# The Mauritius Commercial Bank Ltd

Annual Report 2015

This report has been prepared to assist relevant stakeholders to assess the Board's strategies and their potential of success. The statements contained herein may include declarations of future expectations and other forward-looking statements that are based on management's current views and assumptions. These involve risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Readers are advised not to place undue reliance on the forward-looking statements relating to the Bank's business strategy, plans, objectives and financial positions as these statements rely on assumptions and hypotheses which inherently represent an accuracy risk. Actual results, performance and events may differ from those in such statements due to general evolution of economic, political and industry conditions, interest rate levels, currency exchange rates as well as changes in laws and regulations and the extent of competition and technological factors. In addition, The Mauritius Commercial Bank Limited does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

# About this annual report

## Scope and Boundary

The report contains concise, material and transparent information relating to and impacting **The Mauritius Commercial Bank Limited** – hereinafter referred to as '**MCB Ltd**', '**MCB**' or '**Bank**' or '**Company**' – as the entity catering for banking operations carried out in and from Mauritius. Reference is, also, made to MCB Group Limited, hereinafter referred to as 'MCB Group Ltd'.

In general, the report provides an overview and an assessment of the operating background, governance structure, inherent functioning, strategic and market positioning and achievements, as well as the financial performances and prospects of MCB Ltd. Overall, the period under review corresponds to the financial year spanning 1 July 2014 to 30 June 2015. In some instances and wherever deemed relevant, the report also covers developments extending beyond the financial reporting boundary.

Due care has been taken to ensure that the contents of the report comply with the obligations and requirements falling under relevant laws, regulations, codes and standards of good practices. Specifically, the financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and relevant regulatory requirements, have been externally verified by our auditors.

The Directors of The Mauritius Commercial Bank Limited are pleased to present its Annual Report for the year ended 30 June 2015.

The Annual Report was approved by the Board of Directors on 29 September 2015.

**Jean-Philippe COULIER**
Chairperson

A.R. Withers

**Antony R. WITHERS**
Chief Executive

# Contents

# Highlights

## Financial Summary

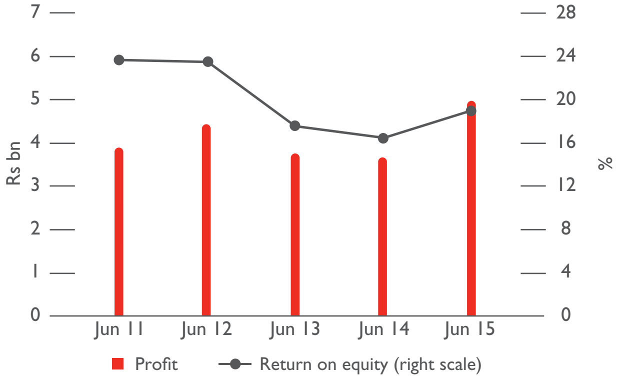
| | Jun 15 | Jun 14 | Jun 13 | Jun 12 | Jun 11 |
|---|---|---|---|---|---|
| **Income statement (Rs m)** | | | | | |
| Operating income | 11,161 | 10,449 | 9,587 | 8,626 | 8,258 |
| Profit before tax | 5,803 | 4,213 | 4,463 | 4,253 | 4,522 |
| Profit for the year | 5,004 | 3,687 | 3,791 | 4,470 | 3,904 |
| **Statements of financial position (Rs m)** | | | | | |
| Total assets | 251,938 | 216,632 | 196,194 | 173,371 | 155,297 |
| Total loans (net) | 156,473 | 145,363 | 141,830 | 130,466 | 114,614 |
| Total deposits | 207,218 | 174,720 | 154,327 | 140,809 | 127,679 |
| Shareholders' funds | 30,289 | 22,099 | 22,693 | 20,278 | 17,827 |
| Tier 1 capital | 28,989 | 20,848 | 20,611 | 17,451 | 15,173 |
| Risk-weighted assets | 209,508 | 201,631 | 192,030 | 175,267 | 145,871 |
| **Performance ratios (%)** | | | | | |
| Return on average total assets | 2.1 | 1.8 | 2.1 | 2.7 | 2.6 |
| Return on average equity | 19.1 | 16.5 | 17.6 | 23.5 | 23.7 |
| Return on average Tier 1 capital | 20.1 | 17.8 | 19.9 | 27.4 | 27.8 |
| Non-interest income to operating income | 34.2 | 37.3 | 33.9 | 33.4 | 35.2 |
| Loans to deposits ratio | 78.0 | 86.6 | 94.5 | 94.9 | 92.2 |
| Cost to income ratio | 40.0 | 42.0 | 42.4 | 44.8 | 41.2 |
| **Capital adequacy ratios (%)** | | | | | |
| Capital & reserves / Total assets | 12.0 | 10.2 | 11.6 | 11.7 | 11.5 |
| BIS risk adjusted ratio | 15.1 | 13.8 | 11.4 | 10.7 | 12.0 |
| *of which Tier 1* | *13.8* | *10.3* | *10.7* | *10.0* | *10.4* |
| **Asset quality** | | | | | |
| Non-performing loans (Rs m) | 9,535 | 10,672 | 7,132 | 5,885 | 4,051 |
| NPL ratio (%) | 5.9 | 7.1 | 4.9 | 4.4 | 3.4 |
| Allowance for loan impairment losses (Rs m) | 5,226 | 5,882 | 4,059 | 3,140 | 3,157 |
| Provision coverage ratio (%) | 54.8 | 55.1 | 56.9 | 53.4 | 77.9 |

*Note: Capital adequacy ratios for the last two financial years are based on Basel III with proforma figures used for 2014 for comparative purposes.*

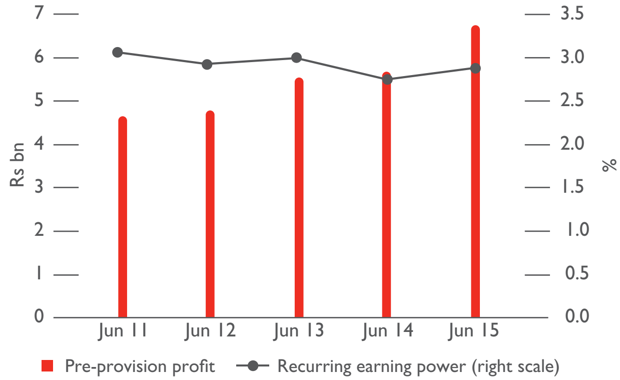
# MCB Ltd : Sound financial performance achieved amidst challenges

An upturn in profitability has been posted, paving the way to long-term value creation …

### Profit for the year



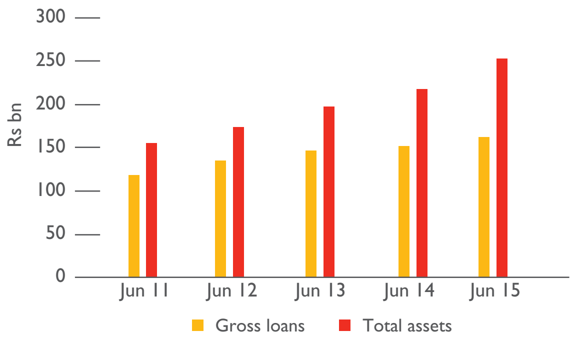

### Recurring earning power



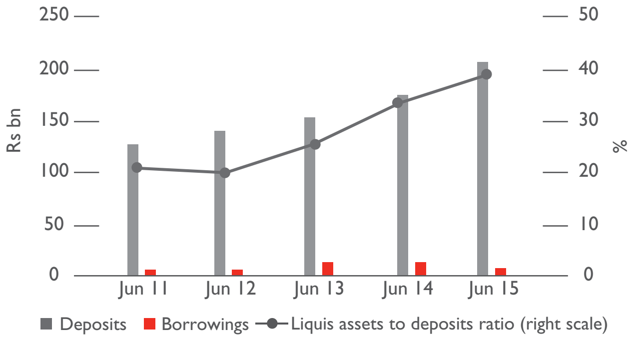

*Recurring earning power=Pre-provision profit excluding net income from sale of securities and non-recurrent items to average assets*

… backed by sustained business development amidst healthy funding and liquidity conditions …

### Loans and assets

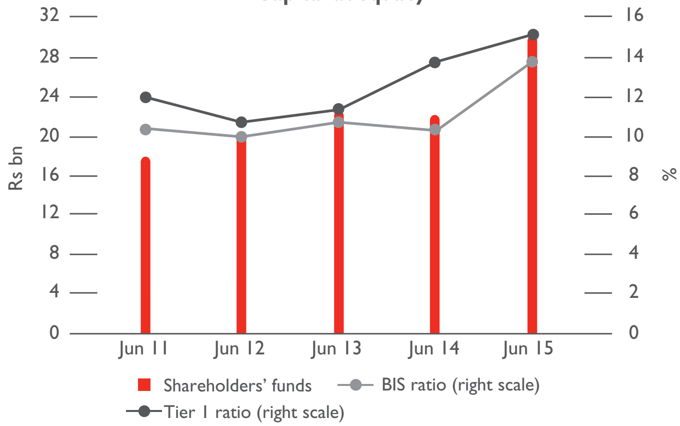



### Liquid assets and deposits

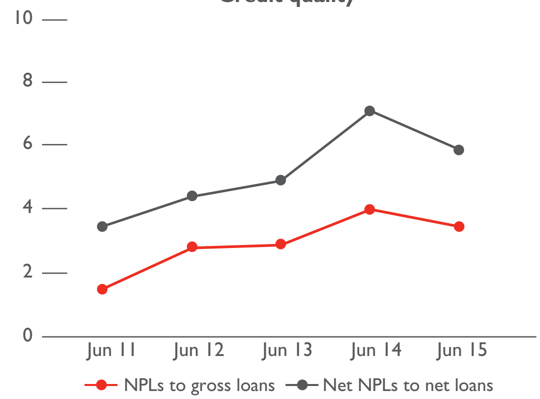



… while the capital base has been strengthened and asset quality metrics improved

### Capital adequacy




### Credit quality



# Executing our strategy

## General Achievements

During the last financial year, the Bank has made further headway in sharpening its local market footprint and broadening its foreign involvement. Towards these ends, it further enriched its value proposition, reinforced the quality of its customer relationships, enhanced its risk management proficiencies, bolstered its internal capabilities and achieved higher operational efficiency levels across business segments.

## Our Medium Term Growth Strategy

As a landmark move, the Bank is presently mobilising its resources and gearing up its inherent capabilities to cater for the smooth implementation of its Medium Term Growth Strategy (MTGS). The latter, which has been designed with the support of foreign consultants, seeks to underpin the realisation of the Bank's business development ambitions. While being broadly in line with market development trajectories being currently pursued, the key axes of the MTGS, beyond ongoing orientations, are delineated as follows:
(i) furtherance of our digital transformation strategy; (ii) expansion of private banking internationally; (iii) harmonisation of our 'Bank of Banks' proposal to better attend to our counterparts' needs; (iv) building of an energy and commodities hub; and (v) promotion of international hotel and project finance.

Our strategic realisations during FY 2014/15 and till date

## Strengthening foundations for market expansion and diversification

- Elaboration, with the assistance of international consultants, of a Medium Term Growth Strategy by the Bank to underpin the materialisation of its business development aspirations
- Consolidation of retail and corporate segments; widened base of foreign premium clients
- Provision of the second edition of preferential credit facilities named 'Green Loans', pursuant to the new loan agreement signed with Agence Française de Développement
- Further deployment of the Group's 'Bank of Banks' initiative towards upholding its positioning as a regional platform for providing adapted solutions to banking peers
- Opening of a Representative Office in Kenya; increased activity on the African syndicated loan market and secondary market for purchase and sale of risks; enhanced appeal of the Bank as a privileged partner for asset-based structured trade finance

## Promotion of superior customer relationships and experiences

- Improved specificities/functionalities of retail offerings; active utilisation of the Net Promoter Score to effectively track customer satisfaction levels
- Reinforced appeal and array of features with respect to our 'Juice' mobile payments platform
- Deployment of Self Service Kiosks and Bunch Note Acceptors in selected branches
- Revamped set-up of lounges meant for premium clients
- Enhanced brand and relationship-building through corporate events, roadshows and sponsorship of international conferences
- Strengthened support to small and medium enterprises (SMEs), notably with the full-fledged operation of a 'Knowledge Centre'

## Reinforcement of growth enablers and improved operational excellence

- Capital restructuring leading to an increase in the core capital level of the Bank
- Merger of the Bank's International and Corporate segments initiated to form a new Corporate and Institutional Banking Strategic Business Unit
- Upgrading of the risk management framework, tools and systems
- Seamless upgrade of the Bank's Core Banking System; revamping of other technological platforms; enhanced display and functionalities of the Group's websites
- Further streamlining of processes for enhanced internal and sales efficiency levels
- Tailored programmes executed to attract, retain and develop human capital; conduct of specialised training at MCB Development Centre; upgrade of the Performance Management System
- Full-fledged execution of the Bank's Business Continuity Management framework

# Accolades and recognition

## 36th in Africa in terms of assets
*(Jeune Afrique Top 200 Banks, The Africa Report 2014)*

**Leading regional bank** in terms of operating income and profitability
*(l'Eco Austral Top 500 de L'Océan Indien, June 2015)*

**Best Bank in Mauritius** and **Best product launch in Africa for 'Juice'**
*(EMEA Finance African Banking Awards 2015)*

## Commercial Bank of the Year for Mauritius
*(International Banker 2015 Banking Awards)*

## Best Bank in Mauritius
*(Euromoney Awards for Excellence Survey 2015)*

## Best Private Bank

*(PWM/The Banker Global Private Banking Awards 2014)*

## Best Private Bank for Mauritius

*(Wealth & Money Management Awards 2015)*

## Best Local Trade Finance Bank in Mauritius

*(Global Trade Review 2014)*

## Overall winner in the Financial Institutions and Best Risk Management Disclosures

*(PricewaterhouseCoopers Corporate Reporting Awards 2015)*

## Performance Excellence Award

attributed by *Citibank, J.P. Morgan Chase and Deutsche Bank*
*for straight-through processing rate for payments and transfers*

# Corporate information

## Overview of MCB Ltd

MCB Ltd is the longest-standing and leading banking institution in Mauritius, while displaying an increasingly prominent foothold in the region. Backed by its sound business model, modern and adapted channel capabilities, and high quality customer service, the Bank has, throughout its history, been true to its guiding principle of assisting in the advancement of individuals, corporates and the country at large, thus playing a key role in the socio-economic development of Mauritius. Furthermore, the Bank has diversified its activities in sub-Saharan Africa and beyond, as gauged by its participation in major cross-border deals and transactions as well as the deployment of the 'Bank of Banks' initiative.

