

BCP Bank (Mauritius) Ltd
Consolidated and Separate Financial Statements
For the year ended 31 December 2019

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Chief Executive Officer:

Mr Abdelwafi Atif

Secretary:

Ms Nashreen Rojoa

Registered Office:

9th Floor, Maeva Tower,
Corner Silicon Avenue and Bank Street,
CyberCity, Ebène

Auditors:

Mazars

Chartered Accountants
4th Floor, Unicorn Centre
Frère Felix de Valois Street
Port-Louis

Message from the chairperson

2019 - Year of transformation and Integration- In the right direction for growth.

2019 was marked entirely by the integration of BCP Bank (Mauritius) Ltd to BCP Group. The acquisition of the formerly known bank, Banque des Mascareignes Ltee was completed in October 2018.

The new management team was set up led by Abdelwafi Atif, as Chief Executive Officer and Sangeetha Ramkelawon, as Deputy Chief Executive Officer who took up their roles formally as from November 2018.

This year was also marked by the change of name and logo of the bank on 28th March 2019, in the presence of all key stakeholders who were present to witness this historical moment in the bank's page. As Chairman of the Board and CEO of the Group, I shared our vision around BCP Bank (Mauritius) Ltd and its role within our Group. This included the reversal of the business model from a retail banking orientated model to an international corporate banking model coupled with Private banking offer. Mauritius is strategically located to bridge business and trade relationships between Africa and Asia.

The priority for BCP Bank (Mauritius) Ltd is to develop itself as a trade finance hub for the region by working in close collaboration with our network to identify opportunities and close significant deals. Cross selling and synergy are key for the success of our Group since we are the only group with such a large footprint on the continent.

Integration also means integration of our people from Mauritius to our network. We have organised a number of seminars and induction programs for our key people to get to know their counterparties and other stakeholders in the group. We have invested in people and platforms for AML and compliance, to safeguard our bank, as we need to ensure that our bank has the right framework to operate and grow in a secured manner.

We took a board decision to remain in the retail-banking segment however with a reduced branch network of 6 branches strategically located and an airport counter. This change was welcome since our Group has also decided to gradually digitize the client experience for all market segments and review our product offering to this clientele.

As a group, we have been able to build over the years meaningful relationships with a number of financial institutions. We have extended this network to our Mauritius subsidiary so that they can also work together in regions where we can complement each other.

Financially, our figures are timid since this was an exceptional year marked by business transformation and integration. These are all building blocks that will lead to improved business performance.

We have also towards the end of 2019 finalised the acquisition of other banks in the region, all part of the BPCE network. I would like to extend a thank you note to the Management team and the passionate team members who have embraced our core values: Performance, Innovation, Corporate Citizenship and Proximity so that we are able to build a strong "Truly African bank" in the near future.



Kamal MOKDAD
CHAIRPERSON- BOARD OF DIRECTORS

Message from the Chief executive officer

Dear Valued Partners,

This year ended 31st December 2019 has been a year marked by integration, enriched with projects, challenges and success. We have completed our first year as BCP Bank (Mauritius) Ltd, 100% subsidiary of Groupe Banque Centrale Populaire, leading financial institution group headquartered in Morocco with presence in over 30 countries.

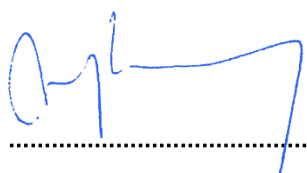
At the outset, we clearly communicated our vision and strategy to our people and stakeholders. We have a clear roadmap in front of us.

First of all we have reviewed our business model to be adapted and focussed more towards international banking activities both corporate and private banking wise. We remain committed to the local market with a reduced branch network of 6 branches and one airport counter and selective domestic corporate banking business.

Our aim is to leverage the presence of our group and be the international banking partner to any client wishing to access Africa for investment or trade finance purposes. We have also positioned ourselves as the financial institution that can assist African Corporates wishing to invest in Asia. For instance, during 2019, our Group has renewed our Memorandum of Understanding with Sumitomo Mitsui Banking Corporation to facilitate Japanese trade flows into Africa and vice versa. This year we have taken the time to reflect on some of our key processes and products. We have also managed successfully certain key integration projects- SWIFT platform, cards platform, compliance and AML platforms. On the business front, we have initiated a number of initiatives to encourage synergy with our colleagues based in Morocco, West Africa and Europe.

Coming to our financial performance, we are pleased to report that despite the change in ownership, we have noted a strong and growing commitment from our existing clients and partners. This has helped maintaining a stable banking book in terms of liquidity and assets. We have also been successful in establishing relationships with key financial institutions that will assist our projected growth in the coming years.

To conclude, my first year as CEO of BCP Bank (Mauritius) has been fulfilling and for this, I would like to thank first of all my colleagues at the bank, our valued clients and partners and the financial services community including our regulators for their ongoing support. I strongly believe that Mauritius is well placed to be the IFC of the region. It has so much to offer.



Abdelwafi ATIF
CHIEF EXECUTIVE OFFICER

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Group			Bank		
	2019	2018	2017	2019	2018	2017
Income Statement (Rs' million)						
Net Interest Income	414	420	440	392	401	421
Revenue	625	693	630	562	689	527
Profit before Tax	-16	65	131	-26	114	70
Profit for the year	18	-94	158	13	-45	98
Statement of Financial Position (Rs' million)						
Total Assets	24,129	19,099	17,545	23,714	18,984	17,115
Total Loans (Net)	14,812	13,243	11,988	14,748	13,158	11,859
Total Deposits	14,903	12,525	11,577	14,577	12,252	11,232
Shareholders' Fund	2,426	2,382	2,226	2,400	2,360	2,127
Risk Weighted Assets	17,570	16,830	15,218	17,191	16,188	13,641
Performance Ratios (%)						
Return on average assets	0.1	-0.5	0.8	0.1	-0.2	0.5
Return on average equity	0.7	-4.1	7.5	0.6	-2.0	4.7
Non-Interest income/Revenue	33.9	39.4	30.2	30.3	41.9	20.1
Loans to deposits ratio	99.4	105.7	103.5	101.2	107.4	105.6
Cost to income ratio	91.2	86.3	92.8	90.9	80.8	104.2
Asset Quality (%)						
Non-performing loan ratio	5.5	6.7	8.1	5.4	6.5	7.8
Provision Coverage ratio	72.3	61.9	57.6	71.8	61.6	58.6

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (continued)

Performance against objectives

Objectives for FY 2019	Performance in FY 2019	Objectives for FY 2020
Return on average equity (ROAE) The return on average equity was expected to stand around 2.4%.	Achieved a ROAE of 0.7%	To achieve a ROAE of 1.6%.
Return on average assets (ROAA) The return on assets should be at 0.2% in 2019.	Achieved a ROAA of 0.1%	To achieve a ROAA of 0.1%.
Revenue Growth of 22% in Revenue	Decrease in Revenue of 19%	Growth of above 40% in Revenue
Cost to income ratio Cost to Income Ratio of 76.1%	Cost-to-Income Ratio of 91.2%	Cost-to-Income Ratio of 69.7%
Loans and advances (net) growth Growth of above 60%, due to a significant expansion in segment B.	Overall, growth of 12% in the loans and advances (net).	25% growth in both Segment A and Segment B
Deposits growth An upsurge of 31%, supported by all business segment.	Overall, growth of 19% in the deposit book.	17% growth in both Segment A and Segment B.
Asset quality Gross impaired ratio of 4.8% and a provision coverage ratio of 59%.	Gross impaired ratio at 5.4% and provision coverage ratio at 71.8%.	No deterioration in asset quality.
Capital management CAR above the regulatory requirement level of 11.875%.	CAR at 13.5% as at December 2019	CAR above 13%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Review of the Operating Environment

International Economic Outlook 2019

The global economy experienced a synchronized slowdown in 2019, amidst the US-China trade tensions, uncertainty-surrounding Brexit and rising geopolitical risks and social unrests. As per the IMF January 2020 World Economic Outlook edition, global GDP grew by only 2.9% in 2019, a downward revision from the forecasted 3.0% growth in October 2019 and the slowest growth since the financial crisis. The IMF has also reviewed down its global growth projection for 2020 by 0.1% to reach 3.3%. This slight yet precarious improvement of global growth is the result of the recent US-China trade agreement, the Brexit resolution, robust consumer spending and monetary easing policies. The IMF forecasts that growth in advanced economies will slow further, already impacted by weakening trade and manufacturing activity, from 1.7% in 2019 to 1.6% in 2020. As for emerging market and developing economies, growth is expected to increase from 3.7% in 2019 to 4.4% in 2020, supported by recovery in some economies despite India's sluggish economy partly attributed to uncertainty in its nonbanking sector and China's moderated domestic demand and rising debt. In spite of expected sluggish global recovery in 2020, the outlook remains highly uncertain and vulnerable to further derail.

Mauritian economic outlook 2019

GDP

The gross domestic product (GDP) at market prices for 2019 has been revised down to 3.6% from the projected 3.8% in September 2019 as per the National Account Estimates December 2019 issue. The GDP growth has also deteriorated by 20 basis points compared to last year's estimated economic growth of 3.8%. This downturn is mainly explained at sectoral level by the poor performance of the tourism industry, affecting the accommodation and food service activities at industry level, and a contraction in the textile manufacturing. The main sectors, driving growth in 2019 are the construction sector, information and communication sector, and the financial and insurance activities sector. On the investment side, an expansion of 8.2% is estimated in 2019, in view of 6.2% and 21.1% growth from private and public sector investment simultaneously. This positive result is largely attributed to a major boost in construction sector with the execution of large-scale infrastructure projects prevailing in the public sector such as construction of social housing units and sports facilities, road development and the Metro Express project. In view of the subdued global growth, the key repo rate was cut down in August 2019 to 3.35%, as an incentive to the domestic demand.

Tourism sector

Tourist arrivals have dropped by 1.14% from 1,399,408 as at end of December 2019 in comparison to 1,383,488 in 2018. This underperformance of one of our key sectors is mainly due to lower arrivals from China (-35%), India (-11.8%), South Africa (-7.5%) and United Kingdom (-6.8%). On the other hand, a 38.05% increase in tourist arrivals from Saudi Arabia is noted. As for the total tourism earnings, a decline of 2.24% is recorded for the first ten months of 2019 compared to the corresponding period of 2018. As a consequence, the 'accommodation and food service activities' sector suffered in 2019 and reached zero growth, from a contraction of 1.8% in the third quarter of 2019.

Construction sector

As per Statistics Mauritius December 2019 issue, the construction sector despite being one important driver of the economic growth, is showing signs of slowing down. The growth rate is estimated at 8.5% for 2019 against 9.5% in 2018. However, this could be explained by the completion of some major public infrastructure projects namely the Phase 1 of the Metro Express, the ENT hospital, the Supreme Court Building, the Côte d'Or Stadium and the road decongestion programme. Another reason for this decline is that private sector investment has decreased in 2019 as the growth for 2019 is at 4.0% in 2019 compared to a very dynamic 10.4% in 2018, amidst an uncertain investment climate with the holding of the general elections in 2019. As regards to the construction price index, prices of steel bars and tiles and granite have fallen, causing the index to decrease from 102.7 in September 2019 to 102.5 in December 2019. Many measures in the Budget for the FS year 2019/20 concerning the upgrade of infrastructure such as new terminal airport, expansion of the port capacity, road construction and upgrade are expected to sustain further the construction sector.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Review of the Operating Environment (continued)

Mauritian economic outlook 2019 (continued)

Financial and insurance activities sector

The 'Financial and Insurance activities Sector is expected to expand at 5.2% in 2019, lower than the 5.4% growth rate in 2018, due to lower growth of 5.4% and 5.0% in the sub sectors 'Monetary Intermediation' and 'Insurance' respectively, as opposed to 2018.

Consumer Price Index (CPI) and inflation

The headline inflation, which was 3.2% for the twelve months ending 2018, reached 0.5% in 2019, down by 2.7%. The year-on-year inflation for December 2019 stood at 0.9% compared to 1.8% in December 2018. The Bank of Mauritius in its September 2019 quarterly economic review referred to the absence of major supply shocks as the primary cause of the downward trend of the indicator. Amidst contained oil and international commodity prices and moderate global economic activities, inflationary pressures have been subdued in 2019. According to the Bank of Mauritius, the headline inflation is projected to be 1.5% in 2020. As regards to the CPI, the index registered an increase of 0.9 point annually to stand at 103.3 in December 2019. Higher prices of vegetables, fruits and other food products despite partially compensated by the lower prices of cooking gas, fuel and university fees, explained the pick-up of the CPI.

Foreign Direct Investment (FDI)

The gross direct investment inflows excluding the global business sector as at end of third quarter of 2019 have been estimated to be Rs 15.2 billion, 33% higher than the inflows in the corresponding period of 2018. The sector with the highest inflows in the first nine months of 2019, has been the 'Real estate activities' sector with Rs 13.6 billion, followed by the 'Financial and insurance activities' sector with Rs 354 million. It should be noted that FDI inflows for the "Real estate activities" sector have almost doubled since last year. Conversely, FDI inflows towards the 'Financial and insurance activities' sector fell by 91% in 2019. The main investor in FDI in Mauritius remains Europe, with 57% of the total FDI inflows and France being the leading investor with more than Rs 5 billion for the first three quarters of 2019 against Rs2 billion in 2018.

Correspondingly, the FDI outflows abroad for the first three quarters of 2019 amounted to Rs 1.7 billion against Rs 2.1 billion for same period of 2018. The sector which invested the highest abroad has been the 'Financial and insurance activities' sector with Rs 917 million. More than half of gross direct investment was directed to the African continent.

Unemployment

As at the third quarter of 2019, unemployment rate was estimated to be 6.7% compared to 6.9% in the corresponding period of 2018. The labour force and the employment count increased by 8,400 and 8,900 on a year-to-year basis respectively. A drop of 500 in the unemployment count to reach 39,300 is observed in the period under review in comparison with same quarter of 2018. The male and female unemployment fell by 0.1% to 4.4% and 0.3% to 10.3% respectively. Another improving point is that youth unemployment rate decreased by 180 bps to 23.4% from 3rd quarter 2018 to 3rd quarter 2019.

Key figures regarding unemployment in the third quarter of 2019:

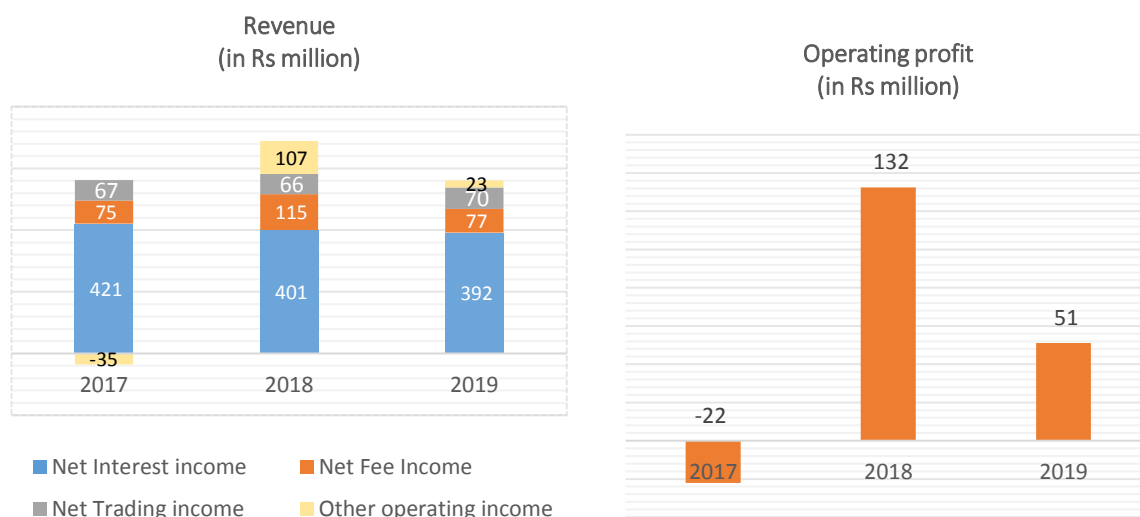
- Female labour force constituted around 35.3%, lower by 60 Bps than in second quarter 2019
- 60.6% of unemployed were of female gender
- 41.7% of unemployed were young persons aged 16-24 years
- 47.0% of young unemployed are not yet married and looking for a first job. 50.6% of them possessed a qualification below Cambridge School Certificate.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial review

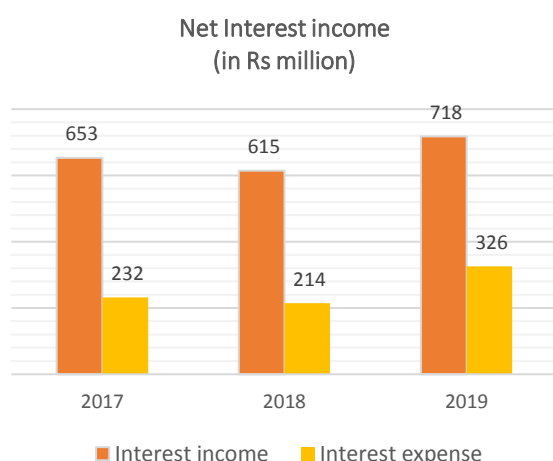
Income statement analysis

The Bank reported a net profit of Rs 13 million compared to a loss of Rs 45 million last year. Revenue witnessed a fall of 19% and amounted to Rs 562 million for the period ended 31 December 2019, penalised by both higher cost of funding, and a decrease in domestic banking activities; the operating profit amounted to Rs 51 million for the year under review compared to Rs132 million in 2018.



Net interest income

For the year under review, interest income recorded an increase of 17%, mainly driven by an expansion of its Segment B loan portfolio and higher volumes of transactions in Government securities. On the other hand, interest expenses witnessed a rise from Rs 214 million in 2018 to Rs 326 million in 2019, affected by higher cost of funding. Overall, the Bank's net interest income decreased by 2% to reach Rs 392 million in 2019.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial review (continued)

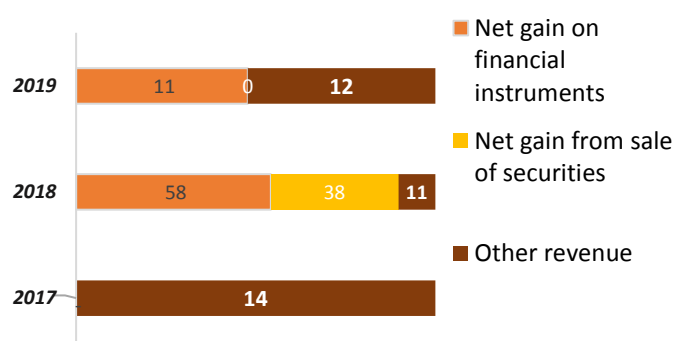
Income statement analysis (continued)

Non-interest income

A fall of 33% in net fees and commission income was noted as at end of December 2019, to reach Rs 77 million from Rs 115 million in 2018. Excluding one-off items amounting to Rs 28m and Rs 8m respectively in 2018 and 2019, the net fees and commission remained stable over the year. Net trading income improved by 6% and amounted to Rs 70 million for the year ended December 2019. Other operating income included in 2017, 2018, and 2019 the impact of the fair-valuation of the subsidiary in Madagascar, which amounted to resp. -Rs 49 million, Rs 58 million and Rs 10.9m. Excluding non-recurring elements altogether, non-interest income deteriorated by 28% in 2019, as a result of lower volumes in capital market activities.

<i>In Rs'000</i>	2019	2018	2017
Net Fee Income	77	115	75
Net Trading Income	70	66	66
Other Operating Income	23	107	-35
Total Non-Interest Income	170	288	106

Other Operating income (in Rs million)



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

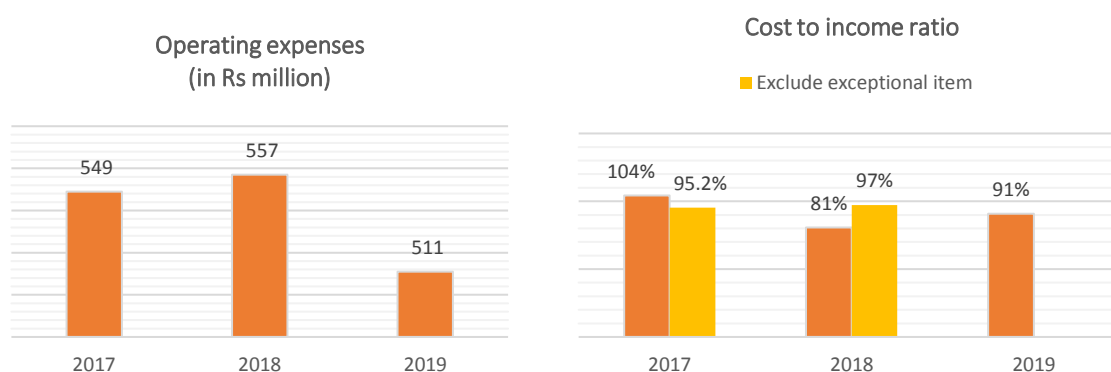
Financial review (continued)

Income statement analysis (continued)

Cost control

Total expenses reached Rs 511 million in 2019, compared to Rs 557 million in the prior year. The decrease in operating leases, as opposed to the increase in depreciation and amortisation are the result of The First Time Application of IFRS16: the net impact of IFRS16 in total expenses for year 2019 is Rs 3 million.

With subdued performance of revenue and declining expenses, the cost to income ratio of the Bank stood at 91% as at 31 December 2019 as opposed to 81% in 2018. On eliminating non-recurring items in 2018 in revenue, the ratio improved by 6 pts supported by contained expenses in 2019.



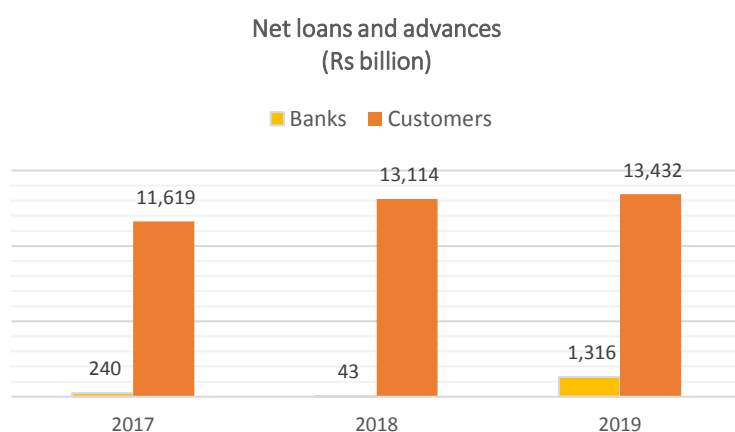
Impairment charges

The Bank continued to improve its comprehensive risk management system and adopted a proactive and forward-looking approach to risk management, ensuring a relatively stable credit asset quality. It stringently implemented a prudent risk provisioning policy, made allowances in full compliance with regulatory requirements and maintained an adequate capacity of risk mitigation. In 2019, the Bank posted a net impairment loss on financial assets of Rs 77 million against an impairment loss of Rs 18 million in 2018, in view of additional provision on an existing syndicated loan.

Financial position statement analysis

Loans and advances

The Bank's net loan witnessed a growth of 12% during the year 2019 to reach Rs 14.7 billion compared to Rs13.2 billion last year. This growth was driven by an expansion of segment B loan portfolio. Net loans and advances to customers increased by 2% in comparison to last year, to reach Rs 13.4 billion. A notable performance was recorded in the Financial Institutions segment, where net loans reached Rs 1.3 billion as at 31 December 2019, compared to Rs 43 million in 2018.



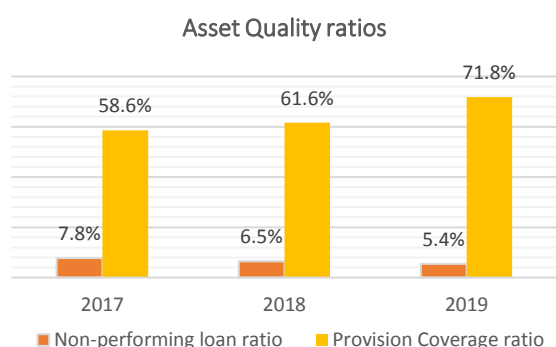
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial review (continued)

Income statement analysis (continued)

Asset quality

Asset quality improved further during the year, with non-performing loan ratio at 5.4% in 2019 against 6.5% in 2018. Impaired loans declined by 8%, and amounted to Rs 840 million for the financial year under review, compared to Rs 911 million in 2018. The coverage ratio stood at 71.8% in 2019 compared to 61.6% in 2018.



Investment securities

Investment portfolio recorded an uplift of 31%, reaching Rs 2.4 billion as compared to Rs 1.8 billion in 2018, as surplus funds continued to be placed in High Quality Liquid Assets, reflecting the excess liquidity prevailing in the Mauritian market.

Deposits

Total deposits of the Bank increased by 19% to attain Rs 14.6 billion over the 12-months ending December 2019. This resulted from a progression in corporate and institutional banking deposit base in 2019. CASA deposit grew from Rs 7.3 billion to Rs 9.2 billion, up by 25%. Thereupon, the proportion of current and savings deposits as a percentage of total deposits rose from 60% as at 31 December 2018 to 63% as at 31 December 2019.

Borrowed funds

Borrowings experienced a substantial increase of 54% during the financial year 2019 to reach Rs 5.6 billion as a result of the increase in Segment B portfolio. The funding is mainly from related parties, and in major currencies (USD and EURO).

Business Segment Review

Corporate, Global Business and International Banking

With a new chapter of the bank unfolding with the arrival BCP Group in Mauritius, 2019 was year where the strategic objectives of the bank were revised. The Group experience and expertise in markets of presence is a definite competitive advantage and will be a key source of growth for BCPBM. To match our objectives, the corporate market was reshaped and renamed to align with a Corporate and Institutional Banking (CIB) model with segments covering Coverage Banking, Trade Finance, Financial Institutional and Transactional Support.

The contribution of the different business segments within CIB has helped a steady growth of both our assets and liabilities on both international and domestic fronts. With the 2020 outlook showing signs that the global economy going into an unpredictable cycle, we will have to manage our capital and liquidity efficiency and preserve the asset quality.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial review (continued)

Consumer Banking

Though Consumer Banking underperformed over the period 2019 against its performance targets, the year was very much centered on the construction of a new Consumer proposition.

Focus was placed on the reinforcement of the financial performance of the business through reviews of its distribution network and target segmentation.

5 Branches were rationalised from historically low performing areas, with staff and customer portfolios transferred to more prominent locations.

As well as a beneficial financial impact, the rationalisation of branches has resulted in a net improvement in the level of customer service by increasing the staff to customer ratios in the branch network.

An increased level of staff per branch also improved the business environment allowing branch specialists to focus on key tasks.

Another large focus for the business over the last year was the review of the Consumer Banking segmentation.

A complete reorientation towards the HNW customer base for Retail and to truly provide a competitive Private Banking Proposition were key visions for the year.

However, the implementation of the revised segmentation for retail took a period of adaptation. With much consideration being given to upskilling and training of both, the front-line staff as well as the leadership team in order to implement a culture positioned to a very different segment to which the Consumer bank was previously used to.

The Consumer Banking business also received support from 2 consultancy services over the year, in order to ascertain and define a clear strategic plan for the business over the coming years.

The recommendations from which being implemented in Q1 2020 and from which we will continue to drive the continued evolution of the Consumer Bank.

Today we are beginning to see positive impact Across the Consumer segment due to the departmental review, which took place in 2019, with signs of growth in asset & Liabilities greater to that which we saw in the previous year.

The evolution of the consumer bank will continue over the coming year with reviews of the branch operational and branch structures, staff profiles and development, product reviews and proposition planned for the start of the year.

We are positive about our growth prospects for 2020, especially as we continue to reinforce our focus on key segments in Mauritius as well as across the continent.

In addition to the above initiatives, key focus will be placed on income generation through transactional services, the continued growth of the Retail-lending book, alongside improved efficiency in the risk management and compliance surrounding these initiatives.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report

Introduction

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

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

- governance committees; and
- governance documents.

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

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

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

Risk Governance Structure

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

Risk Management Framework

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

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

Risk Management Structure

The risk management organisational structure consists of a top down approach whereby the risk appetite of the Group and the Bank is set by the Board of Directors in line with its business strategy, taking into account the business strategies, objectives and plans. The Board, assisted by its committees has oversight responsibilities in relation to risk management, adherence to internal policies and compliance with the

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

prudential, regulatory and legal requirements. The roles of the Board and its committees are described in detail in the Corporate Governance Report.

The Board Committees with oversight on Risk Management are:

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

The Management Committees with oversight on Risk Management are:

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

Enterprise-wide Risk Policy

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

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

- The Risk Management Framework and Structure, detailing the main functions of Risk Division;
- The Credit Risk Policy, detailing:
 - o The credit initiation, evaluation and approval process;
 - o The delegated authorities in terms of credit approval;
 - o The limit of exposures by types of facilities, by sector, by country, by rating, by counterparty, and by currency;
 - o The main guidelines in respect of credit impairment monitoring, management and recovery; and
 - o Cross-border lending
- The Governance Structure and Terms of Reference for the various risk management committee
- The Operational Risk Policy; and
- The Market Risk Policy (Liquidity and Interest Rate Risk).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

A. Credit Risk

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

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

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

Credit Risk Management

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

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

Credit Risk Management Process

The effective management of credit risk requires the establishment of an appropriate credit risk process.

Credit Origination

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

Credit Evaluation

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

A. Credit Risk (continued)

Credit Approval

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

Credit Risk Control and Monitoring

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

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

Credit Risk Management

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

Impairment and Provisioning

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

- Performing loans - Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions.
- Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.
- Non-performing loans: Non-performing loans are those loans for which the Group and the Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more. Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.

Impairment and Provisioning

- Non-Performing specifically impaired loans are those loans that are regarded as Non-Performing and for which there has been a measurable decrease in estimated future cash flows. All non-performing loans are individually assessed for impairment and impairment provisions are recognised in line with International Accounting Standards and Bank of Mauritius guidelines. The Committee relating to impairment and provisioning is the Non-Performing Loan review and Provisioning Committee. The committee reviews all "loans with arrears" and evaluates and approves:
- The strategy for recovery; and
- The fair value of the loan and hence the required level of specific provisions.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

A. Credit Risk (continued)

Credit Risk Concentration

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

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

- a maximum exposure (in MUR) to any single customer of 25% and to related Group of companies to 40% of the Bank's Tier 1 capital base.
- a maximum exposure (in foreign currency) to any single customer of 50% and to related Group of companies to 75% of the Bank's Tier 1 capital base.

