Shareholders Equity	3,103.21	3,268.65	(833.71)
Tier 1 Capital	1,975.69	2,155.16	(1,612.67)
Total Regulatory Capital	2,327.17	2,576.35	(1,369.14)
KEY RATIOS			
Cost to Income Ratio	*82.99%*	*96.23%*	*124.29%*
Return on Equity	*0.35%*	*4.32%*	*n/a*
Return on Total Assets	*0.04%*	*0.54%*	*0.34%*
Net Impaired Loans/Total Loans	*5.96%*	*32.29%*	*25.78%*

The table above shows the financials for the year ending 30 June 2018 against the previous reporting periods namely for the year ended 30 June 2017 and the year ended 30 June 2016.

BANK'S PERFORMANCE

The financial statements presented both the Bank and its subsidiary figures, that is, inclusive of the financial position and performance of MauBank Investment Ltd. However, for the purpose of the current Management Discussion and Analysis, only the Bank's financials have been taken into consideration.

MauBank Ltd ended the year ended 30 June 2018, with a profit before tax and impairment of Rs 203.7Mn against Rs 37.52 Mn in 2017 and a loss of Rs 151.60Mn in 2016. The marked improvement was mainly on account of improved interest revenue which were achieved through an enhanced asset base following the transfer of undertaking from NCB on 04 January 2016 coupled with an improvement in funding cost resulting from the Bank's review of its deposit base and shedding away high priced term deposits.

However, the Bank had to raise net additional impairment charge of Rs 166.62Mn on its legacy non-performing portfolio, resulting in a profit after impairment and before tax of Rs 36.45Mn for the year ended 30 June 2018.

Taking into consideration the negative impact of its legacy portfolio, the Bank has restructured its balance sheet on 30 June 2018 by disposing of a gross non-performing portfolio of Rs 7.82Bn.

Operating income for the year ended 30 June 2018 improved to Rs 1,193.59 Mn compared to Rs 995.26 Mn for the year 2017 and Rs 624.03 Mn for the year 2016.

- **Interest income**

The Bank's interest income was Rs 1,265.39 Mn against Rs 1,408.83 Mn for the year 2017 and Rs 1,263.48 for the year 2016.

Management discussion and analysis (Contd)

FINANCIAL REVIEW (CONTD)

BANK'S PERFORMANCE (CONTD)

- **Interest expense**

The Bank's interest expense amounted to Rs 534.96 Mn compared to Rs 784.94 Mn for the year ended 30 June 2017. The reduction in interest expense is largely attributed to the review of the deposit base for high priced products. Though total deposits has increased from Rs 21.95 Bn at 30 June 2017 to Rs 22.35 Bn at 30 June 2018, the mix of deposit products has changed. At 30 June 2018, savings and demand deposits represented 59% of the deposit portfolio whilst time deposit accounted for 41% of the portfolio compared against 56% and 44% respectively at 30 June 2017. The bank continues to adopt a prudent approach towards liquidity management. Other than actively monitoring its assets and liabilities maturity mismatch, the bank also ensures that it has a relatively large stable deposit base, while keeping sufficient liquid assets to meet unforeseen liquidity requirements. As at 30 June 2018, 28.36% of the Bank's assets, or 33.75% of the Bank's deposit base, were invested in liquid assets.

- **Net interest income**

Net Interest Income (NII) for the year ended 30 June 2018 improved significantly to Rs 730.43 Mn from Rs 623.89 Mn in 2017. This was attributed to the overall improvement in funding cost as the Bank pursued its strategy in attracting low cost deposit products.

- **Non-interest income**

Other income and non-interest income relates mainly to fee income on loans and advances, gain on foreign exchange, gain on disposal of investment securities and rental income from the Bank's properties. During the year ended 30 June 2018, the bank also wrote back long outstanding payables totaling Rs 172.72 Mn.

- **Non-Interest expenses**

Non-Interest expenses for the year ended 30 June 2018 was Rs 990.52Mn against Rs 957.74 Mn in 2017, an increase of only 3.42%.

The increase in non-interest expense is attributable to expenditure incurred in improving the Bank's processes and the continuous investment towards the Bank's vision, mission, strategic pillars and core values. The Bank also continues to work towards optimizing its cost structure and keeping cost at a minimum level. The Bank's cost to income ratio improved to 82.99% compared to 96.23% in 2017 and 124.29 % in 2016.

- **Net impairment loss on financial assets**

Net impairment charge on loans and advances amounted to Rs 166.62 Mn for the year ended 30 June 2018 against a net reversal of Rs 139.28 Mn for the year ended 30 June 2017. Non-performing advances remained a heavy legacy for the Bank. While relentless efforts are being deployed to optimize recovery, it remains an enduring and lengthy process. Nevertheless, the Bank is continuing its recovery actions to realise collaterals and /or personal guarantees of shareholders/directors to maximize realizable value of assets of impaired accounts.

Following the sale of the non-performing loans and advances portfolio on 30 June 2018, the impairment ratio decreased significantly from 32.29% at 30 June 2017 to 5.96% at 30 June 2018. In order to continuously manage the non-performing advances, the forum on non-performing advances, continues to meet regularly to monitor the asset quality of the Bank and to ensure that the ratio is maintained to an acceptable level.

- **Taxation**

The Bank reported a tax charge of Rs 25.65 Mn for the year ended 30 June 2018. The Bank had no liability towards Corporate Tax, Special Levy and Corporate Social Responsibility for the year ended 30 June 2018 due to tax loss carried forward as at that date.

ASSETS

- **Total assets**

The Bank's total assets stood at Rs 26,590.89 Mn compared to Rs 26,229.92 Mn at 30 June 2017 and Rs 28,484.03 Mn at 30 June 2016, an increase of 1.38%.

- **Capital adequacy**

Following the sale of the non-performing loans and advances portfolio, the Capital Adequacy Ratio (CAR) of the Bank increased to 16.87% at 30 June 2018, well above the regulatory minimum of 11.25%, against 13.29% at 30 June 2017. The increase in CAR results from a decrease in the risk weighted assets of the Bank.

Management discussion and analysis (Contd)

FINANCIAL REVIEW (CONTD)

ASSETS (CONTD)

- **Loans and advances growth**

As at 30 June 2018, the Bank's gross loans and advances portfolio stood at Rs 11,728.63 Mn compared to Rs 18,466.63 Mn for the year ended 30 June 2017 and Rs 18,106.23 Mn for the same period as at 30 June 2016. The decrease is mainly attributable to the sale of a gross non-performing portfolio of loans and advances of Rs 7.82Bn. Non-performing advances, has remained a heavy legacy for the Bank. Nonetheless, the Special Asset Management Unit continues to actively monitor and manage non-performing facilities. Efforts are not only placed in realizing collaterals, but non-performing customers are supported to improve their cash flow and better manage their finance so that they can honour their commitments with the Bank. The forum on non-performing advances continues to meet every quarter, to monitor the asset quality of the Bank and provide strategic direction for better monitoring its performance.

- **Credit risk exposure**

Credit risk occurs mainly in the Bank's credit portfolios comprising retail lending, corporate lending, treasury and financial institutions wholesale lending. Credit risk is explained as the risk of loss arising from failure of borrower or counterparty to meet his financial obligations. Credit risk is among the most common cause of the Bank failures, causing virtually all regulatory environment to prescribe minimum standards.

The Bank has a comprehensive Risk Governance Structure which promotes sound risk management for optimal risk-reward trade off. The Board Credit Committee at MauBank Ltd guarantees that the Bank's credit policy limit is respected at all times.

- **Credit quality and provision for credit losses**

Provision for credit losses on loans and advances stood at Rs 324.10 Mn against Rs 1,870.38 Mn at 30 June 2017 and Rs 1,973.95 Mn at 30 June 2016. The decrease is explained by the disposal of the non-performing portfolio of loans and advances mentioned above.

- **Securities**

The Bank's investment portfolio stood at Rs 4,120.71 Mn against Rs 4,556.52 Mn as at 30 June 2017 and Rs 5,875.51 Mn as at 30 June 2016, decrease attributed to disposal of securities towards optimizing the yield of the Bank's assets base and balance sheet restructuring process.

LIABILITIES

- **Deposits**

Total deposits has increased slightly from Rs 21.95 Bn at 30 June 2017 to Rs 22.35 Bn at 30 June 2018. However, the Bank is pursuing its strategy of shifting towards lower cost deposit products. At 30 June 2018, savings and demand deposits represented 59% of the deposit portfolio whilst time deposit accounted for 41% of the portfolio compared against 56% and 44% respectively at 30 June 2017.

RISK MANAGEMENT

Risk encompasses the possible threats to which the Bank is exposed to and the potential impact that these may have on the Bank. Risk management is the process of identifying, assessing and responding to risks, and communicating the outcomes of these processes to the appropriate parties in a timely manner.

Since risk management is directed at uncertainty related to future events and outcomes, it is implied that all business planning exercises and business activities across the Bank encompass some form of risk management. On one hand, Risks can permeate from diverse sources within the Bank and also from outside the Bank, and go upward and on the other hand, it can start from top and go down the ladder. MauBank has laid down its Risk Management policy which spells out the methodology and technique for managing risk across the bank.

RISK MISSION

MauBank is committed towards embedding a risk culture in the Bank and continues to embrace risk management as a core competency that allows it to optimize risk-taking through objectivity and transparency.

RISK PHILOSOPHY

MauBank values a rigorous risk management as an integral part of its day-to-day business operations along and also as part of its business growth strategy. With a dynamic approach to risk management, MauBank remains committed towards ensuring effective and efficient risk processes and optimal returns within its set risk appetite.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

RISK GOVERNANCE

The risk governance structure outlines the key responsibilities for decisions on risk taking and risk oversight in the Bank.