# Key Facts and Figures

## Unmatched Domestic Franchise

- Over 930,000 individual and institutional customers
- Market shares of some 40% in respect of domestic credit to the economy and local currency deposits and nearly 50% of cards issued
- Network of 40 branches/kiosks redesigned as per world-class 'store' concept
- 166 strategically-located ATMs (of which 8 forex ATMs), representing 36% of the national park
- Above 6,700 Point of Sale (POS) terminals, many of which are multi-currency and wireless
- Nearly 115,000 registered Internet Banking customers (market share of 36%)
- Wide range of mobile services: SMS Banking, Airtime refill through mobile phones, Mobile Banking and Mobile Payments (around 40,000 registrations for 'Juice' mobile service)
- Workforce of over 2,500 employees

## Entrenched International Activities

- Heightened foreign involvement supported by dedicated business units operating from Mauritius and representative offices located in Johannesburg, Paris and Nairobi, while the Group's overseas reach is also leveraged through its foreign banking subsidiaries and associate
- Network of over 1,600 correspondent banks across the world
- Around 60 clients being serviced by the Bank in the context of the 'Bank of Banks' initiative
- Active participation in loan syndication as well as structured commodities and project financing

## Credit Ratings

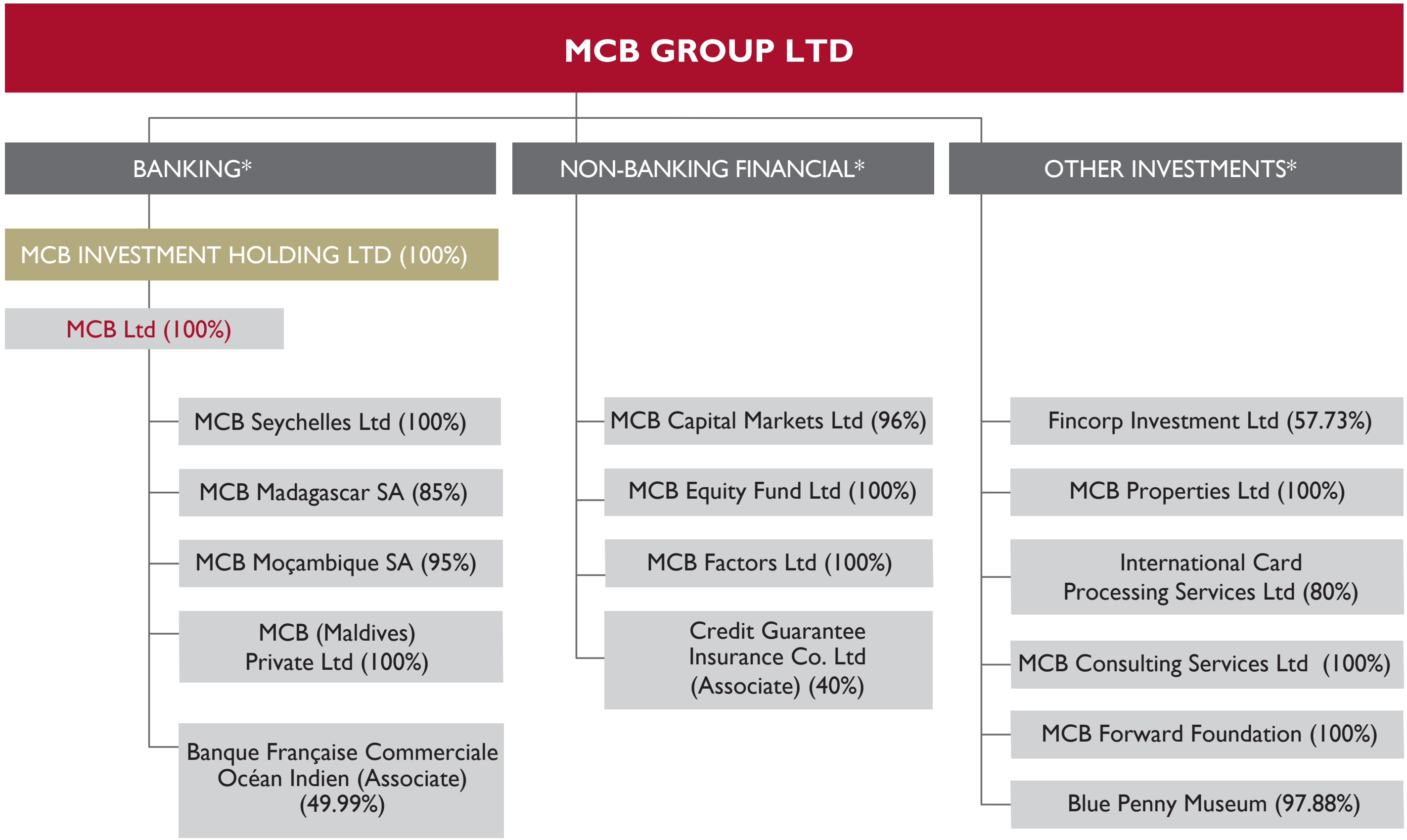
### Moody's

| Outlook | Stable |
|---|---|
| Bank Deposits | Baa3/P-3 |
| Baseline Credit Assessment | ba1 |
| Adjusted Baseline Credit Assessment | ba1 |
| Issuer Rating | Baa3 |
| NSR Senior Unsecured MTN | A3.za |
| NSR Subordinate MTN | Baa2.za |
| Counterparty Risk Assessment | Baa2/P-2 |

### Fitch Ratings

| Outlook | Stable |
|---|---|
| Long-term Issuer Default Rating | BBB- |
| Short-Term Issuer Default Rating | F3 |
| Viability Rating | bbb- |
| Support Rating | 3 |
| Support Rating Floor | BB+ |

## Our Group Structure



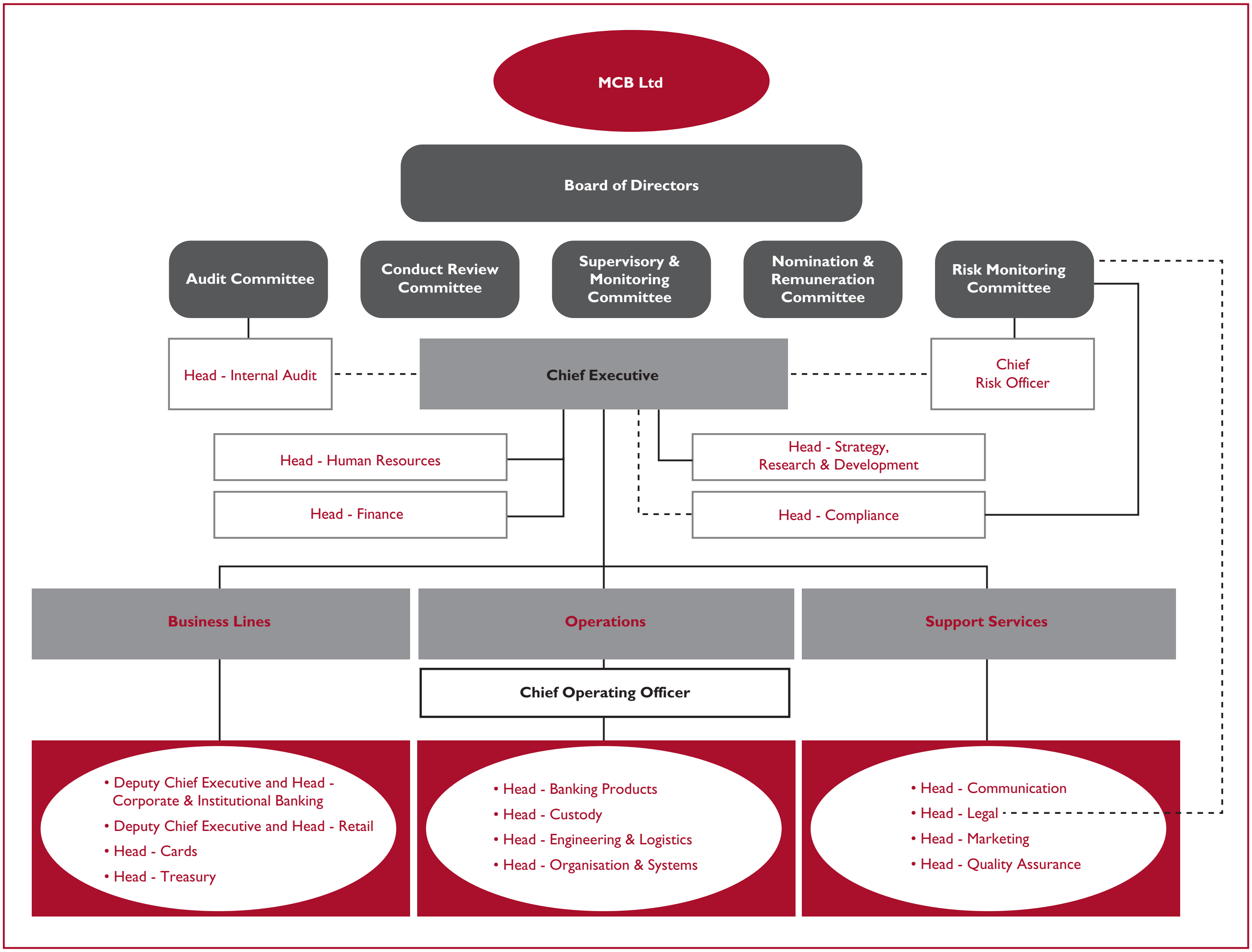

*Note that figures refer to effective holding of MCB Group Ltd as at September 2015*

** Relate to clusters*

MCB Ltd is a wholly-owned subsidiary of MCB Investment Holding Ltd, itself a wholly-owned subsidiary of MCB Group Ltd. The latter acts as the ultimate holding company of MCB Group's entities pursuant to the organisation restructuring exercise which was initiated last year. In fact, the subsidiaries and associates of MCB Group Ltd now operate under three distinct clusters, namely 'Banking', 'Non-banking financial', and 'Other investments', in line with international standards and domestic regulatory requirements. The transfer of the investments in the foreign banking subsidiaries from MCB Ltd to MCB Investment Holding Ltd is subject to regulatory approvals being obtained from the national authorities. As at the date of this report, approval has been obtained for MCB Seychelles and MCB Maldives and it is expected that the transfer of these entities will be effected before the end of the calendar year 2015. Approvals in respect of MCB Madagascar and MCB Moçambique are still being awaited. In respect of the latter, MCB Group Ltd has signed a partnership agreement with Société Générale aimed at boosting its operations and furthering its market expansion. Subject to relevant conditions being met, this joint-venture will lead to Société Générale becoming the main shareholder of MCB Moçambique by means of a capital injection.

## Organisation Chart of the Bank

In the context of the Medium Term Growth Strategy and pursuant to the retirement of Mr Jean-François Desvaux de Marigny - Deputy Chief Executive, on 30 June 2015, a new organisation chart of the Bank was adopted following the approvals by the Board of Directors on 21 April 2015 and the Bank of Mauritius. The main impact of the organisational change relates to the merger of our Corporate and International segments into a new Corporate and Institutional Banking SBU to cater for more cost-efficient and value-added operations. The configuration, which is illustrated below, demonstrates the positioning of the Board, the Board committees and the business segments of the Bank as well as the relevant reporting lines.




*Note that the Chief Risk Officer is also accountable to the Audit Committee for operational risks*

# Strategies for Growth

## Underlying Philosophy

Building on its underlying foundations, strong brand image and innovative culture, the Bank is committed to pursuing its strategic orientations, backed by the nurturing of adequate capabilities for sustained and balanced business growth. Alongside managing the risks related to its operations and activities, the Bank is geared towards broadening and diversifying its market involvement while upholding high service quality standards. Epitomising its unique culture and core values, the Bank ensures that it makes a sound and sustainable contribution to the economy, society and environment via its stakeholder engagement.

## General Orientations

**Consolidate our positioning on the domestic front**

The Bank aims to embed its leading market positioning across local customer segments. To that end, it ensures that its value proposition and channel capabilities are continuously upgraded to meet the needs of its individual and corporate clients.

**Widen and deepen our involvment in the region and beyond**

To underpin sustained balance sheet growth and diversify its revenue streams, the Bank is geared towards strengthening its regional operations, while concomitantly establishing and growing its footprint into unchartered territories internationally.

**Enablers for growth**

- Strong brand image and solid franchise
- Sensible risk management and adequate financial soundness
- High quality customer experiences and relationships
- Innovative and tailored products and services
- Modern and extensive channel capabilities
- Judicious business networking and partnerships
- Sustained internal capacity building

## Our Main Segments

**Retail**

Backed by its wide-ranging channel network and enriched value proposition, MCB's Retail SBU caters for the day-to-day needs and requirements of various customer segments, including the high net worth clients. Besides, the Bank seeks to assist small and medium enterprises across various economic sectors in the realisation of their needs and aspirations, while acting as an ideal coach for supporting their initiation and development.

**Corporate and Institutional Banking**

The Corporate and Institutional Banking SBU provides dedicated solutions to meet the needs of non-individuals locally and abroad. Notably, the Bank provides domestically located corporates spanning the established and emerging economic sectors with flexible and innovative financial solutions as well as dedicated advice to meet their business development ambitions locally or abroad, thus helping to transform opportunities into winning strategies and supporting clients in their growth endeavours. Furthermore, the Bank leverages its customised solutions, representative offices, network of global banking correspondents and access to global finance to widen its market footprint abroad, notably in the sub-Saharan African region. A cornerstone of MCB Ltd's regional diversification agenda is the 'Bank of Banks' initiative through which bundled banking and financial industry capabilities are offered to counterparts on the African continent.