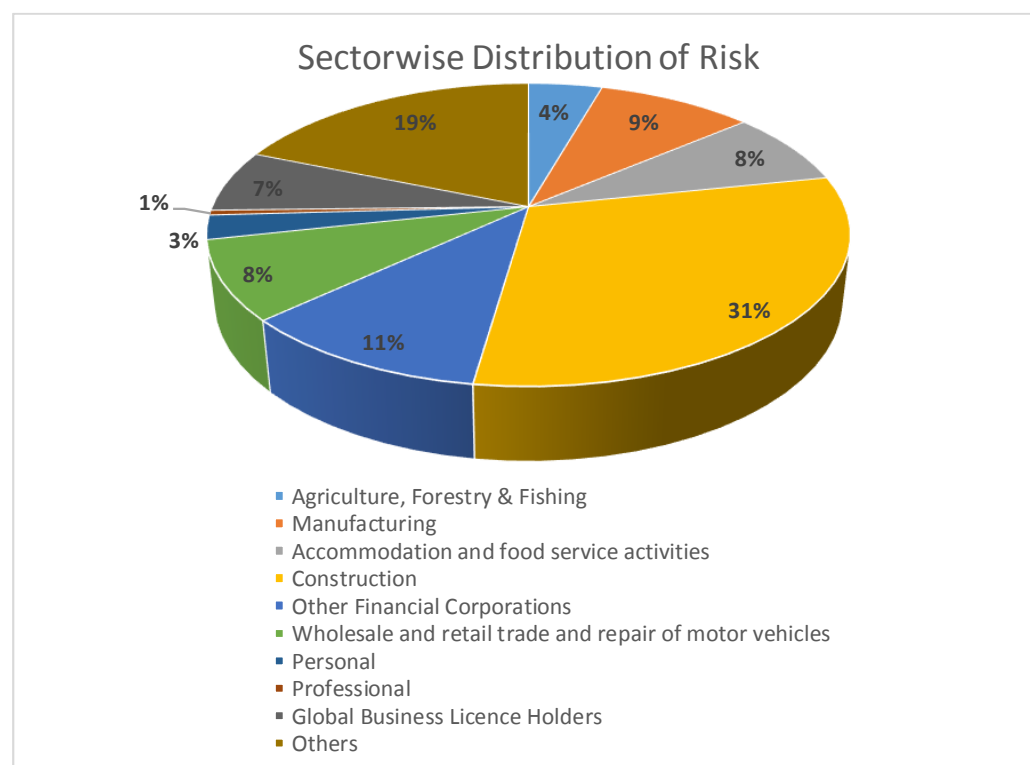
In aggregate, any individual or group exposure of 10% above the Bank's Tier 1 Capital shall not exceed 1200% of its Tier 1 Capital.

Large Credit Exposure

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

As at 31 December 2019, the concentration ratio of large exposures above 10% before applicable set off was 376%, well within the regulatory limit of 800%. After set off, the aggregate exposure under large exposure remained 376%.

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

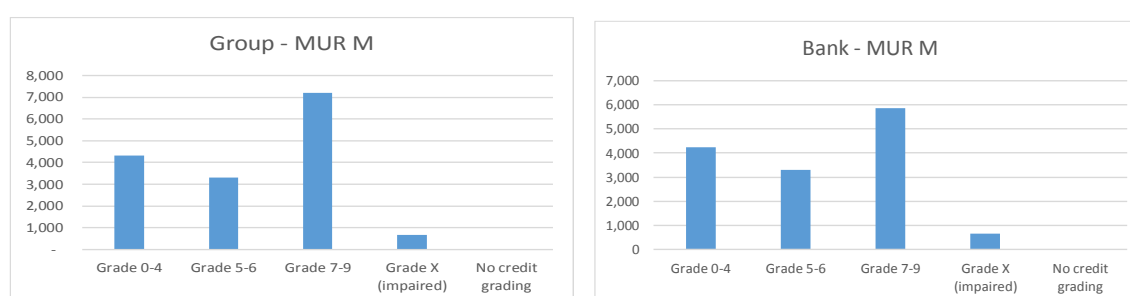
Risk Management report (continued)

A. Credit Risk (continued)

Credit Quality

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

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



Credit Risk Mitigation

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

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

The main types of collateral taken are:

- mortgage bonds over residential, commercial and industrial properties;
- charge over plant and equipment and other assets; and
- guarantee and pledge over financial instruments such as debt securities, equities and bank deposits.

Credit risk - Focus areas for 2020

The BCP Group and the Bank will continue to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated economic conditions (due to Covid-19) and risk appetite. Focus will continue to be placed on standardising credit risk methodologies and processes across the Group, and on enhancing stress-testing practices. Moreover, the Bank will continue to enhance its controls over the correct Guarantees' renewal (ie. Renewal of Building insurance).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

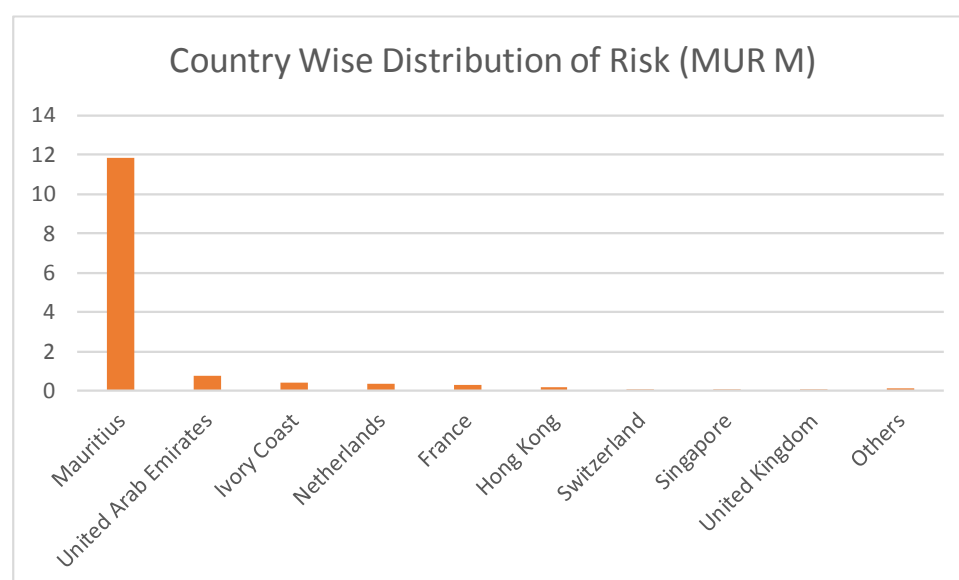
Risk Management report (continued)

B. Country Risk

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

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

The distribution of exposure by country is provided in the following pie chart.



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

- political and commercial risk insurance;
- co-financing with multilateral institutions;
- co-financing with prime banks or investors; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and managing deposits outside the jurisdiction on question.

Country Risk - Focus areas for 2020

Country risk appetite and the mitigation of country specific risks will be proactively managed in response to the challenging global economic and political risk environment. During year 2020, specific monitoring will be carried out on syndications portfolio and trade finance operations as it was the case in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

C. Market Risk

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

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

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

The governance committees overseeing market risk are the Risk Management Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee. The Board is ultimately responsible for setting risk appetite in respect of market risk, in compliance with the prudential guidelines set by the Bank of Mauritius. Operating within this framework, the Asset & Liability Management Committee and Treasury Committee review and take decisions concerning the overall mix of assets and liabilities within the balance sheet. The committees set and review liability allocation objectives and targets to sustain both the diversification and growth of the Bank's balance sheet and income statement from a funding, market and profitability perspective, while taking into account the changing economic and competitive landscapes. The Asset & Liability Management Committee, which meets on a quarterly basis under the chairmanship of the Chief Executive Officer, is attended by the Chief Risk Officer, the Chief Financial Officer and the business unit heads. Furthermore, under the Risk Management Division, the Market Risk acts as the primary risk control and risk-monitoring function related to market risk activities, including counterparty credit and operational risk arising from market risk activities.

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

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

- Dealers' limits - Dealers operate within limits approved and are tightly monitored by Back Office. sign-off from delegated signatories ahead of a deal that triggers their dealing limits are required.
- counterparty limits - exposure is determined according to the nature of the contract and its maturity.
- Product limits - Dealers can only transact in products that have been approved. Product limits are tightly monitored at the Treasury Back Office and the Treasury Middle-Office.
- Forex exposure limits - FX exposure is monitored daily and a report is sent to the Bank of Mauritius every day.

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

Foreign Currency Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

currency exposure may not exceed USD 3 million, which is equivalent to circa 5% of the Bank's Tier 1 capital. While for Trading activities (with the parent company only), a transaction limit of EUR 5M has been imposed.

C. Market Risk (continued)

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

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

The Bank's net open position, either overbought/oversold, against the Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 31 December 2019, which is in compliance with the Bank of Mauritius requirements.

Interest Rate Risk

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

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

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

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

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

Market Risk - Focus areas for 2020

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

The Bank will also focus on the implementation of the Forex Code set by the Bank of Mauritius.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

D. Liquidity Risk

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

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

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

The governance committees overseeing liquidity risk are the Risk Management Committee (Board Committee), the Assets & Liabilities Management Committee and Treasury Committee. There are no regulatory capital requirements for liquidity risk.

The Group's and the Bank's liquidity risk management framework differentiates between:

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

Structural liquidity mismatch

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

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

Funding strategy

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

D. Liquidity Risk (continued)

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

Contingency funding plans

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

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

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

Liquidity buffer

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

Liquidity Risk - Focus areas for 2020

Liquidity Coverage Ratio was implemented in November 2017 and the risk management department will ensure close monitoring of the required ratio in 2020. Furthermore, the bank will continue to optimise its funding strategies.

E. Operational Risk

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

- legal risk;
- compliance risk;
- environmental and social risk;
- business continuity management (BCM);
- technology risk management;
- information risk management;
- financial crime control; and
- occupational health and safety.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

E. Operational Risk (continued)

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

E. Operational Risk (continued)

The primary governance committees overseeing operational risk, including the various subtypes, are:

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

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

Operational risk subtypes

Legal risk

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

Compliance risk

This is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the Group and the Bank may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good

practice applicable to its business activities. This includes the exposure to new laws as well as changes in interpretations of existing laws by appropriate authorities.

Environmental and social risk

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

Environmental and social risk assessment and management deals with two aspects:

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

E. Operational Risk (continued)

Operational risk subtypes (continued)

Business continuity management and resilience

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

Technology risk management

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

Information risk management

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

Occupational health and safety

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

E. Operational Risk (continued)

Operational Risk - Focus areas for 2020

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

- Implementation of the new Operational Risk tool
- Ensuring robust control over balance sheet substantiation and other key financial controls.
- The 2020 focus areas will be driven by supervisory expectations, international best practice and legislative developments impacting the financial services sector. Training and awareness initiatives will continue to be undertaken to ensure that staff members are aware of their regulatory responsibilities relating to relevant legislation.

In addition to managing the risks arising in the ordinary course of business, the Group has identified the key potential operational risk threats for 2020, which will be addressed within the risk management framework, namely cyber security, technology risks, internal controls and regulatory risks.

F. Capital Management

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

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

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

Basel III

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

F. Capital Management (continued)

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

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

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

Objectives of Basel III

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

F. Capital Management (continued)

Implementation of new capital requirements under Basel III

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

	2015	2016	2017	2018	2019	2020
	(All dates are as of 01 January)					
Minimum CET 1 CAR	6.00%	6.50%	6.50%	6.50%	6.50%	6.50%
Capital Conservation Buffer			0.625%	1.25%	1.875%	2.50%
Minimum CET 1 CAR plus	6.00%	6.50%	7.125%	7.75%	8.375%	9.00%
Phase in of deductions from CET 1	50.00%	50.00%	60.00%	80.00%	100.00%	100.00%
Minimum Tier 1 CAR	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Total CAR	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total CAR Plus Capital Conservation Buffer	10.00%	10.00%	10.625%	11.25%	11.875%	12.50%
Capital Instruments that no longer qualify as AT1 capital or Tier 2 capital						
	Phased out over 10 year horizon beginning 01 July 2014					

Capital Structure

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

- CET I: ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.
- Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

F. Capital Management (continued)

Capital Structure (continued)

- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

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

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below. The Bank's and Group's capital structure and capital adequacy ratio are as follows (the components of Capital may be reconciled with the Financial Statements as per notes below)

Limits and minima applicable

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

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

As at 31 December 2019, the Group and the Bank have complied with all the limits and minimum requirements of the Bank of Mauritius guidelines. The Group and the Bank is well positioned to meet the phase in requirements as per the guidelines.

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

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

Specifically, through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets, under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise while financial year risk appetite limits are set by the Board.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Risk Management report (continued)

F. Capital Management (continued)

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Compliance function

As the second line of defence, the Compliance Function of BCP Bank (Mauritius) has adopted the general principles of the Basel Committee on Banking Supervision on Compliance and Compliance Function in Banks, aligned with the BCP Group Compliance Charter and standards. It stands guided by its compliance policy, as approved by the Board of Directors, which sets out the principles and standards for compliance and management of compliance risks at BCP Bank (Mauritius) and serves as a general guidance to help business and support units to fulfil their obligations and effectively manage their inherent compliance risks.

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

The Compliance function is fully independent with a reporting line to the Board Risk Management Committee and direct access to the Board of Directors, in line with the Bank of Mauritius Guideline on Corporate Governance.

The general approach adopted at the bank to manage the compliance risk, in order to safeguard its reputation and that of its customers and stakeholders, is to ensure that the bank adheres to the applicable laws, regulations, guidelines and business standards and to promote a compliance-oriented compliance culture across the bank.

Compliance Risk Management

The Compliance framework adopted at BCP Bank (Mauritius) lies on a risk-based approach to ensure that it complies with internal and external regulatory norms and standards. A yearly Compliance programme is established by the Compliance function, which sets out its planned activities, and approved by the Group and the Board Risk Management Committee.

The basis of the bank's Compliance Risk Management Programme encompasses the following:

- Identification of regulations and guidelines applicable to the bank and translate these into compliance requirements for adoptions and adherence.
- Testing the level of bank's compliance with respect to these compliance requirements.
- Fostering a control environment with proper segregation of duties to avoid possible conflict of interest.
- Maintaining communication and collaboration with business and support units by providing regulatory advisory services and training.
- Maintaining a trusted line of communication with the regulatory and supervisory authorities.
- Promoting awareness on AML/CFT matters to all employees of the bank.

In terms of its AML/CFT obligations, the bank has reviewed a number of its policies and processes in year 2019, following the significant changes in the regulatory environment. The bank has also invested in the implementation of the Swift Sanction Screening (SSS) Tool to enable real time screening of all incoming and outgoing swift messages to mitigate its AML risks associated with cross border transactions.

In view of the increasing regulatory obligations on banks in the last two years, the bank has reviewed its AML risk identification and mitigation strategy and has decided to replace its existing AML transaction-monitoring tool with a more sophisticated tool for a more focused monitoring and customer behavioural analysis. This new tool is expected to be rolled out in quarter three 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Internal audit function and internal control

The Bank has adopted a three-layer control system:

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

In addition to the above, the Bank is subject to Inspection Audit from the BCP Group Internal Audit team, which shall be scheduled in 2020.

The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of Internal Control and Risk Management.

To safeguard the total independence of Internal Audit, the latter reports directly to the Audit Committee with a dotted reporting line to the Chief Executive Officer for day-to-day matters and the Bank has subscribed to the principle that Internal Audit has unfettered access to all the Bank's records and information. Internal Audit regularly meets with the management team to ensure the timely implementation of audit recommendations. The responsibility for the appointment and dismissal of the Head of Internal Audit remains with the Audit Committee.

The annual Internal Audit plan is defined by the Internal Audit team using a risk-based approach. Internal Audit implements an annual inventory of all lines of business and operations followed by a risk assessment and risk scoring of each of these entities. Based on this risk assessment, an annual audit plan is drawn up and submitted to the Audit Committee for approval. The Audit Plan is reviewed at each quarterly meeting of the Audit Committee.

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

The final audit reports provide detailed findings and highlights the risk associated with each finding, along with an effective recommendation, whereby an implementation date is agreed with line management prior to the issue of the reports. Every finding is rated depending upon the level of the associated risk. Internal audit will systematically allocate a higher risk rating where findings may be contrary to law or relate to regulatory/guidelines deficiencies. The reports are presented to the Audit Committee.

Periodically, a follow up is made by the internal audit team over the implementation of audit recommendations and a status report is presented to the Audit Committee

CORPORATE GOVERNANCE REPORT

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

Governance framework

The Bank operates within a clearly defined governance framework as per its Constitution, Code of Ethics and 'Charte de Bonne Gouvernance d'Entreprise et Règles de Bonne Conduite. Through this framework, the board balances its role of providing risk oversight and strategic counsel while ensuring adherence to regulatory requirements and risk tolerance. The governance framework provides for delegation of authority while enabling the board to retain effective control. The board delegates authority to relevant board committees and the Chief Executive Officer with clearly defined mandates and authorities, while preserving its accountability.

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

The board delegates authority to the Chief Executive Officer to manage the business and affairs of the Bank. This delegated authority is set out in writing, together with the matters reserved for board decision. The Senior Management Committee and Operational Management Committee assist the Chief Executive Officer in the day-to-day management of the affairs of the Bank, subject to statutory parameters and matters reserved for the board. As a Public Interest Entity, the Bank has applied the principles and provisions of the National Code of Corporate Governance for Mauritius (2016) in all material aspects.

Governance structure

The shareholding and Group structure is as follows:



CORPORATE GOVERNANCE REPORT (continued)

Governance structure (continued)

The Governance Framework is as follows:

- Board of Directors
- Board Committees, namely:
 - o Audit Committee;
 - o Risk Management Committee;
 - o Conduct Review Committee;
 - o Corporate Governance Committee;
 - o Remuneration and Nomination Committee; and
 - o Credit Committee.
- Management Committees, namely
 - o Senior Management Committee (Comité de Direction Générale);
 - o Operational Committee;
 - o Business Development Committee;
 - o Finance Committee;
 - o Pricing Committee;
 - o Assets & Liabilities Management Committee;
 - o Treasury Committee;
 - o Credit Committee;
 - o Non-Performing Loans review and Provisioning Committee;
 - o Arrears Committee;
 - o Compliance Committee;
 - o Risk Management Committee; and
 - o Organisation and Information Systems Committee.

Board of Directors

The role of the board:

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

In line with banking regulations, the board decides on the Group's corporate governance and risk management objectives for the year ahead. The relevant governance and risk management committees monitor performance against governance and risk objectives, respectively, and reports are submitted to the board. A self-assessment of board members and board committees was carried out in 2019 to assess their performance.

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

- composition of the board;
- term of office;
- reporting responsibilities;
- rules of engagement; and
- matters reserved for board decision.

CORPORATE GOVERNANCE REPORT (continued)

Board of directors (continued)

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

- provide effective leadership based on an ethical foundation;
- approve the strategy and ensure that the Group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders;
- review the corporate governance and risk and capital management processes and ensure that there is an effective risk management process and internal control system;
- delegate relevant authority to the Chief Executive Officer and the Deputy Chief Executive Officer and monitor their performance;
- determine the terms of reference and procedures of all board committees, review the board's and committees' performance annually, and review their reports and minutes;
- ensure that the Audit Committee is effective and independent;
- ensure that an adequate budget and planning process exists, measure performance against budgets and plans, and approve annual budgets;
- consider and approve the annual financial statements and the annual report, results, dividend announcements and notice to shareholders before holding of the Annual General Meeting; and
- approve significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances.

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

While directors have a duty to keep up to date with industry, legal and regulatory developments, it is also the responsibility of the Board to provide them with adequate training and development. In this respect, Head of Compliance through the Risk Management Committee present on a quarterly basis all regulatory changes effective in the Banking Sector and the Head of Legal & Company Secretary ensures that all the directors are kept up to date of any changes.

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

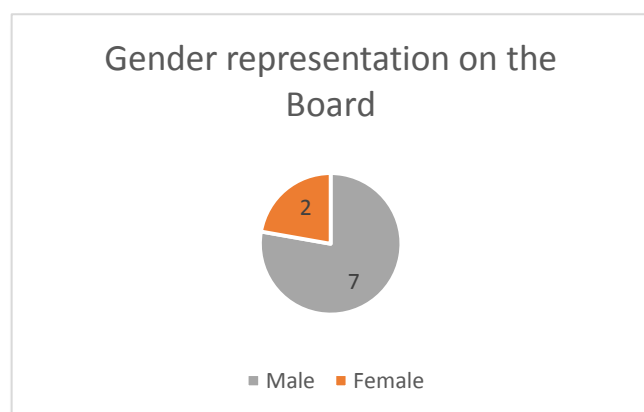
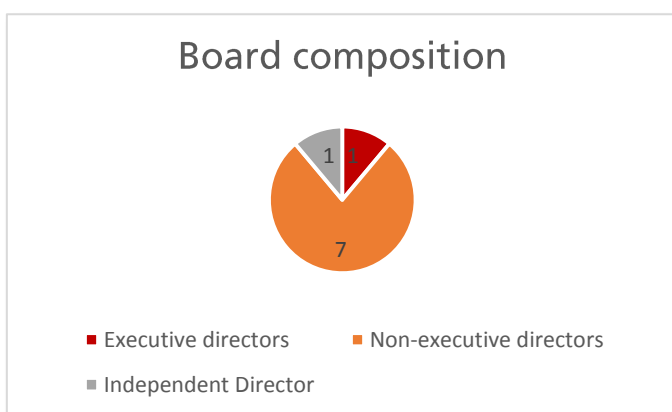
The directors' nomination and appointment process is guided by the legal and regulatory requirements and the Bank's constitution.

CORPORATE GOVERNANCE REPORT (continued)

Board of directors (continued)

The Board members are:

- Non-Executive Directors (non-resident)
 - o Kamal Mokdad (Chairperson);
 - o Karim Mounir;
 - o Fahed Mekouar;
 - o Jalil Sebti;
 - o Saïd Berbale;
 - o Hanane El Boury;
 - o Ghizlaine Bouzoubaa; and
 - o Jean-Louis Vinciguerra (Independent Director)
- Executive Director (resident)
 - o Abdelwafi Atif



The Company Secretary acts as secretary of the Board of Directors.

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

There is ongoing engagement between senior management and the board. In addition to the executive directors, senior management attend board meetings. External auditors are invited to attend Audit Committee. Directors have unrestricted access to management information, as well as the resources to carry out their duties and responsibilities.

CORPORATE GOVERNANCE REPORT (continued)

Board of directors (continued)

The Audit Committee

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

- review the interim and annual financial statements, summarised financial information, dividend declaration and all financial information and recommend them to the board for approval;
- evaluate the adequacy and effectiveness of the accounting policies and all proposed changes in accounting policies and practices;
- review the basis for determination as a going concern;
- review the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls;
- review the impact of new financial systems, tax and litigation matters on financial reporting;
- review and approve the Bank external audit plan;
- oversee the appointment of external auditors, their terms of engagement and fees;
- review significant differences of opinion between external auditors and management;
- review the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensure that management takes appropriate action to satisfactorily resolve issues;
- review, approve and monitor the internal audit plan and charter;
- consider and review the internal auditors' significant findings and management's response;
- evaluate annually the role, independence and effectiveness of the internal audit function in the overall context of the Group's risk management system;
- ensure that both Internal and External Auditors' independence and objectivity are maintained
- monitor the maintenance of proper and adequate accounting records and the overall financial and operational environment;
- review reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks;
- review, approve and monitor the compliance plan; and
- monitor compliance with the Companies Act, Banking Act and all other applicable legislations and guidelines.

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

Members of the Audit Committee were:

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

The audit committee meets at least four times in a year.

EXTERNAL AUDITORS

Following the completion of their five-year term as External Auditors of the Bank, a tender exercise is effected and audit firms are to submit their proposals to the Bank. The proposals are then presented to the Audit Committee, approved by the Board and then by the Shareholder's Meeting. Tenderers are assessed based on their profiles, the quality of the proposed audit team and their banking experience, the audit and quality assurance approach, amongst others.

Our current external auditors have a tenure of 5 years with 1 year remaining to complete same.

CORPORATE GOVERNANCE REPORT (continued)

Board of directors (continued)

The Risk Management Committee

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

- determine the Group's risk appetite;
- monitor the current and future risk profile to ensure that the Group is managed within risk appetite;
- consider and approve the macroeconomic scenarios used for stress testing, and evaluate the results of stress testing;
- approve all risk governance standards, frameworks and relevant policies;
- monitor all risk types;
- approve risk disclosure in published reports;
- review and recommend the ICAAP and internal capital target ratio ranges to the board for approval and monitor the utilisation of capital to make sure that the Bank has, at any time, a capital adequacy ratio corresponding to at least the regulatory minimum requirements;
- review the impact on capital of significant transactions entered into by the Group;
- review and approve the strategy, policies and practices relating to the management of the Bank's liquidity;
- approve the Risk Policy, which sets out the credit granting process and limits; and
- monitor large and impaired credits as well as the overall level of provisioning, that is, overseeing Credit and Risk exposures.
- Oversee the Bank's overall strategic direction, relating to information governance, information technology and security and related expenditures;

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

Members of the Risk Management Committee were:

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

The Risk Management Committee meets on a quarterly basis.

The Conduct Review Committee

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

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

The Conduct Review Committee (CRC) consists of three non-executive members are as follows:

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

CORPORATE GOVERNANCE REPORT (continued)

Board of directors (continued)

The Conduct Review Committee (continued)

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

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

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

The Corporate Governance Committee

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

- deal with all Corporate Governance issues and make recommendation to the Board accordingly;
- ensure that the Bank complies with the Code of Corporate Governance and Corporate Governance Guidelines issued by the Bank of Mauritius;
- ensure that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice; and
- ensure effective communication between stakeholders; and
- evaluate the effectiveness of the Board, its committees and its individual Directors. The Corporate Governance Committee consists of two non-executive members, one executive member and an independent director:
 - o Saïd Berbale (Chairperson);
 - o Jean-Louis Vinciguerra;
 - o Kamal Mokdad; and
 - o Abdelwafi Atif.

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

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

The Corporate Governance Committee meets at least once a year.

The Nomination and Remuneration Committee

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

The responsibilities of the Nomination and Remuneration Committee include:

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

CORPORATE GOVERNANCE REPORT (continued)

Board of directors (continued)

The Nomination and Remuneration Committee (continued)

The members of the Nomination and Remuneration Committee are:

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

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

The Credit Committee

The Credit Committee consists of the Chairman of the Board and two non-executive directors. The committee reviews and recommends and / or approves credit requests, which are outside the delegated authority of the Bank's local Credit Committee.

The responsibilities of the Credit Committee include:

- Reviewing the credit requests;
- Approving the credit request

The members of the Credit Committee are:

- Kamal Mokdad (Chairperson);
- Hanane El Boury; and
- Jalil Sebti.

The Credit Committee meets as and when required.

Management Committees

- **The Senior Management Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Director of Consumer Banking the Director of Corporate and Institutional Banking and Director Finance and Operations. The Senior Management Committee meets on a weekly basis and considers all matters relating to the Bank's strategy as well as day to day running of the Bank.
- **The Operational Management Committee** is chaired either by the Chief Executive Officer or the Deputy Chief Executive Officer and it consists of members of the Senior Management Committee and all Heads of Departments. The committee meets on a monthly basis and is responsible for the day-to-day management of the Bank, including risk issues, business development, compliance and IT related issues.
- **The Business Development Committee** is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and is composed of the Director of Consumer Banking, Director of Corporate and Institutional Banking, the Head of Marketing and Business Development, the Head of Retail Banking, the Head of Private Banking, the Manager of Marketing, Manager of Sales and Manager of Communication Department. The committee meets on a monthly basis and is chaired by the Director of Consumer Banking. The main purpose of the Business Development Committee is the review of segmental, commercial and financial results against targets and to decide on marketing strategies.

CORPORATE GOVERNANCE REPORT (continued)

Board of directors (continued)

Management committees (continued)

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

- The **Finance Committee** is chaired either by the Chief Executive Officer or the Deputy Executive Officer and consists of, the Director Finance and Operations, the Director of Consumer Banking, the Director of Corporate and Institutional Banking, the Chief Risk Officer and Compliance, the Head of Treasury, the Manager of Risk Control and Monitoring Department, the Manager of Finance Management Department and the Manager of Accounting Departments. The Committee:
 - o reviews performance against budgets and approves operational strategies to the Bank's and Group's medium to long term plan; and
 - o reviews market intelligence reports and competitor reviews.The committee meets on a monthly basis.

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

- **The Credit Committee** is chaired by the Chief Executive Officer or the Deputy Chief Executive Officer, meets at least twice a week and consists of the Director Finance and Operations, Director of Consumer Banking, the Director of Corporate and Institutional Banking, the Heads of business segment and the Chief Risk Officers. Heads of Business units and the credit underwriting team attend the meeting. The committee reviews and recommends and / or approves credit requests within its delegated authority. All requests outside its delegated authority are made at the Credit Committee, which is a subcommittee of the Board. The said Committee is chaired by the Chairman of the Board, meets as and when and comprises of two other non-executive directors of the Board.

- **The Non-Performing Loans Review and Provisioning Committee** reviews the status on all non-performing loans and approves the percentage of specific provisions to be provided for each impaired credit. It also assesses and agrees on the recovery strategy of impaired credits, and monitors Watch-Listed clients. The Committee meets on a monthly basis and is chaired by the Chief Executive Officer. The committee comprises of the Deputy Chief Executive Officer, the Director Finance and Operations, the Director of Consumer Banking, Director of Corporate and Institutional Banking, the Chief Risk Officer, the Head of Legal, the Head of Recovery, and members of the Risk Control and Monitoring unit.