In addition to defining clear and comprehensive risk management roles and responsibilities using the three lines of defense model, the Bank's risk framework establishes governance, escalation, and reporting processes around risk exposures, risk decisions, and risk events. A strong governance regime provides assurance to stakeholders (Board Risk Management Committee and the Board) who delegate risk-taking authority to the business lines.

From first-line businesses and support functions, risk information flows to the second line, and then to the Board Risk Management Committee. The latter is guided by its Terms of Reference.

The key responsibilities of the Board and the Board Risk Management committee are guided by the Bank of Mauritius Guidelines.

MauBank is guided by the different risk policies that have been developed and approved by the Board of Directors. Responsibility for implementing the risk policy guidelines laid by the Board of Directors for quantifiable risks throughout the Bank lies with the Bank's Management through the different Business Owners and divisions. The risk functions regularly report to the Operational Risk Forum (ORF), Credit Risk Forum (CRF), Monitoring Forum (MF) and Board Risk Management Committee (BRMC). Related Parties' credits are discussed at the Conduct Review Committee level. Credit related activities above Rs40 Million are discussed at the Board Credit Committee and below Rs40 Million threshold, credits are deliberated at four different level of authority.

RISK MANAGEMENT FRAMEWORK

The Risk Management Policy of the Bank contains the Risk Management Framework. This framework provides the foundation for ensuring that the outcomes of risk taking are consistent with the Bank's business activities, strategies and risk appetite. It is based on transparency, management accountability and independent oversight, which is comprehensive enough to capture all risks that the Bank is exposed to and has flexibility to accommodate any changes in business activities.

RISK APPETITE FRAMEWORK

Within the Risk Management Framework, the Risk Appetite is embedded through policies, procedures, limits setting, operational guidelines as well as methodologies and tools for risk measuring, monitoring and reporting.

RISK DEFENSE MODEL

The risk framework operates on the concept of 'the three lines of defense model'. The three lines of defense model creates a set of layered defenses that align responsibility for risk taking with accountability for risk control and provide effective, independent risk oversight and escalation. In the three lines of defense model, the assignment of risk management roles is clear and comprehensive in order to prevent gaps, ambiguities, or overlaps in responsibility. More specifically, the business units are the first line of defense, independent risk management unit and compliance unit are the second line of defense, and internal audit is the third line of defense.

The first line of defense comprises the business operations that execute and support the execution of the Bank's mission. These first line units are responsible for both the operational activities that result in risk as well as control of the resulting risks. The first line "owns" and "manages" its risk in the sense that it is accountable for both positive and negative outcomes and is empowered to manage the distribution of outcomes.

The second line of defense comprises independent risk management and compliance functions which provide independent risk assessment and compliance risk taken by the first line of defense. While the business has the deepest understanding of its environment, operations and objective, the second line offers a perspective based on expertise in risk management. The second line's responsibility for establishing a common framework for risk management and compliance culture creates benefits in terms of both efficiency and effectiveness.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation, a bank may suffer as a result of of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

A strong compliance culture helps the Bank to live up to its purpose, strategy and values because it builds trust and protects the bank's brand; meet the compliance obligations; and protect the Bank from loss or reputational damage.

The third line of defense is the Internal Audit which provides assurance to senior management and the Board of Directors that first and second line risk management and control activities are effective.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

RISK MANAGEMENT PROCESS

The risk management policy and framework of the MauBank explains the process of risk management as the systematic and continuous identification and evaluation of risks as they pertain to the Bank, followed by action risk strategies such as: terminate, transfer, accept or mitigate each risk.

The risk management process is as follows:-

(a) Risk identification

(b) Risk assessment and measurement

(c) Risk mitigation and control

(d) Risk reporting

Based on this approach and to maintain sound operations and generate stable earnings, the Board sets its risk appetite through limits in the risk policies for the amount of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, and Country risk which are within the prudential guidelines. Other non-quantifiable risks like Compliance Risk, Strategic Risk and Reputational risk are assessed and monitored on a qualitative basis.

The Board monitors the risk exposures through the Board Risk Management Committee and through other various Board Sub-Committees. Moreover, the various Management Committees meet frequently to comprehensively measure, evaluate and monitor the occurrence and management of each type of risk.

Risk management is focused on the following major areas:

CREDIT RISK

Credit risk is the risk of the Bank suffering financial loss if any of its customers or market counterparties fails to fulfil their contractual obligations to the Bank.

The Bank has in place a Credit Risk Policy Guide (CRPG) which sets out its credit risk appetite, risk exposure limits and parameters for risk taking. The policy is approved by the Board and subject to regular review. The Board delegates its credit sanctioning powers to five separate and distinct Credit Sanctioning Forums, namely:

1) Board Credit Committee (BCC)

2) Management Credit Forum (MCF)

3) Credit Forum (CF)

4) Lease Forum (LF)

5) Fast Track Credit Forum (FTCF)

The overall credit process includes comprehensive credit policies on judgmental credit underwriting, automatic credit adjudication, risk measurement, credit training and continuous loan review and audit process.

CREDIT RISK MEASUREMENT

(a) Loans and advances

The Bank has developed and implemented retail and corporate scoring and rating models for assessing and measuring credit quality from CRISIL Ltd (India), a subsidiary of Standard & Poor (India). The credit rating and scoring tools is kept under review and upgraded as and when deemed necessary.

The automated retail credit scoring tool is on a 10-point Grading scale as follows:

i Grade 1 scores from 86-100

ii Grade 2 covers scores from 78-85

iii Grade 3 covers scores from 72-77

iv Grade 4 covers scores from 66-71

v Grade 5 covers scores from 60-65

vi Grade 6 covers scores from 55-59

vii Grade 7to 10 covers scores below 55

Similarly, the Bank has a rating tool for its non-retail borrowers which is based on a 10-point Grading Scale, benchmarked on international rating norms per the requirement standards of CRISIL Ltd (India).

Credit quality is assessed using established criteria in the Credit Risk Policy Guide (CRPG) and external market data from Mauritius Credit Information Bureau (MCIB). Credit facilities are monitored on portfolio basis primarily based on their delinquency status.

The credit risk measurement operates to control and monitor credit performance of borrowers through on-going credit review, loan classification, collection, credit risk mitigation including realisation of collateral, and provision of impairment on problem loans as required by the Bank's credit policy and procedures and regulatory guidelines.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

CREDIT RISK MEASUREMENT (CONTD)

(b) Credit related commitments

Credit related commitments include bank guarantees, documentary letters of credit, standby letters of credit and undrawn commitments on legally bound facilities. Their credit risk is similar to loans except for documentary letters of credit which are usually short-term and self-liquidating and carry a low level of credit risk and capital charge, as defined under the Bank of Mauritius guidelines.

	As at 30 June 2018 (Rs)	As at 30 June 2017 (Rs)	As at 30 June 2016 (Rs)
Credit related commitments	**3,982,295,489**	3,123,880,833	2,399,595,882

(c) Bank placements and lending to banks

For the Bank's placements or lending to banks, external credit ratings from international credit rating agencies such as Standard & Poor's, Moody's and Fitch are used to assist in the credit risk exposures on top of internal credit analysis. The instruments help to diversity risk exposures and income streams, and to maintain a readily available source of liquidity for the Bank from time to time.

(d) Risk limit monitoring and control

MauBank has an established framework to manage, control and limit concentration of credit risk towards individual counterparties, groups, industry sectors and countries.

Concentration of risk from large exposures to individual customers or related groups are managed by setting limits as a percentage of the Tier 1 Capital as defined by the Bank of Mauritius guidelines, the Bank's internal portfolio limits and exposures to industry sectors and countries under the Credit Risk Policy Guide (CRPG) to achieve a balanced portfolio. These limits are monitored and reviewed on a quarterly basis by the Credit Risk Forum (CRF) and escalated to the Board Risk Management Committee (BRMC).

RELATED PARTY TRANSACTIONS

Credit exposure to any single borrower / group of closely – related customers who are related parties to the financial institution is governed by the Bank of Mauritius Guideline on Credit Concentration Risk, subject to the following conditions:

(a) The aggregate of credit exposures to and investments in equity shares of all related parties in Category 1, other than investments in subsidiaries and associates should not exceed 60 per cent of the Bank's Tier 1 Capital;
(b) The aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2, other than investments in subsidiaries and associates, should not exceed 150 per cent of the financial institution's Tier 1 Capital; and
(c) If credit facilities are granted which are above the above limits, then it shall be entertained on the express condition that the additional credit exposure shall be deducted from the Bank's Tier 1 Capital.

However, Bank is exempted from the above limits under specific instances as more fully detailed in the Bank of Mauritius Guideline on Related Party Transactions.

Notwithstanding the above regulatory compliance requirement on related party transactions, the Bank has its internal policy governing transactions with its related parties. The internal policy sets out prudential rules and internal limits which shall serve as early warning signals as follows:

(a) the aggregate of credit exposures to and investments in equity shares of all Related Parties in **Category 1**, other than investments in subsidiaries and associates, **should not exceed 50%** of the Bank's Tier 1 capital;
(b) the aggregate of credit exposures to and investments in equity shares of all Related Parties in **Category 1 and Category 2**, other than investments in subsidiaries and associates, **should not exceed 140%** of the Bank's Tier 1 capital.

Both internal and regulatory limits are monitored on quarterly basis at the Credit Risk Forum (CRF) and escalated to the Board Risk Management Committee (BRMC).

Exposure of the Bank's top six related parties as at 30 June 2018 were Rs 514.53 Mn, Rs 227.42 Mn, Rs 130.80 Mn, Rs 6.93 Mn, Rs 6.12 Mn and Rs 5.50 Mn. These balances represented 26.39%, 11.67%, 6.71%, 0.36%, 0.31% and 0.28% respectively of the Bank's Tier 1 capital. The total top six related parties represented Rs 891.30 Mn or 45.72 % of Tier 1 capital.