**Cards**

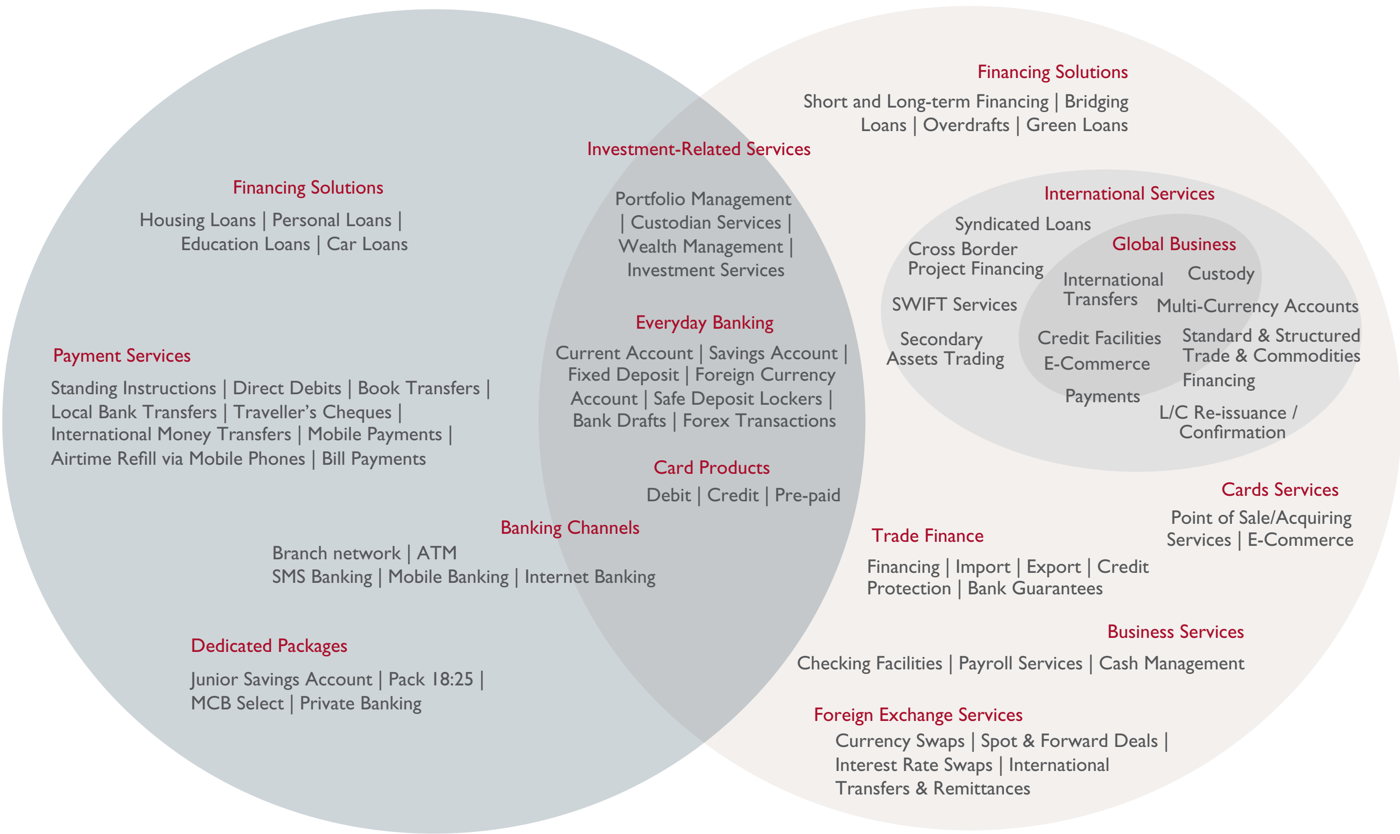
By means of its comprehensive offerings, advanced technology, global partnerships and extensive merchant network, the Cards SBU acts as a one-stop-shop for meeting all cards-related needs of its clients, while offering them the convenience to conduct transactions through digital channels.

# Our Products and Services

The financial solutions offered by the business segments of MCB Ltd are shown below. Of note, the Bank also acts as a channel to distribute products and services structured by other entities of the Group.

## Individuals

## Corporates & Institutions



# Board and Management

## Board of Directors

### Non-Executive

Jean-Philippe COULIER *(Chairperson)(Independent)*

Priscilla BALGOBIN-BHOYRUL *(Independent)*

Jonathan CRICHTON *(Independent)*

Gilles GUFFLET *(Independent)*

Jean-Michel NG TSEUNG *(as from August 2015)*

Iqbal RAJAHBALEE *(Independent)*

Simon Pierre REY *(Independent)*

### Executive Directors

Jean-François DESVAUX DE MARIGNY *(until June 2015)*

Raoul GUFFLET *(as from August 2015)*

Alain LAW MIN *(as from August 2015)*

Antony R. WITHERS

### *Secretary to the Board*

MCB Registry & Securities Ltd
*(represented by Marivonne OXENHAM)*

## Committees of the Board

### Supervisory and Monitoring Committee

Jean-Philippe COULIER *(Chairperson)*
Jean-François DESVAUX DE MARIGNY *(until June 2015) (also acted as Secretary)*
Raoul GUFFLET *(as from July 2015)*
Alain LAW MIN *(as from July 2015) (also acts as Secretary)*
Antony R. WITHERS

### Audit Committee

Gilles GUFFLET *(Chairperson)*
Priscilla BALGOBIN-BHOYRUL
Simon Pierre REY

*Secretary: MCB Registry & Securities Ltd (represented by Marivonne OXENHAM)*

### Conduct Review Committee

Simon Pierre REY *(Chairperson)*
Priscilla BALGOBIN-BHOYRUL
Gilles GUFFLET

*Secretary: Frederic PAPOCCHIA (as from August 2015)*
*(in replacement of Jean-François DESVAUX DE MARIGNY)*

### Nomination and Remuneration Committee

Jean-Philippe COULIER *(Chairperson)*
Iqbal RAJAHBALEE
Simon Pierre REY *(also acts as Secretary)*
Antony R. WITHERS

### Risk Monitoring Committee

Jonathan CRICHTON *(Chairperson)*
Jean-Philippe COULIER
Jean-François DESVAUX DE MARIGNY *(until June 2015)*
Raoul GUFFLET *(as from August 2015)*
Jean-Michel NG TSEUNG *(as from August 2015)*
Iqbal RAJAHBALEE
Antony R. WITHERS

*Secretary: Denis MOTET*
*Alternate: Alain LAW MIN (to Antony R. WITHERS)*

## General Management

### Management Committee

| | |
|---|---|
| **Antony R. WITHERS** | **Chief Executive** |
| **Jean-François DESVAUX DE MARIGNY** | **Deputy Chief Executive *(until June 2015)*** |
| **Raoul GUFFLET** | **Deputy Chief Executive and Head – Corporate and Institutional Banking *(as from July 2015)*** |
| **Alain LAW MIN** | **Deputy Chief Executive and Head – Retail *(as from July 2015)*** |
| Vincent CHATARD | Chief Operating Officer *(as from 15 September 2015)* |
| Eddy JOLICOEUR | Head – Human Resources |
| Denis MOTET | Chief Risk Officer |
| Bhavish NAECK | Head – Finance |
| Jean-Michel NG TSEUNG | Head – Corporate *(until June 2015)* |

## Other members of General Management

| | |
|---|---|
| Paul CORSON | Deputy Head – Corporate and Institutional Banking *(as from July 2015)* |
| Jean Philippe COUVE DE MURVILLE | Chief Engineer |
| Robin CUNDASAWMY | Head – Internal Audit |
| Koomaren CUNNOOSAMY | Team Leader – Corporate |
| Kent GRAYSON | Head – Organisation & Systems |
| Hemandra Kumar HAZAREESING | Head – Global Business |
| Vicky HURYNAG | Head – Strategy, Research & Development |
| Roselyne LEBRASSE-RIVET | Head – Legal/In-House Lawyer |
| Steve LEUNG SOCK PING | Head – Quality Assurance |
| Binesh MANGAR | Head – Cards |
| Didier MERLE | Head – Private Banking |
| Vikash NATHOO | Head – Recovery |
| Stephanie NG TSEUNG-YUE | Head – Marketing |
| Frederic PAPOCCHIA | Deputy Chief Risk Officer |
| Jovanna PREFUMO-MONTY | Head – Treasury |
| Abraham RAWAT | Head – Banking Products |
| Anju UMROWSING-RAMTOHUL | Head – Credit Management |

# Chairperson's Statement

*I am pleased to report that MCB Ltd has fulfilled its commitment of creating further value for the benefit of all its stakeholders during FY 2014/15, helped by a major improvement in its financial results. Operating within a simplified organisation structure in the wake of the Group restructuring exercise, the Bank has pursued its market development domestically and beyond, in line with the strategic orientations of the Group. It has successfully confronted the challenging context, backed by its sound business model, as well as the dedication of its employees and their ability to innovate and effectively respond to changing realities.*

## The year in review

Business growth was actively pursued during the last financial year, as gauged by an expansion of more than 16% in the balance sheet position of the Bank. As a result, core earnings sustained an encouraging growth, which, coupled with a sharp decline in allowance for credit impairment from the unusually high level of FY 2013/14, led to a significant upturn in the bottom-line results. Indeed, in spite of the difficult market conditions, net profit grew by around 36% to attain Rs 5,004 million. At the same time, we have nurtured favourable conditions for sustaining sound business growth. Hence, the Bank has upheld healthy asset quality, liquidity, funding and capital positions. Of note, the core capital of the Bank increased in a noteworthy way on account of the capital restructuring exercise undertaken by MCB Group Ltd and of the capital accumulation made possible by improved financial results.

The good showing of MCB Ltd reflects its ability to promptly and judiciously assist in the advancement of individuals and businesses by allowing them to achieve their goals and ambitions. In particular, the last financial year has seen the Bank strengthening its customer-centric business development approach. Its offer has been enriched and its multichannel capabilities reinforced, thus allowing the provision of increasingly flexible and simplified banking experiences to its clients. It is also worthy to note that the Bank remains a trusted partner of established and upcoming enterprises spanning different sectors of activity and shaping up the economic landscape of Mauritius. Finally, the Bank has pursued its regional market diversification agenda, which enabled it to widen its activities and diversify its revenue streams. The execution of these strategic endeavours has been assisted by the forging of close-knit and trustworthy client relationships, solid risk management, and higher operational efficiency and sales productivity levels. The deployment of the Bank's foreign activities were further assisted by the nurturing of business partnerships and correspondent banking relationships. In the same vein, our recently set-up Representative Office in Kenya should enable us to establish a foothold in East Africa by improving market visibility and tapping into new business opportunities.

The Bank has preserved its leadership status on the domestic marketplace, notably in respect of domestic credit to the economy and local currency deposits as well as issuance of cards. The Bank has also strengthened its position as the foremost service provider for SMEs in Mauritius and continues to rank 1st among banks participating in the Government–backed SME Financing Scheme, with a market share of 50% of facilities granted between December 2011 and June 2015.

Moreover, the realisations of the Bank have been recognised by various sources, which highlighted its prime domestic positioning in specific areas, namely mobile banking, private banking and trade finance activities.

In addition, MCB Ltd has fostered its wide-ranging stakeholder engagement. Noticeably, apart from catering for the productivity and wellbeing of its employees, the Bank has actively fulfilled its responsibility as a caring corporate citizen. Notably, for FY 2014/15 an amount of about Rs 63 million was entrusted by MCB Ltd to MCB Forward Foundation, the dedicated vehicle responsible for the design/implementation of CSR initiatives of MCB Group. In this context, the organisation has pursued its initiatives in favour of absolute poverty alleviation as well as the education, health and welfare of children, while adopting broad-ranged moves in favour of community empowerment and the preservation of the natural environment.

## Building foundations for future growth

We believe that the future holds appreciable promise for the sound and sustained development of the Bank. Certainly, the operating context to which MCB Ltd is exposed will retain our attention in view of the still-delicate economic conditions, with the challenging regulatory landscape also under scrutiny. However the Bank has clearly defined a new Medium Term Growth Strategy, which provides it with a clear guideline for its initiatives and developments, both in its domestic activities and its foreign endeavours. In the process, due emphasis will be laid on making the organisation more productive and agile in order to further enrich the quality of customer relationships and enter new growth-enhancing avenues. Above all, adherence to good corporate governance and effective risk management practices will stay the backbone of our operations and activities. A key feature thereof relates to the commitment displayed by the Bank to ensure that the risks in achieving its strategic objectives are suitably identified and managed, underpinned by a dependable risk culture and a well-calibrated risk appetite.

## Final words …

On behalf of the Board, I would like to express my gratitude to our clients who have trusted us for their banking needs. Moreover, I acknowledge the strong dedication, commitment, loyalty and hard work that the Management and staff of MCB Ltd have displayed to spearhead the Bank to new heights. To my fellow Directors of the Board, I thank you for your continued support and counsel.

On another note, allow me to pay tribute to Mr Jean-François Desvaux de Marigny who has retired as Deputy Chief Executive in June 2015. He has been instrumental in fostering the development and modernisation of the Bank during the 29 years he spent in our organisation. In the same vein, I extend a warm welcome to Mr Alain Law Min and Mr Raoul Gufflet who act as the Deputy Chief Executives of the Bank as from 1 July 2015. I also welcome them as well as Mr Jean-Michel Ng Tseung, after they have been appointed to the Board in August 2015.

**Jean-Philippe COULIER**
Chairperson
MCB Ltd

# Chief Executive's Statement

*The Bank's results for FY 2014/15, recording an after tax profit of Rs 5,004 million, set a new benchmark for the organisation and mark an impressive turnaround from the performance registered a year before. Overall, with the Bank delivering on its strategic priorities, MCB Ltd has reaffirmed its robust position on the domestic marketplace, expanded its reach regionally and made significant progress in upgrading its IT platform including developing its digital footprint.*

*Looking back, I can proudly commend the committed and proactive attitude that our dedicated employees have shown in order to provide meaningful benefits to our valued clients. We continue to strive to put our customers in a stronger position and offer them a greater choice to realise their goals and ambitions. The Bank's solid growth has come about through a combination of committed leadership, staff learning and development, sound objective setting, application of consistent risk management and importantly maintaining high ethical values.*

## Upholding key credentials

During the last financial year, the Bank recorded a strong performance. The bottom-line net profit of the Bank expanded by 36% to attain Rs 5,004 million, reflecting a well-contained expenses growth, broad-based revenue expansion and a significant decline in the allowance for credit impairment. The latter dropped from its exceptionally high level of Rs 1.8 billion in FY 2013/14, prompted by the impairment of a small number of larger-than-average Global Business Indian exposures, to reach Rs 861 million.