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

CORPORATE GOVERNANCE REPORT (continued)

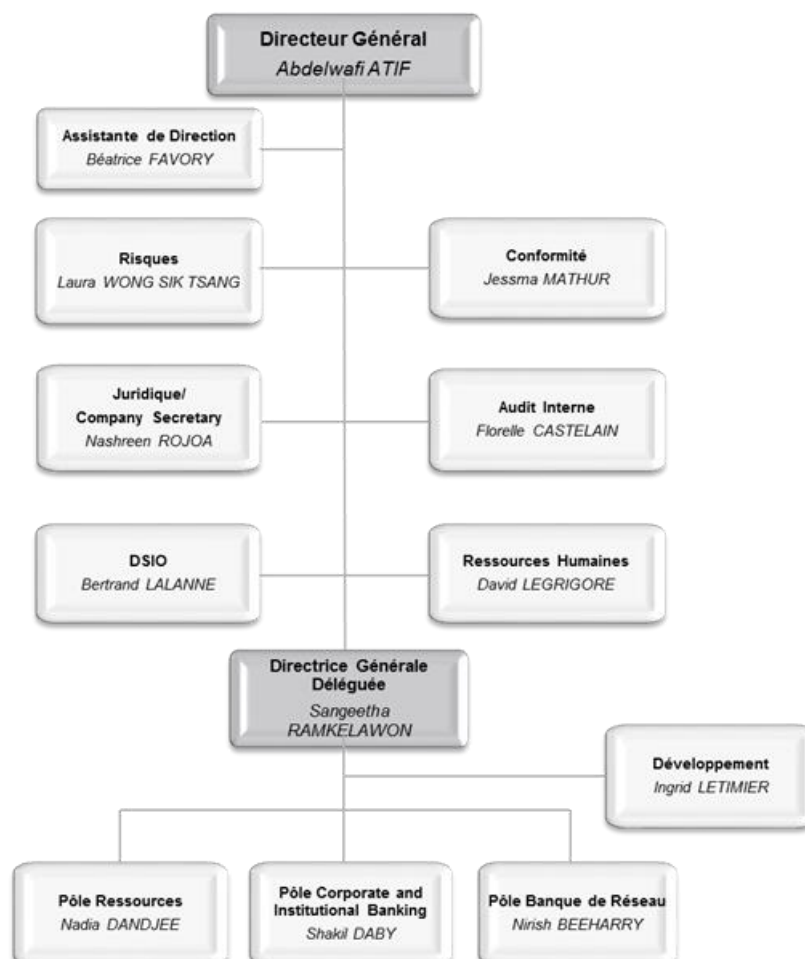
Board of directors (continued)

Management committees (continued)

- **The Compliance Committee** is chaired by the Chief Executive Officer or the Deputy Chief Executive Officer and it is comprised of the Director Finance and Operations, the Director of Consumer Banking, Director of Corporate and Institutional Banking, the Head of Compliance, the Chief Risk Officer, the Head of internal Audit, the Money Laundering Reporting Officer (MLRO), Head of Human Resources, Manager of Investigation Unit, the Head of Information system and Organisation and Manager of Retail Banking Operations, or Head of Retail Banking. The Compliance Committee drives the compliance policy of the Bank and monitors its implementation. The main role of Compliance Committee is to ensure consistency and efficiency of most internal controls within the Bank. The Compliance Committee takes decisions and provides guidance for the solving of major problems relating to internal controls so as to ensure better coordination, effectiveness and efficiency in the activities of the Bank, thereby mitigating intrinsic risks arising from the banking activities. The committee meets on a quarterly basis. The Bank has in place a whistleblowing policy to ensure a fair and ethical environment for all its staff.
- **The Risk Management Committee** is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and the other members are the Director Finance and Operations, the Director of Consumer Banking, the Director of Corporate and Institutional Banking, the Chief Risk Officer and Compliance, the Head of Legal, Head of Recovery, the Head of Retail Banking, Manager of the Risk Control and Monitoring department and Manager of Credit Analysis Department. The primary function of the Risk Management Committee is to monitor the risks of the Bank against approved risk appetite, limits and regulatory guidance. The committee meets on a quarterly basis.
- **The Organisation and Information System Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Director Finance and Operations, the Director of Consumer Banking, the Chief Risk Officer and Compliance, the Head of Marketing and Business Development, the Manager of Information System and Organisation, the Head of Technical Unit, the Head of Organisation and Business Analysts, the Manager of Business Analysts, the Manager of IT Security, the Head of Operations, and the Head of Information System and Organisation. The Committee is chaired by the either the Chief Executive Officer or the Deputy Chief Executive Officer. The purpose of the Committee is to have a follow up of projects relating mainly to IT. The committee meets on a monthly basis. The Board has, through its Risk Management Committee, approved a comprehensive Information Security Policy (*Charte de Sécurité des Systèmes d'Informations*), as well as sub-policies directed at end-users and technical teams.
- **The Treasury Committee**, is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Director Finance and Operations, the Director of Consumer Banking, the Director of Corporate and Institutional Banking, the Head of Operations, the Head of Treasury, the Manager of Marketing and the Manager of Finance Management Department. The Committee meets on a weekly basis, to review the structural liquidity positions (MUR and Foreign Currency). It also provides guidance on deposit rates as well as daily business strategies to improve the Net Interest Income as well as Foreign Exchange Income.

CORPORATE GOVERNANCE REPORT (continued)

Organisation chart



CORPORATE GOVERNANCE REPORT (continued)

Board of Directors

- **Non-Executive Directors**

- Kamal Mokdad (Chairperson);
- Karim Mounir;
- Fahed Mekouar;
- Jalil Sebti;
- Saïd Berbale;
- Hanane El Boury and;
- Jean-Louis Vinciguerra (Independent Director)

- **Executive Director**

- Abdelwafi Atif

Committees of the Board

- **Audit Committee**

- Jean-Louis Vinciguerra (Chairperson);
- Jalil Sebti
- Hanane El Boury; and
- Saïd Berbale.

- **Risk Management Committee**

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

- **Conduct Review Committee**

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

- **Corporate Governance Committee**

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

- **Nomination and Remuneration Committee**

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

CORPORATE GOVERNANCE REPORT (continued)

Committees of the Board (continued)

- **Credit Committee**

- Kamal Mokdad (Chairperson);
- Hanane El Boury; and
- Jalil Sebti.

- **Senior Management Committee (Comité de Direction Générale)**

- Atif Abdelwafi Chief Executive Officer
- Ramkelawon Sangeetha Deputy Chief Executive Officer
- Beeharry Nirish Director of Consumer Banking
- Dandjee Nadia Director Finance and Operations
- Shakil Daby Director of Coverage and Institutional Banking

- **Operational Management Committee**

- Atif Abdelwafi Chief Executive Officer
- Beeharry Nirish Director of Consumer Banking
- Castelain Florelle Head of Internal Audit
- Constant Virginie Head of Private Banking
- Daby Shakil Director of Coverage and Institutional Banking
- Dandjee Nadia Director Finance and Operations
- Luximon-Mathur Jessma Head of Compliance
- Jahajeeah Avinash Head of International Banking
- Lalanne Bertrand Director – Information system and Organisation
- Letimier Ingrid Head of Marketing and Business Development
- Legrigore David Head of Human Resources
- Modeley Patrice Head of Operations
- Ramkelawon Sangeetha Deputy Chief Executive Officer
- Rojoa Nashreen Head of Legal & Company Secretary
- Sewock Rishi Head of Corporate Coverage Banking
- Thomas Alain Head of Treasury
- Wong Sik Tsang Laura Chief Risk Officer

Attendance for Board Meeting and Committee

		Board Committee					
		Board of Directors	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Numbers of meetings held from January to December 2019		6	4	4	4	1	1
Executive							
	Abdelwafi ATIF	6	4	4	4	1	1
Non Executive							
	Kamal MOKDAD	6	n/a	n/a	n/a	1	1
	Fahed MEKOUAR	6	n/a	n/a	4	n/a	1
	Jalil SEBTI	3	1	3	n/a	n/a	n/a
	Said BERBALE	5	3	n/a	4	1	n/a
	Karim MOUNIR	0	n/a	n/a	n/a	n/a	n/a
	Hanane EL BOURY	5	3	4	3	n/a	n/a
Independent							
	Jean-Louis VINCIGUERRA	6	4	n/a	n/a	1	n/a

CORPORATE GOVERNANCE REPORT (continued)

Directors' profile

The Board consists of 9 members who are experienced professionals with expertise in a variety of fields.

Kamal Mokdad (Chairperson)

Kamal Mokdad is Chief Executive Officer at Morocco's Banque Centrale Populaire (BCP). He is also the CEO of "BP Shore Consulting", BCP's own consulting firm created to enable the group's execution of current strategic and operational projects.

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

Kamal Mokdad earned a degree in economics and finance at the Institute of Political Studies in Paris (Sciences-Po Paris), as well as an international certificate of political studies. He eventually prepared for the French accounting certification and received the designation of chartered accountant in 2006. He also holds an MBA, which he obtained in 2014.

Karim Mounir

Mohamed Karim Mounir is Chairman for Banque Centrale Populaire SA and Chief Executive Officer at Upline Group (a subsidiary of Banque Centrale Populaire SA). He received an undergraduate degree from École Mohammadia d'Ingénieurs and an undergraduate degree from Conservatoire National des Arts et Métiers.

Fahed Mekouar :

Fahed Mekouar is the Head of Strategic Planning and Corporate Business Development of BCP. Fahed Mekouar holds a Masters in Sciences in Business Administration from Ecole des Hautes Etudes Commerciale.

Jalil Sebti :

Jalil Sebti is Chief Executive Officer of Banque Populaire of Rabat and Kenitra. Jalil Sebti holds two masters from Bruxelles University and an Executive MBA from Ecole des Hautes Etudes Commerciale.

Saïd Berbale :

Saïd Berbale is the Head of Legal and Compliance of Banque Centrale Populaire. Saïd Berbale holds a masters in Private Law from Law University Hassan II.

Hanane El Boury :

Hanane El Boury is the Head of International Business Development of Banque Centrale Populaire. Hanane El Boury holds an MBA from ESA Toulouse. She is on the board of different banks belonging to the BCP group in Morocco. She has over 22 years of experience in the Financial Sector.

Ghizlaine Bouzoubaa :

Ghizlaine Bouzoubaa is the Chief Financial Officer of Banque Centrale Populaire. She is a Chartered Accountant and has over 18 years of banking experience.

Jean-Louis Vinciguerra (Independent Director)

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

CORPORATE GOVERNANCE REPORT (continued)

Directors' profile (continued)

Abdelwafi Atif (Executive Director)

Abdelwafi Atif is the Chief Executive Officer of the Bank. He holds a Diplôme des Etudes Universitaires Générales Sciences Economiques from the University Sidi Med Ben Abdellah, Morocco and a Diplôme des Etudes Supérieure Bancaires from Institut Technique de Banque/CNAM, Paris. Before joining BCP Bank Mauritius, he was the Chief Executive Officer of Chaabi International Bank, a subsidiary of Banque Centrale Populaire. Abdelwafi Atif has over 30 years of banking experience.

Profile of the Management Team

Abdelwafi Atif – Chief Executive Director

Abdelwafi Atif is the Chief Executive Officer of the Bank. He holds a Diplôme des Etudes Universitaires Générales Sciences Economiques from the University Sidi Med Ben Abdellah, Morocco and a Diplôme des Etudes Supérieure Bancaires from Institut Technique de Banque/CNAM, Paris. Before joining BCP Bank (Mauritius), he was the Chief Executive Officer of Chaabi International Bank, a subsidiary of Banque Centrale Populaire. Abdelwafi Atif has over 30 years of banking experience.

Beeharry Nirish – Director of Consumer Banking (Directeur Banque de Réseau)

Prior to joining the Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) in May 2017, Nirish Beeharry held the positions of Executive Head of Consumer Banking for the MauBank in Mauritius, a position he had been promoted to in 2016. Prior positions held by the latter include Head of Retail and Head of Cards at the Bramer Bank, as well as 10 years of Retail Management experience attained at the Barclays Bank in Mauritius. Roles at Barclays' have included the setting up of the SME proposition, to that of Business Development Manager, where he was key in setting up of the Alternate Sales Channels-, which was a first for the country. He has also held the positions of Area Leader and Head of Sales, for the Bank's Retail/Consumer proposition.

Castelain Florelle– Head of Internal Audit (Directrice de l'Audit Interne)

Florelle is a seasoned banker, having worked in the banking industry spanning over 40 years, whereby she occupied several positions of increasing responsibilities. She started her career with Banque Nationale de Paris Intercontinentale in 1979 and contributed in the setting up of the International Trade department. In 1991, she took the position of Head of Operation at Banque Internationale des Mascareignes; Offshore Banking, where she played an instrumental role in setting up of the bank. She was then appointed as Head of Trade Finance and Moyens Paiements, following the merger of the offshore bank with Banque des Mascareignes (now BCP Bank (Mauritius) Ltd), post which she occupied for 7 years, prior being posted at BMM Madagascar as Head of Operation and subsequently promoted as Deputy General Manager. In 2015, she returned to Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) and was involved in the core banking system migration project, following which she was appointed as Head of Operations in the Retail Team. In May 2019, Florelle was appointed as Head of Audit of BCP Bank (Mauritius) Ltd. Florelle holds a « Diplôme de Master Economie, Gestion, Communication, à finalité Professionnelle, mention Sciences du management, spécialité Commerce International »

Constant Virginie– Head of Private Banking (Directrice Gestion Privée)

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

Daby Shakil - Director of Corporate and Institutional Banking

Shakil Daby joined the bank in September 2016 in the capacity of Head of Corporate and was assigned the role of Director Corporate and Institutional Banking in January 2019. Prior to his present position, Shakil has over 13 years of banking experience within the international banking sector spanning across corporate and global banking. He is a holder of a BA (Hons) Law and Management from Middlesex University London, UK.

CORPORATE GOVERNANCE REPORT (continued)

Profile of the management team (continued)

Dandjee Nadia – Director Finance and Operations

Nadia Dandjee holds a specialisation in Accounting, Audit and Consulting from HEC Paris Business School in France. She started her career in 1995 as auditor with Deloitte Touche Tohmatsu. She joined BNPParibas in 1997, where she occupied several management positions in Finance and IT over 13 years. From 2010 to 2012, she was successively Operations Manager and Product and Business Development Manager in the Outsourcing business unit of the Harel Mallac Group. In 2012, she joined Banque des Mascareignes Ltée (now BCP Bank (Mauritius) Ltd) as “Responsable – Organisation et Maitrise d’Ouvrage ». In 2016, she was promoted Director Finance and Operations. She is now holding the position of Director Finance and Operations.

Jessma Luximon-Mathur – Head of Compliance & Alternate MLRO

Jessma Mathur joined the BCP Bank Mauritius on 30 September 2019 as the Head of Compliance and Alternate MLRO. She has over 16 years of experience in the Banking sector, mainly in the Compliance and Anti-Money Laundering fields. Prior to joining the bank, she was the Head of Compliance of MauBank Ltd.

Jahajeeah Avinash - Head of Trade Finance and Syndications

Avinash Jahajeeah is an Actuarial & Management Sciences graduate of the University of Manitoba, Canada. Avinash has been involved in the field of pension and benefit consulting for 6 years at Mercer (part of the Marsh & McLennan Group) in Calgary and at AON in Montreal, before joining BCP Bank (Mauritius) Ltd.’s International Banking department in 2005. He has over 14 years of experience in international finance and is in charge of the Bank’s cross border financings, including structured trade and syndications.

Lalanne Bertrand – Director, Information System and Organisation

Bertrand Lalanne holds a ‘Docteur/Ingénieur en Informatique’ from the University of Valenciennes. Bertrand has over 30 years of experience in the Information Systems with a specialisation in the finance sector. He has held various positions such as Project Manager, Head of Information Systems and Head of Organisation for more than 24 years. Bertrand joined Groupe BPCE in 2007 and BCP Bank (Mauritius) Ltd in 2013.

Letimier Ingrid – Head of Marketing and Business Development (Directrice de Développement)

Ingrid Letimier holds a Bachelor of Business Administration in Marketing and Management from Schiller International University. Ingrid has over 20 years’ experience in Marketing, Communication and Advertising with a specialisation in the financial sector, through experience acquired at CIM Finance, Mauritius Union Assurance, and Bank One. She first joined Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) in 2003 as Marketing Manager and in 2007 was appointed Head of Retail and Marketing. She joined Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) again in February 2013 as Head of Marketing and Business Development.

Legrigore David – Head of Human Resources Department (Directeur des Ressources Humaines)

David Legrigore holds a Bachelor in Management from the University of Mauritius and reckons 18 years of experience in the human resources field, of which 15 years in the Banking sector. He started his career as HR Officer at Mauritius Telecom in 1999 for 1 year, as Management Consultant at People Focus and PwC from October

2000 to June 2001 and Feb 2002 to Dec 2004 respectively. He then joined MCB in 2005 as HR Coordinator, was promoted as HR operations Manager in 2007 and then as HR Projects and Systems Manager in 2008 until 2015. David was Head of HR at Bank One from March 2015 until Dec 2017 before joining BCP Bank (Mauritius) Ltd in Jan 2018 as Director of Human Resources.

Modeley Patrice – Head of Operations (Directeur de la Production Bancaire)

Patrice Modeley holds a “Certificat de formation supérieure en crédits documentaires” from Chambre de Commerce International. “. Patrice has more than 30 years of experience in the Banking sector of which he has spent almost 17 years as Head of Operations in BNPI, AfrAsia Bank and BCP Bank (Mauritius) Ltd.

CORPORATE GOVERNANCE REPORT (continued)

Profile of the management team (continued)

Ramkelawon Sangeetha – Deputy Chief Executive Officer (Directrice Générale Déléguée)

Sangeetha Ramkelawon holds a Bachelor in Management with specialisation in International Finance from the University of Mauritius with 16 years of experience in the Banking sector. She started her career as Banking Operations Officer/ Portfolio Manager at International Proximity in year 2000. She then moved to Deutsche Bank (Mauritius) Limited in 2003 as Deputy Head of Banking and was promoted as Assistant Vice President – Head of Institutional and Intermediary Business in 2006. She held the position of Vice President – Head of Banking – Global Transaction Banking before joining Banque des Mascareignes Ltée (now BCP Bank (Mauritius) Ltd) in 2016 as Director of Corporate and Institutional Banking). She was appointed Interim Chief Executive Officer from 1st September 2018 to the 19th November 2018 and subsequently as Deputy Chief Executive Officer

Rojoa Nashreen – Head of Legal & Company Secretary (Directrice Juridique –Company Secretary)

With 8 years of expertise in the banking sector, Nashreen joined Banque des Mascareignes Ltée (now BCP Bank (Mauritius) Ltd) as *Responsable Contentieux* in 2014. She subsequently occupied the post of Head of Legal & Company Secretary in September 2015. During her mandate as Head of Legal & Company Secretary, she headed the Recovery Department for a year. Earlier, she spent 3 years at SBI (Mauritius) Ltd as Manager Legal & Compliance, MLRO. Nashreen started her career as a practising barrister at Collendavelloo Chambers in 2008. Nashreen is a qualified barrister who holds an LLB from University of Buckingham and who was called to the Bar of England & Wales in 2007 and the Bar of Mauritius in 2008.

Sewock Rishi – Head of Corporate Coverage Banking

Rishi Sewock has more than 23 years of experience in the industry. He has had a fruitful 20 years career at HSBC with a blend of back and front office roles. His experience spans over the retail and corporate segments handling roles such as Chief cashier, Sales & Service Manager Operations, Sales & Service Manager Service, Branch Manager, Senior Relationship Manager Corporate Banking prior joining Banque Des Mascareignes (now BCP Bank (Mauritius) Ltd) as Deputy Head of Corporate in December 2016. Rishi is a member of The Association of Chartered Certified Accounts since 2005 and has been nominated as Head of Corporate Coverage Banking since January 2019.

Thomas Alain – Head of Treasury (Directeur Trésorerie)

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

Wong Sik Tsang Laura – Chief Risk Officer (Directrice des Risques)

With more than 16 years of expertise in the banking sector, Laura is our Chief Risk officer since May 2019. Since Laura joined our bank she has been recognised as a key management executive by occupying the following roles within the Bank: Head Of Credit Administration; Head of Investigations; Head of Compliance and Permanent Control; and Head of Internal Audit. Prior to joining Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) in February 2011, she worked for “Banque Nationale de Paris Intercontinentale” for 7 years spearheading the Credit and Risk Departments. Laura holds a “Maîtrise ès Sciences Economiques” from the University of Paris 1 Pantheon-Sorbonne, Paris.

CORPORATE GOVERNANCE REPORT (continued)

Role and responsibilities of the Chief Executive Officer

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

Remuneration of Directors

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

Remuneration paid to the Directors is as follows:

Fonction	Fonction	Rémunération 2019	Honoraires annuels 2019	Allocation de présence (MUR)						Total (MUR)
				Réunion des Comités - Conseils d'administration	Réunion des Comités d'audit	Réunion des comités RMC	Réunion des comités- Conduct review Committee	Réunion des comités- Corporate Governance Committee	Réunion des Comités des Nominations et des Rémunérations CNR	
1	Président du Conseil d'administration - M.Kamal MOKDAD	-	926,159	355,853	-	-	-	71,171	71,171	1,424,353
2	Président de Comité spécialisé (audit Committee) - M. Jean-Louis VINGUERRA	-	332,129	284,682	227,746	-	-	56,936	56,936	958,431
3	Président de Comité spécialisé (Risk Management Committee) - M. Jalil Seb	-	332,129	170,809	113,873	170,809	-	56,936	-	844,558
4	Président de Comité spécialisé (Conduct review Committee) - M.Fahed MEKOUAR	-	332,129	284,682	-	-	227,746	-	-	844,558
5	Administrateurs sans fonction de Président - Mme. Hanane EL BOURY	-	-	142,341	94,894	142,341	94,894	-	-	474,471
6	Administrateurs sans fonction de Président - M. Karim MOUNIR	-	-	-	-	-	-	-	-	-
7	Président de Comité spécialisé (Corporate Governance Committee) - M.Said BERBALE	-	332,129	284,682	227,746	-	227,746	56,936	56,936	1,186,176
8	Directeur Général Abdelwafi ATIF	5,926,072	-	-	-	-	-	-	-	5,926,072
	Total	5,926,072	2,254,676	1,523,051	664,259	313,151	550,386	241,980	185,044	11,658,618

CORPORATE GOVERNANCE REPORT (continued)

Material clauses of the Bank's constitution

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

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

Integrated Sustainability Reporting

Statement of Recruitment and Remuneration Philosophy

The Group's and Bank's recruitment and remuneration philosophy for Management and staff is based on meritocracy and ensures that:

- full protection is provided, at the lower end of the income ladder, against cost of living increases;
- fairness and equity are promoted throughout the organisation; and
- opportunities are given to all employees to benefit from the financial results and development of the Bank. Indeed, all staff members of the Bank receive an annual bonus based on the performance of the Company as well as their own rated contribution thereto. Generally, the finalisation of remuneration packages is anchored on a range of factors including qualifications, skills scarcity, past performance, potential, market norms, responsibilities shouldered and experience. With a view to attaining appropriate remuneration levels, the Bank is guided by the following considerations;
- general market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive;
- superior team and Group performance is stimulated and rewarded with strong incentives; and
- remuneration practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals' contribution to the Bank's performance.

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

Ethics and organisational integrity

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

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

Shareholders' agreement

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

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

Significant contracts

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

CORPORATE GOVERNANCE REPORT (continued)

Management agreements

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

Environment

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

Health and safety

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

Social issues

The Bank has fulfilled its Corporate Social Responsibility, by supporting various initiatives during the year. BCP Bank (Mauritius) Ltd believes in the importance of investing in the community especially in the young generations.

Donation

BCP Bank (Mauritius) Ltd supported various associations in their projects during the year review with donations amounting to Rs. 200,000.

Political contributions

No political contribution was made during the year under review.

Going concern

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

Dividend policy

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

External auditors' fees payable

Rs 000	2019	2018	2017
Audit fees payable to auditors	2,634	2,350	2,350
Non Audit services	200	1,452	-

CORPORATE GOVERNANCE REPORT (continued)

Related party transactions policies and practices

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

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

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

Related party transactions include:

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

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

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

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

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

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

Note 32 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 31 December 2019.

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

CORPORATE GOVERNANCE REPORT (continued)

STATEMENT OF COMPLIANCE

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

Name of Public Interest Entity: BCP Bank (Mauritius) Ltd

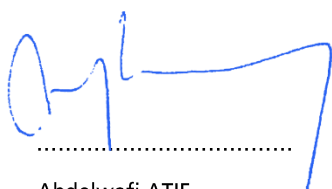
Reporting Period: 31 December 2019

We, the directors of BCP Bank (Mauritius) Ltd confirm that to the best of our knowledge the Bank has not complied with:

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

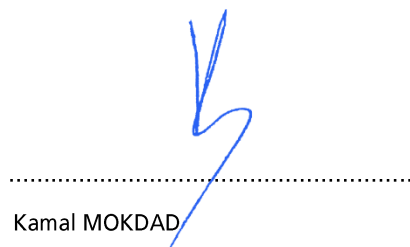
Reasons for non-compliance are as follows:

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



Abdelwafi ATIF

Chief Executive Officer



Kamal MOKDAD

Chairperson-Board of Directors

CORPORATE GOVERNANCE REPORT (continued)

STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

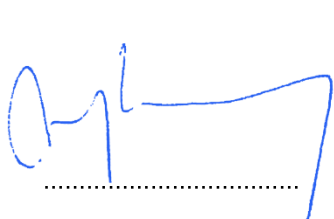
The Group has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures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

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

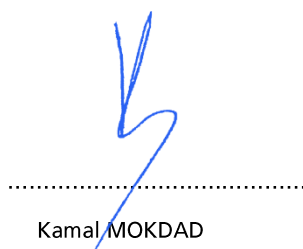
The Bank's Head of Internal Audit, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's Compliance function maintains policies, procedures and programs directed at ensuring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

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

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



Abdelwafi ATIF
Chief Executive Officer



Kamal MOKDAD
Chairperson-Board of Directors



Jean-Louis VINCIGUERRA
Chairperson- Audit Committee

CORPORATE GOVERNANCE REPORT (continued)

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of BCP Bank (Mauritius) Ltd (the "Company"), I hereby confirm that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2019, all such returns as are required of the Company under the Companies Act 2001.


.....
Nashreen ROJOA

Date : 24/12/20

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of BCP Bank (Mauritius) Ltd (the "Bank") and its subsidiary (together referred to as the "Group") at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

What we have audited

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

- the statement of financial position as at 31 December 2019;
- the statement of profit and loss or other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory notes.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Our audit approach to the Key Audit Matter
Expected Credit Losses – financial assets which are not credit impaired	
The estimation of Expected Credit Losses ("ECL") on financial assets involve Management's judgements and estimates which are subjective due to the significant uncertainty associated with the underlying assumptions in the calculation of ECLs. These include:	Our audit approach and procedures comprised of the following: ▶ evaluated the design and operating effectiveness of controls across the processes relevant to ECL calculation;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD (CONTINUED)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	Our audit approach to the Key Audit Matter
Expected Credit Losses – financial assets which are not credit impaired (Continued)	
▶ accounting interpretations, modelling assumptions and data points applied to estimate the Probability of Default ("PD"), Exposure At Default ("EAD") and Loss Given Default ("LGD"), used to build and run the model that calculate the ECL; ▶ allocation of assets between Stage 1 or 2, i.e. identifying triggers for Significant Increase in Credit Risk ("SICR"); ▶ inputs and assumptions relating to forward-looking adjustments; ▶ qualitative adjustments - adjustments to the model-driven results are made by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to sectors and country.	▶ evaluated the criteria used to allocate financial assets between Stage 1 or 2 in accordance with IFRS 9 requirements; ▶ reviewed the minutes of Arrears Committee to ensure proper classification of clients made in Stage 2; ▶ reviewed and tested the assumptions, inputs and formulae used in the ECL model. This included assessing the appropriateness of model design, refinements made, and recalculating the key inputs such as PD and LGD; ▶ involved our specialist modelling and IFRS 9 team in performing certain procedures; ▶ verified the reasonableness of forward-looking information, on a sample basis; ▶ agreed ECL calculation data points to source system extracts on sample basis, to evaluate data quality; ▶ Reviewed and reperformed the calculations of general provisions per prudential guidelines issued by Bank of Mauritius, and compared against IFRS 9 provisions; ▶ assessed the adequacy of disclosures in the financial statements in line with accounting standards and regulatory considerations; and ▶ considered the complexity of management's process to design and create financial statement disclosures given the granularity and complexity.
Expected Credit Losses –credit impaired financial assets	
The estimation of Stage 3 ECLs also includes Management's judgement and estimates to estimate the occurrence of "default" or "loss" event and the eventual recovery of the expected future cash flows, including the realisation of any securities. Change in Management assumptions may have significant impacts on the estimation of Stage 3 ECL provisions.	Our audit approach and procedures comprised of the following: ▶ evaluated the design and operating effectiveness of controls across the processes relevant to Stage 3 ECLs; ▶ reviewed the minutes of the Risk Management Committee ("RMC"), Provisions Committee, Arrears Committee, Watchlist Committee, and the Contentious Committee;

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD
(CONTINUED)**

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	Our audit approach to the Key Audit Matter
Expected Credit Losses –credit impaired financial assets (Continued)	
	▶ analysed arrears report to identify whether all clients meeting the Bank's "default" definition are subject to Stage 3 provisions assessments; ▶ independently re-computed the ECL, on a sample basis, based on our assessment of expected future cash flows and the recoverability of security in line with accounting standards and Bank of Mauritius prudential guidelines; ▶ where realisation of security was factored in the estimation of future cash flows, we reviewed relevant valuation reports and assessed the expert's objectivity and qualifications; ▶ Reviewed and reperformed the calculations of specific provisions per prudential guidelines issued by Bank of Mauritius, and compared against IFRS 9 provisions; and ▶ assessed the adequacy of disclosures for compliance with the accounting standards and regulatory considerations.
Deferred tax assets	
The recoverability of recognised deferred tax assets is in part dependent on the ability of the Group and the Bank to generate future taxable profits to utilise deductible temporary differences as well as to obtain the tax benefits thereon. We have determined this to be a key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our audit approach and procedures comprised of the following: ▶ Challenging the assumptions made by management to assess whether the recognition of deferred tax assets is appropriate; ▶ Evaluating the management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realized by comparing this to evidence obtained in respect of other areas of the audit, including business plans and strategy, minutes of the directors' meetings and our knowledge of the business; and ▶ Assessing the trend of the recoverability of the tax benefit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD (CONTINUED)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

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

Responsibilities of Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD (CONTINUED)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD (CONTINUED)

Report on Other Legal and Regulatory Requirements (Continued)