OPERATIONAL RISK

MauBank has adopted the definition of operational risk of Basel II as 'the risk of loss resulting from inadequate or failed internal processes, people and system or from external events'. It includes legal risk but exclude strategic and reputational risk (and resultant losses). These are covered under Pillar 2 of the Basel II accord.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

OPERATIONAL RISK GOVERNANCE

From a governance perspective, the operational Risk Management Unit is equipped with a team headed by the Head of Operational Risk reporting to the Chief Risk officer.

The Operational Risk Forum is held regularly and stand guided by its Terms of Reference which is approved by its Executive Committee and the Board Risk Management Committee. Matters related to Medium, High and Critical risks are addressed in this committee and recommendations are made to fix risk events captured. The minutes of the Operational Risk Forum is escalated to the Board Risk Management Committee.

The Board Risk Management committee is a sub-committee of the board having mandate in line with the Bank of Mauritius Guidelines. This committee is chaired by a member of the board and has the Chief Executive Officer as one of the members. The Chief Risk Officer is a regular attendee of this committee. The minutes of the Board Risk Management Committee is escalated to the Board of Directors who takes cognizance amongst others, of the Operational Risks exposures of the Bank. The Bank is guided by its Operational Risk Policy which is approved by its Executive Committee, Board Risk Management Committee and Board of Directors.

OPERATIONAL RISK CULTURE AND AWARENESS

As part of its on-going effort to raise the awareness and importance of operational risk across the Bank, the Operational risk team provides frequent training on operational risk areas to business users. Each Business Unit is equipped with an Operational Risk Business Coordinator being the focal point for operational risk management in his/her business unit.

As part of its objective of raising risk awareness and building on risk culture, Business units are provided trainings both via the physical and online channels. During the year 2017/18, the following trainings were provided:

1. E-Learning hosted on the Bank's online learning platform: Operational Risk Insights providing clarity on 'operational risk event', 'operational risk loss' and 'adjustment to income'.
2. Workshop on "Understanding the concepts of Adjustment to Income, Operational Risk Loss and Boundary Events".
3. Workshop on "The importance of promptly communicating operational risk encountered and lessons learnt across the Bank".
4. Workshop on "Awareness on Fraud Prevention and its Implications".

OPERATIONAL RISK FRAMEWORK

MauBank has implemented an Operational Risk Framework for Operational Risk Management which allows the Bank to identify, manage, mitigate/control and report operational risk by using a holistic approach. Each Business Unit needs to be aware of its operational risk profile and manages its operational risk at its level within the Bank's risk framework.

This Framework captures and assesses all the operational risk incidents, 'near misses', inherent risk, residual risk and emerging operational risks across the bank. The internal audit and compliance findings are a referral point as well while Business Unit pursues its on-going self-risk assessment exercise. The Operational risk Dashboard which is presented in the form of a Heat Map is discussed with the senior management for review and decision-making at the Operational Risk Forum. . An action driven plan is used as an essential tool to track the fixation of identified operational risk including the assurance that a particular risk event does not repeat itself, with the final objective of keeping the operational risk within the Bank's risk appetite.

OPERATIONAL RISK TOOL AND TECHNIQUE FOR MEASUREMENT

MauBank uses the RCSA (Risk Control and Self-Assessment) as a technique for operational risk identification and assessment. During a typical RCSA exercise, a Business Unit starts by clearly formulating its objectives, then presenting the structure, systems, and processes it has in place to achieve the objectives and finally by methodically questioning what can go wrong which can prevent the unit from achieving its objectives. The unit then proceed with a thorough risk identification exercise, business process risk assessment including system and external risk assessment. Business units are also requested to look at the emerging risks including cyber risk. Moreover, the operational risk business coordinators and responsible persons for Key Control Standard Assessments (KCSA) are tasked with the testing of controls and their effectiveness. Operational risk team proceeds with a sample testing.

A rating methodology has been recently introduced that provides a structured approach of assessing the quality of the RCSA being conducted by business units. This rating framework is on testing mode and will be deployed once the readiness is felt.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

OPERATIONAL RISK TOOL AND TECHNIQUE FOR MEASUREMENT (CONTD)

The operational risks are filtered through the KRAs (Key Risk Areas) namely People, Processes, Systems and External Events. The KRAs and KRIs are ingredients necessary for the operational risk assessment. The risk captured goes through the operational risk engine which assesses the risk and the robustness of the existing controls in place. This engine is a scoring and a rating tool based on the Frequency-Severity Matrix and Frequency-Severity Control Matrix which measures both the likelihood and impact of the inherent risks and residual risks by assessing the existing internal control system and the need to enhance control measures. The Top risks facing the Bank is demonstrated using an operational risk heat map along with various optics.

LOSS DATA CAPTURE AND REPORTING SYSTEM

The Bank collects data for all operational risk losses pertaining to operational errors and internal control failures including 'near misses' in its Loss Data Capture system. The collection and analysis of the Bank's own loss data provides vital information to management and provide basis for operational risk management and mitigation. It is an on-line system available to all business users across the Bank and acts as a radar for capturing operational risk incidents. It is an important pillar in the operational risk framework.

ESCALATION PROCEDURES

As per the delegation of powers, operational risk losses below the threshold of Rs20,000 requires the approval of the Head of Operational Risk Unit subject to a prior comprehensive risk assessment with root cause analysis using the Operational Risk Assessment Sheet (ORA) carried out by the Business Unit which has been hit by the incident.

OPERATIONAL RISK STRATEGY

The Bank's risk strategy with regard to the residual operational risk depending on its likelihood and intensity is as follows:
Transfer
Terminate
Tolerate or,
Treat

OPERATIONAL RISK CAPITAL CHARGE UNDER BASEL II AND III

MauBank has adopted the Basic Indicator Approach (BIA) for the computation of its capital charge for operational risk. The BIA uses the bank's total gross income as its risk indicator. The total operational risk regulatory capital under the Basic Indicator Approach is the average of 15% of the gross income over the last three years.

As at 30 June 2018, MauBank is fully compliant with the Bank of Mauritius Guideline on Operational Risk Management.

BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY

As part of its on-going effort to ensure business operations is not interrupted in a worst case scenario, MauBank has its Business Continuity Plan (BCP) tested every year. This BCP was reviewed and approved by the Board of Directors on 15 June 17 and the Disaster Recovery exercise was conducted regularly. In brief, this BCP consists of:

- identification of critical business processes, including those where there is dependence on external vendors or other third parties;
- identification of alternative mechanisms for rapid resumption of services, with special focus on critical business processes;
- location of off-site back-up facilities at a reasonable distance from the impacted operations to reduce risk of having both primary and back-up records and facilities unavailable simultaneously; and regular reviews and testing of the contingency plans

MARKET RISK

Market risk is defined as the risk of losses from on and off-balance sheet positions due to adverse movements in market prices. Market risk stems from all positions included in the Bank's trading book as well as foreign exchange risk positions in the statement of financial position.

MauBank Ltd applies different risk management policies and procedures in respect of the market risk arising from its trading and banking books. The Bank has in place a Foreign Exchange and Interest Rate Risk Management Policy.

Management discussion and analysis (Contd)

MARKET RISK MEASUREMENT AND MONITORING

Market risk exposure for different types of transactions is managed within risk limits and policies as approved by the Board and monitored through Asset and Liability Management Committee (ALCO).

Early warning signals and alerts are raised on different levels of exposures of the banking book activities to foreign exchange risk, interest rate risk, and liquidity risk. Stress testing and sensitivity analysis covering shocks and shifts in interest rates on the Bank's on- and off-balance sheet positions are performed regularly.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the Bank's earnings and economic value will be adversely affected with the movements in the foreign exchange rate. ALCO is the forum in which foreign exchange and treasury matters are discussed and analyzed. The overall Foreign Currency Exposure has been within the regulatory limit of 15% of Tier 1 Capital. Bank has in place an overall limit for the major currencies and exotic currencies. The Stop Loss limit and Dealers' limit are set and reviewed by ALCO.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank fails to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfil commitments to lend. It is the risk that the Bank will be unable to continue operating as a going concern due to lack of funding.

LIQUIDITY RISK MANAGEMENT

The Bank manages its Liquidity risk through an established Liquidity Risk Management Framework, which conforms to the Central Bank's directives and Basel III liquidity risk norms.

This Framework operates under a strong governance structure whereby the Board of Directors reviews and approves the Liquidity Risk Management Policy and Framework as recommended by the Board Risk Management Committee through EXCO annually.

The Asset and Liability Committee (ALCO), which is chaired by the Chief Executive Officer, is empowered to provide strategic directions and take important decisions with regard to liquidity and market risk management. Matters discussed under ALCO are reported to the Board Risk Management Committee which is a sub-committee of the Board. The structure also operates under the three lines of defense risk model. The roles and responsibilities of the Board, Senior Management and ALCO with respect to liquidity risk management is elaborated further below.

The first line of defense, the Money Market Unit of the Treasury Front Office Unit manages liquidity risk on a daily basis through cash flow projections whilst the Asset Liability Capital Management (ALCM) Unit monitors the liquidity risk limits post end of day/month. The ALCM unit recommends the required liquidity risk limits and tolerance level to ALCO for discussions and in-principle approval whereby ALCO then recommends same to the Board Risk Management Committee (BRMC) for in-principle approval and ultimately the Board of Directors approves the Policy and Framework which includes the liquidity risk limits and tolerance. The Policy requirements amongst others, through the establishment of key control ratios ensures that the bank maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. The policy also ensures that the bank can meet on-going liquidity obligations and liquidity stress situations. Moreover, the policy also covers the contingency funding plans of the bank to meet any funding mismatches.