The Bank continued to pursue its market development across Mauritius and the region in the context of soft economic conditions and lower domestic demand for credit. Against this backdrop and in spite of margins being pressurised by continued high liquidity in the money market and the highly competitive landscape in specific segments, the net interest income of the Bank increased by 12% to Rs 7,348 million. Non-interest income was boosted by an important rise in net fees and commissions, driven by the Bank's wealth management, regional trade finance and card businesses. Underlying revenue rose by 6.8% to Rs 11.2 billion. Additionally, while upholding capacity-building moves in support of growth initiatives, the Bank demonstrated careful management of its operating expenses, which increased only marginally and resulted in a cost to income ratio of 40% - an important benchmark to have reached. Operating profit before provisions posted a growth of some 11%, with a growth rate close to 19% on a like for like basis when excluding the non-recurrent gain on sale of securities in FY 2013/14. It is encouraging to note that MCB Ltd has enhanced the soundness of its financial metrics while following sound risk management practices. Gross and net non-performing loans ratios of the Bank have come down to 5.9% and 3.5% as at 30 June 2015 compared to 7.1% and 4.0% a year earlier. It should be recalled that the Bank's asset quality outcomes for FY 2013/14 were principally impacted by the impairment of the aforementioned Global Business Indian files. Since then, in addition to discontinuing the Indian corporate business, the Bank has, through its Recovery team, made encouraging headway in dealing with the impaired Indian exposures. Moreover, alongside holding solid funding and liquidity positions, the Bank kept adequate capital resources to shield itself from potential shocks, meet regulatory requirements and support its growth initiatives. It is pleasing to highlight that the capital adequacy ratio of the Bank improved from 13.8% in June 2014 to 15.1% one year later, including a Tier 1 ratio of 13.8% compared to 10.3%. These outcomes are mainly attributed to improved financial results and the capital restructuring exercise undertaken by MCB Group Ltd, whereby MCB Ltd transferred its Rs 4.5 billion of Floating Rate Subordinated Notes to MCB Group Ltd, which then subscribed to additional ordinary shares of the Bank. Alongside putting the Bank on a reliable platform to achieve sustained business growth, the healthiness of the Bank's financial indicators have, coupled with sensible strategy execution, enabled the Bank to retain its investment grade credit ratings in FY 2014/15. It can be recalled that Moody's in October 2014 downgraded the credit ratings of the country's two rated banks, including MCB Ltd, in the context of their organisation restructuring exercises. That decision should be put into perspective as it was founded on Moody's methodology, whereby its assessment was undertaken in terms of core capital, thus overlooking the raising by the Bank in 2013 of Rs 5.4 billion of Tier 2 capital to facilitate the organisational restructuring. The negative outlook attributed to MCB's ratings back then has now been moved to stable status in the light of subsequent initiatives to boost Tier1 capital levels. Further corroboration of the Bank's sound fundamentals have been recently obtained from Fitch Ratings whose first-time ratings for MCB Ltd reflect the latter's intrinsic strength and leading and broad franchise. In another light, I take pride in the accolades that the Bank has received recently, which, no doubt, reflect our continued dynamism on the marketplace. Notably, we have been recognised as Best Bank in Mauritius by the Euromoney Awards for Excellence Survey 2015, while being acknowledged as Best Bank in Mauritius and for Best product launch in Africa for our 'Juice' mobile platform by the EMEA Finance African Banking Awards 2015.

## The Bank's Medium Term Growth Strategy

The financial performance of the Bank has been underpinned by its integrated and balanced business model. Key features have remained our differentiated value proposition and purposeful, yet prudent, deployment of our multi-pronged business development paths. In essence, the Bank sharpened its focus on traditional growth pillars and sustained its market diversification, notably in sub-Saharan Africa. In Mauritius, the Bank has strengthened the quality of its relationships vis-à-vis its individual clients, small and medium enterprises, as well as larger corporate clients, backed by tailor-made solutions and digitally-enabled service propositions. In this respect and as a major accomplishment of the Bank, the 'Juice' mobile banking and payments platform, whose functionalities have been broadened during the period, has continuously improved its market popularity. Over 40,000 customers have now downloaded and are using the 'Juice' mobile payments application locally just over a year since it was launched. The Bank is in the forefront of introducing the ease and convenience of digital technology for all retail customers – now a clear worldwide trend – as smartphone ownership has taken off significantly. Beyond local shores, MCB Ltd boosted its network of international private banking clients and reinforced its regional market presence. In the latter case, the Bank increased its participation on the syndicated loan market and the secondary market for the purchase and sale of petroleum import related risks, while also cementing its appeal as a privileged partner in structured finance in respect of regional commodity trade financing business. At the same time, MCB Ltd played an influential role in deploying the 'Bank of Banks' initiative of the Group, with the Bank continuing to offer outsourcing services to various financial institutions in Africa. Importantly, the increased productivity of our internal operations and the modernisation of our offerings have been helped by reinforced capabilities including technological upgrades – a key example being the seamless upgrade in February 2015 of the Bank's Core Banking System – process enhancements, and the further improvement in the quality of the Bank's human capital.

## Moving forward

While some comfort can be derived from the recent notable improvement in local money market conditions in terms of short duration Government bond yields and a lower level of excess liquidity, the economic policy measures announced by the authorities appear encouraging *per se*, even if the extent to which they will broaden and diversify business development avenues in Mauritius is yet to be ascertained. With regard to sub-Saharan Africa, whilst growth prospects remain generally appealing, notable macroeconomic risks exist, a prominent example relating to the persisting volatility of oil and other commodity prices. In another respect, the regulatory landscape is becoming increasingly stringent, with recent major developments including the ongoing implementation of Basel III rules and macroprudential measures in Mauritius as well as the need for compliance with reporting requirements linked to the US FACTA and OECD Exchange of Information protocols. Cognisant of the prevailing context, MCB Ltd will reinforce its capabilities and market vigilance in order to effectively meet market development challenges and tap into the opportunities that lie ahead in view of delivering broad-based and high-quality revenue growth across both local and foreign markets. As a key enabler, the Bank is mobilising its resources and strengthening its operational flexibility to cater for the gradual execution of its new Medium Term Growth Strategy (MTGS), which provides a coherent roadmap of capacity building and business development initiatives to spearhead MCB Ltd's performance to new heights. While being committed to aligning business endeavours with the set risk appetite to achieve sensible growth, the Bank views the implementation of its MTGS as an opportunity to respond to Mauritian customers' growing needs and grow its regional and international footprint.

MCB Ltd's ambitions are therefore to move in tune with the evolution and growing sophistication of customer requirements with a view to earning and retaining their lasting trust and loyalty. To that end, the Bank will stay true to its pledge of understanding and anticipating customer needs. In that way, it will put itself in a better position to deliver faster and increasingly simplified client experiences whilst achieving continuous service improvements and widening the use of digital technology so as to make banking much more convenient to its customers. This will mean further simplification of the Bank's processes, continued periodic upgrading of its technology platform, and further bolstering of risk management practices which will all feature high on the agenda. Our overriding attention will remain focused on investment in our people. Indeed, as an employer of choice, the Bank will continue to harness the tremendous potential of its employees. Our staff are a differentiating asset and are the reason for our 177-year history of successful development and they remain the vital building block for sustained future growth.

## Concluding note

Allow me to thank all of our customers for their trust and confidence in our ability to meet their growing expectations along with creating long-term value for them. I would like to express my gratitude to the Board of MCB Ltd and the ultimate shareholder, MCB Group Ltd, for their support and guidance in sustaining the very strong capital base of the Bank as well as creating favourable foundations underpinning the Bank's progress. I would also like to congratulate the management team and employees of the Bank not just for this year's remarkable results but also for their tireless efforts in taking the Bank forward to new heights.

A.R. Withers

**Antony R. WITHERS**
Chief Executive
MCB Ltd

# Company secretary's certificate

In our capacity as Company Secretary, we hereby certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 in terms of section 166(d).

**Marivonne OXENHAM**
Per MCB Registry & Securities Ltd
Company Secretary

29 September 2015

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

**Name of Public Interest Entity ('the PIE')**: The Mauritius Commercial Bank Limited
**Reporting Period**: 1 July 2014 to 30 June 2015

We, the Directors of The Mauritius Commercial Bank Limited, confirm that, to the best of our knowledge, the Company has complied with the obligations and requirements under the Code of Corporate Governance in all material aspects.

**Jean-Philippe COULIER**
Chairperson

**Antony R. WITHERS**
Director

29 September 2015

# Corporate governance report

## Introduction

The conduct of business at MCB Ltd is anchored on good corporate governance practices. The Board of MCB Ltd is committed to upholding the highest standards of corporate governance, by promoting principles of integrity, accountability and transparency, with the aim of maximising the long term value creation for its stakeholders. Adoption of advocated norms is considered as being key to effectively cope with the challenges posed by the increasingly exigent operating environment.

### Our Governance Framework

The Board is responsible for the overall stewardship of the Bank. It sets out the strategic orientations in accordance with the overall direction of the Group and establishes the procedures and practices for effective capital and internal controls, alongside ensuring adherence to relevant legislations and policies. To help it carry out its duties and responsibilities, the Board has set up five committees and has created a fitting reporting mechanism through which matters affecting the affairs and reputation of the Bank are duly escalated by the respective Chairpersons of these committees. In fact, the framework provides for delegation of authority and clear lines of responsibility while enabling the Board to retain adequate control and maintain an effective oversight process. Significant emphasis is laid on risk management, through the adoption of appropriate practices and structures, with the Risk Monitoring Committee playing an active role in ensuring that risk-taking activities remain within the precincts of the appetite approved by the Board. Besides, the Bank operates within a flexible and autonomous structure with its capital being adequately ring-fenced, a situation that has been further reinforced by the segregation of banking and non-banking operations pursuant to the Group restructuring exercise.

### Clear Allocation of Responsibilities

The day-to-day running of the business is entrusted to the management executives with the Board regularly monitoring compliance thereof to set objectives and policies. In this respect, the Board Charter provides a clear definition of the roles and responsibilities of the Chairperson, executive and non-executive directors. Hence, amongst others, the Chairperson's role is to make sure that the Board is effective in its duties of setting out and implementing the Bank's strategy alongside providing leadership thereto while supporting and supervising the Chief Executive. The latter's mandate spans the development and execution of the Bank's plans and strategy in line with the policies set by the Board, in addition to being responsible for the day-to-day operations. In this respect, executive directors have to manage the conflict between their management responsibilities and their fiduciary duties as director in the best interests of the Bank. Besides, the non-executive and independent directors' role is to collectively contribute to the development of the strategy as well as to analyse and monitor the performance of management against the set objectives.

### Board Effectiveness

Necessary steps are taken to ensure that the directors execute their duties in the most productive manner. As such, an induction programme is conducted for newly appointed directors by the Board in collaboration with the management. The program includes discussions with executives and management, reading materials and presentations which cover their roles and responsibilities alongside providing them with an overview of the Bank's activities, strategy, structure and major policies. In the same vein, throughout the year, Heads of Strategic Business Units are called upon to provide an overview of their undertakings so as to foster deeper understanding of the Bank's functioning by the Board. Furthermore, in line with the Bank of Mauritius (BoM) Guideline on Corporate Governance, the Board Charter provides for a mechanism to evaluate the performance of Board members. To this end, assessment of the Board's effectiveness has recently been performed by an external independent facilitator on the basis of a detailed questionnaire to be filled, followed by individual interviews. The results of the external expert's report were presented to the Board for discussion in August 2015.

### Stakeholder Engagement

Whilst seeking to optimise shareholder value, MCB Ltd seeks to secure long-term and ethical stakeholder relationships by way of striking a balance between achieving adequate business growth and meeting the expectations of customers, regulators and society as a whole. As such, the Bank, being particularly conscious of its responsibilities as a major player in Mauritius, has always supported the generally higher risk businesses associated with new economic initiatives and start-ups whilst contributing to the well-being of the community through an extensive involvement in social actions. Moreover, reflecting its aim to foster transparency, the Board places due emphasis on the provision of timely and accurate information to its stakeholders through adapted communication channels. Of note, the appointment of joint auditors as from FY 2015/16 has been approved in a Special Meeting of Shareholders held on 9 July 2015.

### Compliance with Rules and Legislations

MCB Ltd continuously aims to promote sound principles of business integrity, fair dealing and professionalism so as to ensure that all its activities are managed responsibly and ethically. Hence, the Bank issued a Code of Conduct, based on the model code of the Joint Economic Council, as appropriately adapted to meet its own specific needs and updated on a regular basis. The Bank also adheres to the Mauritius Bankers Association Code of Ethics and of Banking Practice issued in 2013 and subscribes to the 2003 Code of Corporate Governance for Mauritius currently in force. Besides, MCB Ltd is committed to complying with recommended industry norms, notably by adhering to the underlying Basel principles. In this respect, the Bank abides by the Basel III rules pertaining to eligible capital as contained in guidelines issued by the Bank of Mauritius while having in place an Internal Capital Adequacy Assessment Process (ICAAP) framework and a formal disclosure policy as per advocated practices. Recently, MCB Ltd has also implemented a Whistleblowing Policy to lay down the framework whereby employees could report matters of concern with respect to potential breaches of laws, rules, regulations or compliance in strict confidentiality. With the operating environment remaining challenging from a governance and regulatory perspective, the directors continuously monitor and adapt practices to reflect developments in corporate governance principles and are of the opinion that MCB Ltd complies with the requirements of the Code of Corporate Governance for Mauritius in all material aspects.

## Constitution of The Mauritius Commercial Bank Limited

The salient features of the Bank's Constitution are highlighted below:

- the Board may, subject to the Companies Act 2001 ("Act") and its Constitution and the terms of issue of any existing shares, issue shares of any Class at any time, to any person and in such numbers as the Board may approve. The Board shall not issue further shares unless such issue has been approved by ordinary resolution;
- the Company may purchase or otherwise acquire its own shares in accordance with, and subject to, sections 68 to 74, and 108 to 110 of the Act and may hold the acquired shares in accordance with section 72 of the Act;
- the Board may authorise a distribution by the Company, if it is satisfied on reasonable grounds that the Company will satisfy the Solvency Test immediately after the distribution;
- the quorum for a meeting of the Board is a majority of the directors;
- the Board shall consist of a minimum of five (5) directors and a maximum of twelve (12) directors;
- a director who has declared his interest in a transaction or proposed transaction with the Company, shall not be counted in a quorum present at the meeting;
- subject to the Banking Act, the directors shall have the power at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors but so that the total number of directors shall not at any time exceed the number fixed in accordance with the Constitution. The directors appointed shall hold office only until the next following annual meeting of shareholders and shall then be eligible for re-election;
- the Constitution of MCB Investment Holding Limited (MCBIH) provides for Reserved Matters. These provide that the representatives of the shareholders shall not vote on a shareholders' resolution of The Mauritius Commercial Bank Ltd which would trigger shareholders' rights under sections 105,108 or 114 of the Act without prior consent of the shareholders of MCB Group Limited. Such shareholders' resolutions include:
    - o adoption of a Constitution or the alteration or revocation of the Constitution;
    - o reduction of the stated capital of the company under section 62 of the Act;
    - o approval of a major transaction;
    - o approval of an amalgamation of the company under section 246 of the Act;
    - o putting the company into liquidation; and
    - o variation of rights attached to a class of shares.
- at each Annual Meeting, one-third of the directors for the time being, or if their number is not a multiple of three, then the number nearest to, but not exceeding one third, shall retire from office and shall be eligible for re-election. The directors to retire every year shall be those who have been longest in the office since their last election.