Mauritius Companies Act 2001

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

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

Financial Reporting Act 2004

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

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

Banking Act 2004

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

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

Other matters

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



Mazars
Port Louis, Mauritius

Date: 24 FEB 2020



Udaysingh Taukoordass, FCA
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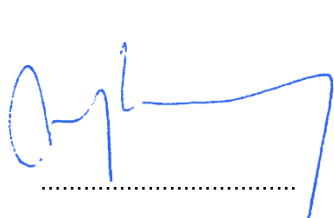
Consolidated and separate statements of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Notes	Group			Bank	
		2019	2018	2017	2019	2017
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income		746,712	644,637	679,943	717,569	653,026
Interest expense		(333,183)	(224,616)	(239,900)	(325,919)	(231,791)
Net interest income	4	413,529	420,021	440,043	391,650	421,235
Fee and commission income		141,255	175,617	138,054	96,584	102,944
Fee and commission expense		(21,082)	(20,903)	(30,298)	(19,213)	(28,327)
Net fee and commission income	5	120,173	154,714	107,756	77,371	74,617
Net trading income	6	85,643	79,728	77,814	69,697	65,636
Net income from other financial instruments at fair value through profit or loss	7	-	-	-	10,949	(49,924)
Net Gain/Loss from sales of Securities		-	38,198	-	-	38,198
Other income	8	5,907	806	4,533	12,033	14,493
		211,723	273,446	190,103	170,050	106,096
Revenue		625,252	693,467	630,146	561,700	527,331
Personnel expenses	9	(238,120)	(268,210)	(266,607)	(229,211)	(259,363)
Operating lease expenses	10	(14,217)	(51,223)	(49,830)	(12,248)	(44,557)
Depreciation and amortization		(96,589)	(67,705)	(65,380)	(87,661)	(63,732)
Other expenses	11	(221,265)	(210,998)	(203,246)	(181,543)	(181,719)
		(570,191)	(598,136)	(585,063)	(510,663)	(549,371)
Operating profit		55,061	95,331	45,083	51,037	132,397
Net impairment loss on financial assets	16(a)(ii)	(71,246)	(30,076)	86,325	(76,627)	(18,268)
Profit before tax		(16,185)	65,255	131,408	(25,590)	114,129
Income tax credit / (expense)	12(i)	33,745	(159,128)	26,348	38,736	(158,769)
Profit for the year		17,560	(93,873)	157,756	13,146	(44,640)
Other comprehensive income						
<i>Items that may be reclassified to profit or loss</i>						
Foreign currency translation differences for foreign operations		(11,134)	(26,086)	5,280	-	(600)
Net change in fair value of financial assets through Other Comprehensive Income		29,808	(23,976)	(6,391)	29,808	(23,976)
<i>Items that will not be reclassified to profit or loss</i>						
Remeasurement of retirement benefit obligations		(3,791)	6,720	(8,095)	(3,791)	6,720
Other differences in consolidation		-	21,685	64,840	-	-
Other comprehensive income		14,883	(21,657)	55,634	26,017	(17,256)
Total comprehensive income for the year		32,443	(115,530)	213,390	39,163	(61,896)
Profit attributable to :						
Equity holders		11,923	(93,134)	167,336		
Non-controlling interests		5,637	(739)	(9,580)		
Profit for the year		17,560	(93,873)	157,756		
Total comprehensive income attributable to:						
Equity holders		21,609	(114,791)	222,970		
Non-controlling interest		10,834	(739)	(9,580)		
Total comprehensive income		32,443	(115,530)	213,390		

Consolidated and separate statements of financial position
As at 31 December 2019

		Group			Bank		
		2019	2018	2017	2019	2018	2017
Notes		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS							
Cash and cash equivalents	13	4,864,222	2,429,797	1,772,246	4,601,319	2,532,186	1,598,593
Loans and advances to banks	14	1,315,984	43,068	240,030	1,315,984	43,068	240,030
Loans and advances to customers	15	13,495,842	13,199,729	11,747,721	13,431,539	13,114,465	11,618,639
Investment securities	17	2,468,928	1,961,203	2,503,659	2,391,670	1,823,685	2,426,590
Investment in subsidiary	18	-	-	-	69,396	58,447	-
Property and equipment	19	212,169	56,762	59,050	173,196	42,603	50,340
Intangible assets	20	52,960	83,235	117,098	52,001	81,331	115,351
Deferred tax assets	12(ii)	86,995	50,165	204,294	86,995	50,165	204,294
Derivatives financial Instruments	25	134	-	-	134	-	-
Other assets	21	1,631,787	1,275,032	901,201	1,591,727	1,237,978	860,902
Total assets		24,129,021	19,098,991	17,545,299	23,713,961	18,983,928	17,114,739
LIABILITIES							
Deposits from banks	22	586,573	9,273	16	586,573	1,690	-
Deposits from customers	23	14,316,824	12,516,152	11,577,272	13,990,823	12,250,099	11,231,868
Borrowed funds	24	5,589,895	3,637,104	3,151,846	5,589,895	3,637,104	3,151,778
Derivative financial instruments	25	-	6	16	-	6	16
Subordinated liabilities	26	-	-	202,470	-	-	202,470
Current tax liabilities	12(iii)	5,041	970	1,002	-	624	688
Other liabilities	27	1,205,046	553,121	386,878	1,147,126	734,024	379,692
Total liabilities		21,703,379	16,716,626	15,319,500	21,314,417	16,623,547	14,966,512
Equity							
Share capital	28	2,218,065	2,218,065	1,944,015	2,218,065	2,218,065	1,944,015
Retained earnings		45,197	33,400	98,868	26,344	18,961	56,881
Reserves		132,083	111,437	161,499	155,135	123,355	147,331
Total equity attributable to the equity holders of the Bank		2,395,345	2,362,902	2,204,382	2,399,544	2,360,381	2,148,227
Non-controlling interests		30,297	19,463	21,417	-	-	-
Total equity		2,425,642	2,382,365	2,225,799	2,399,544	2,360,381	2,148,227
Total liabilities and equity		24,129,021	19,098,991	17,545,299	23,713,961	18,983,928	17,114,739

These financial statements were approved for issue by the Board of Directors on the 24th February 2020.



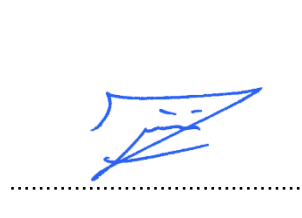
Abdelwafi ATIF

Chief Executive Officer



Kamal MOKDAD

Chairperson, Board of Directors



Jean-Louis VINCIGUERRA

Chairperson, Audit Committee

Consolidated statement of changes in equity
For the year ended 31 December 2019

Attributable to equity holders of the Bank

Group	← →								
	Share capital Rs 000	Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000	Retained earnings Rs 000	Total Rs 000	Non-controlling interest Rs 000	Total equity Rs 000
Balance at 01 January 2017	1,944,015	83,372	28,709	23,305	36,983	(145,250)	1,971,134	20,310	1,991,444
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	178,721	178,721	1,107	179,828
Transfer from general reserve	-	-	(28,709)	-	-	28,709	-	-	-
Transfer to statutory reserve	-	18,950	-	-	-	(18,950)	-	-	-
Other comprehensive income for the year	-	-	-	(6,391)	5,280	55,638	54,527	-	54,527
Total comprehensive income / loss for the year	-	18,950	(28,709)	(6,391)	5,280	244,118	233,248	1,107	234,355
Balance at 31 December 2017	1,944,015	102,322	-	16,914	42,263	98,868	2,204,382	21,417	2,225,799
Balance at 01 January 2018	1,944,015	102,322	-	16,914	42,263	98,868	2,204,382	21,417	2,225,799
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	(93,873)	(93,873)	(1,954)	(95,827)
Other differences in consolidation	-	-	-	-	-	21,685	21,685	-	21,685
Other comprehensive income for the year	-	-	-	(23,976)	(26,086)	6,720	(43,342)	-	(43,342)
Total comprehensive income / (loss) for the year	-	-	-	(23,976)	(26,086)	(65,468)	(115,530)	(1,954)	(117,484)
Issue of shares	274,050	-	-	-	-	-	274,050	-	274,050
Balance at 31 December 2018	2,218,065	102,322	-	(7,062)	16,177	33,400	2,362,902	19,463	2,382,365

Attributable to equity holders of the Bank

Group	<u>Reserves</u>					Retained earnings Rs 000	Total Rs 000	Non-controlling interest Rs 000	Total equity Rs 000
	Share capital Rs 000	Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000				
Balance at 01 January 2019	2,218,065	102,322		(7,062)	16,177	33,400	2,362,902	19,463	2,382,365
Total comprehensive income	-	-	-	-	-	-	-	-	-
First Time Application of IFRS 16	-	-	-	-	-	-	-	-	-
Profit / (loss) for the year	-	-	-	-	-	11,923	11,923	5,637	17,560
Other differences in consolidation	-	-	-	-	(11,134)	5,637	(5,497)	5,197	(300)
Transfer to statutory reserve	-	1,972	-	-	-	(1,972)	-	-	-
Other comprehensive income for the year	-	-	-	29,808	-	(3,791)	26,017	-	26,017
Total comprehensive income / (loss) for the year	-	1,972	-	29,808	(11,134)	11,797	32,443	10,834	43,277
Balance at 31 December 2019	2,218,065	104,294		22,746	5,043	45,197	2,395,345	30,297	2,425,642

Statement of changes in equity
For the year ended 31 December 2019

Bank

	Share capital	Statutory reserve	General banking reserve	Reserves	Foreign currency translation reserve	Retained earnings	Total
	Rs 000	Rs 000	Rs 000	Fair value reserve Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2017	1,944,015	83,372	28,709	23,305	28,695	(63,374)	2,044,722
Total comprehensive income							
Profit for the year	-	-	-	-	-	118,591	118,591
Transfer from general reserve	-	-	(28,709)	-	-	28,709	-
Transfer to statutory reserve	-	18,950	-	-	-	(18,950)	-
Other comprehensive loss for the year	-	-	-	(6,391)	(600)	(8,095)	(15,086)
Total comprehensive income for the year	-	18,950	(28,709)	(6,391)	(600)	120,255	103,505
Balance at 31 December 2017	1,944,015	102,322	-	16,914	28,095	56,881	2,148,227
Balance at 01 January 2018	1,944,015	102,322	-	16,914	28,095	56,881	2,148,227
Total comprehensive income							
Profit for the year	-	-	-	-	-	(44,640)	(44,640)
Other comprehensive income for the year	-	-	-	(23,976)	-	6,720	(17,256)
Total comprehensive income for the year	-	-	-	(23,976)	-	(37,920)	(61,896)
Transactions with owners of the Bank							
Issue of shares	274,050	-	-	-	-	-	274,050
At 31 December 2018	2,218,065	102,322	-	(7,062)	28,095	18,961	2,360,381

Statement of changes in equity

Bank

Share capital	Reserves				Retained earnings	Total
	Statutory reserve	General banking reserve	Fair value reserve	Foreign currency translation reserve		
Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2019	2,218,065	102,322	-	(7,062)	28,095	18,961
Total comprehensive income						
Profit for the year	-	-	-	-	13,146	13,146
Other comprehensive income for the year	-	-	29,808	-	(3,791)	26,017
Transfer to statutory reserve	-	1,972	-	-	(1,972)	-
Total comprehensive income for the year	-	1,972	-	29,808	-	7,383
At 31 December 2019	2,218,065	104,294	-	22,746	28,095	26,344
						2,399,544

Consolidated and separate statements of cash flows

For the year ended 31 December 2019

	Group			Bank	
	2019	2018	2017	2019	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash flows from operating activities					
Profit / (loss) before tax	(16,185)	65,255	131,408	(25,590)	70,184
Adjustments for:					
- Depreciation and amortisation	96,589	67,705	65,380	87,661	63,732
- Net impairment loss on financial assets	71,246	30,076	(86,325)	76,627	(92,224)
- Net income from financial instruments at fair value through profit and loss	-	-	-	(10,949)	-
	151,650	163,036	110,463	127,749	41,692
Changes in:					
- Loans and advances to banks	(1,272,916)	196,962	405,730	(1,285,754)	405,730
- Loans and advances to customers	(296,113)	(1,452,009)	(27,366)	(304,299)	20,856
- Other assets	(356,755)	(373,831)	19,360	(353,749)	39,647
- Deposits from banks	577,300	9,257	(1,193)	584,883	(1,209)
- Deposits from customers	1,800,672	938,880	(4,012,175)	1,740,724	(4,167,471)
- Other liabilities and provisions	522,341	145,268	(12,863)	294,624	97,527
	1,126,179	(372,437)	(3,518,044)	804,178	(3,563,228)
Income taxes paid	(1,856)	(1,402)	(509)	(800)	(226)
Net cash generated from/(used in) operating activities	1,124,323	(373,839)	(3,518,553)	803,378	(3,563,454)
Cash flows from investing activities					
- Acquisition of investment securities	(4,538,338)	(2,163,571)	(2,672,774)	(4,261,900)	(2,236,900)
- Proceeds from sale of investment securities	4,011,255	2,577,912	2,094,163	3,676,500	1,638,400
- Acquisition of property and equipment	(60,585)	-	(18,020)	(35,736)	(15,565)
- Proceeds from sale of property and equipment	1,521	(8,935)	-	1,521	-
- Acquisition of intangible assets	(6,897)	(6,335)	(9,186)	(6,897)	(7,863)
Net cash used in investing activities	(593,044)	399,071	(605,817)	(626,512)	(621,928)
Cash flows from financing activities					
- Repayment of subordinated liabilities	-	(202,470)	(57,555)	-	(57,555)
- Repayment of borrowed funds	1,952,791	485,258	(965,188)	1,952,791	(965,256)
- Proceeds from issue of shares	-	274,050	-	-	-
- Payment on Lease liabilities	(32,029)	-	-	(28,578)	-
Net cash generated from/(used in) financing activities	1,920,762	556,838	(1,022,743)	1,924,213	(1,022,811)
Net Increase in cash and cash equivalents	2,452,041	582,070	(5,147,113)	2,101,079	(5,208,193)
Cash and cash equivalents at 01 January	2,429,797	1,772,246	6,856,475	2,532,186	6,790,496
Effect of exchange rate fluctuations on cash and cash equivalents held	(17,616)	75,481	62,884	(31,946)	16,290
Cash and cash equivalents at 31 December	4,864,222	2,429,797	1,772,246	4,601,319	1,598,593

The notes on pages 72 to 172 form an integral part of these consolidated and separate financial statements

1. General Information

BCP Bank (Mauritius) Ltd (the 'Bank') is a privately owned entity incorporated on 27 June 2003 in the Republic of Mauritius and licensed with the Bank of Mauritius to carry out banking business. The Bank is domiciled in the Republic of Mauritius with registered address as follows:

BCP Bank (Mauritius) Ltd
Corner Silicon Avenue and Bank Street, Cybercity
Maeva Tower, 9th Floor,
Ebène, Mauritius.

2. Significant accounting policies

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

Application of new and revised international financial reporting standards (IFRSS)

NEW AND REVISED IFRSS THAT ARE EFFECTIVE FOR THE CURRENT YEAR – IMPACT OF INITIAL APPLICATION OF IFRS16 LEASES

In the current year, the Group, for the first time, has applied IFRS16 Leases (as issued by IASB in January 2016).

IFRS16 Leases replaces IAS17 "Leases" along with three interpretations (IFRIC 24 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease").

The Group has leases for the head-office and related facilities, as well as for all the branches it operates.

The new Standard has been applied using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS17 and IFRIC 4. The Group, as solely a lessee has applied the following approach to all of its leases at the date of transition:

- measure the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition;
- measure the ROU asset, on a lease-by-lease basis, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS; and
- apply IAS 36 to the ROU asset at the date of transition to IFRS.

The adoption of this new standard has resulted in the Group recognising a right-of use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Bank elected to use the transition practical expedient not to reassess whether a contract is or contains a lease at 01 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 24 at the date of initial application.

The Group has elected not to include initial direct costs in the measurement of the right of use asset for operating leases in existence at the date of initial application of IFRS16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to lease liability adjusted for any prepaid and accrued lease payments that existed at the date of transition.

Instead of performing an impairment review of the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS16.

2. Significant accounting policies (continued)**Application of new and revised international financial reporting standards (IFRSS) (continued)****NEW AND REVISED IFRSS THAT ARE EFFECTIVE FOR THE CURRENT YEAR – IMPACT OF INITIAL APPLICATION OF IFRS16 LEASES (continued)**

On transition, for leases previously accounted for as operations leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the Bank 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. On transition to IFRS16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS16 IBR has been determined as per the 3 year and 5 year Government bonds rate with a credit spread.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of material that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 31 January 2019:

Assets	MUR '000 Group	MUR'000 Bank
Operating lease commitments as at 31 December 2018	177,691	161,458
Discounted operating lease commitments as at 01 January 2019	(21,472)	(19,436)
Other adjustments relating to operating lease commitments	(2,249)	(3,223)
Less:		
Uncapitalised lease commitments	(2,109)	(1,497)
Cancelled leases	(5,466)	(5,466)
Add:		
Lease Payment relating to renewal period not included in operating commitment	15,085	15,085
	<u>161,480</u>	<u>146,921</u>

2. Significant accounting policies (continued)

Application of new and revised international financial reporting standards (IFRSS) (continued)

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

IAS 1 - Presentation of Financial Statements – Amendments regarding the definition of material (effective 01 January 2020)

IAS 1 - Presentation of Financial Statements – Amendments regarding the classification of liabilities (effective 01 January 2022)

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material (effective 01 January 2020)

IFRS 7 - Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective 01 January 2020)

IFRS 9 - Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective 01 January 2020)

The directors anticipate that these standards and interpretation will be applied in the Bank's financial statements at the above effective dates in future periods and have not yet assessed the potential impact of the application of these amendments.

(a) Basis of preparation

The consolidated and separate financial statements of Group and the Bank comply with the Mauritian Companies Act 2001 and the Banking Act 2004 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Group and the Bank are concerned.

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

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

1. Financial assets measured at fair value through other comprehensive income;
2. Financial assets measured at fair value through profit or loss;
3. Defined pension benefits plan;
4. Derivative assets and liabilities measured at fair value through other comprehensive income; and
5. Derivative assets and liabilities measured at fair value through profit or loss

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Group and the Bank's accounting policies. Changes in assumptions may have a significant impact on the consolidated and separate financial statements in the period the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2. Significant accounting policies (continued)

(b) Basis of measurement

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

- Financial assets measured at fair value through other comprehensive income;
- Defined pensions benefits plan;
- Derivative assets and liabilities held (FVTPL).

(c) Basis of consolidation

(i) Business combinations

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

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

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

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

(ii) Non-controlling interests (NCI)

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

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

(iii) Subsidiaries

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

In the Bank's separate financial statements, investment in subsidiary are shown at fair value through profit and loss.

2. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

(d) Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the closing rate of exchange ruling at the reporting date. Differences arising from reporting monetary items are dealt with in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI. If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognized in OCI, and accumulated in the translation reserve within equity.

2. Significant accounting policies (continued)

(e) Interest income and expenses

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

Presentation

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

- Interest on financial assets and financial liabilities measured at amortized cost;
- Interest on debt instruments measured at FVOCI;

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

(f) Fees and commission

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

Other fee and commission expenses are recognized based on the applicable service contracts, usually on a time-apportionate basis.

(g) Net trading income

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

2. Significant accounting policies (continued)

(h) Net income from other financial instruments at fair value through profit or loss

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

(i) Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification and Measurement

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

2. Significant accounting policies (continued)

(i) Financial assets and financial liabilities (continued)

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

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

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

The Group and the Bank reclassify debt instruments only when the business model for managing these assets changes. There were no changes during the year.

Equity instruments

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

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

Financial liabilities

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

2. Significant accounting policies (continued)

(i) Financial assets and financial liabilities (continued)

(ii) Derecognition

Financial assets

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

Financial liabilities

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

(i) Modifications of loans

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

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

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

If the terms are substantially different, the Group and Bank derecognise the original financial asset and recognises a 'new' asset at fair value and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(ii) Offsetting

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

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

2. Significant accounting policies (continued)

(i) Financial assets and financial liabilities (continued)

(iii) *Amortised cost measurement*

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

(iv) *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

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

(v) *Impairment: Expected Credit Losses (ECL)*

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

No impairment loss is recognised on equity investments.

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

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

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

2. Significant accounting policies (continued)

(i) Financial assets and financial liabilities (continued)

Financial instruments for which a 12-month ECL is recognised are referred to as “Stage 1” financial instruments. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as “Stage 2” financial instruments. Credit-impaired instruments are referred to as “Stage 3” financial instruments.

BOM guidelines

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

Measurement of ECL

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

The measurement of ECL reflects:

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

Restructured financial assets

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

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

(viii) *Impairment: Expected Credit Losses (ECL) (continued)*

Credit-impaired financial assets

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

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

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

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

2. Significant accounting policies (continued)

(i) Financial assets and financial liabilities (continued)

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group or the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

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

(ix) Designation at fair value through profit or loss

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

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

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

(j) Cash and cash equivalents

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

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

(k) Loans and advances

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

Loans and advances originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans and receivables by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

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

2. Significant accounting policies (continued)

(l) Investment securities

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

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

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

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

(m) Impairment of non-financial assets

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

Goodwill is tested annually for impairment.

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

(n) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Depreciation

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

2. Significant accounting policies (continued)

(n) Property and equipment (continued)

(ii) Depreciation (continued)

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

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

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

(o) Goodwill and Intangible assets

(i) Goodwill

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

(ii) Software

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

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

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

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

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

(p) Deposits, borrowed fund and subordinated liabilities

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

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

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

2. Significant accounting policies (continued)

(p) Deposits, borrowed fund and subordinated liabilities (continued)

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

(q) Provisions

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

(i) Onerous contracts

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

(ii) Bank levies

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

(r) Financial guarantees and loan commitments

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

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

(s) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Group and the Bank have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund. The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

2. Significant accounting policies (continued)

(s) Employee benefits (continued)

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flow using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they occur. The Group and the Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate to the net defined benefit liability/(asset) and

(ii) Defined benefit plans (continued)

the fair value of the planned asset. Net interest expense/(income) is recognised in consolidated and separate statement of profit or loss. Service costs comprising current service cost and past service cost are recognised immediately in the consolidated and separate statement of profit or loss. Current service cost reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit charges curtailments and settlements.

(iii) Preferential loans to employees

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

(iv) Termination benefits

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

- (a) When the Bank can no longer withdraw the offer of those benefits;
- (b) When the Bank recognises costs for a restructuring that is within the scope of IAS 37 and involves payment of termination benefits.

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

(t) Income tax

Tax expense for the period includes current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is recognised in other comprehensive income or directly in equity, respectively.

2. Significant accounting policies (continued)

(t) Income tax (continued)

(i) Current income 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 recoverable or 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.

The Bank is also liable to pay a special levy on taxable income for Segment A and operating income and profit before tax for Segment B based on the rates enacted at the reporting date.

The Bank also makes a statutory provision for CSR activities at the rate of 2% of chargeable income (Segment A only) as per Income Tax Act 1995 Section 50L.

As per the Mauritian Finance (Miscellaneous Provisions) Act 2018, the tax rate will be amended to 5% (2016-17- 15% less the foreign tax credit of 80%) effective as from 1 July 2020. The directors have agreed to amend the deferred income tax asset rate to 7% (Segment A) and 5% (Segment B) as from 2018.

(ii) Deferred income tax

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authorities.

(u) Share capital and reserves

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

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

(v) Dividend policy

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

(w) Leased assets

The Group and the Bank as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

2. Significant accounting policies (continued)

(w) Leased assets (continued)

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use.
The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in other liabilities.

(x) Acceptances, letters of credit and financial guarantee contracts

Acceptances and letters of credit

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

Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation calculated to recognise in profit or loss the fee income earned on a straight-line basis over the life of the guarantee and

2. Significant accounting policies (continued)

(xi) Acceptances, letters of credit and financial guarantee contracts (continued)

the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. Any increase in the liability relating to guarantees is taken to profit or loss.

(y) Segment reporting

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

(z) Derivative financial instruments

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

(aa) Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Bank has met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

In specific circumstances, significant judgment is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities

3. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

- Determination of control over investees

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

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

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

Estimates and judgements are continuously assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require Management to make estimates.

Refer to note 33 (f) fair value hierarchy for sensitivity analysis.

- Employee benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year which is validated by the Bank. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Should there be a 1% increase in the future long-term salary increase assumption, there would be an increase in the defined benefit obligation by MUR 19.2m and a 1% increase in discount rate would lead to a decrease of MUR 7.4m in the defined benefit obligation.

3. Critical accounting estimates and judgements (continued)

- Deferred tax

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Additional information is disclosed in Note 12.

- Allowance for Impairment on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 33 (b).

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

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

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

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

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

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 33 (b).

3.Critical accounting estimates and judgements (continued)

- Allowance for Impairment on loans and advances (continued)

The allowance for impairment on loans and advances is disclosed in more details in Note 16.

- Assets lives and residual values

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

- Depreciation policies

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

- Leases

The application of IFRS 16 requires significant judgements and certain key estimations. Critical judgements include determination of whether it is reasonably certain that a termination option will be exercised. Key sources of estimation uncertainty in the application of IFRS16 include estimation of lease terms, determination of the appropriate rate to discount the lease payments and assessment of whether a right-of-use asset is impaired.

4. Net interest income

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income arising from						
Cash and cash equivalents	5,442	2,754	1,143	5,442	2,743	1,142
Loans and advances to banks	23,621	16,818	40,415	23,621	16,783	40,379
Loans and advances to customers	636,784	546,326	555,787	612,781	524,612	536,024
Investment securities	80,865	72,851	82,536	75,725	64,850	75,419
Other	-	5,888	62	-	5,888	62
Total interest income	746,712	644,637	679,943	717,569	614,876	653,026
Interest expense						
Deposits from banks	(4,885)	(2,785)	(637)	(4,885)	(2,785)	(637)
Deposits from customers	(244,491)	(200,952)	(216,103)	(237,551)	(190,563)	(208,024)
Borrowed funds	(75,608)	(12,683)	(14,205)	(75,608)	(12,655)	(14,174)
Investment securities	(1,655)	(1,452)	(1,872)	(1,655)	(1,452)	(1,873)
Subordinated liabilities		(6,744)	(7,083)	-	(6,744)	(7,083)
Lease Liabilities	(6,544)	-	-	(6,220)	-	-
Total interest expense	(333,183)	(224,616)	(239,900)	(325,919)	(214,199)	(231,791)
Net interest income	413,529	420,021	440,043	391,650	400,677	421,235

Segment A**Interest income**

Cash and cash equivalents
Loans and advances to banks

Loans and advances to customers
Investment securities
Other

Total interest income**Segment B****Interest income**

Cash and cash equivalents
Loans and advances to banks

Loans and advances to customers
Other

Total interest income**Total interest income from segment A and segment B****Segment A****Interest expense**

Deposits from banks
Deposits from customers
Borrowed funds
Investment securities
Lease liabilities

Total interest expense**Segment B****Interest expense**

Deposits from banks
Deposits from customers
Borrowed funds
Subordinated liabilities
Lease liabilities

Total interest expense**Total interest expense from segment A and segment B**

	Bank		
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Interest income			
Cash and cash equivalents	625	-	-
Loans and advances to banks	1,513	522	267
Loans and advances to customers	502,571	446,009	445,745
Investment securities	75,725	64,850	75,419
Other	-	-	62
Total interest income	580,434	511,381	521,493
Interest income			
Cash and cash equivalents	4,817	2,743	1,142
Loans and advances to banks	22,108	16,261	40,112
Loans and advances to customers	110,210	78,603	90,279
Other	-	5,888	-
Total interest income	137,135	103,495	131,533
Total interest income from segment A and segment B	717,569	614,876	653,026
Interest expense			
Deposits from banks	(1,696)	(5)	(10)
Deposits from customers	(203,371)	(159,548)	(144,520)
Borrowed funds	(66)	496	-
Investment securities	(1,655)	(1,452)	(1,873)
Lease liabilities	(5,598)	-	-
Total interest expense	(212,386)	(160,509)	(146,403)
Interest expense			
Deposits from banks	(3,189)	(2,780)	(637)
Deposits from customers	(34,180)	(31,015)	(63,504)
Borrowed funds	(75,542)	(13,151)	(14,164)
Subordinated liabilities	-	(6,744)	(7,083)
Lease liabilities	(622)	-	-
Total interest expense	(113,533)	(53,690)	(85,388)
Total interest expense from segment A and segment B	325,919	(214,199)	(237,791)

5. Net fee and commission income

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Fee and commission income						
Customer and credit related fees	141,255	175,617	138,054	96,584	134,634	102,944
Fee and commission expense						
Interbank transaction fees	(2,426)	(2,620)	(1,854)	(2,426)	(2,620)	(1,854)
Other	(18,656)	(18,283)	(28,444)	(16,787)	(16,520)	(26,473)
Total fee and commission expense	(21,082)	(20,903)	(30,298)	(19,213)	(19,140)	(28,327)
Net fee and commission income	120,173	154,714	107,756	77,371	115,494	74,617

	Bank		
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Segment A			
Fee and commission income			
Customer and credit related fees	55,192	92,887	82,692
Segment B			
Fee and commission income			
Customer and credit related fees	41,392	41,747	20,252
Total fee and commission income from segment A and segment B	96,584	134,634	102,944

Segment A			
Fee and commission expense			
Interbank transaction fees	(2,426)	(2,620)	(1,854)
Other	(9,135)	(13,263)	(25,511)
Total fee and commission expense	(11,561)	(15,883)	(27,365)
Segment B			
Fee and commission expense			
Interbank transaction fees	-	-	-
Other	(7,652)	(3,257)	(962)
Total fee and commission expense	(7,652)	(3,257)	(962)
Total fee and commission expense from segment A and segment B	(19,213)	(19,140)	(28,327)

6. Net trading income

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Net gain on dealing in foreign currencies and derivatives	85,643	79,728	77,814	69,697	65,636	66,910
Segment A						
Profit arising from dealing in foreign currencies and derivatives				37,335	49,816	58,883
Segment B						
Profit arising from dealing in foreign currencies and derivatives				32,362	15,820	8,027
	69,697			65,636		66,910

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

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Net fair value movement in financial assets at fair value through profit or loss	-	-	-	10,949	58,447	(189,706)
Indemnification received from BPCE International	-	-	-	-	-	139,782
	-	-	-	10,949	58,447	(49,924)

8. Other income

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Management fees	-	-	-	10,000	10,000	10,000
Other	5,907	806	4,533	2,033	700	4,493
Other income	5,907	806	4,533	12,033	10,700	14,493
Segment A						
Other Income				1,879	521	3,093
Segment B						
Other Income				10,154	10,179	11,400
	12,033			10,700		14,493

9. Personnel expenses

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Wages and salaries	211,812	242,635	237,897	204,508	235,985	232,032
Compulsory social security contributions	7,353	7,625	7,847	6,351	6,745	6,468
Contributions pension plan	13,640	12,741	14,397	13,640	12,741	14,397
Increase in liability for pension plans	1,743	1,462	-	1,743	1,462	-
Other	3,572	3,747	6,466	2,969	3,263	6,466
	238,120	268,210	266,607	229,211	260,196	259,363

9. Personnel expenses (continued)**Employee Benefit Liabilities**

	Group and Bank		
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Reconciliation of present value of defined benefit obligation			
Balance at 1 January	6,803	13,186	9,795
Included in profit or loss			
Current service cost	1,287	704	1,620
Interest expense	456	758	588
	1,743	1,462	2,208
Included in OCI			
Remeasurements (loss)/gain:			
	(3,791)	6,720	(8,095)
	(3,791)	6,720	(8,095)
Other			
Benefit paid	(237)	(1,125)	-
	(237)	(1,125)	-
Balance at 31 December	12,100	6,803	13,186

Principal actuarial assumptions at the end of the year

	Group and Bank		
	2019	2018	2017
Discount rate	4.70%	6.00%	7.81%
Rate of salary increases	3.50%	3.50%	5.00%
Retirement Age	65	65	65

Sensitivity analysis on defined benefit obligation at end of period

	2019	2018	2017
	Rs 000	Rs 000	Rs 000
1% increase in discount rate	7,363	3,775	6,816
1% decrease in discount rate	19,223	12,609	21,358
1% of increase in salary increase assumption	17,074	10,690	19,404
1% of decrease in salary increase assumption	8,706	4,582	8,329
Effect of changing longevity - rate up	11,469	6,345	12,548
Effect of changing longevity - rate down	12,715	7,242	13,785

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

Future cash flows

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

Weighted average duration of the defined benefit obligation 12 years

Retirement Benefit Obligations have been calculated per requirements of IFRS and local laws and regulations by an independent actuary, MUA Pension Ltd.