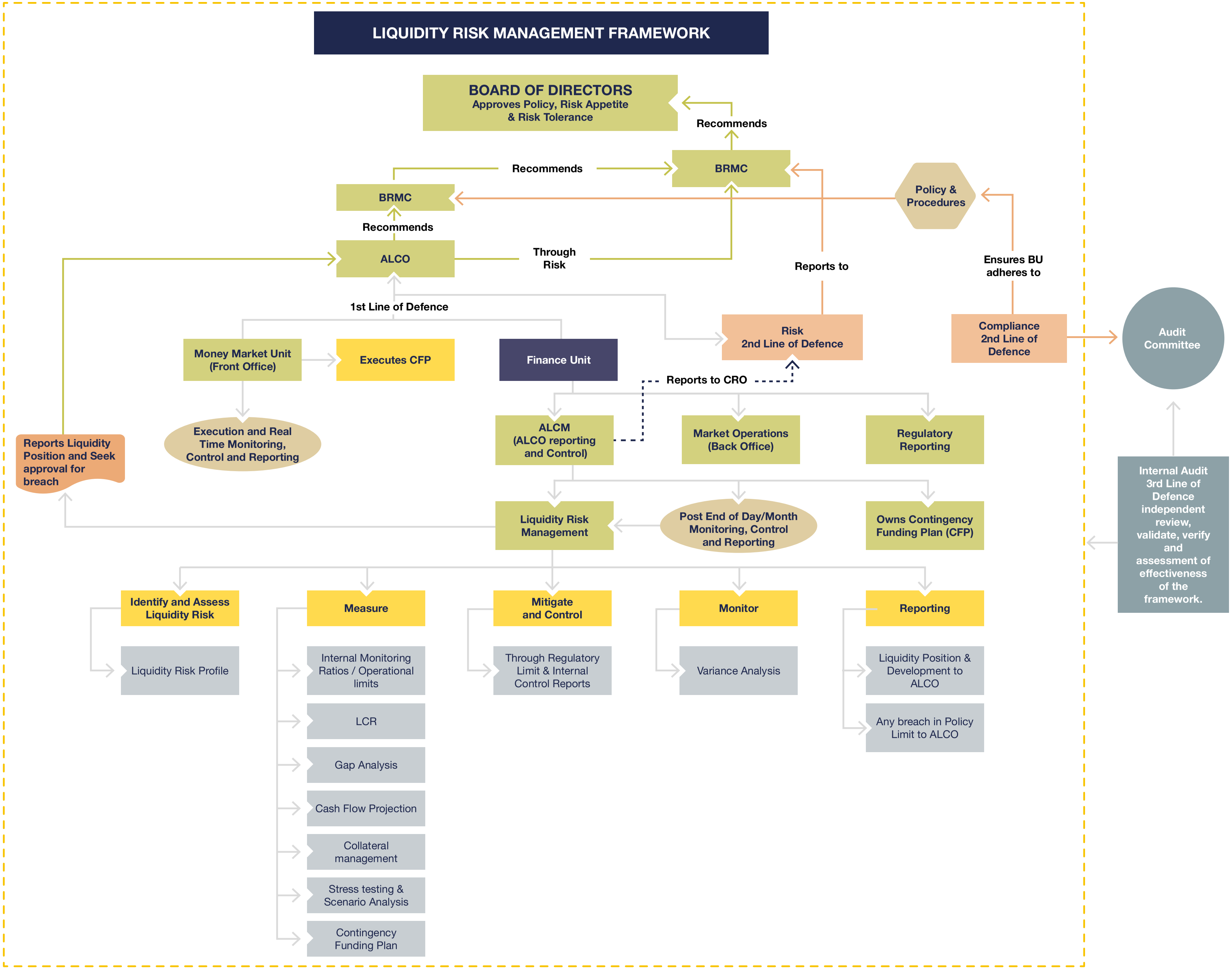
The second line of defense, being the Risk and Compliance Functions where the former ensures through the first line that adequate internal controls are in place for liquidity risk oversight whilst the latter ensures that the bank is complying with the regulatory norms from a liquidity risk perspective.

The third line of defense is the Internal Audit, carries out independently a review and validation of the effectiveness of the Liquidity risk management framework.

The Bank through its set of procedures has embedded control mechanism in-built in its processes to manage liquidity risk. A set of control reports are available to mitigate the operational risk related to liquidity risk management. The methodology being used to manage intra-day liquidity risks is through continuous update of its Cash Flow with the actual and expected flows during the day. This allows Money Market Unit to ensure that there is sufficient balance in Current Account at the Central Bank to meet payment and settlement obligations at all times.

In compliance with Basel III, bank has reviewed its liquidity risk policy to cater for the new liquidity requirements. This policy was approved by the Board Risk Management Committee by the Board on 29 June 2018.

The framework, built on a solid foundation encapsulates with clarity the management of liquidity risk and its control is shown below:



Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

LIQUIDITY RISK MANAGEMENT (CONTD)

Roles and Responsibilities of Board of Directors

The Board of Directors receives regular liquidity risk report from the senior management which provides insights on liquidity developments. The Board of Directors is responsible to:

(a) review and approve the strategy, policies and practices related to the management of liquidity at least annually.
(b) ensure that senior management manages liquidity risk effectively.
(c) approve the Bank's liquidity risk tolerance.
(d) have a thorough understanding of close links between funding liquidity risk and market liquidity, as well as how other risks, including credit, market, operational and reputation risks that affect the Bank's overall liquidity risk strategy.
(e) review regular reports on the liquidity position of the Bank.
(f) be informed by the Chief Executive Officer, promptly of new or emerging liquidity concerns which include increasing funding costs or concentrations, the growing size of a funding gap, the drying up of alternative sources of liquidity, material and/or persistent breaches of limits, a significant decline in the cushion of unencumbered, highly liquid assets, or changes in external market conditions which could signal future difficulties.
(g) ensure that senior management takes appropriate remedial actions to address any liquidity concerns.

Roles and Responsibilities of the Board Risk Management Committee (BRMC)

The Board Risk Management Committee, which is sub-committee of the board, is delegated to manage, amongst others, the liquidity risk of the Bank through ALCO. In line with its mandate, the main roles and responsibilities of the BRMC in this context are to:

(a) advise the Board on the Bank's overall current and future risk appetite, tolerance and strategy;
(b) recommend the Board on appropriate risk appetite framework for the Bank which shall be consistent with the Bank's short term and long term strategic plan
(c) oversee Senior Management's implementation of the risk appetite framework and reporting on the state of risk culture in the Bank to the Board
(d) identify the principal risks, including but not limited to credit, market, liquidity, operational, compliance and regulatory and reputational risks and the actions taken to mitigate them
(e) require the Chief Risk Officer to provide regular reports to the committee, senior management and the Board on his activities and findings relating to the institution's risk appetite framework
(f) receive periodic information on risk exposures including liquidity risk and risk management activities from Management
(g) formulate and make recommendations to the Board on risk management issues including liquidity risk

The Committee Chairman of the BRMC reports to the Board at its next meeting on the Committee's proceedings on all matters within its duties and responsibilities

Roles and Responsibilities of the Asset and Liability Management Committee (ALCO)

ALCO is mandated to ensure that senior management manages liquidity risk effectively. The ALCO committee is chaired by the Chief Executive Officer (the Officer in Charge in the absence of the CEO), who is mandated to set the liquidity risk strategy of the bank. ALCO reviews information on the Bank's liquidity developments by way of MIS reports on Gap/Maturity Mismatch Analysis, Cash Flow Projections and Liquidity Control Ratios produced by Asset Liability Capital Management (ALCM).

The committee's main roles and responsibilities are as follows:

(a) To ensure adherence to the liquidity risk management policy.
(b) To set and develop the strategic direction to manage liquidity risk in accordance with the risk tolerance and to ensure that the Bank maintains sufficient liquidity and approve the strategy, policies and practices related to the management of liquidity at least annually.
(c) To approve any policy breach and seek ratification from the Board Risk Management Committee for the breach.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

Roles and Responsibilities of Senior Management

Senior Management with respect to the management of liquidity risk is to:

(a) develop a strategy, policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Bank maintains sufficient liquidity.

(b) continuously review information on the Bank's liquidity developments and report to Board of Directors through Board Risk Management Committee on a regular basis.

(c) have a thorough understanding of close links between funding liquidity risk and market liquidity, as well as how other risks, including credit, market, operational and reputation risks that affect the Bank's overall liquidity risk strategy.

(d) implement the approved liquidity risk management and funding policy taking into account the Bank's risk tolerance.

(e) closely monitor current trends and potential market developments that may present challenges to liquidity management so that they can make appropriate and timely changes to the liquidity strategy needed.

(f) ensure that MauBank has adequate internal controls whereby liquidity oversight is assigned to a person or a unit that is independent of business operations. In this respect, as first line of defence, ALCM shall produce the Liquidity Risk reports and as a second line of defense, i.e. Risk Management Unit shall independently ensure that adequate controls are in place for liquidity oversight.

(g) The Chief Executive Officer of MauBank inform the Board of Directors promptly of new or emerging liquidity concerns which include increasing funding costs or concentrations, the growing size of a funding gap, the drying up of alternative sources of liquidity, material and/or persistent breaches of limits, a significant decline in the cushion of unencumbered, highly liquid assets, or changes in external market conditions which could signal future difficulties.

Liquidity Risk Appetite and Tolerance Management

In line with Principle 2 of Basel III on liquidity Risk, the Bank articulates its liquidity risk tolerance that is appropriate for its business strategy and its role. The bank is guided by its approved risk appetite and tolerance levels.