## Board Governance Structure

**Board of Directors**

In accordance with the Constitution of MCB Ltd, the Board has all the powers necessary for managing, directing and supervising the management of the business and affairs of the Company. The Board is ultimately responsible for the affairs of the Company. The Company's Constitution provides that the minimum number of directors shall be five and the maximum number twelve.

| | Supervisory and Monitoring Committee (SMC) | Audit Committee (AC) | Risk Monitoring Committee (RMC) | Nomination and Remuneration Committee (NRC) | Conduct Review Committee (CRC) |
|---|---|---|---|---|---|
| Mandate | The SMC is responsible for setting the development strategy and objectives of MCB Ltd and submitting it to the Board whilst monitoring and measuring the Bank's performance against such strategy. It oversees the overall management of MCB Ltd in accordance with set policies. | The AC is responsible for overseeing the financial reporting process designed by management in order to ensure the integrity and transparency of the financial information published by MCB Ltd. | The RMC is responsible for establishing the risk appetite and tolerances for MCB Ltd. It also reviews and monitors specific individual risk portfolios set against the agreed risk parameters in compliance with Basel recommendations and the risk management framework of MCB Ltd. | The NRC is responsible for making recommendations in respect of nominations and remunerations for the Board and Committee members and chief executives/senior officers who form part of the General Management. | The CRC is responsible for monitoring and reviewing related party transactions, their terms and conditions, and ensuring the effectiveness of established procedures and compliance with the Bank of Mauritius Guidelines. |
| Composition as per Charter | Shall consist of the following:-<br>• Chairperson of the Board<br>• Chief Executive<br>• Deputy Chief Executives | Shall comprise between three and five members and shall consist solely of independent directors from whom the Chairperson shall be nominated. | Shall consist of the following:-<br>• At least three non-executive directors<br>• Chief Executive<br>• A Deputy Chief Executive | Shall comprise between three and five members, with a majority of independent non-executive directors. | Shall comprise between three and five independent directors. |

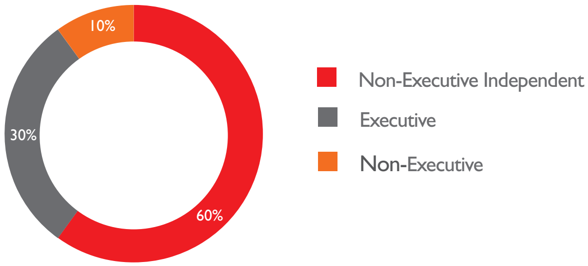
### Board of Directors

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

- the composition of the Board with preferably a majority of independent non-executive directors;
- the requirement that the Chairperson of the Board must be an independent non-executive director;
- the creation of Committees;
- a corporate code of conduct addressing, *inter alia*, issues relating to conflicts of interest;
- the establishment of strategic objectives;
- the appointment and remuneration policy of members of the General Management;
- the existence of clear lines of responsibility and accountability throughout the organisation;
- Board performance evaluation; and
- the provision of timely and accurate information to security holders, relevant authorities and the public.

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

The Board presently consists of 10 members: 3 executive directors and 7 non-executive directors, of whom 6 are independent.




### Committees of the Board

The Board has created five Board Committees to help it in carrying out its duties and responsibilities namely the Supervisory and Monitoring Committee, the Audit Committee, the Conduct Review Committee, the Nomination and Remuneration Committee and the Risk Monitoring Committee. Of note, corporate governance matters are taken up at the level of the Board which ensures that related practices established by MCB Group Ltd, the ultimate holding company, are duly adhered to by the Bank.

The composition of the committees appears on Page 23 of the Annual Report.

Each committee has its own charter which is approved by the Board. Through the deliberations and reporting of its various committees, the Board ensures that Management's daily actions are in line with the Board's objectives and regulatory requirements.

# Corporate governance report

The key responsibilities/activities of each of the Board Committees are described hereafter.

## Supervisory and Monitoring Committee

Presided by the Chairperson of the Board, who is an independent non-executive director, the committee currently consists of the Chief Executive and the two newly appointed Deputy Chief Executives, following the retirement of Jean-François Desvaux de Marigny in June 2015. It usually meets on a regular basis.

The committee is, subject to any decision which the Board may take from time to time, competent to exercise all or any powers, authorities and discretions vested in or exercisable by the Board with the exception of those set out in the Seventh Schedule of the Companies Act 2001 and those relating to: (i) the appointment and remuneration of chief executives and of senior officers who, when appointed, shall form part of the General Management of the Bank; and (ii) the nomination and remuneration of directors.

Its main responsibilities include:
- submitting to the Board the development strategy of the Bank;
- setting out the corporate values and principal policies, including the credit policy, in respect of the conduct of the business;
- ensuring that the organisation structure is best suited for the implementation and realisation of such policies and strategy while providing for clear lines of responsibility and accountability;
- ensuring that the Chief Executive and Deputy Chief Executives are managing the Bank in accordance with set policies and strategy;
- liaising with all the Board Committees;
- proposing the dividend policy and any change in the share capital;
- monitoring strategic alliances and major litigation issues; and
- ensuring that the Board is permanently informed of the running of the affairs of the Bank and of the major subjects and decisions.

## Audit Committee

The committee currently consists of three non-executive independent directors. It meets at least four times a year corresponding to the Bank's quarterly reporting cycle. In particular, it reviews the quarterly results and annual financial statements before these are approved by the Board.

The activities of the Audit Committee include, *inter alia*, regular reviews and monitoring of the following:
- the effectiveness of the Bank's internal financial control and risk management systems;
- the effectiveness of the internal audit function;
- the independence of the external auditors and the assessment of their performance;
- the remuneration of the external auditors and their supply of non-audit services;
- the Bank's procedures for ensuring compliance with laws and regulations relevant to financial reporting and with its internal code of business conduct; and
- the Bank's operational risk tolerance as well as the business continuity plans to ensure that they are up-to-date.

In carrying out its responsibilities, the committee meets regularly with the Executive Management of the Bank and regular reports are received from both internal and external auditors. During the course of its regular meetings, the committee also receives oral reports from the Managers of the main business units and, more particularly, from the Chief Risk Officer and Head of Internal Audit. Separate sessions are also regularly held with the external auditors, without Management being present. The terms of reference of the Audit Committee have been approved by the Board and are reviewed as necessary. The committee has satisfied its responsibilities for the year in compliance with its terms of reference.

## Risk Monitoring Committee

Consisting of six members including four non-executive directors, the committee meets at least on a quarterly basis. The Chief Risk Officer acts as Secretary.

The main responsibilities of the Risk Monitoring Committee include:
- monitoring the credit risk and market risk portfolios of the Bank;
- overseeing credit concentration risk;
- monitoring the quality of assets by segment and by product;
- scrutinising the risk profile of large exposures;
- recommending impairment and provisioning to the Audit Committee;
- monitoring 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 while performing regular stress tests thereon as part of the ICAAP;
- ensuring that the Bank's security structure is adequate and that appropriate levels of protection for people and the Bank's assets are established;
- ensuring that the confidentiality, integrity, availability and protection of the Bank's information assets are under constant review and that related information systems software and hardware devices are adequate and effective;
- ascertaining that adequate measures are taken to ensure compliance with all relevant laws, BoM Guidelines and regulations, codes of conduct and standards of good governance; and
- recommending foreign country exposure limits to the Board and monitoring actual exposures against these limits once validated.

The committee receives regular reports and recommendations following work done by the Risk Strategic Business Unit, the Executive Credit Committee, the Asset and Liability Committee, the Information and Operational Risk and Compliance Committee and the Security Business Unit. Through its Chairperson, the committee reports to the Board in a timely manner on all risk issues that could have an impact on the operations and/or reputation of the Bank.

## Nomination and Remuneration Committee

The committee currently consists of four members namely the Chief Executive and three non-executive independent directors, including the Chairperson of the Board. The committee meets at least twice a year and on an ad hoc basis when required.

Its main responsibilities include:
- ascertaining whether the potential directors, chief executives 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.

## Conduct Review Committee

Consisting of three non-executive independent directors, the committee meets four times a year.

Its main responsibilities include:
- ensuring that related party transactions' policy and procedures have been established by Management to comply with the requirements of the BoM Guidelines and ensuring that the policy is approved by the Board;
- periodically reviewing the existing procedures to ensure their continuing adequacy; in particular, ascertaining that they are sufficient to identify any transactions with related parties that may have a material effect on the stability and solvency of the Bank and ensuring that such transactions are properly dealt with;
- reviewing and approving credit exposures to related parties and ensuring that market terms and conditions are applied to all related party transactions; and
- reporting on a quarterly basis to the Board of Directors on matters reviewed by it, including exceptions to policies, processes and limits.

# Corporate governance report

## Directorate

### Directors' Profiles

The profiles of the directors who served on the Board during FY 2014/15 are given hereunder.

**Priscilla BALGOBIN-BHOYRUL - Age 40**

Non-Executive Independent Director
*Qualifications: LLB (Honours) and Higher Diploma in Law (UK)*

Priscilla was called to the Bar of England and Wales in 1998 and is a member of the Middle Temple. She is also a member of the International Bar Association, American Bar Association and Mauritian Bar Association. She specialises mostly in civil, commercial, banking and industrial law matters. She is a past director of the Mauritius Union Assurance Company Ltd, where she also sat on the Audit Committee. She occupies various positions within local and international organisations and is presently the National President of the World Jurist Association and member of the Public Bodies Appeal Tribunal.

She was first appointed to the Board of Directors of MCB Ltd at the shareholders' meeting of December 2012. She is currently a member of the Audit Committee and of the Conduct Review Committee.

**Jean-Philippe COULIER - Age 66**

Non-Executive Independent Director and Chairperson
*Qualifications: 'Diplôme d'Études Supérieures en Droit' and 'Diplôme de l'Institut d'Études Politiques de Paris' (France)*

During his career, Jean-Philippe has accumulated extensive experience in the banking sector, having worked for the Société Générale Group for some 40 years. Over this period, he has assumed a range of high-level responsibilities within the group, acting as Director, Chief Operating Officer and Chief Executive Officer in its various offices based worldwide. Before his retirement from Société Générale in early 2013, he was the Vice Chairman and Managing Director of the National Société Générale Bank in Cairo, Egypt.

He was first appointed to the Board of Directors of MCB Ltd at the shareholders' meeting of December 2012. He is currently Chairperson of the Board of Directors. He also acts as Chairperson of the Nomination and Remuneration Committee and of the Supervisory and Monitoring Committee, whilst being a member of the Risk Monitoring Committee.

**Jonathan CRICHTON - Age 60**

Non-Executive Independent Director
*Qualifications: Combined Honours Degree in History and Politics (UK), 'Diplôme IEHEI' (France), Associate of the Institute of Financial Services (UK), and Fellow of Finsia (Australia)*

Jonathan retired in 2012 from HSBC after 32 years as an International Manager. He held a wide range of senior positions in the EMEA and Asia Pacific regions of the group covering corporate and retail banking and control support functions such as Audit and Risk and was a Board member and Chairperson of several HSBC bank subsidiaries.

He was first appointed to the Board of Directors of MCB Ltd at the shareholders' meeting of December 2013. He is currently the Chairperson of the Risk Monitoring Committee.

**Jean-François DESVAUX DE MARIGNY - Age 61**

Executive Director
*Qualifications: Chartered Accountant (UK)*

Jean-François joined MCB in 1986 after several years of experience as an auditor in Europe. In June 2015, he retired from the Bank where he shouldered various high-level responsibilities in his capacity as Head of Finance, Company Secretary and Deputy Chief Executive, amongst others. Furthermore, he has participated actively in the development of MCB's regional network and is a director of several companies within the MCB Group. He was also involved in the launching of the Stock Exchange of Mauritius in 1989.

He was first appointed to the Board of Directors of MCB Ltd in April 2013 and has been a member of the Supervisory and Monitoring Committee and of the Risk Monitoring Committee until his retirement.

# Corporate governance report

## Directors' Profiles (Cont'd)

**Gilles GUFFLET - Age 70**

Non-Executive Independent Director
*Qualifications: Chartered Accountant (UK)*

Gilles has accumulated wide-ranging experience in the financial services and auditing fields. From 1967 to 2001, he worked at Coopers & Lybrand, France, where he acted as a partner since 1974. In fact, he has shouldered an array of high-level responsibilities during his stint there. Whilst being a Board member and a member of the Executive Committee, he headed the Audit, as well as the Finance and Administration departments and has also served on several committees of Coopers & Lybrand International. Following the merger that created PricewaterhouseCoopers in 1997, he became a member of the new firm's 50 strong Global Leadership team and acted as Financial Controller for Europe, the Middle-East and Africa.

He was first appointed to the Board of Directors of MCB Ltd at the shareholders' meeting of December 2011. He is currently the Chairperson of the Audit Committee and a member of the Conduct Review Committee.

**Iqbal RAJAHBALEE - Age 61**

Non-Executive Independent Director
*Qualifications: LLB & LLM (UK), Barrister*

Iqbal is a Senior Counsel, with over 25 years of practice at the Mauritius Bar. He is a founder of the Mauritius offshore industry and served as the first Executive Director of the former Mauritius Offshore Business Activities Authority. Besides having been the first Chief Executive of the Financial Services Commission, the non-bank regulatory body in Mauritius, he served for more than 10 years at the Attorney General's Office, which he left as Assistant Solicitor General. He was a director of the Bank of Mauritius and sat on boards of state-owned bodies and Government advisory bodies. He has led several official delegations in relation to issues such as international taxation and trading agreements. He has often been called upon by Government departments in the region to advise on financial law matters and was responsible for drafting numerous pieces of Mauritius legislation, notably the Trusts Act, the Securities Act, the Financial Services Development Act and the Insurance Act. He is counsel and legal advisor in major cross border transactions and litigation cases.

He was first appointed to the Board of Directors of MCB Ltd at the shareholders' meeting of December 2012. He is currently a member of the Risk Monitoring Committee and of the Nomination and Remuneration Committee.

**Simon Pierre REY - Age 62**

Non-Executive Independent Director
*Qualifications: BA (Honours) in Economics and Chartered Accountant (UK)*

Simon Pierre has worked for some 25 years with Ireland Blyth Limited in the finance field until his retirement in December 2012. During this period, he has occupied important ranks within the group, notably as Group Finance Director/Controller, Company Secretary and Chief Operating Officer, amongst others. Furthermore, he was a Board member of various companies within the Ireland Blyth Group, whilst serving on several board committees of these entities, namely the Audit and the Corporate Governance Committees.

He was a non-executive director of MCB Ltd from 1994 to 1996 and in 2000. He was re-appointed to the Board of Directors of MCB Ltd at the shareholders' meeting of December 2013. He is currently Chairperson of the Conduct Review Committee, whilst being a member of the Audit Committee and of the Nomination and Remuneration Committee.