Fund Investment

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

- 32% in Local Equity;
- 45% in Local Fixed Income;
- 18% in Foreign Equity;
- 4% in Cash & Cash Equivalents ;
- 1% in Property.

9. Personnel expenses (continued)

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

10. Operating leases expenses

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Operating lease	14,217	51,223	49,830	12,248	45,753	44,557

The Group and the Bank lease a number of branches and office premises under operating leases. The leases typically run for periods of 3 to 5 years, with the lease of the Head-office being for 10 years. There are no restrictions placed upon the lessee by entering the leases. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Where the contract provides for the lessor to terminate same at his sole discretion and with respect for the pre-determined notice period, without bearing any financial loss, the Bank has considered the duration of the lease being that of the contract, notwithstanding past practices. The amounts for 2019 represent leases not capitalised under IFRS 16.

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

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Less than one year	4,844	43,424	43,742	4,020	39,634	43,694
Between one and five years	-	133,769	136,486	-	121,824	136,334
More than five years	-	498	21,442	-	-	21,436
	4,844	177,691	201,670	4,020	161,458	201,464

11. Other expenses

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Software licensing and other IT costs	71,478	64,079	63,446	60,578	54,594	55,136
Professional fees	21,429	15,551	9,324	18,636	14,169	7,940
Other	128,358	131,368	130,476	102,329	117,826	118,643
	221,265	210,998	203,246	181,543	186,589	181,719

12. Income taxes**(i) Income taxes****(a) Amounts recognised in profit or loss**

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Income tax expense	5,167	1,163	1,491	176	804	1,124
Deferred tax Charge/(credit)	(38,912)	157,965	(27,839)	(38,912)	157,965	(28,566)
Total tax credit/(expense)	(33,745)	159,128	(26,348)	(38,736)	158,769	(27,442)

Segment A

Deferred tax Charge/(credit)	(18,086)	158,090	(31,728)
Income tax (credit) / tax expense	(18,086)	158,090	(31,728)

Segment B

Current tax Charge	176	804	1,124
Deferred tax movement	(20,826)	(125)	3,162
Income tax (credit) / expense	(20,650)	679	4,286
Total income (credit) / tax expense	(38,736)	158,769	(27,442)

(b) Reconciliation of income taxes

	2019	Group 2018	2017	2019	Bank 2018	2017
(Loss)/profit before tax	(16,185)	123,702	131,408	(25,590)	114,129	70,184
Tax at statutory tax rate	(3,874)	17,477	10,842	1,117	17,119	10,528
Foreign tax credit	-	(8,863)	(8,529)	-	(8,863)	(8,529)
Non-deductible expenses	(16,381)	75	1,520	(16,381)	75	1,520
Non-taxable income	-	(3,648)	-	-	(3,648)	-
Corporate social responsibility	-	180	(18)	-	180	(18)
Special levy on banks	-	804	672	-	804	672
Tax impact relating to change in shareholding	-	124,853	-	-	124,853	-
Tax impact relating to change in rate	-	57,205	-	-	57,205	-
Under-provision of income tax in previous years	(176)	-	-	(176)	-	-
Deferred tax movements	54,176	-	-	54,176	-	-
Other	-	(28,955)	(30,835)	-	(28,956)	(31,615)
Total income tax (expense) / credit	33,745	159,128	(26,348)	38,736	158,769	(27,442)

12. Income taxes (continued)**(i) Income taxes (continued)****(b) Reconciliation of income taxes**

	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Segment A			
Profit/ (loss) before tax	8,115	40,273	(895)
Tax at statutory tax rate (7%)	(567)	6,041	(134)
Non-deductible expenses	(16,265)	-	1,444
Corporate social responsibility	-	180	(18)
Tax impact relating to change in shareholding	-	121,020	-
Tax impact relating to change in rate	-	59,639	-
Deferred tax movements	34,919	-	-
Other	-	(28,790)	(33,020)
Total income tax expense	18,087	158,090	(31,728)
Segment B			
Profit/ (loss) before tax	(33,705)	73,856	71,079
Tax at statutory tax rate (5%)	1,685	11,078	10,662
Foreign tax credit	-	(8,863)	(8,529)
Non-deductible expenses	(117)	75	76
Non taxable income	-	(3,648)	-
Special levy on banks	-	804	672
Tax impact relating to change in shareholding	-	3,833	-
Tax impact relating to change in rate	-	(2,434)	-
Underprovision of income tax in previous years	(176)	-	-
Deferred tax movements	19,258	-	-
Other	-	(166)	1,405
Total income tax expense	20,650	679	4,286

As from the financial year ending 31 December 2020, the income tax regime applicable for The Bank would be governed by section 44C of the Income Tax Act. Management of the bank does not expect the chargeable income of the bank to exceed Rs1.5bn in the foreseeable future so that it would be liable to tax at the rate of 5% on its chargeable income for the foreseeable future. The bank is also liable to a Corporate Social Responsibility charge computed at 2% of the bank's chargeable income attributable to transactions executed with resident persons only.

Section 59 A (3A) of the Income Tax Act provides that in the event that there is a change of more than 50% in the shareholding of a company, the tax losses may be carried forward only where the company satisfies certain conditions, including an approval from the Ministry of Finance.

The company received the necessary approval during the year ended 31 December 2019 and management is of the view that the company will be able to satisfy the other conditions. Accordingly, the deferred tax assets arising on the accumulated tax losses have been recognised.

12. Income taxes (continued)**Special levy**

The bank shall be liable to pay the taxation authorities a special levy on its leviable income derived in every accounting period at the rate of

- 5.5% in the case the bank has a leviable income of not more than Rs 1.2 billion;
- 4.5% in the case the bank has a leviable income of more than Rs 1.2 billion

The levy for the bank in operation as at 30 June 2018 shall be either as above or 1.5 times of the levy payable for the year of assessment 2017-2018, whichever is lower. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

(ii) Movement in Deferred tax balances

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	50,165	204,294	175,807	50,165	204,294	175,080
(Charged)/Credited to equity	(2,082)	3,836	648	(2,082)	3,836	648
Charged to profit or loss	38,912	(157,965)	27,839	38,912	(157,965)	28,566
At 31 December	86,995	50,165	204,294	86,995	50,165	204,294
Deferred tax assets:						
Allowance for loan losses	50,243	43,660	82,652	50,243	43,660	82,652
Other	38,464	6,133	128,181	38,464	6,133	128,181
	88,707	49,793	210,833	88,707	49,793	210,833
Deferred tax liabilities:						
Accelerated capital allowances	(2,735)	(5,750)	(3,510)	(2,735)	(5,750)	(3,510)
Fair value gains	(2,082)	3,836	(34)	(2,082)	3,836	(34)
Other	3,105	2,286	(2,995)	3,105	2,286	(2,995)
	(1,712)	(372)	(6,539)	(1,712)	372	(6,539)
Net deferred tax assets	86,995	50,165	204,294	86,995	50,165	204,294

Bank

	Segment A	Segment B	Total
	Rs 000	Rs 000	Rs 000
2019			
Balance at 01 January	42,763	7,402	50,165
Property, Equipment and Software	(1,578)	1,308	(270)
Allowance for loan losses	(1,203)	3,825	2,622
Fair value gains	899	-	899
Other adjustments	17,854	15,725	33,579
Balance at 31 December	58,735	28,260	86,995
2018			
Balance at 01 January	197,438	6,856	204,294
Property, Equipment and Software	(2,145)	(94)	(2,239)
Allowance for loan losses	(2,965)	637	(2,328)
Fair value gains	3,836	-	3,836
Tax impact relating to change in shareholding	(121,020)	(3,833)	(124,853)
Tax impact relating to change in rate	(59,639)	2,434	(57,205)
Other adjustments	27,258	1,402	28,660
Balance at 31 December	42,763	7,402	50,165
Balance at 01 January	165,062	10,018	175,080
Property, Equipment and Software	2,618	354	2,972
Allowance for loan losses	(47,526)	(13,431)	(60,957)
Fair value gains	-	-	-
Other adjustments	77,284	9,915	87,199
Balance at 31 December	197,438	6,856	204,294

12. Income taxes (continued)**(iii) Current tax liabilities**

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Current tax liabilities		970	1,002	-	624	688
Segment A						
Current tax liabilities				-	-	-
Segment B						
Current tax liabilities				-	624	688

13. Cash and cash equivalents

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash in hand	213,599	195,185	209,715	117,030	160,731	171,638
Foreign currency notes	20,989	20,382	29,388	20,989	20,382	29,388
Unrestricted balances with central banks	1,703,562	1,443,415	1,339,553	1,515,031	1,316,062	1,198,561
Money market placements	2,115,506	734,316	6,758	2,115,506	734,316	6,758
Balances with banks abroad	810,566	36,499	186,832	832,763	300,695	192,248
	4,864,222	2,429,797	1,772,246	4,601,319	2,532,186	1,598,593
Segment A						
Cash in hand				117,030	160,731	171,638
Foreign currency notes and coins				20,989	20,382	29,388
Unrestricted balances with central banks				1,515,031	1,316,062	1,198,561
				1,653,050	1,497,175	1,399,587
Segment B						
Money market placements				2,115,506	734,316	6,758
Balances with banks abroad				832,763	300,695	192,248
				2,948,269	1,035,011	199,006
Total cash and cash equivalents				4,601,319	2,532,186	1,598,593

14. Loans and advances to banks

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loans and advances to banks						
- in Mauritius (Segment A)	24,825	27,560	-	24,825	27,560	-
- outside Mauritius (Segment B)	1,303,996	15,508	240,030	1,303,996	15,508	240,030
	1,328,821	43,068	240,030	1,328,821	43,068	240,030
Less allowance for impairment	(12,837)			(12,837)		
	1,315,984	43,068	240,030	1,315,984	43,068	240,030
<u>Remaining term to maturity</u>						
Up to 3 months	402,695	-	-	402,695	-	-
Over 3 months and up to 6 months	475,820	16,190	6,994	475,820	16,190	6,994
Over 6 months and up to 12 months	450,306	26,878	30,566	450,306	26,878	30,566
Over 1 year and up to 5 years	-	-	202,470	-	-	202,470
Over 5 years	-	-	-	-	-	-
	1,328,821	43,068	240,030	1,328,821	43,068	240,030

15. Loans and advances to customers**(a) Remaining term to maturity**

	2019	Group		2019	Bank	
	Rs 000	2018	2017	Rs 000	2018	2017
		Rs 000	Rs 000		Rs 000	Rs 000
Retail customers						
- Mortgages	3,646,432	3,762,270	3,479,562	3,645,616	3,762,113	3,479,238
- Other retail loans	436,285	482,065	506,789	433,071	477,027	499,410
Corporate customers	8,395,463	8,958,525	7,248,035	8,315,059	8,851,280	7,109,263
Entities outside Mauritius	1,656,984	656,016	1,251,499	1,656,984	656,011	1,251,498
	14,135,164	13,858,876	12,485,885	14,050,730	13,746,431	12,339,409
Less allowance for impairment	(639,322)	(659,147)	(738,164)	(619,191)	(631,966)	(720,770)
	13,495,842	13,199,729	11,747,721	13,431,539	13,114,465	11,618,639

Remaining term to maturity

Up to 3 months	5,014,747	6,251,187	5,489,680	4,939,882	6,154,104	5,363,175
Over 3 months and up to 6 months	500,859	84,085	56,528	500,859	84,080	51,060
Over 6 months and up to 12 months	222,150	19,066	19,216	222,142	14,987	18,255
Over 1 year and up to 5 years	1,310,633	1,286,640	1,225,215	1,301,072	1,275,363	1,211,673
Over 5 years	7,086,775	6,217,898	5,695,246	7,086,775	6,217,897	5,695,246
	14,135,164	13,858,876	12,485,885	14,050,730	13,746,431	12,339,409

Segment A

	2019	Bank	
	Rs 000	2018	2017
		Rs 000	Rs 000
Retail customers			
- Mortgages	3,129,321	3,230,148	2,916,268
- Other retail loans	371,296	419,868	435,986
Corporate customers	7,374,823	7,776,907	6,162,891
	10,875,440	11,426,923	9,515,145
Less allowance for impairment	(545,008)	(562,160)	(604,967)
	10,330,432	10,864,763	8,910,178

Remaining term to maturity

Up to 3 months	2,746,085	4,447,191	3,350,841
Over 3 months and up to 6 months	109,040	82,099	42,445
Over 6 months and up to 12 months	222,142	9,402	13,680
Over 1 year and up to 5 years	1,231,461	1,201,730	1,177,640
Over 5 years	6,566,712	5,686,501	4,930,539
	10,875,440	11,426,923	9,515,145

Segment B

Retail customers			
- Mortgages	516,295	531,965	562,970
- Other retail loans	61,775	57,159	63,424
Corporate customers	940,236	1,074,373	946,372
Entities outside Mauritius	1,656,984	656,011	1,251,498
	3,175,290	2,319,508	2,824,264
Less allowance for impairment	(74,183)	(69,806)	(115,803)
	3,101,107	2,249,702	2,708,461

Remaining term to maturity

Up to 3 months	2,193,797	1,706,912	2,012,334
Over 3 months and up to 6 months	391,819	1,981	8,615
Over 6 months and up to 12 months	-	5,585	4,575
Over 1 year and up to 5 years	69,612	73,634	34,033
Over 5 years	520,062	531,396	764,707
	3,175,290	2,319,508	2,824,264

15. Loans and advances to customers (continued)**(b) Credit concentration of risk by industry sectors**

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture and fishing	624,838	275,878	918,339	624,288	275,217	917,460
Manufacturing	1,323,139	1,848,955	1,803,779	1,321,598	1,845,143	1,788,165
Tourism	1,119,560	1,098,837	619,590	1,116,291	1,094,916	618,858
Transport	22,152	49,788	86,104	13,566	37,875	73,896
Construction	4,321,641	4,395,578	4,098,393	4,319,414	4,390,742	4,091,316
Financial and business services	1,525,181	1,076,437	1,554,426	1,522,900	1,071,779	1,550,432
Traders	1,191,751	1,312,419	1,394,151	1,130,200	1,235,786	1,299,095
Personal	363,982	392,470	414,984	361,848	390,294	412,304
Professional	73,119	85,378	92,130	71,223	82,360	87,106
Global Business Licence holders	940,236	1,064,993	701,533	940,236	1,064,993	701,533
Others	2,629,565	2,258,143	802,456	2,629,166	2,257,326	799,244
	14,135,164	13,858,876	12,485,885	14,050,730	13,746,431	12,339,409
Segment A						
Agriculture and fishing				260,788	275,217	883,715
Manufacturing				1,321,598	1,673,393	1,187,387
Tourism				1,116,291	1,094,916	618,858
Transport				13,566	13,339	1,585
Construction				3,803,120	3,858,777	3,528,346
Financial and business services				956,425	613,943	1,157,485
Traders				766,690	1,229,089	1,104,409
Personal				300,073	333,135	348,880
Professional				71,223	82,360	87,106
Others				2,265,666	2,252,754	597,373
				10,875,440	11,426,923	9,515,144
Segment B						
Agriculture and fishing				363,500	-	33,745
Manufacturing				-	171,750	600,778
Tourism				-	-	-
Transport				-	24,536	72,311
Construction				516,295	531,965	562,970
Financial and business services				566,475	457,836	392,948
Traders				363,509	6,697	194,686
Personal				61,775	57,159	63,424
Global Business Licence holders				940,236	1,064,993	701,533
Others				363,500	4,572	201,870
				3,175,290	2,319,508	2,824,265

16. Impairment for loans and advances**(a) (i) Movement in allowance for impairment****Group**

	Individual allowances for impairment	Collective allowances and general provisions for Impairment	Low-interest rate loans impairment	Total
	Rs 000	Rs 000	Rs 000	Rs 000
At 31 December 2016	1,405,282	115,461	-	1,520,743
Charge for the year	(118,357)	32,032	-	(86,325)
Effect of foreign currency movements	18,739	(833)	-	17,906
Receivable on counter guarantee	(118,839)	-	-	(118,839)
Write-offs	(595,321)	-	-	(595,321)
At 31 December 2017	591,504	146,660	-	738,164
Charge for the year	8,474	21,602	-	30,076
Effect of foreign currency movements	(6,162)	(53)	-	(6,215)
Reclassification provision in securities	(94,549)	-	-	(94,549)
Write-offs	(8,329)	-	-	(8,329)
At 31 December 2018	490,938	168,209	-	659,147
Charge for the year	56,228	15,018	-	71,246
Effect of foreign currency movements	8,022	(3)	-	8,019
Reclassification provision in securities	(59,244)	-	-	(59,244)
Write-offs	(27,009)	-	-	(27,009)
At 31 December 2019	468,935	183,224	-	652,159

Bank

At 31 December 2016	1,392,979	114,627	-	1,507,606
Charge for the year	(124,204)	31,980	-	(92,224)
Effect of foreign currency movements	16,456	-	-	16,456
Receivable on counter guarantee	(118,839)	-	-	(118,839)
Write-offs	(592,229)	-	-	(592,229)
At 31 December 2017	574,163	146,607	-	720,770
Charge for the year	(2,293)	20,561	-	18,268
Effect of foreign currency movements	(5,347)	-	-	(5,347)
Reclassification provision in securities	(94,549)	-	-	(94,549)
Write-offs	(7,176)	-	-	(7,176)
At 31 December 2018	464,798	167,168	-	631,966
Charge for the year	61,301	15,326	-	76,627
Effect of foreign currency movements	7,587	-	-	7,587
Reclassification provision in securities	(59,244)	-	-	(59,244)
Write-offs	(24,908)	-	-	(24,908)
At 31 December 2019	449,534	182,494	-	632,028

(a) (ii) Allowance for impairment**Net impairment loss on financial assets**

	Group			Bank	
	2019	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Collective allowance and general provision for impairment	15,015	(21,602)	(32,032)	15,326	(20,561)
Charge for the year	104,311	(90,209)	(198,949)	101,040	(78,012)
Reversal	(20,999)	89,921	1,031,130	(14,760)	87,338
Bad debts written off / Recoveries	(27,081)	(8,186)	(713,824)	(24,979)	(7,033)
	71,246	(30,076)	86,325	76,627	(18,268)

16. Impairment for Loans and advances (continued)**(b) Allowance for credit impairment by industry sectors**

Group	2019					2018	2017
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective /portfolio allowances and general provisions for impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Group – Total							
Agriculture, forestry and fishing	624,838	-	-	6,261	6,261	3,461	9,561
Manufacturing	1,323,139	206,861	167,909	11,238	179,147	180,476	70,181
Accommodation and food service activities	1,119,560	192	192	22,461	22,653	21,999	38,814
Transportation and storage	22,152	13,388	13,388	101	13,489	13,253	1,178
Construction	4,321,641	72,297	40,126	47,883	88,010	93,563	97,351
Banks	1,328,821	-	-	12,837	12,837		
Other Financial Corporations	1,525,181	2	2	15,355	15,357	12,869	59,131
Wholesale and retail trade; and repair of motor vehicles and motorcycles	1,191,751	85,562	35,205	11,453	46,658	65,275	236,226
Personal	363,982	142,081	89,376	20,601	109,977	106,306	102,974
Professional	73,119	61,262	37,125	166	37,291	37,388	57,450
Global Business Licence holders	940,236	25,692	25,692	9,184	34,876	35,406	31,663
Others	2,629,565	66,839	59,919	25,685	85,603	89,151	33,635
	15,463,985	674,176	468,934	183,225	652,159	659,147	738,164

16. Impairment for Loans and advances (continued)**(c) Allowance for credit impairment by industry sectors (continued)**

Bank	2019					2018	2017
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective /portfolio allowances and general provisions for impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Bank – Total							
Agriculture, forestry and fishing	624,288	-	-	6,255	6,255	3,452	9,552
Manufacturing	1,321,598	206,302	167,350	11,227	178,577	179,445	68,696
Accommodation and food service activities	1,116,291	-	-	22,426	22,426	21,921	38,807
Transportation and storage	13,566	13,255	13,255	3	13,258	12,956	833
Construction	4,319,414	70,072	37,902	47,883	85,785	92,163	97,858
Banks	1,328,821	-	-	12,837	12,837		
Other Financial Corporations	1,522,900	-	-	15,329	15,329	10,734	58,093
Wholesale and retail trade; and repair of motor vehicles and motorcycles	1,130,200	69,050	20,417	10,922	31,339	44,631	223,040
Personal	361,848	142,065	89,360	20,586	109,946	106,274	102,953
Professional	71,223	60,174	36,037	157	36,194	36,236	56,091
Global Business Licence holders	940,236	25,692	25,692	9,184	34,876	35,406	31,663
Others	2,629,166	66,441	59,521	25,685	85,206	88,748	33,184
	15,379,551	653,051	449,534	182,494	632,028	631,966	720,770

16. Impairment for Loans and advances (continued)**(d) Allowance for credit impairment by industry sectors (continued)**

Bank	2019					2018	2017
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ portfolio allowances and general provisions for impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Segment A							
Agriculture, Forestry and Fishing	260,788	-	-	2,612	2,612	3,452	9,214
Manufacturing	1,321,598	206,302	167,350	11,227	178,577	177,727	62,988
Accommodation and food services activities	1,116,291	-	-	22,426	22,426	21,921	38,807
Transport and storage	13,566	13,255	13,255	3	13,258	12,709	110
Construction	3,803,120	66,906	37,902	41,055	78,957	84,252	60,704
Other Financial Corporations	956,425	-	-	9,649	9,650	6,150	11,717
Wholesale and retail trade; and repair of motor vehicles and motorcycles	766,690	69,041	20,417	7,287	27,703	44,612	220,064
Personal	300,073	124,275	74,848	19,224	94,071	86,355	82,608
Professional	71,223	60,174	36,037	157	36,194	36,236	56,091
Others	2,265,666	66,441	59,521	22,039	81,561	88,702	31,141
	10,875,440	606,394	409,330	135,679	545,009	562,116	573,444
Segment B							
Agriculture, Forestry and Fishing	363,500	-	-	3,642	3,642	-	338
Manufacturing	-	-	-	-	-	1,718	5,708
Accommodation and food services activities	-	-	-	-	-	-	-
Transport and storage	-	-	-	-	-	247	723
Construction	516,295	3,166	-	6,828	6,828	7,911	37,154
Banks	1,328,821	-	-	12,837	12,837	-	-
Other Financial Corporations	566,475	-	-	5,679	5,679	4,584	46,376
Wholesale and retail trade and repair of motor vehicles and motorcycles	363,509	-	-	3,635	3,635	19	2,976
Personal	61,775	17,790	14,512	1,362	15,875	19,919	20,345
Professional	-	-	-	-	-	-	-
Global Business Licence holders	940,236	25,692	25,692	9,184	34,876	35,406	31,663
Others	363,500	9	-	3,648	3,647	46	2,043
	4,504,111	46,657	40,204	46,815	87,019	69,850	147,326

17. Investment securities

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Investment securities	2,468,928	1,961,203	2,503,659	2,391,670	1,823,685	2,426,590
Fair value through OCI						
Government of Mauritius bonds	1,236,721	1,097,203	1,337,298	1,236,721	1,097,203	1,337,298
Treasury Bills	126,474	336,469	798,731	49,216	198,951	721,662
Bank of Mauritius Bills	1,072,561	449,559	197,318	1,072,561	449,559	197,318
Corporate Bonds	186,965	172,521	170,312	186,965	172,521	170,312
Less Impairment	(153,793)	(94,549)	-	(153,793)	(94,549)	-
	2,468,928	1,961,203	2,503,659	2,391,670	1,823,685	2,426,590
Segment A						
Government of Mauritius bonds				1,236,721	1,097,203	1,337,298
Treasury Bills				49,216	198,951	721,662
Bank of Mauritius Bills				1,072,561	449,559	197,318
				2,358,498	1,745,713	2,256,278
Segment B						
Corporate Bonds				186,965	172,521	170,312
Less Impairment				(153,793)	(94,549)	-
				33,172	77,972	170,312

18. Investment in subsidiary

	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Bank			
Investment in subsidiary as at 31 December (Level 3)	69,396	58,447	-
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Bank			
At 01 January	58,447	-	189,706
Fair value adjustments (Note 7)	10,949	58,447	(189,706)
	69,396	58,447	-

Details of investments held by the Bank are as follows:

Name of Investee Company	Country of incorporation	Business Activity	Type of shares	% holding		2019	Fair value	
				2019	2018	Rs 000	2018	2017
							Rs 000	Rs 000
BM Madagascar	Madagascar	Banking	Ordinary shares	72.67	72.67	69,396	58,447	-

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19. Property and equipment

Group	Right-of-use-asset	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Land & Building	Total
	Leasehold property							
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost								
Balance at 01 January 2017	-	106,308	123,958	34,765	18,185	15,009	8,188	306,413
Additions	-	5,600	11,069	814	538	-	-	18,021
Disposal	-	(262)	-	-	-	(1,484)	-	(1,746)
Scrapped assets	-	(41)	(35,888)	(4,656)	-	-	-	(40,585)
Foreign currency translation	-	1,524	743	301	65	119	-	2,752
Balance at 31 December 2017	-	113,129	99,882	31,224	18,788	13,644	8,188	284,855
Balance at 01 January 2018	-	113,129	99,882	31,224	18,788	13,644	8,188	284,855
Additions	-	7,245	19,536	623	622	17	1,538	29,581
Disposal	-	(545)	-	(1,051)	(923)	-	-	(2,519)
Scrapped assets	-	(62,419)	(8,735)	(5,875)	(9,034)	(21)	-	(86,084)
Foreign currency translation	-	(898)	(885)	(281)	(66)	(120)	(566)	(2,816)
Balance at 31 December 2018	-	56,512	109,798	24,640	9,387	13,520	9,160	223,017
Balance at 01 January 2018	-	56,512	109,798	24,640	9,387	13,520	9,160	223,017
Recognition of ROU as at 01 Jan 2019	161,480	-	-	-	-	-	-	161,480
Additions	-	11,420	29,586	212	944	4,698	13,726	60,585
Disposal	-	-	(45)	-	-	(7,349)	(1,538)	(8,932)
Scrapped assets	-	-	(4,629)	-	-	-	-	(4,629)
Reclassification	-	13	1,350	-	-	-	-	1,363
Foreign currency translation	-	65	11	2	-	-	5	83
Balance at 31 December 2019	161,480	68,010	136,071	24,854	10,331	10,869	21,353	432,967
Accumulated depreciation and impairment losses								
Balance at 01 January 2017	-	89,950	95,893	23,621	17,633	7,437	1,997	236,531
Depreciation for the year	-	6,196	15,358	3,806	293	3,741	1,935	31,329
Disposal	-	(225)	-	-	-	(1,484)	-	(1,709)
Scrapped assets	-	(41)	(35,877)	(4,656)	-	-	-	(40,574)
Foreign currency translation	-	(963)	725	286	67	111	-	226
Balance at 31 December 2017	-	94,917	76,099	23,057	17,993	9,805	3,932	225,803
Balance at 01 January 2018	-	94,917	76,099	23,057	17,993	9,805	3,932	225,803
Depreciation for the year	-	6,739	16,927	3,709	304	3,465	(1,934)	29,210
Disposal	-	(529)	-	(1,048)	(923)	-	-	(2,500)
Scrapped assets	-	(62,244)	(8,735)	(5,824)	(9,027)	(21)	-	(85,851)
Foreign currency translation	-	1,128	(727)	(298)	(65)	(119)	(326)	(407)
Balance at 31 December 2018	-	40,011	83,564	19,596	8,282	13,130	1,672	166,255
Balance at 01 January 2019	-	40,011	83,564	19,596	8,282	13,130	1,672	166,255

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Depreciation for the year	35,082	6,845	14,112	3,505	418	1,535	5,017	66,514
Disposal	-	-	-	-	-	(7,349)	-	(7,349)
Scrapped assets	-	-	(4,629)	-	-	-	-	(4,629)
Foreign currency translation	-	17	(37)	27	-	-	-	7
Balance at 31 December 2019	35,082	46,873	93,010	23,128	8,700	7,316	6,689	220,798

Carrying amounts

Balance at 31 December 2017	-	18,212	23,783	8,167	795	3,839	4,256	59,050
Balance at 31 December 2018	-	16,501	26,234	5,044	1,105	390	7,488	56,762
Balance at 31 December 2019	126,398	21,137	43,061	1,726	1,631	3,553	14,664	212,169

Included in the above line items are right-of-use assets recognised as at 1st January 2019, over the

	Group	Bank
Right of Use Asset	RS'000	Rs'000
<i>Non current</i>		
Office building	149,213	134,654
ATM Space	1,006	1,006
Archive space	11,261	11,261
Total	161,480	146,921

19. Property and equipment (continued)

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 27) and the movements during the period:

	MUR '000 Group	MUR'000 Bank
As at January 2019 - Effect of adoption of IFRS 16 (refer to accounting policy)	161,480	146,921
Additions	-	-
Discontinuations	-	-
Accretions of interest	6,544	6,220
Exchange difference	-	-
Payments	(38,574)	(34,798)
As at 31 December 2019	129,450	118,343

Amount recognised in profit or loss for the year ended 31 December 2019

	MUR '000 Group	MUR'000 Bank
Depreciation expense on right-of-use assets	35,082	31,403
Interest expense on lease liabilities	6,544	6,220
Expenses relating to leases of low-value assets	-	-
Total amount recognised in profit or loss	41,617	37,623

The group has a total cash outflows for leases of 52,791M

The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of MUR 161,480 as at 01 Jan 2019