The risk tolerance is reviewed once a year by ALCM and approval is sought from Board through ALCO and BRMC. ALCM performs the stress test on a monthly basis and compares the impact against the risk tolerance of the bank. ALCM also makes available the results of the stress testing analysis to ALCO and to Board Risk Management Committee. Internal limit setting and controls are put in place in accordance with the MauBank's articulated risk tolerance limit

During the Financial year July 2017 to June 2018, the bank has managed its liquidity on a prudent basis to ensure that sufficient cash reserve relative to the statutory minimum is maintained at all times. The average cash reserve ratio of the Bank during this financial period was within the liquidity risk tolerance limit set and well above the regulatory ratio.

The Bank prepares cash flow projections on a daily basis for measuring and managing its net refinancing risk. Projections cover not only the assets and liabilities as they exist in the balance sheet at a particular time but also flow from planned future activities.

Liquidity concentration risk associated with large individual depositors, is monitored in ALCO on a monthly basis. A regular assessment is made of top 25 individual depositors for the purpose of deposit concentration risk.

The Bank mainly monitors and manages its liquidity risk through the Liquidity Coverage Ratio (LCR) and Maturity Mismatch Profile of Assets and Liabilities/Gap Analysis Report.

Liquidity Coverage Ratio (LCR) represents a standard that is designed to ensure that MauBank has an adequate inventory of unencumbered high quality assets (HQLA) that consist of cash or assets convertible into cash at little or no loss of value in market, to meet its liquidity requirements for a 30 days' liquidity stress period.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

LIQUIDITY RISK MANAGEMENT (CONTD)

Disclosure of Liquidity Coverage Ratio

LCR common disclosure template quarter ending JUNE 2018- Consolidated basis in MUR

		TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	**5,025,631,892**	5,025,631,892
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	*Stable deposits*		
4	*Less stable deposits*	*9,563,978,721*	*956,397,872*
5	Unsecured wholesale funding, of which:		
6	*Operational deposits (all counterparties)*	**2,730,380,874**	682,595,219
7	*Non-operational deposits (all counterparties)*	**1,366,127,449**	757,882,180
8	*Unsecured debt*		
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	*Outflows related to derivative exposures and other collateral requirements*		
12	*Outflows related to loss of funding on debt products*		
13	*Credit and liquidity facilities*	**2,254,704,995**	558,470,509
14	Other contractual funding obligations		
15	Other contingent funding obligations	**1,710,831,184**	587,658,850
16	**TOTAL CASH OUTFLOWS**	**17,626,023,224**	3,543,004,629
CASH INFLOWS			
17	Secured funding (e.g. reverse repos)		
18	Inflows from fully performing exposures	**1,782,306,356**	806,334,617
19	Other cash inflows	**410,140,903**	410,140,903
20	**TOTAL CASH INFLOWS**	**2,192,447,259**	1,216,475,520
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**	**5,025,631,892**	5,025,631,892
22	**TOTAL NET CASH OUTFLOWS**		2,326,529,109
23	**LIQUIDITY COVERAGE RATIO (%)**		216.01%
24	**QUARTERLY AVERAGE OF DAILY HQLA**	**5,025,631,892**	

The bank has an average HQLA of Rs 5 Billion and maintained an average liquidity coverage ratio of 216% over the last 3 months to 30 June 18 that was well above the regulatory requirement of 100% and within the bank's liquidity tolerance level.

Maturity Mismatch Profile of Assets and Liabilities/Gap Analysis

Bank uses gap analysis method to determine fund excess or shortage at selected maturity dates. Maturity is assessed on the basis of the terms and conditions of funding or loan instruments as well as on the basis of behaviour of customers, assessed from their past history and current relationship with the Bank.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

LIQUIDITY RISK MANAGEMENT (CONTD)

Stress Testing and Scenario Analysis

MauBank conducts stress tests on a regular basis for a variety of short-term and protracted institution specific and market-wide stress scenarios (individually and in combination) to identify sources of potential liquidity strain and to ensure that current exposures remain in accordance with the bank's established liquidity risk tolerance. The bank uses stress test outcomes to adjust its liquidity risk management strategies, policies and positions and to develop effective contingency plans. As at 30 June 2018, the stress test carried by the bank showed that the Bank was comfortable under various stress scenarios.

Interest rate risk

Interest rate risk represents the adverse impact that may occur on profits and market value of assets and liabilities due to fluctuation in interest rates.

The methodology adopted by the Bank to measure interest rate risk exposures arising from its banking book positions is consistent with that set forth by the Bank of Mauritius for reporting interest rate risk exposures which consists principally of interest rate risk sensitivity analysis and stress testing.

Bank uses the 'earnings perspective' and 'economic value' perspective for interest rate sensitivity analysis.

The economic value of an instrument represents an assessment of the present value of its expected net cash flows, discounted to reflect market rates. By extension, the economic value of a Bank can be viewed as the present value of the Bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance sheet positions. In this sense, the economic value perspective reflects one view of the sensitivity of the net worth of the Bank to fluctuations in interest rates.

Under the economic value perspective, MauBank analyses the impact of changes in interest rate on the economic value of Bank's assets, liabilities, and off-balance sheet positions. This exercise is taken in the Bank's ICAAP exercise on an annual basis.

Stress testing

The Bank conducts simple stress tests to provide standardized measures of Interest Rate Risk in the Banking Book (IRRBB), involving an across the board interest rate shock of 200 basis points up or down.

The analysis of the IRRBB involves:

- an assessment of the Bank's tools and methodologies which include both quantitative and qualitative factors, used for the measurement of the overall interest rate risk; and
- an assessment of whether the standardized measure accurately reflects the true IRRBB of the Bank.

COUNTRY RISK

Country risk refers to the probability that changes in the business environment in another country where the Bank is doing business may adversely impact its operations or payment for imports resulting in a financial loss. Country risk also includes sovereign risk, which is a subset of risk specifically related to the government or one of its agencies refusing to comply with the terms of a loan agreement. Causes of country risk include political, macroeconomic mismanagement, war or labour unrest resulting in work stoppages.

In assessing the risk of a country, the Bank considers both quantitative and qualitative factors of the country.

COUNTRY EXPOSURE LIMITS

Country exposure limits are reviewed and approved by the Board. The Bank sets exposure limits for individual countries to manage and monitor country risk. Country exposure limits apply to all on- and off- balance sheet exposures to foreign obligors. The country risk limits were reviewed and approved by the Board on 29 June 2018.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

COUNTRY RISK MEASUREMENT AND MONITORING

On and off-balance sheet exposures are measured in line with the Bank of Mauritius Guideline on 'Standardized Approach to Credit Risk'.

Bank gathers in a timely manner, information about developments in exposed countries that may have a bearing on the country risk assessment though various sources, for example MauBank relies on ratings by External Credit Rating Agencies for country risk limits setting.

In line with the Bank of Mauritius guideline on Country Risk, the Bank makes a provision towards its country risk exposures, if required based on risk assessment.

REPUTATIONAL RISK

Reputational risk is the risk that the Bank could lose potential business because its character or quality has been called into question.

BUSINESS AND STRATEGIC RISK

Business and strategic risk is a possible source of loss that might arise from pursuit of an unsuccessful business plan. For example, strategic risk might arise from making poor business decisions from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

MauBank uses the following methods of strategic risk management:

- Business planning
- Monitoring of Performance against Objectives as per five year plan
- Readjustment of plans

COMPLIANCE RISK

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities and reduced expansion potential.

The Bank is subject to extensive supervisory and regulatory governance. The Bank's compliance policy was approved by the board on 29 August 2017.

The approach to compliance risk at MauBank is as follows:

1. Establish appropriate framework covering proper management oversight, system controls and other related matters.
2. Establishing written guidance to staff on the appropriate implementation of policies and procedures.
3. Periodical review of changes and regulations in order to ensure that the Bank addresses the risk arising from such changes.
4. Monitoring of compliance with existing rules and regulations while mitigating the effects of any unintentional non-compliance.
5. Ensure to conduct periodical compliance training to compliance function and to educate staff with respect to the applicable laws, rules and standards.
6. Assist management in promoting a culture of integrity, including actions to raise staff awareness on fraud prevention and Anti-Money Laundering and Combating the Financing of Terrorism.

CAPITAL MANAGEMENT

The Capital Adequacy framework is supported by a Board approved Internal Capital Adequacy Assessment Process (ICAAP) which encompasses capital planning for current and future periods, taking into consideration strategic focus and business plan and assessment of all material risks under stress conditions.

The Bank's Capital Management Objectives, amongst others, is to provide sufficient capital for the banking business to achieve its strategic objectives, taking into account the regulatory, economic and commercial environment in which it operates.

The other objectives when managing capital are:

- To comply with the capital requirements as set by the regulator;
- To safeguard the Bank's ability to continue its business as a going concern;
- To maximize returns to shareholders and optimize the benefits to stakeholders; and
- To maintain a strong capital base to support the development of its business.

Management discussion and analysis (Contd)

RISK MANAGEMENT (CONTD)

CAPITAL MANAGEMENT (CONTD)

Capital adequacy and the use of eligible capital are monitored regularly by Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by Bank of Mauritius for supervisory purposes. The required information is submitted to the Bank of Mauritius on a quarterly basis.

As at 30 June 2018, the total capital base stood at Rs 2,327,170,000 compared to Rs 2,576,345,000 for the year ended 30 June 2017 and the total risk weighted assets stood at Rs 13,794,028,000 compared to Rs 19,384,800,000 at 30 June 2017.

CAR was at 16.87% as at 30 June 2018 compared to 13.29% at 30 June 2017.

BASEL II APPROACHES

MauBank has adopted the following approach for determining the regulatory capital requirements under the Bank of Mauritius Basel II guidelines for Pillar 1.

(a) Credit risk : Standardised approach
(b) Market risk: Standardised approach
(c) Operational risk: Basic Indicator approach

As part of its ICAAP, MauBank has conducted stress testing under various historical and stress test scenarios to assess the impact of stress on its capital position. The methodology for the stress testing is approved by the Board of Directors. The results of stress testing are reported to the Board of Directors and the Bank of Mauritius.