**Antony R. WITHERS - Age 61**

Executive Director
*Qualifications: MA in Economics (UK) and MBA (Switzerland)*

Antony is currently Chief Executive of MCB Ltd, which he joined in April 2006. He has accumulated wide-ranging experience in the banking sector shouldering an array of high-level responsibilities in a number of institutions. These include Citibank, Bank of Montreal, S.G Warburg & Co. Limited, UBS Securities Limited, Commerzbank A.G, as well as Lloyds TSB Bank plc where he was Director and Global Head of Financial Institutions & International Trade Finance. He acted as Chairman of the Mauritius Bankers Association between November 2006 and May 2010.

He was first appointed to the Board of Directors of MCB Ltd at the shareholders' meeting of December 2006. He also sits on various board committees of the Bank, namely the Supervisory and Monitoring Committee, the Risk Monitoring Committee and the Nomination and Remuneration Committee.

# Corporate governance report

***Recent nominations to the Board***

Following the recent change in the organisational structure and the retirement of Jean-François DESVAUX DE MARIGNY (Deputy Chief Executive) in June 2015, Alain LAW MIN and Raoul GUFFLET have been appointed as Deputy Chief Executives as from 1 July 2015. Alongside their new role, they also head the Retail SBU and the newly established Corporate and Institutional Banking SBU respectively. Furthermore, Jean-Michel NG TSEUNG, formerly Head of Corporate, has been appointed as Chief Executive of MCB Investment Holding Ltd. All three have been appointed to the Board in August 2015. As such, the Board presently consists of 10 directors with a proven track record in various fields. The average age of directors stands at 57 years.

The profiles of the new members are given hereunder.

**Raoul GUFFLET - Age 47**

Executive Director
*Qualifications: Master's degree in Economics and 'DESS' in International Finance (France)*

Before joining MCB in April 2004, Raoul spent eleven years with PricewaterhouseCoopers holding various positions therein namely as Auditor, Corporate Finance Advisor and Management Consultant. Prior to his recent nomination, he was the Head of International and shouldered various responsibilities, *inter alia*, relating to the oversight of the Group's foreign banking subsidiaries, the management of international structured project finance, structured commodities and trade finance and the coordination of the correspondent banking relationships of MCB. He currently sits on the board of all the foreign banking subsidiaries of MCB Group.

Effective 21 August 2015, he has been appointed to the Board of Directors of MCB Ltd. He also sits on various board committees of the Bank, namely the Supervisory and Monitoring Committee and the Risk Monitoring Committee.

**Alain LAW MIN - Age 56**

Executive Director
*Qualifications: BA (Honours) in Economics, Chartered Accountant and MBA (UK)*

As Head of the Retail SBU, Alain is responsible, *inter alia*, of the branch network, the Private Banking BU, the Select Banking BU, the Business Banking BU and the Bank's remote delivery channels. Previously, he launched the leasing, factoring and private banking services of MCB and acted as Project Director for the Business Process Re-engineering exercise initiated with Accenture. Before joining the Bank, he was Senior Manager at De Chazal Du Mée's Consulting division. He is currently a director of Finlease Co. Ltd, a subsidiary of MCB Group.

Effective 21 August 2015, he has been appointed to the Board of MCB Ltd. He is currently a member and Secretary of the Supervisory and Monitoring Committee. He also acts as alternate to the Chief Executive on the Risk Monitoring Committee.

**Jean-Michel NG TSEUNG - Age 47**

Non-Executive Director
*Qualifications: BSc (Honours) in Mathematics and Chartered Accountant (UK)*

Until June 2015, Jean-Michel was the Head of Corporate and a member of the Management Committee of MCB Ltd, which he joined in January 2004. Prior to this, he was a Partner and Head of the Audit and Business Advisory Department of De Chazal du Mée (the representative office of Arthur Andersen in Mauritius), and subsequently of Ernst & Young. He is currently a member of the Listing Executive Committee of the Stock Exchange of Mauritius Ltd whilst being a director of Finlease Co. Ltd, a subsidiary of MCB Group.

Effective 21 August 2015, he has been appointed to the Board of Directors of MCB Ltd. He also sits on its Risk Monitoring Committee.

# Corporate governance report

## Board and Committee Attendance

| | | Board of Directors | Board Committees | | | | |
|---|---|---|---|---|---|---|---|
| | | | Supervisory and Monitoring | Audit | Risk Monitoring | Nomination and Remuneration | Conduct Review |
| | **Number of meetings held during FY 2014/15** | **11** | 21 | 4 | 4 | 4 | 4 |
| | **Meetings attended** | | | | | | |
| Executives | Antony R. WITHERS | **11** | 21 | - | 4 | 4 | - |
| Executives | Jean-François DESVAUX DE MARIGNY | **10** | 21 | - | 4 | - | - |
| Independent | Priscilla BALGOBIN-BHOYRUL | **11** | - | 4 | - | - | 4 |
| Independent | Jean-Philippe COULIER | **11** | 21 | - | 4 | 4 | - |
| Independent | Jonathan CRICHTON | **11** | - | - | 4 | - | - |
| Independent | Gilles GUFFLET | **4** | - | 4 | - | - | 3 |
| Independent | Iqbal RAJAHBALEE | **8** | - | - | 2 | 4 | - |
| Independent | Simon Pierre REY | **9** | - | 4 | - | 2 | 4 |

## Directors' Interests and Dealings in Securities

MCB Investment Holding Ltd being the sole direct shareholder of MCB Ltd, the directors do not hold shares of their own company. However, regarding directors' dealings in the Group's securities, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests which is updated with every transaction entered into by directors and their closely related parties. Such transactions, which have to take place exclusively outside the close periods prescribed by the Stock Exchange Regulations, require the written authorisation of the Board of Directors. All new directors are required to notify in writing to the Company Secretary their interest in the Group's securities. This is entered in the Register of Interests, which is subsequently updated with all relevant movements.

The following tables give the interests of the directors in the Group's listed securities as at 30 June 2015 as well as the transactions effected by them during the year.

| Interests in MCB Group Ltd shares as at 30 June 2015 | Number of shares | |
|---|---|---|
| | Direct | Indirect |
| Jean-Philippe COULIER | 500 | - |
| Priscilla BALGOBIN-BHOYRUL | 500 | - |
| Jean-François DESVAUX DE MARIGNY | 326,823 | 234,380 |
| Gilles GUFFLET | 500 | - |
| Iqbal RAJAHBALEE | 500 | - |
| Simon Pierre REY | 18,636 | - |
| Antony R. WITHERS | 110,000 | - |

| Transactions during the year | Number of shares | | |
|---|---|---|---|
| | Purchased | Sold | Other movements |
| Jean-François DESVAUX DE MARIGNY | 7,588 | - | 32,928 |
| Simon Pierre REY | 10,000 | - | - |
| Antony R. WITHERS | 7,121 | - | - |

| Interests in MCB Group Ltd Subordinated Notes as at 30 June 2015 | Number of notes | |
|---|---|---|
| | Direct | Indirect |
| Simon Pierre REY | 6,685 | 9,267 |
| Antony R. WITHERS | 5,000 | - |

| Interests in Fincorp Investment Ltd as at 30 June 2015 | Number of shares | |
|---|---|---|
| | Direct | Indirect |
| Jean-François DESVAUX DE MARIGNY | 88,225 | - |

# Corporate governance report

## Directors' Remuneration

Remuneration and benefits received by directors during the financial year were as follows:

| Remuneration and benefits received | Rs '000 |
|---|---|
| Jean-Philippe COULIER | 2,260 |
| Priscilla BALGOBIN-BHOYRUL | 660 |
| Jonathan CRICHTON | 740 |
| Gilles GUFFLET | 820 |
| Iqbal RAJAHBALEE | 700 |
| Simon Pierre REY | 840 |
| ***Total Non-Executive*** | **6,020** |
| Antony R. WITHERS | 21,948 |
| Jean-François DESVAUX DE MARIGNY | 16,841 |
| ***Total Executive*** | ***38,789*** |
| **Total (Non-Executive and Executive)** | **44,809** |

*Net fees from companies where executive directors serve as representative of MCB Ltd are reimbursed to the latter.*

## Directors' Service Contracts

There were no service contracts between the Bank and its directors during the year.

## Executive Management

The conduct of business is entrusted to the Management team of the Bank which has the responsibility to operate within the strategic framework, 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 deliberate on key issues for informed decision making. A Management Committee has been set up to assist the Chief Executive to manage the day to day running of the Bank's business and affairs. Of note also, oversight and monitoring of the various risk areas within the business are exercised through other dedicated standing committees, namely the Executive Credit Committee, the Information and Operational Risk and Compliance Committee and the Asset and Liability Committee.

### Management Committee Member Profile

The profiles of the members of the Management Committee – excluding those for Antony R. WITHERS, Jean-François DESVAUX DE MARIGNY (retired in June 2015), Raoul GUFFLET and Alain LAW MIN, which appear in the Directors' Profiles section – are given hereunder. Of note, prior to his appointment as Chief Executive of MCB Investment Holding Ltd as from 1 July 2015, Jean-Michel NG TSEUNG was a member of the Management Committee.

**Eddy JOLICOEUR - Age 58**

*Qualifications: BA (Honours) in Economics and Social Policy & Administration and MSc in Human Resources Management (UK)*

Eddy has known a fulsome career spanning the breadth of the sugar industry, namely Deep River-Beau Champ (1983-1990), Mon Desert Alma (1990-1999) and Medine (1999-2000). He joined Rogers & Co. Ltd in 2000 where he was the Chief Human Resources Executive until he joined the Bank in August 2008 as Head of Human Resources.

**Denis MOTET - Age 54**

*Qualifications: 'BTS Action Commerciale' and 'Diplôme d'Enseignement Supérieur Commercial Administratif et Financier' (France)*

Denis worked 4 years in Paris before joining MCB in 1990. He is currently the Chief Risk Officer of MCB Ltd and is directly responsible for the Credit Management BU, Credit Risk BU, Information Risk Management BU, Market Risk BU, Operational Risk BU, Security BU and Recovery BU. Prior to his current position, he worked in various divisions within the Bank namely International, Corporate and Credit Risk as well as in the Group's overseas banking subsidiaries based in Mozambique and Seychelles. He also acted as Project Leader for the Basel II project which was implemented in 2005.

**Bhavish NAECK - Age 44**

*Qualifications: BSc (Honours) in Economics with specialisation in Accounting and Finance and Chartered Accountant (UK)*

Bhavish, who is the first MCB Foundation scholar, spent some years in Singapore, working in the Audit and Business Advisory division of Deloitte & Touche and, then, as Financial Controller at JDA Asia, a subsidiary of a listed NASDAQ entity. After a stint at Sun Resorts, he joined MCB in May 2000 and also worked as Project Leader on the Business Process Re-engineering project. He presently heads the Finance SBU where he is responsible for the provision of internal and external financial reports, budgeting and forecasting and provides key support to the Asset and Liability Committee of the Bank.

***Recent appointment to the Management Committee***

**Vincent CHATARD - Age 50**

*Qualifications: Masters of Engineering (France) and MBA from HEC Paris (France)*

Vincent has been appointed as Chief Operating Officer in September 2015. He has accumulated wide-ranging experience in the banking sector, having occupied a number of senior executive positions in international banks. He spent 7 years working for Crédit Lyonnais International before joining KPMG France as a management consultant in 1995. In 1997, he was appointed as Head of Information Technology and Organisation of Banque Robeco France (a Personal Banking Unit of the Rabobank Group). From 2000 to 2008, he was appointed Chief Information Officer and Senior Vice-President Business Development of ING Direct, to establish the units both in France and the UK. From 2008 to 2011, he launched and was the Chief Operating Officer of BforBank, the direct banking unit of Crédit Agricole. He then acted as Chief Operating Officer, Chief Business Development Officer and Executive Board Director of Mediterranean Bank, a privately owned investment and internet wealth bank operating in Malta and Belgium prior to joining MCB Ltd.

## Interests in Shares

The following table gives the interests of members of the Management Committee in the Group's listed securities at the end of the financial year.

| Interests as at 30 June 2015 (number) | MCB Group Ltd shares | | MCB Group Ltd Subordinated Notes | | Fincorp Investment Ltd shares | |
|---|---|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Raoul GUFFLET | 28,965 | 16,668 | - | - | - | - |
| Eddy JOLICOEUR | 18,230 | - | - | 2,000 | - | - |
| Alain LAW MIN | 164,678 | 595 | - | 3,000 | 52,270 | - |
| Denis MOTET | 71,069 | 1,561 | 500 | - | - | - |
| Bhavish NAECK | 18,544 | 4,139 | 1,000 | 1,500 | - | - |
| Jean-Michel NG TSEUNG | 7,885 | - | - | - | - | - |

## Related Party Transactions

For the purposes of these Financial Statements, 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. Related parties may be individuals or other entities. The BoM Guideline on Related Party Transactions, issued in January 2009 and revised in June 2015, is articulated around three main elements:

- 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.

In fact, the Guideline is more stringent than the applicable International Accounting Standard (IAS 24) in that a person holding directly or indirectly 10% or more of the capital or of the voting rights of the Bank also falls within the definition of related party. As a general rule, all transactions with a related party must be carried out at arm's length i.e. 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;
- guarantees issued on behalf of a related party;
- investments in any securities of a related party;
- deposits and placements; and
- professional service contracts.

As regards regulatory reporting on exposures to related parties, the latter are classified into three categories:

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.
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.
3. Senior Management, provided their exposures are within the terms and conditions of their employment contract.

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

The Bank's policy on related party transactions sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them and reporting procedures to the Conduct Review Committee. Note 37 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 30 June 2015.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 6,515 million (on-balance sheet) and Rs 1,492 million (off-balance sheet), which represented respectively 4.0% and 3.0% of Bank loans and Bank contingent liabilities as at 30 June 2015.

Exposure of the Bank's top six related parties as at 30 June 2015 were Rs 1,760 million, Rs 994 million, Rs 793 million, Rs 715 million, Rs 662 million and Rs 331 million. These balances represented 6.1%, 3.4%, 2.7%, 2.5%, 2.3% and 1.1% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2015, except for an exposure of Rs 475 million on a group of companies where one of the Group's directors has a minority stake. This group of customers has entered into a scheme of arrangement with its creditors. Interest on this group's debts has been suspended and expected losses have been provided for in the Financial Statements.

## Stakeholders' Relations and Information

The Board of MCB Ltd places high importance on an open and meaningful dialogue with all those involved with the Bank, whilst ensuring that their information needs are promptly attended to. In this respect, relevant stakeholders and the public at large are duly kept informed of notable developments at the Bank through appropriate communication channels. In addition to official press announcements, occasional press conferences, the Bank's website, hosted at **www.mcb.mu**, provides for an adapted and comprehensive self-service interface.

### Floating Rate Subordinated Notes

As part of the capital restructuring exercise, the Board of Directors of MCB Ltd and MCB Group Ltd have resolved to transfer the assets and liabilities pertaining to the Floating Rate Subordinated Notes of Rs 4.5 billion from MCB Ltd to MCB Group Ltd in June 2015. In this respect, MCB Group Ltd now acts as the issuer of the Notes and is responsible for the corresponding liabilities in terms of the coupon payments and repayment of the principal of the Notes at maturity.