19. Property and equipment (continued)

	Right-of-use- asset Leasehold property	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Bank Cost							
Balance at 01 January 2017	-	95,200	113,825	30,655	17,294	13,406	270,380
Additions	-	5,277	9,011	738	538	-	15,564
Disposal	-	(261)	-	-	-	(1,485)	(1,746)
Scrapped assets	-	(32)	(35,752)	(4,220)	-	-	(40,004)
Balance at 31 December 2017	-	100,184	87,084	27,173	17,832	11,921	244,194
Balance at 01 January 2018	-	100,184	87,084	27,173	17,832	11,921	244,194
Additions	-	6,085	14,219	470	622	17	21,413
Disposal	-	(545)	-	(296)	(923)	-	(1,764)
Scrapped assets	-	(62,419)	(8,735)	(5,875)	(9,034)	(21)	(86,084)
Balance at 31 December 2018	-	43,305	92,568	21,472	8,497	11,917	177,759
Balance at 01 January 2019	-	43,305	92,568	21,472	8,497	11,917	177,759
Recognition of ROU as at 01 Jan 2019	146,921	-	-	-	-	-	146,921
Additions	-	6,433	26,946	-	128	2,229	35,736
Disposal	-	-	-	-	-	(6,415)	(6,415)
Scrapped assets	-	-	(4,629)	-	-	-	(4,629)
Reclassification	-	13	1,351	-	-	-	1,364
Balance at 31 December 2019	146,921	49,751	116,236	21,472	8,625	7,731	350,736
Accumulated depreciation and impairment losses							
Balance at 01 January 2017	-	78,528	85,992	19,669	16,757	5,855	206,801
Depreciation for the year	-	6,088	15,002	3,668	286	3,711	28,755
Disposal	-	(225)	-	-	-	(1,484)	(1,709)
Scrapped assets	-	(32)	(35,741)	(4,220)	-	-	(39,993)
Balance at 31 December 2017	-	84,359	65,253	19,117	17,043	8,082	193,854
Balance at 01 January 2018	-	84,359	65,253	19,117	17,043	8,082	193,854
Depreciation for the year	-	6,506	15,006	3,622	299	3,465	28,898
Disposal	-	(529)	-	(293)	(923)	-	(1,745)
Scrapped assets	-	(62,244)	(8,735)	(5,824)	(9,027)	(21)	(85,851)
Balance at 31 December 2018	-	28,092	71,524	16,622	7,392	11,526	135,156
Balance at 01 January 2019	-	28,092	71,524	16,622	7,392	11,526	135,156
Depreciation for the year	31,403	6,268	11,150	3,395	331	881	53,428
Disposal	-	-	-	-	-	(6,415)	(6,415)
Scrapped assets	-	-	(4,629)	-	-	-	(4,629)
Balance at 31 December 2019	31,403	34,360	78,045	20,017	7,723	5,992	177,540

Carrying amounts

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Balance at 31 December 2017	-	15,825	21,831	8,056	789	3,839	50,340
Balance at 31 December 2018	-	15,213	21,044	4,849	1,105	391	42,603
Balance at 31 December 2019	115,518	15,391	38,191	1,455	902	1,739	173,196
2019							
Segment A	103,966	13,852	34,372	1,310	812	1,565	155,877
Segment B	11,552	1,539	3,819	145	90	174	17,319
	115,518	15,391	38,191	1,455	902	1,739	173,196
2018							
Segment A	-	13,692	18,939	4,364	994	352	38,343
Segment B	-	1,521	2,105	485	111	39	4,260
	-	15,213	21,044	4,849	1,105	391	42,603
2017							
Segment A	-	14,100	19,908	7,132	761	3,482	45,383
Segment B	-	1,725	1,923	924	28	357	4,957
	-	15,825	21,831	8,056	789	3,839	50,340

20. Intangible assets

Computer Software

	2019	Group		2019	Bank	
	Rs 000	2018	2017	Rs 000	2018	2017
		Rs 000	Rs 000		Rs 000	Rs 000
Cost						
Balance at 01 January	202,294	200,789	255,380	187,263	186,285	242,832
Additions	6,897	2,826	18,748	6,897	1,299	17,425
Reclassification	(1,364)	-	-	(1,364)	-	-
Write-off	(2,605)	(321)	(73,972)	(629)	(321)	(73,972)
Foreign currency translation	-	(1,000)	633	-	-	-
Balance at 31 December	205,222	202,294	200,789	192,167	187,263	186,285
Accumulated amortisation						
Balance at 01 January	119,059	83,691	121,024	105,932	70,934	109,932
Amortisation for the year	35,179	36,570	36,115	34,234	35,319	34,974
Write-off	(1,976)	(321)	(73,972)	-	(321)	(73,972)
Foreign currency translation	-	(881)	524	-	-	-
Balance at 31 December	152,262	119,059	83,691	140,166	105,932	70,934
Net book value						
Balance at 31 December	52,960	83,235	117,098	52,001	81,331	115,351
Carrying amounts at end of year by segments						
Segment A				46,801	72,384	102,662
Segment B				5,200	8,947	12,689
				52,001	81,331	115,351

21. Other assets**Summary**

	Group			Bank		
	2019	2018	2017	2019	2018	2017
Accounts receivable and prepayments	20,129	17,728	21,872	18,450	16,608	20,973
Accrued interest receivable	39,617	27,591	28,314	38,691	26,964	27,898
Mandatory deposits with central banks	776,273	826,306	773,730	776,272	826,306	773,730
Balances due in clearing	764,599	373,146	50,841	742,753	354,233	28,138
Other receivables	31,169	30,261	26,444	15,561	13,867	10,163
	1,631,787	1,275,032	901,201	1,591,727	1,237,978	860,902

Segment A

	2019	2018	2017
Accounts receivable and prepayments	14,692	16,051	19,349
Accrued interest receivable	31,730	21,995	21,275
Mandatory deposits with central banks	776,272	826,306	773,730
Balances due in clearing	5,303	354,233	28,138
Other receivables	13,868	5,489	6,520
	841,865	1,224,074	849,012

Segment B

	2019	2018	2017
Accounts receivable and prepayments	3,758	557	1,624
Accrued interest receivable	6,961	4,969	6,623
Balances due in clearing	737,449		
Other receivables	1,694	8,378	3,643
	749,862	13,904	11,890
	1,591,727	1,237,978	860,902

22. Deposits from banks

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Deposits	586,573	9,273	16	586,573	1,690	-

Segment A

	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Current accounts	1,014	1,690	-
	1,014	1,690	-

Segment B

	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Time deposit with remaining term to maturity			
Up to 3 months	585,559	-	-
	585,559	9,038,644	7,753,885

23. Deposits from customers

	2019	Group		2019	Bank	
	Rs 000	2018	2017	Rs 000	2018	2017
		Rs 000	Rs 000		Rs 000	Rs 000
Retail customers						
Current accounts	1,099,746	1,144,732	1,199,774	1,067,056	1,119,527	1,174,677
Savings accounts	1,928,589	1,856,869	1,946,597	1,905,059	1,834,084	1,920,629
Time deposits with remaining term to maturity						
Up to 3 months	358,358	259,570	231,179	358,358	248,807	228,977
Over 3 months and up to 6 months	133,909	113,638	128,590	133,582	112,305	127,159
Over 6 months and up to 12 months	272,474	354,678	333,293	238,525	319,078	307,362
Over 1 year and up to 5 years	941,886	770,856	642,130	941,886	770,856	642,130
Over 5 years	14,010	1,345	-	14,010	1,345	-
Corporate customers						
Current accounts	6,304,901	4,426,701	3,304,897	6,085,782	4,305,531	3,100,578
Savings accounts	112,855	53,315	214,490	112,855	53,315	214,490
Time deposits with remaining term to maturity						
Up to 3 months	1,747,097	1,672,213	1,885,908	1,747,098	1,667,805	1,878,720
Over 3 months and up to 6 months	513,442	373,471	895,136	512,210	331,952	865,073
Over 6 months and up to 12 months	438,249	1,073,290	533,486	423,093	1,070,625	510,928
Over 1 year and up to 5 years	450,205	415,474	261,792	450,205	414,869	261,145
Over 5 years	1,103	-	-	1,104	-	-
	14,316,824	12,516,152	11,577,272	13,990,823	12,250,099	11,231,868

	2019	Bank	
	Rs 000	2018	2017
		Rs 000	Rs 000
Segment A			
Retail customers			
Current accounts	744,456	796,534	781,250
Savings accounts	1,452,204	1,422,559	1,441,002
Time deposit with remaining term to maturity			
Up to 3 months	299,626	168,843	129,669
Over 3 months and up to 6 months	59,201	48,920	91,491
Over 6 months and up to 12 months	157,290	148,737	175,790
Over 1 year and up to 5 years	633,521	566,370	403,492
Over 5 years	1,510	1,275	-
Corporate customers			
Current accounts	1,971,396	2,465,243	1,578,600
Savings accounts	112,817	53,215	214,342
Time deposit with remaining term to maturity			
Up to 3 months	1,253,722	1,619,645	1,706,245
Over 3 months and up to 6 months	486,766	331,952	527,421
Over 6 months and up to 12 months	423,043	1,000,482	443,438
Over 1 year and up to 5 years	450,205	414,869	261,145
Over 5 years	1,103	-	-
	8,046,860	9,038,644	7,753,885

23. Deposits from customers (continued)

	Bank		
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Segment B			
Retail customers			
Current accounts	322,600	322,993	393,427
Savings accounts	452,855	411,525	479,627
Time deposit with remaining term to maturity			
Up to 3 months	58,731	79,964	99,308
Over 3 months and up to 6 months	74,381	63,385	35,668
Over 6 months and up to 12 months	81,236	170,341	131,572
Over 1 year and up to 5 years	308,365	204,486	238,638
Over 5 years	12,500	70	-
Corporate customers			
Current accounts	4,114,386	1,840,288	1,521,978
Savings accounts	38	100	148
Time deposit with remaining term to maturity			
Up to 3 months	493,376	48,160	172,475
Over 3 months and up to 6 months	25,445	-	337,652
Over 6 months and up to 12 months	50	70,143	67,490
	5,943,963	3,211,455	3,477,983

24. Borrowed funds

	2019	Group		2019	Bank	
	Rs 000	2018	2017	Rs 000	2018	2017
		Rs 000	Rs 000		Rs 000	Rs 000
Borrowed funds	5,589,895	3,637,104	3,151,846	5,589,895	3,637,104	3,151,778
Remaining term to maturity						
Up to 3 months	384,389	3,617,032	2,029,295	384,389	3,617,032	2,029,227
Over 3 months and up to 6 months	1,892,714	-	907,650	1,892,714	-	907,650
Over 6 months and up to 12 months	38,531	-	-	38,531	-	-
Over 1 year and up to 5 years	3,274,261	20,072	214,901	3,274,261	20,072	214,901
Over 5 years	-	-	-	-	-	-
	5,589,895	3,637,104	3,151,846	5,589,895	3,637,104	3,151,778
Segment A						
Borrowings from financial institution				15,626	20,072	25,880
<i>Remaining term to maturity</i>						
Up to 3 months				15,626	-	-
Over 6 months and up to 12 months				-	-	-
Over 1 year and up to 5 years				-	20,072	25,880
Over 5 years				-	-	-
				15,626	20,072	25,880
Segment B						
Borrowings from banks abroad				5,574,269	3,617,032	3,125,898
<i>Remaining term to maturity</i>						
Up to 3 months				384,389	3,617,032	2,029,227
Over 3 months and up to 6 months				1,892,714	-	907,650
Over 6 months and up to 12 months					-	-
Over 1 year and up to 5 years				38,531	-	189,021
Over 5 years				3,258,635	-	-
				5,574,269	3,617,032	3,125,898

25. Derivative Financial Instruments

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Derivative financial instruments	134	(6)	(16)	134	(6)	(16)
Segment A						
Derivative financial instruments				134	(6)	(16)
Segment B						
Derivative financial instruments (Forward contracts)				-	-	-

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

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

26. Subordinated liabilities

	Group and Bank		
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Subordinated debt	-	-	202,470
<u>Remaining term to maturity</u>			
Less than 3 years	-	-	-
More than 3 years but less than 5 years	-	-	202,470
Over 5 years	-	-	-
	-	-	202,470
Segment B			
Subordinated debt	-	-	202,470

27. Other liabilities

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Retirement Benefit Obligations	12,100	6,804	13,186	12,100	6,804	13,186
Creditors and accruals	201,646	157,233	179,848	172,999	133,836	162,131
Accrued interest payable	93,314	78,932	62,039	92,337	74,991	58,384
Lease liabilities	129,450	-	-	118,343	-	-
Other	768,536	310,151	131,805	751,347	518,393	145,991
	1,205,044	553,120	386,878	1,147,126	734,024	379,692
Segment A						
Recognised liability for defined benefit obligations				10,043	4,898	13,186
Creditors and accruals				142,595	114,982	91,126
Accrued interest payable				74,342	59,798	65,796
Lease liabilities				118,343	-	-
Other				82,248	360,668	28,461
				427,571	540,346	198,569
Segment B						
Recognised liability for defined benefit obligations				2,057	1,906	-
Creditors and accruals				30,404	18,854	43,736
Accrued interest payable				17,995	15,193	19,857
Other				669,099	157,725	117,530
				719,555	193,678	181,123
Total other liabilities				1,147,126	737,024	379,692

27. Other liabilities (continued)**Lease liabilities analysis**

	MUR '000 Group	MUR'000 Bank
Current	31,032	26,777
Non Current	98,418	91,566
	129,450	118,343

	MUR '000 Group	MUR'000 Bank
Maturity analysis:		
Year 1	31,032	26,777
Year 2	26,418	25,196
Year 3	24,651	24,040
Year 4	22,478	21,820
Year 5	21,288	20,510
Onwards	3,583	-
	129,450	118,343

28. Share Capital

	Group and Bank		
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
<i>Issued capital</i>			
At 1 January,	2,218,065	1,944,015	1,944,015
Issue of shares	-	274,050	-
At 31 December,	2,218,065	2,218,065	1,944,015
<i>Number of shares</i>			
At 1 January,	2,858,174	2,505,035	2,505,035
Issue of shares	-	353,139	-
At 31 December,	2,858,174	2,858,174	2,505,035

The issued capital comprises ordinary shares at no par value.

29. Reserves**Nature and purpose of reserves****Foreign Currency Translation reserve**

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

Fair value reserve

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

Statutory reserve

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

30. Categories of Financial Instrument

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

Group	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying Amount	Fair Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
31-Dec-19				Total	Total
Assets					
Cash and cash equivalents	-	-	4,864,222	4,864,222	4,864,222
Loans and advances to banks	-	-	1,315,984	1,315,984	1,315,984
Loans and advances to customers	-	-	13,495,842	13,495,842	13,495,842
Investment securities	2,468,928	-	-	2,468,928	2,468,928
Derivative financial instruments	-	134	-	134	134
Other assets	-	-	1,631,787	1,631,787	1,631,787
	2,468,928	134	21,307,835	23,776,897	23,776,897
Liabilities					
Deposits from banks	-	-	586,573	586,573	586,573
Deposits from customers	-	-	14,316,824	14,316,824	14,316,824
Borrowed funds	-	-	5,589,895	5,589,895	5,589,895
Other liabilities	-	-	1,075,596	1,075,596	1,075,596
	-	-	21,568,888	21,568,888	21,568,888
31-Dec-18					
Assets					
Cash and cash equivalents	-	-	2,429,797	2,429,797	2,429,797
Loans and advances to banks	-	-	43,068	43,068	43,068
Loans and advances to customers	-	-	13,199,729	13,199,729	13,199,729
Investment securities	1,961,203	-	-	1,961,203	1,961,203
Other assets	-	-	1,275,032	1,275,032	1,275,032
	1,961,203	-	16,947,626	18,908,829	18,908,829
Liabilities					
Deposits from banks	-	-	9,273	9,273	9,273
Deposits from customers	-	-	12,516,152	12,516,152	12,516,152
Borrowed funds	-	-	3,637,104	3,637,104	3,637,104
Subordinated liabilities	-	-	-	-	-
Derivative financial instruments	-	6	-	6	6
Other liabilities	-	-	553,121	553,121	553,121
	-	6	16,715,650	16,715,650	16,715,650

30. Categories of Financial Instrument (continued)

Group	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying Amount	Fair Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
				Total	Total
31-Dec-17					
Assets					
Cash and cash equivalents	-	-	1,772,246	1,772,246	1,772,246
Loans and advances to banks	-	-	240,030	240,030	240,030
Loans and advances to customers	-	-	11,747,721	11,747,721	11,747,721
Investment securities	2,503,659	-	-	2,503,659	2,503,659
Other assets	-	-	901,201	901,201	901,201
	<u>2,503,659</u>	<u>-</u>	<u>14,661,198</u>	<u>17,164,857</u>	<u>17,164,857</u>
Liabilities					
Deposits from banks	-	-	16	16	16
Deposits from customers	-	-	11,577,272	11,577,272	11,577,272
Borrowed funds	-	-	3,151,846	3,151,846	3,151,846
Subordinated liabilities	-	-	202,470	202,470	202,470
Derivative financial instruments	-	16	-	16	16
Other liabilities	-	-	386,878	386,878	386,878
	<u>-</u>	<u>16</u>	<u>15,318,482</u>	<u>15,318,498</u>	<u>15,318,498</u>

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30. Categories of Financial Instrument (continued)

Bank	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying Amount	Fair Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
31-Dec-19				Total	Total
Assets					
Cash and cash equivalents	-	-	4,601,319	4,601,319	4,601,319
Loans and advances to banks	-	-	1,315,984	1,315,984	1,315,984
Loans and advances to customers	-	-	13,431,539	13,431,539	13,431,539
Investment securities	2,391,670	-	-	2,391,670	2,391,670
Derivative financial instruments	-	134	-	134	134
Other assets	-	-	1,591,729	1,591,729	1,591,729
	2,391,670	134	20,940,571	23,332,375	23,332,375
Liabilities					
Deposits from banks	-	-	586,573	586,573	586,573
Deposits from customers	-	-	13,990,823	13,990,823	13,990,823
Borrowed funds	-	-	5,589,895	5,589,895	5,589,895
Other liabilities	-	-	1,028,649	1,028,649	1,028,649
	-	-	21,195,940	21,195,940	21,195,940
31-Dec-18					
Assets					
Cash and cash equivalents	-	-	2,532,186	2,532,186	2,532,186
Loans and advances to banks	-	-	43,068	43,068	43,068
Loans and advances to customers	-	-	13,114,465	13,114,465	13,114,465
Investment securities	1,823,685	-	-	1,823,685	1,823,685
Other assets	-	-	1,237,978	1,237,978	1,237,978
	1,823,685	-	16,927,697	18,751,382	18,751,382
Liabilities					
Deposits from banks	-	-	1,690	1,690	1,690
Deposits from customers	-	-	12,250,099	12,250,099	12,250,099
Borrowed funds	-	-	3,637,104	3,637,104	3,637,104
Subordinated liabilities	-	-	-	-	-
Derivative financial instruments	-	6	-	6	6
Other liabilities	-	-	734,024	734,024	734,024
	-	6	16,622,917	16,622,923	16,622,923
31-Dec-17					
Assets					
Cash and cash equivalents	-	-	1,598,593	1,598,593	1,598,593
Loans and advances to banks	-	-	240,030	240,030	240,030
Loans and advances to customers	-	-	11,618,639	11,618,639	11,618,639
Investment securities	2,426,590	-	-	2,426,590	2,426,590
Other assets	-	-	860,902	860,902	590,902
	2,426,590	-	14,318,164	16,744,754	16,474,754
Liabilities					
Deposits from banks	-	-	11,231,868	11,231,868	11,231,868
Deposits from customers	-	-	3,151,778	3,151,778	3,151,778
Borrowed funds	-	-	202,470	202,470	202,470
Derivative financial instruments	-	16	-	16	16
Other liabilities	-	-	379,692	379,692	379,692
	-	16	14,965,808	14,965,824	14,965,824

31. Contingencies**(a) Commitments**

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Undrawn credit facilities	2,203,465	2,198,734	1,914,449	2,201,430	2,189,717	1,898,619

Segment A

Undrawn credit facilities	1,019,059	1,134,377	1,131,287
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Segment B

Undrawn credit facilities	1,182,371	1,055,340	767,332
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(b) Pledged assets

	Group and Bank		
	2019	2018	2017
	Rs 000	Rs 000	Rs 000
Government Bonds (Segment A)	217,000	177,000	200,000

(c) Contingent liabilities

	2019	Group	2017	2019	Bank	2017
	Rs 000	2018	Rs 000	Rs 000	2018	Rs 000
		Rs 000			Rs 000	
Acceptances on account of customers	34,441	60,482	16,462	34,441	60,482	16,462
Guarantees on account of customers	823,095	1,953,530	1,267,745	822,069	1,951,148	1,260,321
Letters of credit and other obligations on account of customers	365,718	466,331	343,270	365,643	463,797	327,440
Foreign exchange contracts	44,159	26,322	64,562	37,318	25,408	64,652
Other contingent items	129,652	49,312	128,024	916	861	864
	1,397,065	2,555,977	1,820,063	1,260,377	2,501,696	1,669,739

Segment A

Acceptances on account of customers	-	950	3,455
Guarantees on account of customers	568,010	1,755,854	976,175
Letters of credit and other obligations on account of customers	14,814	18,966	11,216
Foreign exchange contracts	37,318	25,408	64,652
Other contingent items	916	861	864
	621,058	1,802,039	1,056,362

Segment B

Acceptances on account of customers	34,441	59,532	13,007
Guarantees on account of customers	254,049	195,294	284,146
Letters of credit and other obligations on account of customers	350,829	444,831	316,224
	639,329	699,657	613,377

BCP Bank (Mauritius) Ltd

Notes to and forming part of the consolidated and separate financial statements
For the year ended 31 December 2019

32. Related parties

Related parties are individuals and companies where the individual or company, directly or indirectly, has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The table below lists all balances and transactions conducted with related parties which were carried out under market terms and conditions with exception of loan to Key Management Personnel who benefited from preferential rates as applicable to all employees.

	Nature of relationship	Group			Bank		
		2019 Rs 000	2018 Rs 000	2017 Rs 000	2019 Rs 000	2018 Rs 000	2017 Rs 000
Placements with banks	Holding company	2,108,870	725,080	241,321	2,108,870	725,080	
Loans and advances	Holding company	-	4,573	-	-	4,573	-
	Related companies	644,430	-	86,657	644,430	-	86,657
	Key management	26,073	264,754	17,591	25,376	264,754	17,591
Deposits	Holding company	-	-	17,431	-	-	17,431
	Related companies	585,736	129,221	425	585,736	129,221	425
	Subsidiary	-	-	-	-	52,137	-
	Key management	4,468	68,677	27,822	4,468	68,677	27,822
Balances due to	Holding company	24,455	-	-	24,455	-	-
	Related companies	-	-	45,414	-	-	45,414
	Subsidiary	-	-	-	210	2,574	-
Borrowed funds	Related companies	5,391,591	3,617,031	3,125,899	5,391,591	3,617,031	3,125,899
Subordinated liabilities	Holding company	-	-	202,470	-	-	202,470
Amounts due to	Holding company	-	-	-	-	-	-
Income from Swap and Income from trading securities transactions	Holding company	6,639	-	4,629	6,639	-	4,629
	Holding company	3,640	-	-	3,640	-	-
	Related companies	-	40,121	29,572	-	40,121	29,572
	Key management	-	9,127	1,313	-	9,127	1,313
Interest expense	Holding company	-	-	11,962	-	-	11,962
	Related companies	86,194	5,511	7,854	86,194	5,511	7,854
	Key management	51	787	817	51	787	817
Interest Income	Holding company	21,554	-	-	21,554	-	-
	Related companies	8,212	-	-	8,212	-	-
Fee and commission	Holding company	3,200	-	7,510	3,200	-	7,510
	Related companies	4,800	-	-	4,800	-	-
Management Fee Paid Management Fee realization of group	Holding company	8,388	-	33,953	8,388	10,000	33,953
	Subsidiary	-	-	-	10,000	-	11,400
	Holding company	-	-	139,182	-	-	139,182

32. Related parties (continued)

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

Key management personnel compensation

Key management personnel compensation comprises the following.

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Short-term employee benefits	62,832	61,101	75,126	56,601	58,972	74,610
Post-employment benefits	2,687	2,529	2,235	2,687	2,529	2,089
	65,519	63,630	77,361	59,288	61,501	76,699

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

33. Financial risk review

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

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

(a) Risk Management framework and governance structure

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

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

- governance committees;
- governance documents.

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

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

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

33. Financial risk review (continued)**(b) Credit Risk**

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk and concentration risk.

The Group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from off balance sheet commitments entered into with our clients and market counterparties.

The Group and the Bank manage credit risk through:

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

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

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

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

Credit Portfolio Analysis – Credit Quality

In Rs 000	Loans and advances to customers					
	2019	Group 2018	2017	2019	Bank 2018	2017
Total neither past due nor impaired	12,329,340	12,811,040	10,959,998	12,272,035	12,736,944	10,861,148
Past due but not impaired						
due up to 30 days	625,431	234,002	48,861	624,912	234,002	48,861
31-90 days	358,855	3,652	478,625	358,797	3,652	478,625
91-180 days	93,589	32,955	195	93,565	32,955	195
180 days+	53,773	1	-	48,370	1	-
Total past due but not impaired	1,131,648	270,610	527,681	1,125,644	270,610	527,681
Individually impaired	674,176	777,226	998,206	653,051	738,877	950,580

33. Financial risk review (continued)**(b) Credit Risk (continued)**

In Rs 000	Group			Bank		
	2019	2018	2017	2019	2018	2017
Total neither past due nor impaired	1,328,821	-	-	1,328,821	-	-
Individually impaired	-	-	-	-	-	-
Total	1,328,821	-	-	1,328,821	-	-

Investment securities						
In Rs 000	Group			Bank		
	2019	2018	2017	2019	2018	2017
Total neither past due nor impaired	2,435,756	1,882,363	2,333,347	2,358,498	1,744,845	2,256,278
Individually impaired	186,965	173,389	170,312	186,965	173,389	170,312
Total	2,622,721	2,055,752	2,503,659	2,545,463	1,918,234	2,426,590

Credit Portfolio Analysis – Allowance for impairment

Loans and advances to customers						
In Rs 000	Group			Bank		
	2019	2018	2017	2019	2018	2017
Allowance for impairment						
Individual	468,934	490,938	591,504	449,534	464,798	574,163
Collective	170,388	168,209	146,660	169,657	167,168	146,607
Total allowance for impairment	639,322	659,147	738,164	619,191	631,966	720,770

Loans and advances to Banks						
In Rs 000	Group			Bank		
	2019	2018	2017	2019	2018	2017
Allowance for impairment						
Collective	12,837	-	-	12,837	-	-
Total allowance for impairment	12,837	-	-	12,837	-	-

Investment Securities						
In Rs 000	Group			Bank		
	2019	2018	2017	2019	2018	2017
Allowance for impairment						
Individual	153,793	94,549	-	153,793	94,549	-
Total allowance for impairment	153,793	94,549	-	153,793	94,549	-

33. Financial risk review (continued)**(b) Credit Risk (continued)****Loans and advances with renegotiated terms**

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

In Rs 000	Loans and advances to customers					
	Group			Bank		
	2019	2018	2017	2019	2018	2017
Gross carrying amount	59,971	107,913	287,774	55,217	107,913	283,115
<i>Of which Impaired amount</i>	43,425	78,412	102,244	43,425	78,412	102,244
Allowance for impairment	22,269	19,041	40,838	22,269	19,041	40,838
Net carrying amount	37,702	88,872	246,936	32,948	88,872	242,277

Credit Portfolio Analysis – by Risk Grade

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

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

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

In Rs 000	Loans and advances to customers					
	Group			Bank		
	2019	2018	2017	2019	2018	2017
Grade 0-4	4,306,888	6,841,820	6,011,972	4,250,192	6,781,305	5,941,369
Grade 5-6	3,294,449	2,902,117	2,734,390	3,294,269	2,901,785	2,714,333
Grade 7-9	5,859,637	3,337,713	2,737,031	5,853,205	3,324,464	2,733,127
Grade X (impaired)	674,190	777,226	1,001,253	653,064	738,877	950,580
No credit grading	-	-	1,239	-	-	-
Total gross amount	14,135,164	13,858,876	12,485,885	14,050,730	13,746,431	12,339,409
Allowance for impairment (individual and collective)	(639,322)	(659,147)	(738,164)	(619,191)	(631,966)	(720,770)
Net carrying amount	13,495,842	13,199,729	11,747,721	13,431,539	13,114,465	11,618,639
<i>Off balance sheet</i>						
Grade 0-4	2,164,039	3,284,848	2,768,671	2,162,446	3,280,137	2,746,078
Grade 5-6	224,357	499,890	266,872	224,349	499,890	266,211
Grade 7-9	743,818	878,096	894,628	743,818	873,996	894,628
Grade X (impaired)	4,406	7,725	3,431	3,972	7,725	3,432
No credit grading	-	205	-	-	-	-
Total exposure	3,136,620	4,670,764	3,933,602	3,134,585	4,661,748	3,910,349

33. Financial risk review (continued)**(b) Credit Risk (continued)**

In Rs 000	2019	Loans and advances to banks		2019	2018	2017
		Group	Bank			
		2018	2017			
Outstanding Exposure						
Grade 0-4	24,825	43,068	240,030	24,825	43,068	240,030
Grade 5-6	-	-	-	-	-	-
Grade 7-9	1,303,996	-	-	1,303,996	-	-
Grade X (impaired)	-	-	-	-	-	-
No credit grading	-	-	-	-	-	-
Total gross amount	1,328,821	43,068	240,030	1,328,821	43,068	240,030
Allowance for impairment (individual and collective)	(12,837)	-	-	(12,837)	-	-
Net carrying amount	1,315,984	43,068	240,030	1,315,984	43,068	240,030
<i>Off balance sheet</i>						
Grade 0-4	-	-	-	-	-	-
Grade 5-6	-	-	-	-	-	-
Grade 7-9	350,716	-	-	350,716	-	-
Grade X (impaired)	-	-	-	-	-	-
No credit grading	-	-	-	-	-	-
Total exposure	350,716	-	-	350,716	-	-

33. Financial risk review (continued)**(b) Credit Risk (Continued)****Portfolio analysis by market / product**

The Group and the Bank assess its credit portfolio in the context of ECL from a market/product perspective, thereby grouping loans by homogeneity in the context of probability of default / loss given default.