BASEL III

The Basel III regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress, and the introduction of two global liquidity standards.

MauBank's Capital Structure for the last three years is as shown on page 097.

TECHNOLOGY RISK MANAGEMENT

Information Security and Risk Management

Information risk is about managing risks of breach of confidentiality and integrity of bank's information and information assets (systems). A dedicated unit of the bank has been handled the task to perform independent risk assessments and monitoring of Information Risks.

Information Risk Measurement and monitoring

A quantitative measurement framework has been put in place to measure effectiveness of key security controls. Key Risk Indicators are measured on a monthly basis to actions are taken to ensure that effectiveness of controls remain at acceptable level.

Cybersecurity

As part of the plan to strengthen its resilience with respect to Cyber-threats, various projects are being implemented.

Phishing Simulations

Emails are the main entry vector used in cyber-attacks, in this context, monthly phishing simulation attacks are carried out. Phishing simulation is supported on a security awareness course to increase users awareness of cybersecurity.

Advanced Threat Protection

An Advanced Threat Protection system is currently being deployed across the Bank as a technical control to help protect the bank against advanced threats like ransomware.

Security Incident Response Plan

A security incident handling framework is being implemented to formalize the Bank's response to potential cyber-attacks. High risk and high impact security incidents are being identified and response plans formalized accordingly.

Management discussion and analysis (Contd)

MANAGEMENT COMMITTEES

The daily affairs and running of the Bank have been delegated to management. Issues are discussed, risks and reward trade-offs are analysed, and decisions are taken unanimously in different management forums. These forums meet regularly and comprise Senior Management and Management Cadres from different units.

All matters discussed and decisions taken are escalated to the monthly meeting of the Board of Directors for information.

1. EXECUTIVE COMMITTEE

The EXCO acts on behalf of the board and exercise all powers and perform such duties for the Bank in relation to the day to day management, operation and, control and governance of the business in conformity with manuals, policies, procedures and authorities. The committee meets on a monthly basis to review the progress towards the strategic plan, mission and vision of the bank. The committee is chaired by the CEO and all departmental executives are permanent members of the committee

2. ASSET AND LIABILITY MANAGEMENT COMMITTEE ("ALCO")

ALCO meets monthly to oversee the Bank's liquidity risk, interest rate risk, foreign exchange risk management and treasury matters. The role of ALCO is to set and oversee board policy for managing the Bank's statement of financial position based on a detailed analysis of risk return trade off; develop guidelines and limits for operating units and treasury; monitor that those limits are adhered to and that the strategy of the Bank is in line with the Bank's budget and risk management objectives. ALCO monitors the interest margin between assets and liabilities, the cash flow position and liquidity ratio, deposit concentration and also manages the earnings at risk by conducting stress test scenarios and changing market conditions.

3. OPERATIONS RISK FORUM

This Forum meets regularly to review the operational risk exposures of the bank. Operational risk is managed within the Bank's operational risk framework, using the Risk Control and Self-Assessment (RCSA) and its loss data capture system as the two main pillars to capture operational risk. The Forum is chaired by the Chief Executive Officer with members coming from various Business units. Its mandate is derived from the Bank of Mauritius guideline on Operational Risk and the banks' Operational Risk Management Policy. This Forum also assists the Board Risk Management Committee (BRMC) in fulfilling its oversight responsibilities relating to operational risk.

4. CREDIT RISK FORUM

The Credit Risk Forum aims at monitoring the bank's exposure to credit risk, ensuring that such risk stays within the bank's credit policy and credit risk appetite. Credit Risk Forum assists the BRMC in fulfilling its oversight responsibilities in credit related matters. Its mandate has been derived from the Bank of Mauritius Guideline on Credit Risk Management, Basel document on principles of credit risk management and industry's best practices

5. PORTFOLIO MONITORING FORUM

This forum meets regularly to review the credit portfolio of the Bank for the sake of identifying any adverse trends in the portfolio at an early stage and recommending timely corrective action to prevent any deterioration thereof. It also reviews and monitors portfolio level action plans deemed appropriate to prevent or mitigate deterioration of the overall credit portfolio and hence safeguard the Bank against potential credit losses.

6. CREDIT SANCTIONING FORUMS

The bank has four distinct management forums whose role are to consider requests for credit facilities in line with the Bank's defined overall credit risk strategy and have the authority to make a final decision on approval or rejection of proposed credit transactions within the power entrusted to them by the bank's credit policy.

The approval powers of the CSF are in accordance with the provisions of the Bank's Credit Policy Guide (CPG).

Management discussion and analysis (Contd)

MANAGEMENT COMMITTEES (CONTD)

7. NPA Forum (NPA)

The NPA Forum reviews the non-performing accounts, type and course of actions for recovery. This forum ensures that all non-performing accounts are captured and that there are clear cut strategies on its recoveries. In this context, the forum makes suitable recommendations on appropriate recovery actions and on the prevention of non-performing accounts based on trend analysis. This Forum meets on a quarterly basis.

8. ACCOUNT MONITORING FORUM (AMF)

The AMF acts a sub forum of the NPA Forum where all accounts under the watchlist and the non-performing list are reviewed. The forum monitors and agrees action plans as deemed appropriate to safeguard the Bank against potential losses. This Forum meets on a monthly basis.

9. PROCUREMENT COMMITTEE

The Committee consider and evaluate any request for the procurement of goods or hiring of services for the Bank in accordance with the Bank's policy guidelines as set out in its Administrative and Policy Manual.

10. HEALTH AND SAFETY FORUM

Safety and Health are fundamental values for MauBank and they are therefore fully integrated into the way the Bank conduct business and our personal actions. The Bank undertake to ensure the safety of customers, employees, contractors, and visitors by integrating safety and health in processes and ensuring compliance with relevant aspects of the Occupational Safety and Health Act. Providing a safe and healthy working environment can only be accomplished through efforts by management and all employees., which devolve on everyone, from top management to the individual worker. This is the essence of the Bank's internal responsibility system and its goal is a safe workplace with zero incident.

11. PROJECT STEERING COMMITTEE

The Project Steering Committee is a high level powered committee which ensures projects are aligned with organisational strategy, makes good use of assets, and meets budget. It assists with resolving strategic level issues and risks pertaining to all projects in the Bank. This Committee meets on a monthly basis. Heads of units report on the various tasks assigned to them and progress and problem encountered, if any.

Projects progress such as delays, reschedule, and issues are reported to the Executive Committee.

The Project Management Committee handles the projects at a micro level whereas the Project Steering Committee looks at them at a macro level.

THE WAY FORWARD

With the above background, the team at MauBank will continue to strive towards excellence in an endeavour to deliver better service quality every year to its present and prospective customers.

DISCLAIMER

Several forward-looking statements relating to the Bank's business strategy, plans and objectives have been embedded in the Management Discussion and Analysis document. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Readers of the document are therefore advised not to place undue reliance on the forward-looking statements as a number of factors may cause actual results to differ from targets, expectations and estimates made initially. MauBank does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

ADMINISTRATIVE INFORMATION

Administrative Information

Board of Directors

Mr LALLOO Said
Independent Director and Chairman
(Resigned on 01 October 2018)

Mr. Lalloo served at directorate level in the Finance Department of the African Development Bank ("ADB") from 1981 to 1991 following a long career in the public sector, as Chief Accountant at the Ministry of Finance from 1971 to 1980 and at the Government Audit Department for 16 years up to 1970. He represented the Ministry of Finance at board level as Chief Accountant on a number of parastatal bodies, boards and companies.

He returned to Mauritius in 1992 and has since been serving as Director or Chairman on a number of organisations, namely:

- *Chairman of the National Housing Development Corporation ("NHDC") from 1993 to 2000,*
- *Director of the State Investment Corporation ("SIC") from 1994 to 2004,*
- *Director of the National Investment Trust ("NIT") from 1994 to 2005 serving as Chairman in 2003 and 2004*
- *Chairman of the Financial Services Commission ("FSC") from November 2005 to March 2012, and*
- *Chairman of the National Commercial Bank ("NCB") from March 2015 to December 2015.*

Mr Lalloo is a fellow member of the Association of Chartered Certified Accountants.

Mr NICOLAS Jean Marie Cyril
Independent Director

Mr. Nicolas holds a Diploma in Marketing Management, South Africa and a Diploma in Human Resource, South Africa. He is a Registered trainer with MQA since 1988 and President of the Indian Ocean Marketing Association. He is also a Director of Effective Coaching Ltd and has recently appointed as Consultant for the JSI "Johannesburg School of Investment.

Mr MUNGAR Premchand
Chief Executive Officer
and Executive Director (Appointed on 23 November 2018)

Mr Premchand Mungar is a banker with 36 years of experience at managerial and executive levels of commercial, offshore, development banking as well as of financial services.

He has worked with the African Trade and Development Bank (TDB) Group, a multilateral financial institution and the financial arm of the Common Market for Eastern and Southern Africa (COMESA), based in Nairobi, Kenya for 16 years where he was engaged in institutional transformation, corporate strategy and policy formulation, and also formed part of TDB's executive committees. In 2017, he ended his career at the Group as the General Counsel and Senior Director, but continued as a Senior Adviser to the TDB Group after his return to Mauritius. Prior to that, Mr Mungar was with the SBM and State Bank International in Mauritius.

Since December 2017, he serves as an independent non-executive member of the Board of Directors of the Financial Services Commission Mauritius, where he is also the Chairperson of the Audit and Risk Committee.

Mr Mungar holds a Master's Degree in Finance and Financial Law from the University of London, and an LLB from the University of Mauritius. He is a qualified attorney and has been a member of the Mauritius Law Society since 1995.

He has been credited with several commendations and was awarded the 2016 President's Excellence Award in recognition of his outstanding contributions to the affairs of the TDB Group.