### Shareholders Agreements

There is currently no shareholders agreement affecting the governance of the Company by the Board, except as mentioned in shareholders' resolution under the Constitution of The Mauritius Commercial Bank Limited.

# Corporate governance report

## Dividend Policy

Although there is no formal dividend policy, the Company aims to supply its shareholder with adequate returns to meet the objective of the Group to have a stable and relatively predictable dividend path.

## Time Table of Important Events

| | |
|---|---|
| Mid-November 2015 | Release of first quarter results to 30 September 2015 |
| November 2015 | Annual Meeting of Shareholders |
| December 2015 | Payment of dividend |
| Mid-February 2016 | Release of half-year results |
| Mid-May 2016 | Release of results for the 9-month period to 31 March 2016 |
| June 2016 | Declaration of dividend |
| July 2016 | Payment of dividend |
| End September 2016 | Release of full-year results to 30 June 2016 and declaration of dividend |
| December 2016 | Payment of dividend |

## Statement of Remuneration Philosophy

The Bank's remuneration philosophy concerning directors, as proposed by the Nomination and Remuneration Committee and approved by the Board provides that:

- there should be a retainer fee for each individual director reflecting the workload, the size and the complexity (national/international) of the business as well as the responsibility involved;
- the Chairperson, having wider responsibilities and being present on a weekly basis at the Bank, should have consequential remuneration;
- there should be committee fees for non-executive directors, with the fees differing in accordance with the time required for preparation, the frequency and the duration of meetings. Chairpersons of committees should be paid a higher remuneration than members; and
- no share option or bonus should be granted to non-executive directors.

The 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
- opportunity is 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 an assessment of their contribution thereto. In addition, all staff members have the added possibility to be incentivised further through a share option scheme.

Generally, the finalisation of remuneration packages is anchored on a range of factors including qualifications, skills scarcity, past performance, personal 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 Bank performance.

## Employee Share Option Scheme

Employees of the Bank are entitled to the MCB Group Employee Share Option Scheme (GESOS), which provides them with the opportunity to partake in the growth and prosperity of the Group through an acquisition of a stake therein. This scheme acts as an additional lever to promote a performance culture alongside upholding motivation and commitment across the organisation. Under the scheme, the Bank's employees are granted non-transferable options to buy MCB Group Ltd shares up to a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through four specific windows, carry a retention period of three years. The option price is based on the average of the share price over the quarter prior to the date on which the options are granted, to which a discount is applied. Once issued, the shares rank *pari passu* as to dividend, capital, voting rights and in all other respects with the existing shares of MCB Group Ltd.

The following table gives details of the options granted to and exercised by employees of MCB Ltd under the share option scheme.

| | Management | Other employees | TOTAL |
|---|---|---|---|
| **Number of options granted in October 2014** | **72,479** | **360,748** | **433,227** |
| Initial option price (Rs) | 210.75 | 189.75 | - |
| Number of options exercised to date | 17,922 | 52,002 | **69,924** |
| Value (Rs '000)* | 3,777 | 9,867 | **13,644** |
| Percentage exercised | 24.7 | 14.4 | **16.1** |
| Number of employees | 2 | 215 | **217** |
| **Available for the 4th window and expiring in mid-October 2015** | **54,557** | **308,746** | **363,303** |

**Based on initial option price*

## Auditors' Fees and Fees for Other Services

| | MCB Ltd | |
|---|---|---|
| | **2015** | **2014** |
| | **Rs '000** | **Rs '000** |
| **Audit fees paid to:** | | |
| BDO & Co | 16,905 | 16,100 |
| **Fees for other services provided by:** | | |
| BDO & Co | 2,415 | 3,795 |

*Note that the fees for other services relate to internal control review and the provision of an assurance report in respect of Notes issuance.*

## Corporate Social Responsibility and Sponsorships

The Bank remains committed to promoting sustainable economic development principles and continues to fulfill its engagement as a socially responsible and caring corporate entity. Indeed, the Bank has, throughout its history, been heavily involved in promoting the interests of the community, as gauged by its unrelenting support to worthy causes through several initiatives to contribute to the welfare of society.

Consistent with the authorities' requirement for companies, applicable until the last financial year, to set up an annual Corporate Social Responsibility (CSR) Fund representing 2% of their chargeable income derived during the preceding year, an amount of about Rs 63 million for FY 2014/15 was entrusted by MCB Ltd to MCB Forward Foundation, the dedicated vehicle responsible for the design and implementation of CSR initiatives of MCB Group. Projects financed over the year under review spanned the fields of absolute poverty alleviation and community empowerment as well as socio-economic development through support to vulnerable groups alongside promoting education, health and the welfare of children amongst others. Of note, no political donations were made during the year under review.

MCB's corporate social responsibility extends beyond those endeavours carried out through MCB Forward Foundation. The Bank thus pursued

# Corporate governance report

the internally-generated 'Initiative 175' programme aimed at promoting environment-friendly practices among staff, customers and the population at large. The main actions undertaken during the year are as follows:

- The Bank widened its involvement in respect of the provision of 'Green Loans'. Of note, after being the prime provider of loans in the context of the 1st edition, the Bank had, back in March 2014, renewed its partnership with Agence Française de Développement (AFD) through the signature of a new EUR 60 million loan agreement and launched the 2nd edition of preferential credit facilities named 'Green Loans', to support initiatives in favour of energy saving and the reduction of carbon emissions. In respect of this financing product, an investment grant of 8% of the loan amount is offered to the client for investments in 'green' projects that can be 100% financed by the Bank.
- MCB is partnering with the 'BioPark Mauritius' project, which is viewed as being the first hub of its kind in the Indian Ocean. BioPark Mauritius aspires to be a dedicated space encouraging the use of biotechnologies for research and development by innovative companies and professionals.
- Following the initial Blue Carbon Footprint certification received by all its branches and sites during the previous financial year, the Bank has, during FY 2014/15, successfully renewed such certification, while achieving progress made towards further compliance.
- The Bank fostered the active promotion of e-statements with the number of customers subscribing thereto more than doubling to reach some 123,000, as compared to about 55,000 as at June 2014.
- The Bank launched the 4th edition of the 'Make a Wish' competition involving primary schools, in partnership with the Ministry of Education and Human Resources, Tertiary Education and Scientific Research, with the objective being to improve the environment and quality of life at school.
- Staff and business units have been sensitised about environment-friendly practices, with examples including:
  - o Recycling of MCB used tubes and bulbs containing mercury
  - o Employees invited to a conference by Tony Lee, the Director of the Green Building Council of Mauritius, on 'Ecological Homes' at the MCB St Jean auditorium
  - o Waste recycling container placed in the parking area of MCB St Jean by 'Mission Verte' to encourage staff to segregate and recycle their waste at home and in the office

Moreover, the Bank continued to provide wide-ranging support to promote education and sports as well as art and culture through the sponsorship of:

- *MCB Foundation Scholarship*: It is awarded to the student ranked next in line to those eligible for the State of Mauritius scholarships on the Economics side upon the announcement of the national Higher School Certificate examination results.
- *Stock Exchange of Mauritius Young Investor Award 2014*: The competition, which aims at inculcating an investment culture amongst college students by giving them a hands-on experience of real time market prices in real share-market conditions, attracted 1,090 students across 218 teams and coming from 109 colleges.
- *National Spelling Bee Competition 2015*: The 14th edition targeted more than 600 secondary school students from 147 colleges with a view to promoting the utilisation of the English language.
- *InnovEd*: Organised by the National Productivity and Competitiveness Council, the competition aimed at promoting innovation at the secondary education level, with the participation of some 450 students from 52 colleges being registered.
- Competitions organised by the Rajiv Gandhi Science Centre:
  - o *Science Quest 2015 and Young Scientists in Action 2015*: Attracted 360 college students and 100 primary school students respectively, who were tasked with applying science to devise novel solutions for daily life problems
  - o *Rodrigues Science Challenge 2015*: Aimed at deepening the scientific curiosity of primary and secondary students in Rodrigues and disseminating an innovative culture amongst young people towards finding actionable solutions to raise awareness about sustainable development
  - o *Rodrigues Story Telling Competition*: Targeted Standard V pupils and encouraged the latter to use imagination and creativity, as well as master confidence in speaking English from an early age
- *Sport competitions*
  - o *9th edition of the Indian Ocean Island Games*: Support to the team from Mauritius
  - o *Dodo Trail*: International trail running competition held in Mauritius, having attracted around 1,600 participants from more than 12 countries
  - o *Golf competitions*: (i) MCB Tour Championship 2014, the most prestigious golf contest held in Mauritius; (ii) MCB Pro-Am: Event giving the opportunity to both customers and employees to play with professionals; (iii) MCB Invitational: Tournament targeted exclusively at MCB customers; (iv) Ladies Golf Union Championships 2015; and (v) MCB Indian Ocean Amateur Golf Open: for its 2nd edition, the event attracted 58 participants

## Statement of Directors' Responsibilities

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Bank. In preparing those Financial Statements, the directors are required to: (i) ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained; (ii) select suitable accounting policies and then apply them consistently; (iii) make judgements and estimates that are reasonable and prudent; (iv) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and (v) prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business. The directors confirm that they have complied with these requirements in preparing the Financial Statements. The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank while ensuring that the Financial Statements: (i) fairly present the state of affairs of the Bank, as at the financial year end, and the results of its operations and cash flow for that period; and (ii) have been prepared in accordance with and comply with International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder. Directors are also responsible for safeguarding the assets of the Bank and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include assessment of Management's performance relative to corporate objectives, overseeing the implementation and upholding of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Bank.

The Board of MCB Ltd, recognising that the Bank, as a financial organisation, encounters risk in every aspect of its business, has put in place the necessary committees to manage such risks, as required by Basel II and Basel III as appropriate. The Board, whilst approving risk strategy, appetite and policies, has delegated the formulation thereof and the monitoring of their implementation to the Risk Monitoring Committee.

The structures, processes and methods through which the Board gains assurance that risk is effectively managed, are fully described in the Risk Management Report.

On behalf of the Board.

A.R. Withers

**Jean-Philippe COULIER**
Chairperson

**Antony R. WITHERS**
Chief Executive

# Management Discussion and Analysis

## Review of the Operating Environment

### Macroeconomic Overview

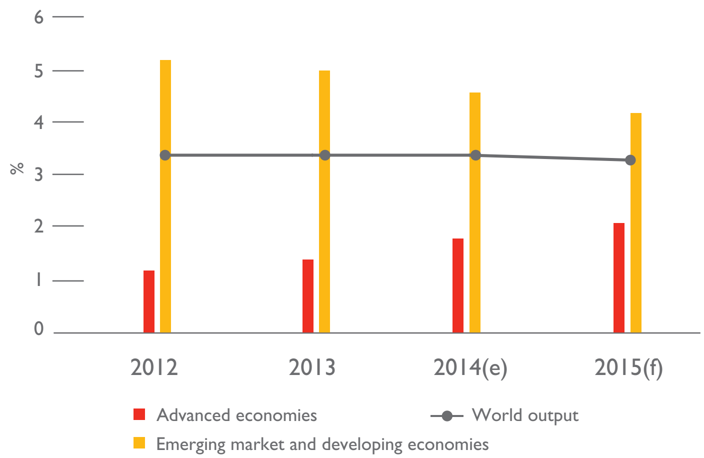
#### *Overview*

In general, the Bank has been exposed to soft economic conditions during the last financial year, as gauged by restrained growth and subdued private investment in Mauritius as well as challenges prevailing on the international scene. On a positive note however, it is worth highlighting that broadly conducive dynamics at play in selected niche markets and on the regional scene have underpinned appreciable inroads made by entities in terms of business development and revenue generation.

#### *The international context*

The international community was clinging to the hope that 2014 would finally start to witness a strong and sustained rebound globally. However, the situation remained challenging yet again last year, with world growth flatlining at 3.4%, as laid down in the IMF World Economic Outlook update issued last July. At the same time, this headline figure masks a more nuanced picture, marred by increased cross-country and regional divergences. In the first place, whilst growth firmed up in the Anglo-Saxon countries, aided by healing labour markets and accommodative monetary policy, recovery has been sputtering in the eurozone, as crisis legacies and unresolved home-grown imbalances lingered. On the other hand, emerging and developing economies bore the brunt of structural bottlenecks, weak external demand, domestic policy tightening, political uncertainties, stiffer external financing conditions and the delicate rebalancing in China. At the present juncture, the world economy is seemingly heading for yet another year of subpar growth, projected by the IMF at 3.3% for 2015, with a gradual recovery in advanced economies and a deceleration in the expansion path of emerging markets. Of particular relevance to Mauritius, growth in the euro area – which comprises our main export markets – is expected, in the short term at least, to remain subdued, although there are signs of a firming up of the recovery process, with latest estimates pointing towards GDP edging up by 0.4% quarter-on-quarter and 1.5% year-on-year in the second quarter of 2015. Albeit coming from a low base, these indications of a positive inflexion are, largely, driven by low energy and food prices, a weak euro, the accommodating monetary policy stance of the European Central Bank with its quantitative easing programme, as well as strengthening consumer confidence and recovery in domestic demand. It now boils down to making the recovery process stick, which is a challenging task given the still-unfolding Greek debt crisis and the fact that the recovery witnessed across the single currency area is moving at a largely uneven pace. Overall, the distribution of risks to the world's near-term growth outlook is tilted to the downside, with notable areas of concern including soft productivity and potential output levels, broad-based weaknesses in investment and persisting legacies of insufficient demand, escalating geopolitical tensions, monetary policy tightening operating on diverging timelines, as well as heightened financial market volatility. More recently, the surprise Chinese Yuan devaluation sent fresh shockwaves through global markets, with stock and resource prices tumbling as investors viewed this move as a vivid signal of slowing Chinese growth. In effect, as China transitions to a new normal, this not only threatens to affect global growth prospects by virtue of the country's growing weight and linkages within the world economy, but should also dampen the country's appetite for commodities and, as such, impede on the growth outlook of emerging markets being engaged in such exports. Actually, whilst they have rebounded by a greater-than-expected margin during the second quarter of 2015 on account of higher demand and expectations that production growth in the United States will slow faster than previously forecast, oil prices have, in general, registered a sustained and marked decline since September 2014. This trajectory is, principally, explained by weaker-than-expected global activity, intrinsic weakness in demand due to improvements in energy efficiency, as well as the stepping up of production levels. After making allowance for such factors, average oil prices for 2015 would post a major decline as compared to 2014, while nonfuel commodity prices, notably metals and foods, are also expected to land at lower levels given both demand and supply dynamics.