Group (Rs '000)	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to customers at amortised cost					
Corporates	8,645,104	692,309	453,693	9,791,106	9,535,370
Retail	583,687	27,375	147,907	758,969	363,588
Banks and Credit Institutions	282,257	-	-	282,257	-
Mortgages	3,122,488	107,768	72,576	3,302,832	3,959,918
Sovereign	-	-	-	-	-
	12,633,536	827,452	674,176	14,135,164	13,858,876
Loss allowance	(159,182)	(11,221)	(468,919)	(639,322)	(659,147)
Carrying amount	12,474,354	816,231	205,257	13,495,842	13,199,729

Off-balance sheet (loan commitments)					
Corporates	2,571,476	245,830	4,367	2,821,673	4,410,783
Retail	44,674	-	40	44,714	72,133
Banks and Credit Institutions	150,845	-	-	150,845	-
Mortgages	115,594	3,794	-	119,388	178,832
Sovereign	-	-	-	-	-
Total	2,882,589	249,624	4,407	3,136,620	4,661,748

Group (Rs '000)	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to banks at amortised cost					
Banks and Credit Institutions	1,328,821	-	-	1,328,821	-
	1,328,821	-	-	1,328,821	-
Loss allowance	(12,837)	-	-	(12,837)	-
Carrying amount	1,315,984	-	-	1,315,984	-

Off-balance sheet (loan commitments)					
Banks and Credit Institutions	350,716	-	-	350,716	16,071
Total	350,716	-	-	350,716	16,071

Investment securities at amortised cost					
Corporate bond	-	-	186,965	186,965	173,389
Loss allowance	-	-	(153,793)	(153,793)	(94,549)
Carrying amount	-	-	33,172	33,172	78,840

33. Financial risk review (continued)**(b) Credit Risk (Continued)****Portfolio analysis by market / product (continued)**

Bank (Rs '000)	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to Customers at amortised cost					
Corporates	8,591,443	683,847	432,585	9,707,875	9,425,106
Retail	582,513	27,363	147,891	757,767	361,407
Banks and Credit Institutions	282,257	-	-	282,257	-
Mortgages	3,122,488	107,768	72,575	3,302,831	3,959,918
Sovereign	-	-	-	-	-
	12,578,701	818,978	653,051	14,050,730	13,746,431
Loss allowance	(158,511)	(10,729)	(449,951)	(619,191)	(631,966)
Carrying amount	12,420,190	808,249	203,100	13,431,539	13,114,465
Off-balance sheet (loan commitments)					
Corporates	2,569,883	245,830	3,932	2,819,645	4,410,783
Retail	44,666	-	40	44,706	72,133
Banks and Credit Institutions	150,845	-	-	150,845	-
Mortgages	115,594	3,795	-	119,389	178,832
Sovereign	-	-	-	-	-
Total	2,880,988	249,625	3,972	3,134,585	4,661,748
Loans and advances to Banks at amortised cost					
Banks and Credit Institutions	1,328,821	-	-	1,328,821	-
	1,328,821	-	-	1,328,821	-
Loss allowance	(12,837)	-	-	(12,837)	-
Carrying amount	1,315,984	-	-	1,315,984	-
Off-balance sheet (loan commitments)					
Banks and Credit Institutions	350,716	-	-	350,716	16,071
Total	350,716	-	-	350,716	16,071
Investment securities at amortised cost					
Corporate bond	-	-	186,965	186,965	173,389
Loss allowance	-	-	(153,793)	(153,793)	(94,549)
Carrying amount	-	-	33,172	33,172	78,840

The above segments have been aligned with Basel and loans and advances and loan commitments (on a contract basis) are categorised within the above segments. The classification considers that:

- each counterparty with a real estate loan contract, regardless of its risk segment (individuals or corporate), is allocated to the IFRS 9 segment Mortgage / Real Estate.
- each counterparty with at least one commitment that does not fall into the Mortgage / Real Estate category is allocated to an IFRS 9 asset segment according to its risk segment.

Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. Please refer to Note 33 b.

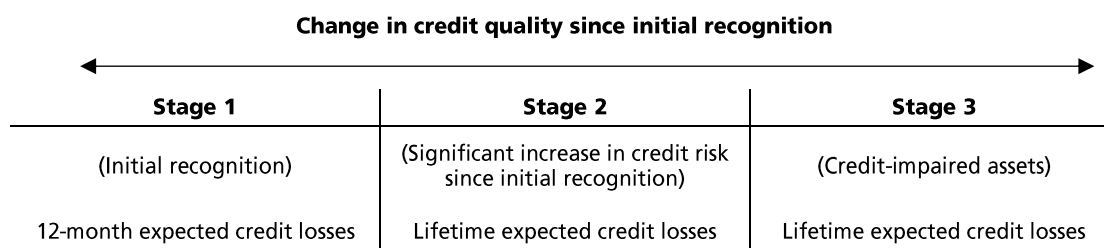
33. Financial risk review (continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (Continued)

- 33 (b) (1) for a description of how the Group and Bank determine when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". Please refer to Note 33 (b) (2) for a description of how the Group and the Bank define credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 33 (b) (3) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 33 (b) (4) includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



1) Determining Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group and Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The Group and Bank use the following criteria for determining whether there has been a significant increase in credit risk at each reporting date:

- Forbearance status: a customer is considered to be in Forbearance if the latter has at least one "modified loan" which is generally a quantitative indicator of SICR.
- Monitoring of customers in the Watch List (WL): The purpose of the WL committees is to review the main performing files that require a particular follow-up (presence of unpaid bills or overruns, alerts on the account, contagion, decommissioning doubtful).
- As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group and Bank determine a probation period during which the financial asset is required to demonstrate "good behaviour" to provide evidence that its credit risk has declined sufficiently. The probation period of the Bank is 6 months.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

33. Financial risk review (continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (continued)

The Group and the Bank monitor the effectiveness of the criteria used to identify significant increases in credit risk by annual reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

2) Definition of default and credit-impaired assets

The Group and the Bank define a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 30 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with the macro prudential rules issued by the Bank of Mauritius.

3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group and the Bank expect to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

33. Financial risk review (continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (continued)

Key assumptions for Stage 1 and Stage 2

The ECL is determined by projecting the PD, LGD and EAD by market as set out in Note 33 (b) Portfolio analysis by market and are applied on a contract basis. The three components are multiplied together to arrive at the ECL. The key assumptions for PD, LGD and EAD are described below, taking into consideration any limitations as regards data used.

Probability of default

For the First Time Application of IFRS 9, the credit risk rating evolution from the Bank's internal rating tool, is not retained due to unavailability of historical information for credit grades (i.e. only available from April 2016 following change in MIS).

For the previous reporting period, the PD has been estimated from a transition perspective over a select timeframe, i.e. "value of new" doubtful loans in year N expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Mortgage, Banking and Financial Institutions and Sovereigns

For the current reporting period, the PD has been estimated from a transition perspective over a select timeframe, i.e. "number of new" arrears and excesses more than 30 days expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Banking and Credit Institutions, Mortgage and Sovereigns.

The Lifetime PD is estimated for all contracts with a remaining maturity of more than 1 year. The Lifetime PD is derived as follows: The notion of Probability of default at maturity will be calculated on the number of years remaining per contract. This allows, for the outstanding amounts in bucket 2, to translate the cumulative effect of expected losses on the years remaining of the contracts.

Exposure at Default

The Exposure at Default considers the current outstanding amounts of the loan book at the reporting date and loan commitments (off balance sheet items which include trade financing facilities, undrawn credit facilities amongst others).

For loan commitments, the exposure at default is estimated by considering the current drawn balance at the reporting date and adjusting it with a "Credit Conversion Factor (CCF)" which allows for the expected drawdown of the remaining limit by the time of default. These CCF are in line with the BOM requirements.

In estimating the Lifetime PD, the EAD at the reporting date will be considered as the EAD throughout the lifetime of the credit facility (as explained above).

Loss Given Default

LGD is the magnitude of the likely loss if there is a default. The Group and the Bank estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD estimation considers the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For the current reporting period, the LGD has been estimated from a transition perspective over a select timeframe, i.e. the recuperation rate of impaired assets.

The Group and the Bank have a limited history of write offs which is volatile by market and by year (i.e. the credit facilities remain at 100% provision of gross exposure until recovery is not completed). Consequently, the LGD for all "markets" have calculated based on the recovery rate. For example, LGD is $1-(RR)$ where RR is the recovery rates.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

33. Financial risk review (continued)**(b) Credit Risk (Continued)****Expected credit loss measurement (continued)**Key assumptions for Stage 3

Credit-impaired assets, as defined earlier, is subject to individual assessment (which also factors in forward-looking information from a more holistic perspective).

As part of the individual assessment, the Group and the Bank determines the expected shortfall between contractual cash flows and expected cash flows. Expected cash flows are either in the form of short term and long-term payments (obtained from discussions with the client or the existence of financial forecasts for corporates) and cash flows to be generated from the foreclosure of collateral (usually fixed and or floating charges). These cash flows are together discounted at the original Effective Interest Rate. The discounts applied in estimating value from foreclosure is the same as the BOM Guidelines.

The ECL is then determined as the difference between the EAD at the reporting date and the expected cash flows to be received, discounted for time value of money.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4) Forward-looking information incorporated in the ECL models

The Group and the Bank incorporate forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The approach taken by the Group and the Bank in applying forward looking information in the estimates of expected losses, is the projection of the risk parameters according to different macroeconomic scenarios, more specifically, the evolution of the projected sectoral growth rates for Segment A while Segment the ratings of countries have been taken into consideration. The forecast of the sectoral are obtained from Bank of Mauritius on a monthly basis. For segment B, the ratings of countries are taken from Moody's, Fitch and Standard and Poor.

5) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2018 represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

Group (Rs '000)	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to Customers at amortised cost					
Balance at 1 January	125,872	42,489	490,786	659,147	696,314
Transfer to Stage 1	39,585	(37,941)	(1,644)	-	
Transfer to Stage 2	(7,898)	8,032	(134)	-	
Transfer to Stage 3	(508)	(976)	1,484	-	
New financial assets purchased	30,097	2,923	4,347	37,367	3,647
Net remeasurement of loss allowance	(42,336)	6,975	(23,111)	(58,472)	(60,472)
Write-offs	-	-	(27,009)	(27,009)	(2,896)
Foreign exchange and other movements	-	-	4,321	4,321	(1,502)
Sub-total	144,812	21,502	449,040	615,354	635,091
Adjustment for BOM Guidelines *	14,370	(10,296)	19,894	23,968	24,056
Balance at 31 December	159,182	11,206	468,934	639,322	659,147

33. Financial risk review (continued)**(b) Credit Risk (Continued)****Expected credit loss measurement (continued)****Loans and advances to Banks at amortised cost**

Balance at 1 January	-	-	-	-	-
New financial assets purchased	2,128	-	-	2,128	-
Net remeasurement of loss allowance	-	-	-	-	-
Sub-total	2,128	-	-	2,128	-
Adjustment for BOM Guidelines *	10,709	-	-	10,709	-
Balance at 31 December	12,837	-	-	12,837	-

Investment securities at amortised cost

Balance at 1 January	-	-	94,549	94,549	42,578
Net remeasurement of loss allowance	-	-	55,546	55,546	45,448
Foreign exchange and other movements	-	-	3,698	3,698	(3,801)
Adjustment for BOM Guidelines *	-	-	-	-	-
Sub-total	-	-	153,793	153,793	84,225
Adjustment for BOM Guidelines *	-	-	-	-	10,324
Balance at 31 December	-	-	153,793	153,793	94,549

Bank (Rs '000)

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances at amortised cost					
Balance at 1 January	125,034	42,134	464,798	631,966	678,192
Transfer to Stage 1	39,353	(37,709)	(1,644)	-	-
Transfer to Stage 2	(7,722)	7,856	(134)	-	-
Transfer to Stage 3	(508)	(973)	1,481	-	-
New financial assets purchased	30,072	2,923	47	33,042	0
Net remeasurement of loss allowance	(42,043)	7,176	(13,899)	(48,766)	(65,977)
Write-offs	-	-	(24,908)	(24,908)	(2,803)
Foreign exchange and other movements	-	-	3,889	3,889	(1,502)
Subtotal	144,186	21,407	429,630	595,223	607,910
Adjustment for BOM Guidelines *	14,783	(10,261)	19,446	23,968	24,056
Balance at 31 December	158,969	11,146	449,076	619,191	631,966

Loans and advances to Banks at amortised cost

Balance at 1 January					
New financial assets purchased	2,218	-	-	2,128	-
Net remeasurement of loss allowance	-	-	-	-	-
Sub-total	2,128	-	-	2,128	-
Adjustment for BOM Guidelines *	10,709	-	-	10,709	-
Balance at 31 December	12,837	-	-	12,837	-

33. Financial risk review (continued)**(b) Credit Risk (Continued)****Expected credit loss measurement (continued)****Investment securities at amortised cost**

Balance at 1 January	-	-	94,549	94,549	42,578
Net remeasurement of loss allowance	-	-	55,546	55,546	45,448
Foreign exchange and other movements	-	-	3,698	3,698	(3,801)
Sub-total	-	-	153,793	153,793	84,225
Adjustment for BOM Guidelines *	-	-	-	-	10,324
Balance at 31 December	-	-	153,793	153,793	94,549

* The Bank also computes specific provision and general provisions in line with the requirements of the Bank of Mauritius's Credit Impairment Guideline.

As regards general provisions, the guideline requires a Minimum Portfolio Provision of 1% on all performing loans and all non-performing loans with nil provision amount. Additional Portfolio Provisions are also mandatory for the following sectors (0.5% for housing sector and 1.0% for commercial, residential and land parcelling, tourism and personal sector).

As regards specific provisions, the guideline requires the use of provision rates (20%, 50% or 100%) based on the number of days outstanding to be applied to the expected shortfall in cash flows. The guidelines also provide the basis for estimating the net realisable value of the collateral (being either 40% in cases where legal proceedings have commenced and the loan is due for more than 1 year or 50% in all other cases).

The Bank has set up an IFRS 9 model committee, which will take place at least once a year, to review the results of the back-testing studies that will be carried out and update the parameters of the IFRS 9 general provision model (PD, LGD, Forward Looking). The model can also be improved with new inputs over time, concerning additional criteria to be added (distinction between buckets for PD rates, LGD, discounting future cash flows).

General and Portfolio Provisioning

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

A reconciliation of the level of General Provisions and Macro Prudential Provisions are as follows:

In Rs 000	2019	2018	2017
	Bank	Bank	Bank
Gross Loans and advances to customers	14,050,730	13,746,431	12,339,409
Add Loans and advances to banks not qualified for exemption	1,328,821	-	-
Add Interest receivable	-	-	-
Add credit balances eligible for set off	-	-	-
Less Impaired loans	(653,064)	(738,877)	(1,120,892)
Less Loans secured by cash collateral	-	-	(66,549)
Less Loans secured by bank guarantees	-	-	(1,665,788)
Less Loans treated as claims on banks and exempted	-	-	-
Net adjusted loans and advances	14,726,487	13,007,554	9,486,180
1% General Provision	147,554	130,524	116,024
0.5% Macro Prudential Provision	34,940	36,644	30,583
Total General and Macro Prudential Provision	182,494	167,168	146,607

33. Financial risk review (continued)**(b) Credit Risk (Continued)****Expected credit loss measurement (continued)**

In Rs 000	2019 Bank	2018 Bank	2017 Bank
Balance Sheet General Provision	182,494	167,168	146,607
General Reserve	-	-	-
Balance Sheet General Provision	182,494	167,168	146,607

As per Banque Centrale de Madagascar requirements, there is no General Provisioning nor Portfolio Provisioning requirements for the Bank's subsidiary, BM Madagascar. However, provisions have been computed using IFRS 9 model as described above.

Concentrations of credit risk

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

Large Exposures

The Group and the Bank adopts the definition of "Large exposures", as defined by the Bank of Mauritius Guidelines on Credit Concentration Risk. The table below shows the "Large exposures" as at 31st December 2019.

Customer / Group of closely related customers	Total exposures after set offs (MMUR)	% of Bank's capital base
1	1,292	60%
2	846	40%
3	641	30%
4	581	27%
5	570	27%
6	568	27%
7	493	23%
8	454	21%
9	434	20%
10	385	18%
11	379	18%
12	364	17%
13	364	17%
14	364	17%
15	364	17%
16	364	17%
17	319	15%
18	307	14%
19	301	14%
20	272	13%
21	255	12%
22	253	12%
23	233	11%
Aggregate exposure of "Large Exposures"	10,403	487%

33. Financial risk review (continued)

(b) Credit Risk (Continued)**Expected credit loss measurement (continued)****Concentrations of credit risk (continued)**Sector wise distribution

In Rs 000	Loans and advances to customers			
	2019 Group	Bank	2018 Group	Bank
Agriculture, Forestry & Fishing	624,838	624,288	275,878	275,217
Manufacturing	1,323,139	1,321,598	1,848,955	1,845,143
Education	-	-	-	-
Accommodation and food service activities	1,119,560	1,116,291	1,098,837	1,094,916
Transportation and Storage	22,152	13,566	49,788	37,875
Construction	4,321,641	4,319,414	4,395,579	4,390,742
Other Financial Corporations	1,525,181	1,522,900	1,076,437	1,071,779
Freeport Enterprise Certificate Holders	-	-	-	-
Wholesale and retail trade and repair of motor vehicles	1,191,751	1,130,200	1,312,419	1,235,786
Personal	363,982	361,848	392,470	390,294
Professional	73,119	71,223	85,378	82,360
Global Business Licence Holders	940,236	940,236	1,064,993	1,064,993
Infrastructure	-	-	-	-
Others	2,629,565	2,629,166	2,258,142	2,257,326
Total amount	14,135,164	14,050,730	13,858,876	13,746,431

33. Financial risk review (continued)**(b) Credit Risk (Continued)****Expected credit loss measurement (continued)****Concentrations of credit risk (continued)**Country wise distribution

In Rs 000	Loans and advances to customers			
	2019		2018	
	Group	Bank	Group	Bank
Australia	10,606	10,606	827	827
Germany	895	895	111	111
Bahrain	28,843	28,843	-	-
Belgium	-	-	9,603	9,603
Cameroun	2,653	2,653	-	-
Canada	3,403	3,403	-	-
China	-	-	195,550	195,550
Congo	3,177	3,177	-	-
Equatorial Guinea	-	-	965	965
France	282,508	282,508	667,822	667,820
Gabon	-	-	-	-
Hong-Kong	202,975	202,975	-	-
India	-	-	172,018	172,018
Italy	2,688	2,688	24,070	24,070
Ivory Coast	398,446	398,446	168	168
Luxembourg	1	1	-	-
Madagascar	100,147	15,713	113,062	621
Malaysia	-	-	6,422	6,422
Maldives	358	358	-	-
Mauritius	11,815,676	11,815,676	12,432,169	12,432,168
Morocco	-	-	4,573	4,573
Netherlands	363,500	363,500	41	41
Nigeria	-	-	249	249
Rwanda	-	-	260	260
Seychelles	2,062	2,062	2,466	2,466
Sierra Leone	-	-	166	166
Singapore	32,507	32,507	14,823	14,823
South Africa	27,194	27,194	46,918	46,918
Switzerland	51,677	51,677	55,053	55,053
United Arab Emirates	761,624	761,624	23,292	23,291
United Kingdom	31,162	31,162	88,201	88,201
Thailand	2,775	2,775	-	-
Zimbabwe	10,287	10,287	-	-
Others	-	-	47	47
Total amount	14,135,164	14,050,730	13,858,876	13,746,431

33. Financial risk review (continued)**(b) Credit Risk (Continued)***Country wise distribution (continued)*

In Rs 000	Loans and advances to banks			
	2019		2018	
	Group	Bank	Group	Bank
Togo	1,026,602	1,026,602	-	-
Mauritius	24,825	24,825	-	-
Madagascar	1	1	-	-
France	19,683	19,683	-	-
Morocco	570	570	-	-
Burkina Faso	236,973	236,973	-	-
Ivory Coast	20,167	20,167	-	-
Total amount	1,328,821	1,328,821	-	-

Credit risk mitigation

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

The main types of collateral taken are:

- mortgage bonds over residential, commercial and industrial properties;
- floating charge over plant and equipment and the assets of the company.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

(c) Liquidity Risk

Liquidity risk is the risk that the Group and the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due. The nature of banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. The Group and the Bank manages liquidity in accordance with approved risk policies, compliant with Bank of Mauritius guideline.

The liquidity risk management framework differentiates between:

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

The primary governance committee overseeing this risk is the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

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33. Financial risk review (continued)

Maturities (contractual) of assets and financial liabilities.

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2019								
Assets								
Cash and Cash equivalents	4,857,016	7,206	-	-	-	-	-	4,864,222
Loans and advances to banks	12,607	385,653	475,820	450,306	-	-	4,435	1,328,821
Loans and advances to customers	1,399,774	1,959,750	496,360	227,565	528,906	7,912,655	1,610,154	14,135,164
Investment securities	100,321	584,111	513,334	319,151	895,777	210,027	-	2,622,721
Other assets	-	-	-	-	-	-	1,631,787	1,631,787
	6,369,718	2,936,720	1,485,514	997,022	1,424,683	8,122,682	3,246,376	24,582,715
Less allowances for credit impairment								(805,952)
Total assets								23,776,763
2019								
Liabilities								
Deposits from banks	1,014	585,559	-	-	-	-	-	586,573
Deposits from customers	10,267,455	1,253,397	672,419	716,350	923,068	484,135	-	14,316,824
Borrowed funds	-	384,388	1,080,814	850,431	232,647	3,041,615	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	1,075,596	1,075,596
	10,268,469	2,223,344	1,753,233	1,566,781	1,155,715	3,525,750	1,075,596	21,568,888
Equity								2,425,642
Total liabilities								23,994,530
Net Liquidity Gap	(3,898,751)	713,376	(267,719)	(569,759)	268,968	4,596,932	2,170,780	3,013,827

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33. Financial risk review (continued)

Maturities (contractual) of assets and financial liabilities.

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2018								
Assets								
Cash and Cash equivalents	2,429,797	-	-	-	-	-	-	2,429,797
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	2,145,316	2,902,086	350,168	210,532	530,919	6,940,289	779,566	13,858,876
Investment securities	1,049,643	-	-	243,464	590,124	-	172,521	2,055,752
Other assets	37,053	-	-	-	-	-	1,237,979	1,275,032
	5,704,877	2,902,086	350,168	453,996	1,121,043	6,940,289	2,190,066	19,662,525
Less allowances for credit impairment								(753,696)
Total assets								18,908,829
2018								
Liabilities								
Deposits from banks	-	-	-	-	-	-	9,273	9,273
Deposits from customers	1,171,400	1,819,591	1,409,589	3,350,810	1,257,694	3,507,068	-	12,516,152
Borrowed funds	3,617,031	-	-	-	-	20,073	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	553,121	-	-	-	-	-	-	553,121
	5,341,552	1,819,591	1,409,589	3,350,810	1,257,694	3,527,141	9,273	16,715,650
Equity								2,382,365
Total liabilities								19,098,015
Net Liquidity Gap	363,325	1,082,495	(1,059,421)	(2,896,814)	(136,651)	3,413,148	2,180,793	2,946,875

33. Financial risk review (continued)*Maturities (contractual) of assets and financial liabilities.*

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2017								
Assets								
Cash and Cash equivalents	1,772,246	-	-	-	-	-	-	1,772,246
Loans and advances to banks	-	-	6,994	30,566	-	202,470	-	240,030
Loans and advances to customers	3,328,844	1,343,195	55,053	18,950	549,434	6,021,890	1,168,519	12,485,885
Investment securities	218,232	448,235	323,803	106,492	1,052,890	354,007	-	2,503,659
Other assets	40,314	-	-	-	-	-	860,886	901,200
	5,359,636	1,791,430	385,850	156,008	1,602,324	6,578,367	2,029,405	17,903,020
Less allowances for credit impairment								(738,164)
Total assets								17,164,856
2017								
Liabilities								
Deposits from banks	16	-	-	-	-	-	-	16
Deposits from customers	1,453,694	1,518,694	1,649,463	2,155,372	1,065,057	3,733,136	1,856	11,577,272
Borrowed funds	360,138	1,669,157	383,230	524,420	-	214,901	-	3,151,846
Subordinated liabilities	-	-	-	-	-	202,470	-	202,470
Other liabilities	71,774	-	-	-	-	-	315,104	386,878
	1,885,622	3,187,851	2,032,693	2,679,792	1,065,057	4,150,507	316,960	15,318,482
Equity								2,225,799
Total liabilities								17,544,281
Net Liquidity Gap	3,474,014	(1,396,421)	(1,646,843)	(2,523,784)	537,267	2,427,860	1,712,445	2,584,538

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33. Financial risk review (continued)

(c) Liquidity Risk (continued)

2019

Bank	Up to 1 month	1-3 months	3-6 months	1-12 months	1-3 years	Over 3 years	Non-maturity	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2019 Assets								
Cash and Cash equivalents	4,594,113	7,206	-	-	-	-	-	4,601,319
Loans and advances to banks	12,607	385,653	475,820	450,306	-	-	4,435	1,328,821
Loans and advances to customers	1,391,093	1,959,750	496,360	227,565	474,278	7,912,655	1,589,029	14,050,730
Investment securities	71,074	550,499	513,334	304,752	895,777	210,027	-	2,545,463
Other assets	-	-	-	-	-	-	1,591,727	1,591,727
	6,068,887	2,903,108	1,485,514	982,623	1,370,055	8,122,682	3,185,191	24,118,060
Less allowances for credit impairment								(785,821)
Total assets								23,332,239
Liabilities								
Deposits from banks	1,014	585,559	-	-	-	-	-	586,573
Deposits from customers	9,992,117	1,253,397	670,861	667,245	923,068	484,135	-	13,990,823
Borrowed funds	-	384,388	1,080,814	850,431	232,647	3,041,615	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	1,028,783	1,028,783
Total liabilities	9,993,131	2,223,344	1,751,675	1,517,676	1,155,715	3,525,750	1,028,783	21,196,074
Equity								2,399,544
Total liabilities								23,595,618
Net Liquidity Gap	(3,924,244)	679,764	(266,161)	(535,053)	214,340	4,596,932	2,156,408	2,921,986
Credit Commitments								

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33. Financial risk review (continued)

(c) Liquidity Risk (continued)

Bank	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	2,532,186	-	-	-	-	-	-	2,532,186
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	2,084,315	2,902,019	350,163	210,245	526,801	6,934,011	738,877	13,746,431
Investment securities	1,049,643	-	-	105,078	590,124	-	172,521	1,917,366
Other assets	-	-	-	-	-	-	1,237,978	1,237,978
	5,709,212	2,902,019	350,163	315,323	1,116,925	6,934,011	2,149,376	19,477,029
Less allowances for credit impairment								(726,516)
Total assets								18,750,013
2018								
Liabilities								
Deposits from banks							1,690	1,690
Deposits from customers	988,601	1,818,054	1,366,740	3,312,545	1,257,091	3,507,068	-	12,250,099
Borrowed funds	3,617,032	-	-	-	-	20,072	-	3,637,104
Other liabilities	734,024	-	-	-	-	-	-	734,024
Total liabilities	5,339,657	1,818,054	1,366,740	3,312,545	1,257,091	3,527,140	1,690	16,622,917
Equity								2,360,381
Total liabilities								18,983,298
Net Liquidity Gap	369,555	1,083,965	(1,016,577)	(2,997,222)	(140,166)	3,406,871	2,147,686	2,854,112
Credit Commitments								

BCP Bank (Mauritius) Ltd

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33. Financial risk review (continued)

(c) Liquidity Risk (continued)

Bank	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
2017	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	1,598,593	-	-	-	-	-	-	1,598,593
Loans and advances to banks	-	-	6,995	30,565	-	202,470	-	240,030
Loans and advances to customers	3,240,997	1,343,183	51,060	17,988	548,417	6,016,872	1,120,892	12,339,409
Investment securities	149,972	448,235	323,803	97,683	1,052,890	354,007	-	2,426,590
Other assets	-	-	-	-	-	-	860,902	860,902
	<u>4,989,562</u>	<u>1,791,418</u>	<u>381,858</u>	<u>146,236</u>	<u>1,601,307</u>	<u>6,573,349</u>	<u>1,981,794</u>	<u>17,465,524</u>
Less allowances for credit impairment								(720,770)
Total assets								<u>16,744,754</u>
2017								
Assets								
Deposits from banks	-	-	-	-	-	-	-	-
Deposits from customers	1,197,965	1,511,507	1,617,969	2,106,883	1,064,410	3,733,134	-	11,231,868
Borrowed funds	360,070	1,669,157	383,230	524,420	-	214,901	-	3,151,778
Subordinated liabilities	-	-	-	-	-	202,470	-	202,470
Other liabilities	-	-	-	-	-	-	379,692	379,692
Total liabilities	<u>1,558,035</u>	<u>3,180,664</u>	<u>2,001,199</u>	<u>2,631,303</u>	<u>1,064,410</u>	<u>4,150,505</u>	<u>379,692</u>	<u>14,965,808</u>
Equity								<u>2,148,227</u>
Total liabilities								<u>17,114,035</u>
Net Liquidity Gap	<u>3,431,527</u>	<u>(1,389,246)</u>	<u>(1,619,341)</u>	<u>(2,485,067)</u>	<u>536,897</u>	<u>2,422,844</u>	<u>1,602,102</u>	
Credit Commitments								

33. Financial risk review (continued)

(d) Market Risk

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

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

- Trading Book Interest Rate risk;
- Banking Book Interest Rate risk;
- Foreign currency risk.

The governance committees overseeing market risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

Interest Rate Risk in the Banking Book

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. This is further divided into the following sub risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- Yield curve risk: shifts in the yield curve that have adverse effects on the income or underlying economic value.
- Basis risk: hedge price not moving in line with the price of the hedged position.