Mr NAGARAJAN Sridhar
Chief Executive Officer
and Executive Director (Resigned on 21 September 2018)

Mr. Nagarajan is an engineering graduate with Masters in Business Administration. He has over 20 years of banking experience, of which the 15 years were with Standard Chartered Bank Plc of UK, in various businesses, franchise building and governance roles. In this capacity, since 2008, he had been overseeing the formulation and successful implementation of the bank's Mauritius strategy, which included leveraging Mauritius as a hub for Africa and unlocking the franchise's potential as a global financial centre.

In September 2015, Mr. Nagarajan joined Mauritius Post and Cooperative Bank ("MPCB") as its CEO. In January 2016, he successfully oversaw the transfer of undertaking of National Commercial Bank with MPCB to form MauBank Ltd, with over 650 employees.

For several years, Mr. Nagarajan held the posts of Vice Chairman of the Mauritius Bankers Association ("MBA") and Chairman of the International Banking Sub-Committee of the MBA. He has also been the Vice-Chairman of Global Finance Mauritius ("GFM"), an industry body representing banks, institutional investors, law firms, accounting firms and management companies in Mauritius.

He has been the Chairman of SME Equity Fund Ltd, a dedicated SME equity support fund created from shared resources of the MBA member banks & the Government of Mauritius. He has also been the Chairman of the SME Development Sub-Committee of the MBA Board.

Administrative Information (Contd)

Board of Directors (Contd)

Dr PALIGADU Dharamraj

Non-Executive Director

Dr Paligadu is currently Director at the Ministry of Finance and Economic Development and is responsible for the inclusive development sector. He is also the Director of MauBank Ltd and director of Mauritius Multisports Infrastructure Limited.

He worked at the ex- Management Audit Bureau ("MBA") at the Ministry of Finance for 10 years. He also served as Assistant Accountant General at the Treasury Department for around 4 years from 2001. He was responsible as Assistant Director-Debt Management Unit for managing the overall debt portfolio of the Central Government as from 2004 to 2008. He has been serving in different sections at the Ministry of Finance.

He has been a Board member of different parastatal organisations. He has been a part time lecturer at the University of Mauritius, University of Technology Mauritius and Open University and lecturing for Master degrees. He is a holder of a PhD from Aligarh Muslim University and holds an Advanced Diploma in Management Research from the All India Management Association-Centre for Management Education, an MBA from the University of Mauritius and is a Fellow of ACCA.

Dr Paligadu was Board Member of the following Institution:-

- *National Remuneration Board*
- *Central Depository and Settlement System (CDS)*
- *Trade Union Trust Fund*
- *Appravasi Ghat Trust Fund*
- *Local Development Fund*
- *Unified Local Government Service Board*
- *Maurice Ile Durable Fund*
- *Employees Welfare Fund and acting Chairman from January 2015 to 9th April 2015*
- *Mauritius Post and Cooperative Bank Ltd*
- *Member of the Treasury Foreign Currency Management Fund*

Mr GOKHOOL Ashvin Jain

Independent Director

Mr. Gokhool is a Fellow Member of The Association of Chartered Certified Accountants (UK), a Certified Financial Consultant (USA), an Associate Member of The Association of Certified Fraud Examiners (USA), a Member of the Mauritius Institute of Public Accountants ("MIPA") and a Founder Member of The Institute of Certified Public Accountants of Rwanda ("ICPAR"). He is a qualified stockbroker from the Stock Exchange Commission (Australia) and also holds an Auditor's Licence from the Financial Reporting Council (FRC).

Mr. Gokhool is the International Liaison Partner at KSi (Mauritius), Public Accountants & Business Advisers and Managing Director of AG Consultants Ltd, Financial and Management Consultants. Both are member firms of Morison KSi (UK). Since 1987, he successively worked for Deloitte (Mauritius), PricewaterhouseCoopers (Mauritius, Paris and London), Mauritius Tourism Promotion Authority, Tourism Authority, Tourism Employees Welfare Fund. He also served as Advisor to the Minister of Agriculture, Food Technology & Natural Resources and the Minister of Tourism and Leisure. He is also an Independent Financial Analyst and worked with the Restructuring Working Group of the National Resilience Fund at The State Investment Corporation.

Presently, he is the Chairman of the National Transport Corporation Board and the Chairman of Mauritian KSI Africa Ltd.

Mr NILAMBER Anoop

Non-Executive Director

Mr. Nilamber is currently the Chief Executive Officer of the Mauritius Duty Free Paradise. He was previously an Economic Advisor at the Ministry of Finance and Economic Development. Prior to joining the government, Anoop was a Corporate Finance Banker at HSBC in France and at the Mauritius Commercial Bank. In Paris, Anoop was also a Part-time Lecturer in Finance at Universite Pantheon Assas (Paris II) where he graduated in Banking and Finance.

Mr CODABUX Muhammad Javed

Independent Director

Mr Javed Codabux is currently working as Manager at D & S Lines Ltd (Accredited Agent for Jubilee Insurance). Prior that, he has worked in the accounting department of African Reinsurance Corporation, Lamco International Insurance and Cheribinny Ltd.

Mr Codabux holds an Executive Master in Business Administration ("EMBA") with First Class (Hons) from EIILM University, Sikkim, India. He also holds a Higher National Diploma in Business Finance, BTEC, EDexcel Level 5 – EDEXCEL University (UK) under the program of Resource Development International (RDI) U.K. Mr. Codabux is also currently reading for an ACCA qualification. Mr. Codabux is a member of the Mauritius Institute of Directors.

Mr PUTCHAY Vassoo Allymootoo

Non Executive Director

Mr Putchay is currently the Permanent Secretary of the Ministry of Business, Enterprise and Cooperatives. He was appointed Permanent Secretary on 31 December 2014. From the year 2000 to 2014, he served in various Government Departments as Deputy Permanent Secretary. He represents the Ministry on the Boards of Directors of the Development Bank of Mauritius and Enterprise Mauritius.

From June 2008 to December 2011, he was the Secretary to the Commission at the Independent Commission Against Corruption ("ICAC").

He has been the 'répondant national' and a member of the Executive Committee of the 'Agence Intergouvernementale de la Francophonie' from 2001 to 2004, in matters relating to human resources development.

He holds a Diploma in Public Administration and Management, a Degree in Economics and Management Studies and a Master in Business Administration.

Administrative Information (Contd)
Management Team

Mr ALBERT Clint
Head of Commercial Banking

Clint Albert started his banking career in 1989 after completing his higher studies.

Over the years he has worked at various levels in different Banks, gaining valuable expertise through on the job training and other courses/training attachments.

He has gradually climbed up the ladder and taking positions at Management level for the last 20 years, while at the same time consolidating a vast network of customer relationships.

Today this seasoned banker is heading the Commercial Department of the Bank, managing a portfolio of mid segment corporate customers.

Mr KUNDAN Anil Kumar
Executive Head - SME Banking

Mr Kundan possess a Bachelor of Arts, a Diploma in Automobile Engineering and is a Certified Associate of Indian Institute of Bankers (Part 1).

He has 34 years of experience in the Banking sector, of which 10 years at Management level.

Mr CARVER Jean Clifford Eric
Head of Asset Financing

Jean Clifford Eric Carver holds a Master in Business Administration (MBA), specialised in Marketing Management from the University of Technology, Mauritius and a Bachelor of Commerce (B.com) from the University of Pune, India.

He holds the post of Head of Asset Financing within the Bank since January 2018. He was previously employed at Tsusho Capital (Mauritius) Limited, a subsidiary of Toyota Motor Corporation, as General Manager. He has 12 years of experience in the service sector including 7 years in banking and 5 years in lease finance.

Mr MUSSAI Satish
Head of Large Corporate and Debt Restructuring

Mr Mussai holds an MBA in finance and a Bachelor degree in Commerce from University of Delhi.

He has more than 25 years in the banking sector, Satish has held various senior positions in credit risk management, debt restructuring, corporate recovery and corporate relationship management. Satish held the post of Corporate Credit Director in his last assignment in an international bank.

Mr VYAPOOREE Govinden Modeliar
Head of Markets

Mr Vyapooree has over 15 years of experience in the financial services sector and has extensive trading experience on forex, securities, derivatives, hedge funds and investment management.

He holds an MBA from the Heriot Watt University and is an associate of the Chartered Institute of Marketing UK. He also holds the ACI dealing qualification.

Mr BHAGAVAN Ramakrishna
Executive Head – Retail Banking

Mr Bhagavan holds an MBA in Marketing Management from Vinayaka Missions Research Foundation, India. He has a rich experience of 20 years in the Retail Banking Industry and has been associated with HSBC, Kotak Mahindra Bank, IDFC Bank in various leadership positions, across various Indian geographies before joining MauBank in October 2017.

His key expertise includes but are not limited to Retail Liabilities and Advances, P&L Management, Product Development, Wealth Management, Branch Banking Service and Operations.

Mr APPADOO Yogendra
Head of International Banking

Mr. Appadoo has over 26 years of experience in various business sectors.

Holder of a Msc in Finance, he has more than 19 years of proven experience in the banking sector in both domestic and international segments. He has also served as director in a number of companies in the energy and power sector.

Mr AGRAWALLA Anup Kumar
Head of Wealth Management

Mr Agrawalla holds a PGDBA from ITM Bangalore and prior to that, earned the degree of bachelor with honours in Commerce.

He has spent entire 19 years of his professional career mainly in consumer banking, life insurance and wealth management businesses across product, digital and distribution functions.

He joined MauBank from the Singapore headquartered DBS Bank where he was last based in Mumbai and was responsible for Investments, FX and non-resident business along with overall remit for customer experience and research.

Mr PRABHU Sudheer
Executive Head – Chief Information and Digital Officer

Mr Prabhu holds a Bachelor degree in Commerce (1st Class) from Karnataka University, is a Certified Information Systems Auditor (CISA (non-practicing), ISACA, Illinois, USA and also holds a Diploma in Software Technology from NIIT.