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33. Financial risk review (continued)

(d) Market Risk (continued)

Exposure to interest rate risk

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
2019	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	4,857,016	7,206	-	-	-	-	-	4,864,222
Loans and advances to banks	-	12,607	832,334	479,445	-	-	4,435	1,328,821
Loans and advances to customers	130,465	1,259,255	2,460,813	135	182,835	8,491,506	1,610,155	14,135,164
Investment securities	76,196	155,631	646,210	320,768	457,060	966,856	-	2,622,721
Other Assets	-	-	-	-	-	-	1,631,787	1,631,787
	5,063,677	1,434,699	3,939,357	800,348	639,895	9,458,362	3,246,377	24,582,715
Less allowances for credit impairment								(805,952)
Total assets								23,776,763
Liabilities								
Deposits from banks	1014	-	585,559	-	-	-	-	586,573
Deposits from customers	9,464,267	140,932	575,344	1,225,527	1,884,579	1,026,175	-	14,316,824
Borrowed funds	-	-	607,928	857,275	1,026,857	3,097,835	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	1,075,596	1,075,596
Total liabilities	9,465,281	140,932	1,768,831	2,082,802	2,911,436	4,124,010	1,075,596	21,568,888
Interest rate sensitivity gap	(4,401,604)	1,293,767	2,170,526	(1,282,454)	(2,271,541)	5,334,352	2,170,781	3,013,827

Impact Analysis (decrease/increase) on 200 bps

21,993

33. Financial risk review (continued)**(d) Market Risk (continued)****Exposure to interest rate risk**

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non- interest bearing	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2018								
Assets								
Cash and Cash equivalents	2,429,797	-	-	-	-	-	-	2,429,797
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	672,603	2,832,656	5,522	27,818	66,975	9,472,753	780,549	13,858,876
Investment securities	1,105,863	142,401	74,670	-	312,738	247,559	172,521	2,055,752
Other Assets	37,054	-	-	-	-	-	1,237,978	1,275,032
	4,288,385	2,975,057	80,192	27,818	379,713	9,720,312	2,191,048	19,662,525
Less allowances for credit impairment								(753,696)
Total assets								18,908,929
Liabilities								
Deposits from banks	-	-	-	-	9,273	-	-	9,273
Deposits from customers	1,161,144	1,818,054	1,376,991	3,314,185	1,338,103	3,507,670	-	12,516,147
Borrowed funds	240,450	3,376,581	-	-	20,072	-	-	3,637,103
Other Liabilities	553,121	-	-	-	-	-	-	553,121
Total liabilities	1,954,715	5,194,635	1,376,991	3,314,185	1,367,448	3,507,670	-	16,715,644
Interest rate sensitivity gap	2,333,670	(2,219,578)	(1,296,799)	(3,286,367)	(987,735)	6,212,642	2,191,048	2,946,881
Impact Analysis (decrease/increase) on 200 bps							36,253	

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33. Financial risk review (continued)

(d) Market Risk (continued)

Exposure to interest rate risk

Group	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
2017								
Assets								
Cash and Cash equivalents	1,772,246	-	-	-	-	-	-	1,772,246
Loans and advances to banks	-	-	-	-	37,560	202,470	-	240,030
Loans and advances to customers	1,638,833	2,079,311	634,511	204,223	204,434	6,773,993	950,580	12,485,885
Investment securities	18,705	38,542	410,061	620,644	571,444	844,263	-	2,503,659
Other Assets	40,314	-	-	-	-	-	860,886	901,200
	3,470,098	2,117,853	1,044,572	824,867	813,438	7,820,726	1,811,466	17,903,020
Less allowances for credit impairment								(738,164)
Total assets								17,164,856
2017								
Liabilities								
Deposits from banks	16	-	-	-	-	-	-	16
Deposits from customers	1,451,491	1,511,507	1,618,769	2,109,415	1,150,230	3,734,003	1,857	11,577,272
Borrowed funds	97,928	351,729	1,579,638	907,650	-	214,901	-	3,151,846
Subordinated liabilities	-	-	-	-	-	202,470	-	202,470
Other Liabilities	-	-	-	-	-	-	407,859	407,859
Total liabilities	1,549,435	1,863,236	3,198,407	3,017,065	1,150,230	4,151,374	409,716	15,339,463
Interest rate sensitivity gap	1,920,663	254,617	(2,153,835)	(2,192,198)	(336,792)	3,669,352	1,401,750	2,563,557
Impact Analysis (decrease/increase) on 200 bps							21,819	

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33. Financial risk review (continued)

Bank	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
2019	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	4,594,113	7,206	-	-	-	-	-	4,601,319
Loans and advances to banks	-	12,607	832,334	479,445	-	-	4,435	1,328,821
Loans and advances to customers	121,785	1,259,255	2,460,813	135	128,208	8,491,506	1,589,028	14,050,730
Investment securities	71,074	99,511	646,210	304,752	457,060	966,856	-	2,545,463
Other Assets	-	-	-	-	-	-	1,591,727	1,591,727
	4,786,972	1,378,579	3,939,357	784,332	585,268	9,458,362	3,185,190	24,118,060
Less allowances for credit impairment								(785,821)
Total assets								23,332,239
2019								
Liabilities								
Deposits from banks	1,014	-	585,559	-	-	-	-	586,573
Deposits from customers	9,188,929	140,932	575,344	1,217,321	1,842,290	1,026,007	-	13,990,823
Borrowed funds	-	-	607,928	857,275	1,026,857	3,097,835	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	1,028,743	1,028,743
Total liabilities	9,189,943	140,932	1,768,831	2,074,596	2,869,147	4,123,842	1,028,743	21,196,034
Interest rate sensitivity gap	(4,402,971)	1,237,647	2,170,526	(1,290,264)	(2,283,879)	5,334,521	2,156,447	2,922,026

Impact Analysis (decrease/increase) on 200 bps

15,404

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33. Financial risk review (continued)

(d) Market Risk (continued)

Exposure to interest rate risk (continued)

Bank	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
2018								
Assets								
Cash and Cash equivalents	2,532,186	-	-	-	-	-	-	2,532,186
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	619,912	2,832,572	252	27,818	64,653	9,462,347	738,877	13,746,431
Investment securities	1,105,861	98,928	-	-	293,365	247,559	172,521	1,918,234
Other Assets	-	-	-	-	-	-	1,237,978	1,237,978
	4,301,027	2,931,500	252	27,818	358,018	9,709,906	2,149,376	19,477,897
Less allowances for credit impairment								(726,516)
Total assets								18,751,381
2018								
Liabilities								
Deposits from banks	-	-	-	-	1,690	-	-	1,690
Deposits from customers	988,601	1,818,054	1,366,740	3,312,545	1,257,091	3,507,068	-	12,250,099
Borrowed funds	240,450	3,376,582	-	-	20,072	-	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-	-	-
Other Liabilities	734,024	-	-	-	-	-	-	734,024
Total liabilities	1,963,075	5,194,636	1,366,740	3,312,545	1,278,853	3,507,068	-	16,622,917
Interest rate sensitivity gap	2,337,952	(2,263,136)	(1,366,488)	(3,284,727)	(920,835)	6,202,838	2,149,376	2,854,980
Impact Analysis (decrease/increase) on 200 bps								37,767

33. Financial risk review (continued)**(d) Market Risk (continued)****Exposure to interest rate risk (continued)**

Bank	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
2017								
Assets								
Cash and Cash equivalents	1,598,593	-	-	-	-	-	-	1,598,593
Loans and advances to banks	-	-	-	-	37,560	202,470	-	240,030
Loans and advances to customers	1,550,720	2,040,769	623,500	204,223	195,625	6,773,993	950,579	12,339,409
Investment securities	-	-	399,049	620,644	562,634	844,263	-	2,426,590
Other Assets	-	-	-	-	-	-	860,902	860,902
	3,149,313	2,040,769	1,022,549	824,867	795,819	7,820,726	1,811,481	17,465,524
Less allowances for credit impairment								(720,770)
Total assets								16,744,754
2017								
Liabilities								
Deposits from banks	-	-	-	-	-	-	-	-
Deposits from customers	1,197,965	1,511,507	1,617,968	2,106,883	1,064,410	3,733,135	-	11,231,868
Borrowed funds	97,861	351,729	1,579,637	907,650	-	214,901	-	3,151,778
Subordinated liabilities	-	-	-	-	-	202,470	-	202,470
Other Liabilities	-	-	-	-	-	-	400,673	400,673
Total liabilities	1,295,826	1,863,236	3,197,605	3,014,533	1,064,410	4,150,506	400,673	14,986,789
Interest rate sensitivity gap	1,853,487	177,533	(2,175,056)	(2,189,666)	(268,591)	3,670,220	1,410,808	2,478,735
Impact Analysis (decrease/increase) on 200 bps								23,604

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33. Financial risk review (continued)

(d) Market Risk (continued)

Currency risk

The Group's and the Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Group	MUR	USD	GBP	EUR	Other	Total
2019	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	662,289	2,358,756	18,399	1,490,058	334,720	4,864,222
Loans and advances to banks	24,825	12,609	3,665	1,271,134	16,588	1,328,821
Loans and advances to customers	6,596,075	4,419,655	12,932	3,022,074	84,428	14,135,164
Investment securities	2,358,498	-	-	186,965	77,258	2,622,721
Other assets	746,417	172,408	1,953	688,594	22,415	1,631,787
	10,388,104	6,963,428	36,949	6,658,825	535,409	24,582,715
Less allowances for credit impairment						(805,952)
Total assets						23,776,763
2019						
Liabilities						
Deposits from banks	57	383,536	-	202,980	-	586,573
Deposits from customers	7,519,431	4,088,503	30,807	2,273,259	404,824	14,316,824
Borrowed funds	-	2,379,926	-	3,209,969	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	191,640	63,486	6,139	775,524	38,807	1,705,596
Total liabilities	7,711,128	6,915,451	36,946	6,461,732	443,631	22,198,888
Net on-balance sheet position less allowances for credit impairment	2,676,976	47,977	3	197,093	91,778	2,383,827

33. Financial risk review (continued)**(d) Market Risk (continued)****Currency risk**

The Group's and the Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Group	MUR	USD	GBP	EUR	Other	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	550,051	625,696	25,552	1,034,937	193,561	2,429,797
Loans and advances to banks	27,560	-	2,390	-	13,118	43,068
Loans and advances to customers	7,592,569	2,649,816	18,587	3,485,505	112,399	13,858,876
Investment securities	1,745,713	-	-	172,521	137,518	2,055,752
Other assets	272,484	3,537	529	3,230	995,252	1,275,032
	10,188,377	3,279,049	47,058	4,696,193	1,451,848	19,662,525
Less allowances for credit impairment						(753,696)
Total assets						18,908,830
2018						
Liabilities						
Deposits from banks	9,273	-	-	-	-	9,273
Deposits from customers	6,545,094	2,040,682	70,373	3,428,192	431,811	12,516,152
Borrowed funds	-	618,300	-	3,018,804	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	186,458	264,594	2,132	103,642	37,687	594,513
Total liabilities	6,740,825	2,923,576	72,505	6,550,638	469,498	16,757,042
Net on-balance sheet position less allowances for credit impairment	3,447,552	355,473	(25,447)	(1,854,445)	982,350	2,905,483

33. Financial risk review (continued)**(d) Market Risk (continued)****Currency risk (continued)**

Group	MUR	USD	GBP	EUR	Other	Total
2017	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	485,462	950,654	13,461	101,238	221,431	1,772,246
Loans and advances to banks	-	202,470	2,497	-	35,062	240,029
Loans and advances to customers	6,647,391	2,088,167	34,459	3,569,421	146,447	12,485,885
Investment securities	2,256,277	-	-	170,312	77,069	2,503,658
Other assets	860,902	-	-	1,029	39,270	901,201
	10,250,032	3,241,291	50,417	3,842,000	519,279	17,903,019
Less allowances for credit impairment						(738,164)
Total assets						17,164,855
2017						
Liabilities						
Deposits from banks	-	-	-	-	-	-
Deposits from customers	7,862,672	2,053,981	33,152	1,215,336	412,131	11,577,272
Borrowed funds	-	890,868	6,356	2,254,554	-	3,151,778
Subordinated liabilities	-	202,470	-	-	-	202,470
Other liabilities	303,859	-	-	-	3,019	386,878
Total liabilities	8,166,531	3,147,319	39,508	3,469,890	415,150	15,318,398
Net on-balance sheet position less allowances for credit impairment	2,083,501	93,972	10,909	372,110	104,129	2,584,621

33. Financial risk review (continued)**(d) Market Risk (continued)****Currency risk (continued)**

Bank 2019	MUR Rs 000	USD Rs 000	GBP Rs 000	EUR Rs 000	Other Rs 000	Total Rs 000
Assets						
Cash and Cash equivalents	662,159	2,358,373	18,399	1,482,290	80,098	4,601,319
Loans and advances to banks	24,825	12,609	3,665	1,271,134	16,588	1,328,821
Loans and advances to customers	6,596,075	4,419,651	12,932	3,022,072	-	14,050,730
Investment securities	2,358,498	-	-	186,965	-	2,545,463
Other assets	746,417	149,797	1,953	687,994	5,566	1,591,727
	10,387,974	6,940,430	36,949	6,650,455	102,252	24,118,060
Less allowances for credit impairment						(785,821)
Total assets						23,332,239
2019 Liabilities						
Deposits from banks	57	383,536	-	202,980	-	586,573
Deposits from customers	7,519,431	4,088,148	30,807	2,269,277	83,160	13,990,823
Borrowed funds	-	2,379,926	-	3,209,969	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	191,573	36,454	6,139	775,524	19,093	1,028,783
Total liabilities	7,711,061	6,888,064	36,946	6,457,750	102,253	21,196,074
Net on-balance sheet position less allowances for credit impairment	2,676,913	52,366	3	192,705	(1)	2,921,986

33. Financial risk review (continued)**(d) Market Risk (continued)***Currency risk (continued)*

Bank	MUR	USD	GBP	EUR	Other	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	550,051	625,251	25,552	1,299,458	31,874	2,532,186
Loans and advances to banks	27,560	-	2,390	-	13,118	43,068
Loans and advances to customers	7,592,569	2,649,783	18,587	3,485,481	11	13,746,431
Investment securities	1,745,713	-	-	172,521	-	1,918,234
Other assets	272,484	3,537	529	3,072	958,356	1,237,978
	10,188,377	3,278,571	47,058	4,960,532	1,003,359	19,477,897
Less allowances for credit impairment						(726,516)
Total assets						18,751,381
2018						
Liabilities						
Deposits from banks	1,690	-	-	-	-	1,690
Deposits from customers	6,545,094	2,037,108	70,373	3,426,980	170,544	12,250,099
Borrowed funds	-	618,300	-	3,018,804	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	145,068	205,594	2,133	376,776	4,453	734,024
Total liabilities	6,691,852	2,861,002	72,506	6,822,560	174,997	16,662,917
Net on-balance sheet position less allowances for credit impairment	3,496,525	417,569	(25,448)	(1,862,028)	828,362	2,854,980

33. Financial risk review (continued)**(d) Market Risk (continued)****Currency risk (continued)**

Bank	MUR	USD	GBP	EUR	Other	Total
2017	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	485,461	950,237	13,461	100,356	49,078	1,598,593
Loans and advances to banks	-	202,470	2,497	-	35,063	240,030
Loans and advances to customers	6,647,391	2,088,133	34,459	3,569,415	11	12,339,409
Investment securities	2,256,278	-	-	170,312	-	2,426,590
Other assets	860,902	-	-	-	-	860,902
	10,250,032	3,240,840	50,417	3,840,083	84,152	17,465,524
Less allowances for credit impairment						(720,770)
Total assets						16,744,754
2017						
Liabilities						
Deposits from banks	-	-	-	-	-	-
Deposits from customers	7,862,672	2,051,584	33,152	1,213,721	70,739	11,231,868
Borrowed funds	-	890,868	6,357	2,254,553	-	3,151,778
Subordinated liabilities	-	202,470	-	-	-	202,470
Other liabilities	379,692	-	-	-	-	379,692
Total liabilities	8,242,364	3,144,922	39,509	3,468,274	70,739	14,965,808
Net on-balance sheet position less allowances for credit impairment	2,007,668	95,918	10,908	371,809	13,413	2,499,716

33. Financial risk review (continued)**(d) Market Risk (continued)****Currency Risk (continued)**

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in MUR equivalent, resulting from a 1% shock to foreign currency risk exposures, with respect to designated financial instruments, foreign-denominated cash balances and accruals and intragroup foreign-denominated debt.

	Group			Bank		
	2019	2018	2017	2019	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Effect of +/- 1% change	3,213	5,435	5,811	2,451	6,407	4,920

(e) Capital Management

The Group's and the Bank's objective in its capital management function is designed to ensure that regulatory requirements are met at all times and that the Group and the Bank are capitalised in line with the regulatory requirements. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

At the regulatory level, the minimum capital adequacy ratio set by BoM for banks presently stands at 10% of risk-weighted assets, with newly-unveiled Basel III rules which came into force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks.

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

- A minimum Core Equity Tier 1 ratio of 5.5% ;
- A minimum Tier 1 ratio of 6.5%; and
- A Minimum Capital Adequacy Ratio of 10%.

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

Implementation of new capital requirements under Basel III

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

	July 2014	2015	2016	2017	2018	2019	2020
	(All dates are as of 1 January)						
Minimum CET 1 CAR	5.5 %	6.0 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %
Capital Conservation Buffer				0.625 %	1.25 %	1.875 %	2.5 %
Minimum CET 1 CAR plus Capital Conservation Buffer	5.5 %	6.0 %	6.5 %	7.125 %	7.75 %	8.375 %	9.0 %
Phase in of deductions from CET 1			50%	60%	80%	100%	100%
Minimum Tier 1 CAR	6.5 %	7.5 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %
Minimum Total CAR	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
Minimum Total CAR Plus Capital Conservation Buffer	10.0 %	10.0 %	10.0 %	10.625 %	11.25 %	11.875 %	12.5 %
Capital instruments that no longer qualify as AT1 capital or Tier 2 capital	Phased out over 10 year horizon beginning 1 July 2014						

33. Financial risk review (continued)**(e) Capital Management (continued)****Capital Structure**

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

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

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

As at 31st December 2019, the Bank's and Group's capital instruments comprised of only Ordinary Shares issued;

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below :

	Group		Bank	
	2019	2018	2019	2018
	Rs M	Rs M	Rs M	Rs M
BASEL III				
Tier 1 Capital				
Paid up or assigned capital (note 26)	2,218	2,218	2,218	2,218
Statutory reserve	104	102	104	102
Other disclosed free reserves, including undistributed balance in income statement	45	33	26	19
Current year's retained profits				
Minority interests	-	4	-	-
Deduct:				
Investment in Subsidiary (note 18)	-	-	(69)	(47)
Intangible assets (note 20)	(52)	(83)	(52)	(81)
Deferred Tax (note 12)	(87)	(50)	(87)	(50)
CET 1 Capital	2,228	2,224	2,140	2,161
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	2,228	2,224	2,140	2,161
Tier 2 Capital				
Portfolio Provision (note 16)	183	168	183	167
Subordinated debts (note 26)	-	-	-	-
Deduct:				
Investment in Subsidiary (note 18)	-	-	-	(12)
Total Tier 2 Capital	183	168	183	155
Total Capital Base	2,411	2,392	2,323	2,316

33. Financial risk review (continued)**(e) Capital Management (continued)****Risk Weighted Assets for Credit Risk**

The Bank has adopted the Standardised Approach for credit risk capital allocation.

Risk Weighted On-Balance Sheet Assets	Risk Weight	GROUP		BANK	
		Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
	%	Rs M			
Cash items	0 - 20	235	-	138	-
Claims on Sovereigns	0 - 150	2,436	77	2,359	-
Claims on Central banks	0	2,480	721	2,291	533
Claims on Multilateral development banks	0 - 150	-	-	-	-
Claims on banks	20 - 150	4,278	1,483	4,268	1,478
Claims on non-central government public sector entities	0 - 150	-	-	-	-
Claims on corporates	20 - 150	9,237	9,239	9,236	9,237
Claims included in the regulatory retail portfolio	75	128	96	128	96
Claims secured by residential property	35-100	3,621	2,373	3,621	2,373
Claims secured by commercial real estate	100	197	197	197	197
Past due claims	50-150	235	244	235	244
Other assets	100	1,070	1,070	1,032	1,032
Total Risk Weighted On-Balance Sheet Assets		23,917	15,500	23,505	15,190

Risk Weighted Off-Balance Sheet Assets	Credit Conversion Factor	Risk Weight	Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
Transaction-related contingent items	50	0-100	831	415	831	415
Trade-related contingencies	20	0-100	416	83	416	83
Other commitments	20	0-100	2,201	608	2,201	608
Foreign exchange contracts	2	100	7	-	7	-
Total Risk Weighted Off-Balance Sheet Assets			3,455	1,106	3,455	1,106

Total Risk Weighted On & Off Balance Sheet Assets	27,372	16,606	26,960	16,296
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Risk Weighted Assets for Operational Risk

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

The Capital Charge for the Group has been computed as follows:

- Annual gross income: Rs 624 million
- Average gross income over 3 years: Rs 625 million
- Capital charge for operational risk: Rs 94 million

The Capital Charge for the Bank has been computed as follows:

- Annual gross income: Rs 562 million
- Average gross income over 3 years: Rs 593 million
- Capital charge for operational risk: Rs 89 million

33. Financial risk review (continued)**(e) Capital Management (continued)****Risk Weighted Capital Adequacy Ratio**

The regulatory Capital Adequacy Ratio is as follows:

	Group			Bank		
	2019 Rs M	2018 Rs M	2017 Rs M	2019 Rs M	2018 Rs M	2017 Rs M
Core Equity Tier 1 Capital	2,228	2,224	1,811	2,140	2,161	1,762
Total Tier 1 Capital	2,228	2,224	1,811	2,140	2,161	1,762
Total Tier 2 Capital	183	168	251	183	155	251
Total Capital Base	2,411	2,392	2,062	2,323	2,316	2,013
Risk Weighted Assets	17,570	16,830	16,830	17,191	16,188	16,188
CET 1 Ratio	12.7%	13.2%	11.9%	12.5%	13.3%	12.1%
Tier 1 Ratio	12.7%	13.2%	11.9%	12.5%	13.3%	12.1%
Capital Adequacy Ratio	13.7%	14.2%	13.6%	13.5%	14.3%	13.9%

(f) Fair values of financial instruments

The tables that follow analyse the Group's and Bank's financial assets and liabilities that are measured at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS. The different levels are based on the extent to which observable market data and inputs are used in the calculation of the fair value of the financial assets and liabilities. The levels of the hierarchy are defined as follows:

Level 1 – fair values are based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair values are calculated using valuation techniques based on observable inputs, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes financial assets and liabilities valued using quoted market prices in active markets for similar financial assets or liabilities, quoted prices for identical or similar financial assets or liabilities in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly derived or corroborated from observable market data.

Level 3 – fair values are based on valuation techniques using significant unobservable inputs. This category includes financial assets and liabilities where the valuation technique includes unobservable inputs that have a significant effect on the financial asset or liability's valuation. This category includes financial assets and liabilities that are valued based on quoted prices for similar financial assets or liabilities and for which significant unobservable adjustments or assumptions are required to reflect differences between the financial assets or liabilities.

33. Financial risk review (continued)**(f) Fair values of financial instruments (continued)**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

**Group
2019**

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities		2,468,928	-	2,468,928
Derivatives financial instruments			134	134
Liabilities				
Derivatives financial instruments	-	-	-	-

**Group
2018**

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities		1,791,208	-	1,791,208
Liabilities				
Derivatives financial instruments	-	-	6	6

**Group
2017**

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities	-	2,503,659	-	2,503,659
Liabilities				
Derivatives financial instruments	-	-	16	16

33. Financial risk review (continued)**(f) Fair values of financial instruments (continued)****Bank
2019**

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities		2,391,670	-	2,391,670
Investment in subsidiary		-	69,396	69,396
Derivatives financial instruments			134	134

**Bank
2018**

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities		1,653,690	-	1,653,690
Investment in subsidiary		-	58,447	58,447
Liabilities				
Derivatives financial instruments	-	-	6	6

**Bank
2017**

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities	-	1,936,056	-	1,936,056
Investment in subsidiary	-	-	-	-
Liabilities				
Derivatives financial instruments	-	-	16	16

33. Financial risk review (continued)

(f) Fair values of financial instruments (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 December 2016 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

Level 3 financial assets and financial liabilities

The fair value of an unquoted equity investment is deemed to be reliably measured if:

- The variability in the range of reasonable fair value estimates is not significant; or
- The probabilities of the various estimates within the range can be reasonably assessed.

In case of investment in subsidiary (operating in Madagascar) the Bank has considered the Net Assets approach as an appropriate estimate of fair value at the year ended 31 December 2019.

Hence, there are no significant quantitative observable inputs which will affect the fair value of the investment in subsidiary.

34. Supplementary information as required by the Bank of Mauritius

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into segments A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

BCP Bank (Mauritius) Ltd

Notes to and forming part of the consolidated and separate financial statements
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34. Supplementary information as required by Bank of Mauritius (continued)

Statements of profit or loss

Bank Rs'000	Note	2019			2018		2017		Total Rs 000
		Segment A Rs 000	Segment B Rs 000	Total Rs 000	Segment A Rs 000	Segment B Rs 000	Total Rs 000	Segment A Rs 000	Segment B Rs 000
Interest income		580,434	137,135	717,569	511,381	103,495	614,876	521,493	131,533
Interest expense		(212,387)	(113,532)	(325,919)	(160,509)	(53,690)	(214,199)	(146,403)	(85,388)
Net interest income	4	368,047	23,603	391,650	350,872	49,805	400,677	375,090	46,145
Fee and commission income		55,192	41,392	96,584	92,887	41,747	134,634	82,692	20,252
Fee and commission expense		(11,560)	(7,653)	(19,213)	(15,883)	(3,257)	(19,140)	(27,365)	(962)
Net fee and commission income	5	43,632	33,739	77,371	77,004	38,490	115,494	55,327	19,290
Net trading income	6	37,335	32,362	69,697	49,816	15,820	65,636	58,883	8,027
Net income from other financial instruments at fair value through profit or loss	7	-	10,949	10,949	-	58,447	58,447	-	(49,924)
Net gain from sales of Securities		-	-	-	4,609	33,589	38,198		
Other income	8	1,879	10,154	12,033	521	10,179	10,700	3,093	11,400
		39,214	53,465	92,679	131,950	156,525	288,475	117,103	(11,207)
Revenue		82,846	87,204	170,050	482,822	206,330	689,152	492,393	34,938
Personnel expenses	9	(189,705)	(39,506)	(229,211)	(215,307)	(44,889)	(260,196)	(218,785)	(40,578)
Operating lease expenses	10	(11,023)	(1,225)	(12,248)	(41,260)	(4,493)	(45,753)	(36,699)	(7,858)
Depreciation and amortization	19 & 20	(78,996)	(8,665)	(87,661)	(57,910)	(6,307)	(64,217)	(54,269)	(9,463)
Other expenses	11	(163,388)	(18,155)	(181,543)	(163,926)	(22,663)	(186,589)	(150,572)	(31,147)
		(443,112)	(67,551)	(510,663)	(478,403)	(78,352)	(556,755)	(460,325)	(89,046)
Operating profit		7,781	43,256	51,037	4,419	127,978	132,397	32,068	(54,108)
Net impairment loss on financial assets	16(a)(ii)	294	(76,921)	(76,627)	35,803	(54,071)	(18,268)	(24,167)	116,391
Profit / (Loss) before tax		8,075	(33,665)	(25,590)	40,222	73,907	114,129	7,901	62,283
Income tax (Expense) / Credit	12(i)	18,086	20,650	38,736	(158,090)	(679)	(158,769)	31,728	(4,286)
Profit / (Loss)		26,161	(13,015)	13,146	(117,868)	73,228	(44,640)	39,629	57,997

BCP Bank (Mauritius) Ltd

Notes to and forming part of the consolidated and separate financial statements
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34. Supplementary information as required by Bank of Mauritius (continued)

Statement of financial position as at 31 December 2019

	Note	Segment A Rs 000	Segment B Rs 000	2019 Rs 000	Segment A Rs 000	Segment B Rs 000	2018 Rs 000	Segment A Rs 000	Segment B Rs 000	2017 Rs 000
ASSETS										
Cash and cash equivalents	13	1,653,051	2,948,268	4,601,319	1,497,175	1,035,011	2,532,186	1,399,587	199,006	1,598,593
Loans and advances to banks	14	24,797	1,291,187	1,315,984	27,560	15,508	43,068	-	240,030	240,030
Loans and advances to customers	15	10,330,432	3,101,106	13,431,538	11,426,923	2,319,508	13,114,465	8,941,701	2,676,938	11,618,639
Investment securities	17	2,358,498	33,172	2,391,670	1,745,713	77,972	1,823,685	2,256,278	170,312	2,426,590
Investment in subsidiary	18	-	69,396	69,396	-	58,447	58,447	-	-	-
Property and equipment	19	155,877	17,320	173,197	38,343	4,260	42,603	45,383	4,957	50,340
Intangible assets	20	46,801	5,200	52,001	73,198	8,133	81,331	102,662	12,689	115,351
Deferred tax assets	12(i)	58,735	28,260	86,995	42,763	7,402	50,165	181,112	23,182	204,294
Derivative financial instruments	25	-	134	134	-	-	-	-	-	-
Other assets	21	841,865	749,862	1,591,727	1,224,074	13,904	1,237,978	849,012	11,890	860,902
Total assets		15,470,056	8,243,905	23,713,961	13,775,735	15,513,631	3,466,904	18,983,928	13,775,735	3,339,004
LIABILITIES										
Deposits from banks	22	-	586,573	586,573	1,690	-	1,690	-	-	-
Deposits from customers	23	8,046,860	5,943,963	13,990,823	9,038,645	3,211,454	12,250,099	7,753,885	3,477,983	11,231,868
Borrowed funds	24	15,626	5,574,269	5,589,895	-	3,637,104	3,637,104	25,880	3,125,898	3,151,778
Derivative financial instruments	25	-	-	-	6	-	6	-	16	16
Subordinated liabilities	26	-	-	-	-	-	-	-	202,470	202,470
Current tax liabilities	12(i)	-	-	-	-	624	624	688	-	688
Other liabilities	27	427,571	719,554	1,147,126	541,490	192,534	734,024	219,550	181,123	400,673
Total liabilities		8,490,058	12,824,359	21,314,417	9,581,831	7,041,716	16,623,547	8,000,003	6,987,474	14,987,477
Equity										
Share capital	28	-	-	2,218,065	-	-	2,218,065	-	-	1,944,015
Retained earnings	29	-	-	26,344	-	-	18,961	-	-	35,917
Reserves	29	-	-	155,135	-	-	123,355	-	-	147,331
Total equity attributable to the equity holders of the Bank				2,399,544			2,360,381			2,127,263
Total liabilities and equity				23,713,961			18,983,928			17,114,740

36. Immediate and Ultimate Holding Company

At reporting date, the directors considered Banque Centrale Populaire, an entity incorporated under laws of Morocco as it immediate and ultimate holding company.

37. Liquidity Coverage Ratio

During FY 2019, due to the persistence of excess liquidity conditions in MUR, the LCR ratio was maintained above 100%; in foreign currencies, the Bank constituted the required stock of High-Quality Liquid Assets to meet the regulatory requirement. The overall ratio stands at 594 % which demonstrates the bank's resilience should it face any shortfall of liquidity.

	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
HIGH-QUALITY LIQUID ASSETS		
Total High-Quality Liquid Assets (HQLA)	4,224,699,722	4,224,699,722
CASH OUTFLOWS		
Retail deposits and term deposits from small business customers	2,926,795,325	137,271,195
Unsecured wholesale funding	6,916,352,684	2,343,876,781
Credit and liquidity facilities	2,201,429,845	325,853,684
Other contractual funding obligations	36,340,852	36,340,852
TOTAL CASH OUTFLOWS	12,080,918,705	2,843,342,513
CASH INFLOWS		
Other cash inflows	3,470,142,557	3,223,306,407
TOTAL CASH INFLOWS	3,470,142,557	3,223,306,407
	TOTAL ADJUSTED VALUE	
TOTAL HQLA		4,224,699,722
TOTAL NET CASH OUTFLOWS		710,835,628
LIQUIDITY COVERAGE RATIO (%)		594%

38. Non-adjusting subsequent event

In June 2019, the Bank of Mauritius issued a revised Guideline on Credit Impairment Measurement and Income Recognition. The Guideline aimed to bring the prudential requirements in line with international standards and best practices and is effective as from 1 January 2020.

The impact of the provisions of the revised guideline on the financial statements of the Bank has been estimated as an additional provision charge of Rs76.2m and resulting in the provision balance in the Balance sheet (for the Bank) to increase from Rs 785.8m to Rs 862m.