He has more than 25 years of experience in international banks especially in Technology and Operations.

Mr CHEDUMBRUM Mardaymootoo Pillay (Nanda)
Executive Head - Operations

Mr Chedumbrum holds a certificate in International Programme on Development Banking, and a certificate on Operational Risk Management.

He has over 40 years of experience in the Banking sector at various operations levels, and at Management level.

Administrative Information (Contd)

Management Team (Contd)

Mr RAWOTEEA Yasdeo (Rajesh)

Executive Head – Human Resource

Mr Rawoteea possesses an MBA from UTM, a Bachelor in Business Information Technology from University of Sunderland, a Certificate in Banking Studies (UOM), and also holds a Project Leader Certificate, Senior Level from Team Synthesis - UTM, and a Graduate certificate in Card Fraud & Risk Management.

He has 33 years of experience in Banking, at various level including Retail Banking, Project Leadership and implementation of IT, Card Technologies and Electronic Delivery Channels, and is leading since last 5 years, the Strategic Human Resource Management., and HR Transformation.

Mrs PROSAND Ashiti

Company Secretary and Head of Legal LLB Hons, LLM in International Business Law, ACIS

Ashiti Prosand is currently the Secretary to the Board of Directors and overviews the Legal Department at MauBank Ltd. She joined the Bank in June 2016 and previously worked at Standard Chartered Bank, Mauritius, in the same capacity and held various other roles in their Legal and Compliance Department.

Ms. Prosand is a law graduate from the University of Mauritius and holds a Masters Degree in International Business Law from the University of Manchester. She is also an Associate of the Institute of Company Secretaries and Administrators (ICSA), UK.

Mrs LUXIMON - MATHUR Jessma

Head of Compliance

Mrs Mathur holds a Bachelor of Science (Hons) degree in Mathematics, is a Certified Project Leader and an Accredited Mediator.

She has over 15 years experience in the Banking sector, mainly in Compliance and Anti-Money Laundering.

Mr TOYNOO Yougeshsingh (Asish)

Chief Financial Officer

Mr Toynoo holds an MSc in International Banking and Bsc in Accounting. He is also a member of The Chartered Association of Certified Accountants. Prior to joining the Bank in Oct 2016, he occupied the following posts :

- Head of Asset, Liability and Capital Management at HSBC from July 2013 to Sept 2016
- Manager – Treasury Finance & Operations at HSBC from January 2007 to July 2013
- Senior Bank Examiner at Bank of Mauritius from October 2002 to January 2007

Mr MUNGAR Premchand

Chief Executive Officer and Executive Director (Appointed on 23 November 2018)

Please refer to Board of directors section above.

Mr NAGARAJAN Sridhar

Chief Executive Officer and Executive Director (Resigned on 21 September 2018)

Please refer to Board of directors section above.

Mr MOTEE Ramesh

Chief Risk Officer / Officer in Charge

Mr Motee holds a Diplôme d'Etudes Supérieures Spécialisées, Université de Poitiers, and is Fellow Member of The Chartered Association of Certified Accountants (FCCA). He commands extensive experience having held various senior positions within entitities operating in the Banking and Financial sector over the past 33 years. Mr Motee was appointed officer in charge on 24 September 2018 until 22 November 2018.

SADDUL ANOUCHKA

Head of Corporate Affairs, Brand Management and Marketing

Miss Saddul is qualified in Personnel Management, in Public Health, and Management with Law.

She has 20 years of diversified experience in Communications, Media and Public Relations in both Government bodies and the private sector.

Mr BEEBEEJAUN Muhammad Asif

Head of Special Asset Management

Mr Beebeejaun holds a BSc financial services/ACIB – UMIST England

He brings 26 years of banking experience from different Business Units, of which almost 10 years in Corporate Credit as Senior Corporate Credit Manager. Asif has joined us from Barclays Bank Mauritius Ltd, where he was Head Of Commercial in the Business Banking Unit. Prior to Barclays, he was with The Mauritius Commercial Bank Ltd, as Credit Analyst Corporate and Relationship Manager Business Banking.

Mrs NUJEEBUN Shameema Bibi Khan

Senior Manager Internal Audit

Mrs Nujeebun is an FCCA and Certified project leader.

She has over 15 years of experience in the banking field and is presently acting head of Internal audit.

Administrative Information (Contd)

BRANCH MANAGERS AT 30 JUNE 2018

DWARKA, Anoukshada
Place D'Armes

JUGNAUTH, Ravin Kumar
Curepipe

BUNDHOO, Mohammad Khalid
Goodlands

BHUNJUN Pounam
Chemin Grenier

NANDOO Farhana
Rose Hill

KEENOO MANDHUL Deepika
St Pierre

LUCKHEE Adesh
Pope Hennessy

RAMCHURN PURMESSUR, Reena
Rose Belle

ANSEREEGADOO Dony
Mahebourg

CHAN CHUEN Francois Jerome
Grand Bay

GUNGADIN Keshna
Triolet

KHOOSBOO Bagratee Boyro
Riviere Du Rempart

HUNGLEY Gary
Ebene

BEEGUN, Douchika
Quatre Bornes

HURRYPAUL RAMPERSAD, Jaya
Lallmatie

LAKHOA Uttam
Flacq

KAWOL, Neela
Vacoas

RAFFAUT Robert
Terre Rouge

ROUSSETY Marie Jessica
Rodrigues

Administrative Information (Contd)

DELIVERY CHANNELS AT 30 JUNE 2018

PLACE D'ARMES Branch 1 Queen Street Place D'Armes Port Louis Tel 405-9400 Fax 404-0333	ROSE BELLE Branch Royal Road, Baramia Rose Belle Tel 405-9400 Fax 404-0333	QUATRE BORNES Branch Cnr St Jean & Osman Avenue Quatre Bornes Tel 405-9400 Fax 404-0333
CUREPIPE Branch Royal Road Curepipe Tel 405-9400 Fax 404-0333	MAHEBOURG Branch Corner Delices & Marianne Streets Mahebourg Tel 405-9400 Fax 404-0333	LALLMATIE Branch Corner Royal & Tagore Roads Lallmatie Tel 405-9400 Fax 404-0333
GOODLANDS Branch Royal Road Goodlands Tel 405-9400 Fax 404-0333	GRAND BAIE Branch Richmond Hill Complex Grand Bay Tel 405-9400 Fax 404-0333	FLACQ Branch Flacq Shopping Mall Flacq Tel 405-9400 Fax 404-0333
CHEMIN GRENIER Branch Royal Road Chemin Grenier Tel 405-9400 Fax 404-0333	TRIOLET Branch Royal Road, Anand Square 8th Mille, Triolet Tel 405-9400 Fax 404-0333	VACOAS Branch Independence Street Vacoas Tel 405-9400 Fax 404-0333
ROSE HILL Branch 477 Royal Road Rose Hill Tel 405-9400 Fax 404-0333	Riviere DU REMPART Branch Riverside Shopping Complex Riviere du Rempart Tel 405-9400 Fax 404-0333	TERRE ROUGE Branch Royal Road Terre Rouge Tel 405-9400 Fax 404-0333
ST PIERRE Branch Kendra Commercial Centre St Pierre Tel 405-9400 Fax 404-0333	EBENE Ground Floor, Bramer House Cybercity Ebene Tel 405-9400 Fax 404-0333	RODRIGUES Branch Rue Max Lucchesi Port Mathurin, Rodrigues Tel 405-9400 Fax 404-0333
Pope Hennessy Branch Pope Hennessy Street Port Louis Tel 405-9400 Fax 404-0333		

Administrative information (Contd)

FOREIGN CORRESPONDENTS

STANDARD BANK OF SOUTH AFRICA LTD
Standard Bank, 6th Floor, Entrance 4
3 Simmonds Street
Johannesburg 2001
Republic of South Africa

COMMONWEALTH BANK OF AUSTRALIA
Financial Markets Operations
Darling Park Tower 1, Level 27
201 Sussex Street
Sydney NSW 2000
Australia

ICICI BANK LTD
International Financial Institution Group
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400051
Republic of India

MIZUHO CORPORATE BANK LTD
10-30 Nihonbashi-Kakigaracho
2 Chome Chuo-Ku
Tokyo 103-8528
Japan

CREDIT SUISSE
Uetlibergstrasse 231
PO Box 400
CH-8070 Zurich

NATIONAL BANK OF CANADA
National Bank Tower
600 da la Gauchetiere Street West
5th Floor
Montreal, Quebec H3B 4L3

ANZ NATIONAL BANK LIMITED
ANZ Centre
23-29 Albert St Auckland
Wellington
New Zealand 6010

HABIB AMERICAN BANK
99, Madison Avenue
New York
NY 10016
USA

YES BANK LIMITED
Part Ground Floor, Tower 2
Indiabulls Finance Centre
Senapati Bapat Marg Lower Parel
Mumbai - Maharashtra 400013
India

JP MORGAN CHASE BANK, N.A
18/ F JP Morgan Tower
138 Shatin Rural Committee Road
Shatin, New Territories, Hong Kong

BANK ALJAZIRA
Olaya Street
P.O Box 20148-Riyadh 11455
Saudi Arabia

JP MORGAN CHASE BANK
Wholesale Account Services
10420 Highland Manor Drive
2nd Floor, Tampa
Fl 33610, USA

SOCIETE GENERALE PARIS
16, Rue Hoche
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France

ABSA BANK
International Financial Institution
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Johanesburg 2001
PO box 4854
Johanesburg 2000

AGRICULTURAL BANK OF CHINA
Shanghai Branch
33/F, ABC Tower, 9 Yincheng Road
Pudong New Area, Shanghai
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London,
England, United Kingdom.