**Real GDP growth**




*(e) estimates (f) forecasts*

*Source: IMF World Economic Outlook Update - July 2015*

### *The Mauritian economy*

#### *Introduction*

In recent years, the domestic economy has sailed through difficult waters, pinned down by vulnerabilities in the international economy and the stickiness of domestic productivity and competitiveness-hindering factors. Such dynamics continue to warrant the country's attention, the more so given the progressive erosion of preferential access to international markets and prospects of exacerbated competitive pressures therein. Against this challenging backdrop, it is creditable to take cognisance of policy measures enunciated in the National Budget 2015/16 and generally reaffirmed in the recently unveiled Economic Mission Statement of the Government. It now boils down to the speed and depth of project implementation in respect of these undertakings at both the public and private sector levels, which would be influential in shaping up the extent to which Mauritius will manage to meaningfully rekindle growth and employment creation over time.

#### *Economic growth*

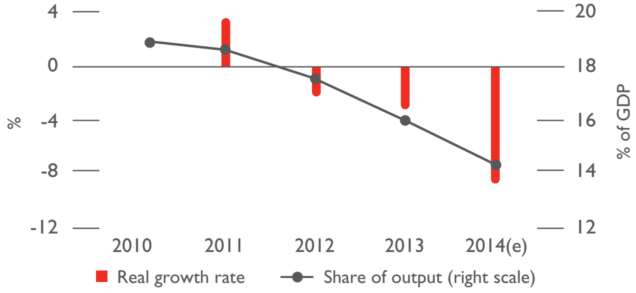
In 2014, while benefiting from the notable growth momentum exhibited by the seafood, ICT and the financial and business services sectors, real GDP growth at market prices stood at 3.6%, notably impacted by dampened investment, which contributed to another poor performance by the construction industry, as well as moderate growth by the export oriented manufacturing sector. In spite of representing a relative step-up from the prior year's outcome, this growth performance can be regarded as below-par by historical levels and when assessed in light of the country's medium-term socio-economic aspirations. With regard to 2015, on the back of the delicate international context and domestic imbalances, the economic landscape is expected to remain under scrutiny. As per current indications, growth is, indeed, anticipated to revolve at around 3.5% in spite of the significant cumulative statistical impact of numerous years of restrained national economic expansion, and the offshoots of weaker global oil prices. Besides, measures that have been earmarked by the authorities to boost national investment and gear up the competitiveness of economic sectors are likely to yield only a limited impact on activity levels this year after making allowance for the time taken for earmarked ventures to be comprehensively designed and executed.

## Economic dashboard

Notwithstanding relative healing signs in its main export markets and whilst awaiting for the full-fledged implementation of enunciated policy measures, the Mauritian economy is engaged on a below-par growth trajectory. Consequently, after factoring in lingering labour market imperfections, nationwide unemployment would remain quite elevated this year, with trends pertaining to youth and women continuing to warrant attention.

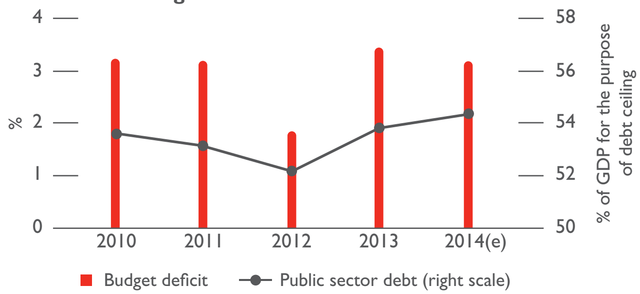
### Real growth rate and Unemployment


### Private investment

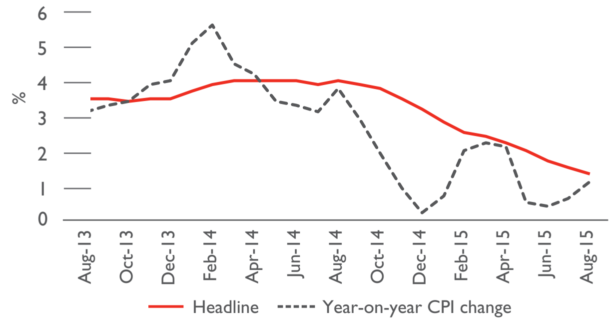



Bearing in mind the ramifications of the challenging economic context, the budget deficit stayed elevated in 2014, thus causing the public debt ratio to remain quite high in 2014. The latter situation warrants close attention, especially in light of recent estimates pointing towards the ratio rising to 56% of GDP as at June 2015. On a more positive note, headline inflation has pursued a generally sustained dip, largely thanks to weakened oil and commodity prices, relative declines in telecommunication costs, well-anchored inflation expectations and subdued domestic demand. Against this backdrop and the soft economic climate, the benchmark Key Repo Rate of the Bank of Mauritius has been kept unchanged during the last financial year and till date.

### Budget deficit and Public sector debt




### Inflation rate



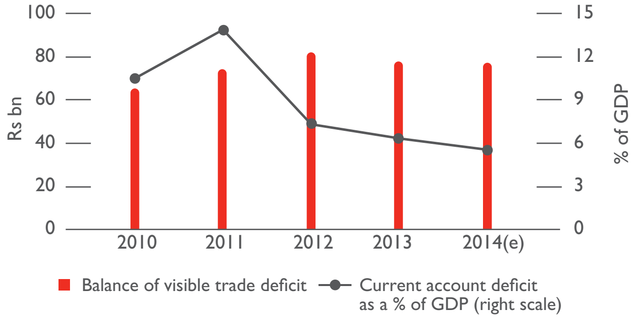

On the heels of the marked strengthening of the US dollar on international markets, the rupee has weakened against the latter currency, while firming up in relation to the euro. On such grounds and after factoring in the testing economic conditions characterising our main trading partners, the country's balance of trade deficit has remained high, although pursuing a slight downtrend, notably linked to declining commodity prices. For its part, despite recent declines, the current account deficit still calls for close scrutiny, even if it continues to be offset by notable capital and financial flows.

### Foreign exchange rate

**Selling rates of main currencies vis-à-vis the rupee**

| | Value as at | | Annual average | |
|---|---|---|---|---|
| | 30-Jun-14 | 30-Jun-15 | FY 2013/14 | FY 2014/15 |
| USD | 30.7 | 35.8 | 30.9 | 33.2 |
| GBP | 52.1 | 56.2 | 49.9 | 52.3 |
| EUR | 41.8 | 40.0 | 41.6 | 39.8 |

### External front




*Sources: Statistics Mauritius, Bank of Mauritius, Ministry of Finance & Economic Development and MCB staff estimates*

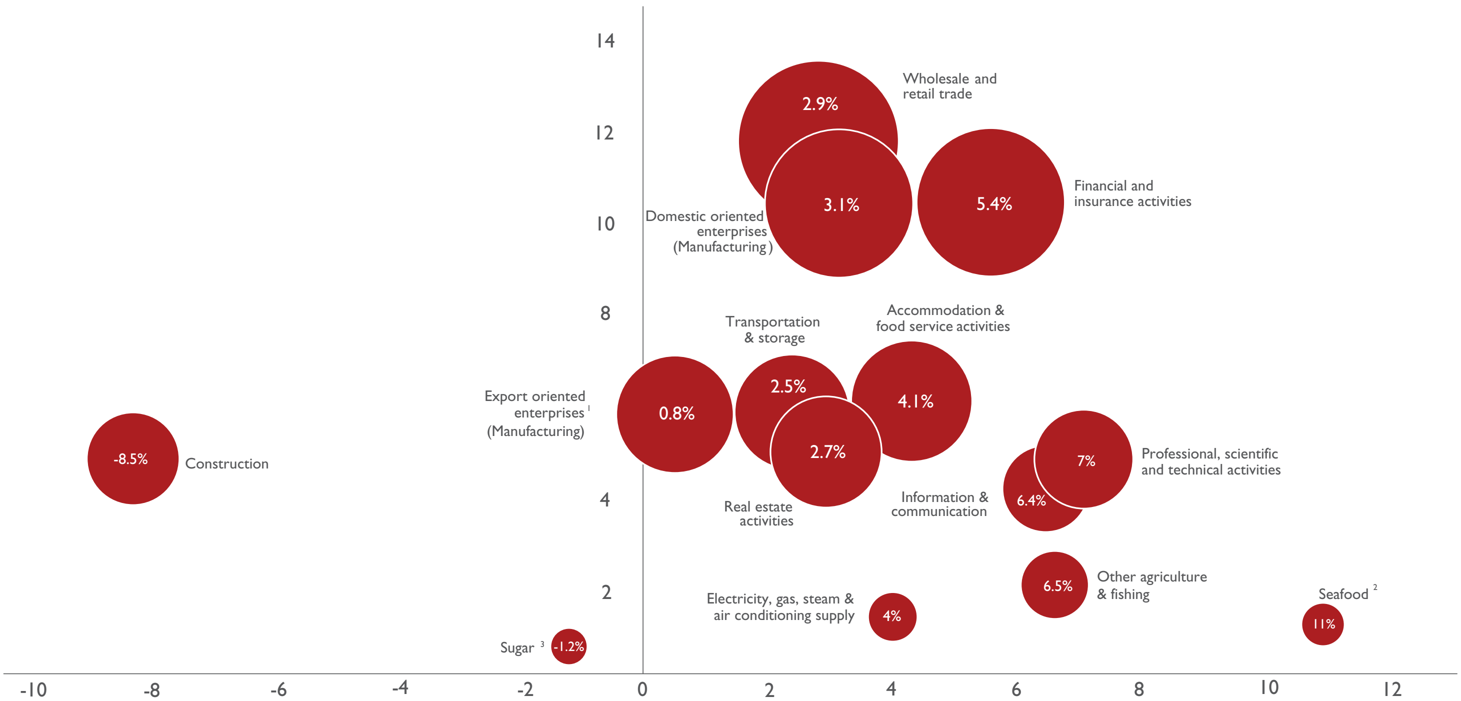
Of particular pertinence to the portfolio growth of MCB Ltd, the sub-optimal economic growth pattern reflects, to a large extent, a still subdued national investment climate, which continued to exert pressures on the nationwide demand for credit. Conspicuously, private sector investment contracted in 2014, while capital expenditure by the Government only edged up marginally in real terms. Consequently, the ratio of national investment to GDP attained close to 19% last year, which far undershoots the levels advocated to effectively realise the country's growth and job creation aspirations. For 2015, the still-delicate economic landscape and related high uncertainty levels imply that private sector investment would remain in a challenging zone and post yet another contraction. On the other hand, major projects have been announced in relation to the Public Sector Investment Programme and spanning areas such as water, electricity, waste and wastewater management, road network, seaport, as well as communication. While such ventures would, in all probability, contribute to support public investment in 2015, the impact would still be contained. In fact, the enunciated investment outlays are predicted to yield a meaningful impact on activity levels only as from 2016, after making allowance for inevitable lead times and project implementation lags, as well as these projects' notable import content. Another worrisome trend pertains to the low gross domestic saving (GDS) to GDP ratio, which is anticipated to stand above the 12% mark in 2015, largely on account of subdued trends prevailing on the corporate side. Basically, this does not prefigure well with regard to the economy's aim of dispensing with prevailing lacklustre private investment trends.

***Sectorial outcomes***

Broadly mixed performances are being recorded as regards value creation by the country's productive industries. Whilst some sectors have been faring comparatively well on the back of notable market development and diversification breakthroughs, others are grappling with difficulties associated with the soft global economic context, as well as escalating competition on globalised markets. Regarding sectors in respect of which MCB Ltd exhibits relatively more sizeable exposures, it can be noted that the tourism industry posted a non-negligible upturn in its performance in 2014. Despite subsisting pressures on gross receipts on account of restrained income growth in source markets, the sector should record an appreciable growth rate in 2015 as per latest indications, duly supported by efforts towards ensuring the effective diversification of markets and the value proposition. For its part, pursuant to yet another contraction registered last year, the construction sector is expected to perform poorly in 2015, despite a weakened base after years of negative growth and relative support emanating from execution of public projects. Regarding the performance of other sectors, the sugar sector should, after successive years of contraction, retrieve a slight positive growth outcome in 2015, with the continuing reorientation of the productive activities being observed. Of note, market access developments deserve cautious monitoring, especially on account of the intensified competitive environment, which are prone to pile up in the build-up to the abolition of the EU sugar quota regime anticipated for 2017. As for the export oriented manufacturing sector, after posting a marginal growth in 2014, the sector, as a whole, should register a somewhat improved performance in 2015, backed by the positive offshoots from enhanced market access beyond established spheres, as well as productive efficiency gains. Nevertheless, the expansion in value added for the sector should, particularly at the level of the textile segment, remain modest, due to dampened private expenditure prevailing in our key trading partners and pressures exerted on the external competitiveness of operators. In the seafood industry, whilst a relative slowdown from the 2014 double-digit growth is expected, growth should remain appreciable this year, even though newly implemented increases in European tariff quotas for the latter's imports of selected fishery products are likely to benefit competitor countries such as Philippines and Thailand. Moreover, the performance of the trade and domestic oriented industries, which both grew at a restrained speed last year, should continue to warrant attention in 2015, despite new initiatives launched by the authorities to foster development of Small and Medium Enterprises (SMEs). From a more favourable perspective, the ICT as well as the business and financial services industries posted vigorous expansionary rates in 2014 and should sustain their growth momentum this year, backed by sound fundamentals and progress in terms of further sector deepening.

**Recent sectorial performances**

Contribution to GDP and real growth rates for 2014 (%)




*Note: (i) Size of bubble represents share of sector to GDP; (ii) Percentage inside bubble denotes real sectorial growth rate*

*[1] Export Oriented Enterprises (EOE) comprise manufacturing enterprises formerly operating with an export certificate and those export manufacturing enterprises holding a registration certificate issued by the Board of Investment.*

*[2] Covers mainly the activities of 'fishing' and 'fish processing'.*

*[3] Covers components of 'sugarcane' and 'sugar manufacturing'.*

*Source: Statistics Mauritius*

### *Performance of sub-Saharan Africa*

Despite facing up to latent external headwinds and dwindling support from oil-related activities, the sub-Saharan African region is generally staying the course and has sustained its solid growth momentum in 2014, mainly underpinned by strong domestic demand, thriving services sectors and dynamic agricultural production. Continuing investment in infrastructure and mining, as well as maturing investments in several sectors provided an additional boost to economic activity. Nonetheless, the Ebola outbreak has exacted a heavy economic and social toll on countries such as Guinea, Liberia and Sierra Leone, causing serious disruptions in agriculture and services, as well as delays in key mining development projects therein. For 2015, economic growth for the region is forecast to remain relatively appreciable as per the IMF, albeit standing lower than last year at 4.4%, reflecting, to a notable extent, the sharp fall in global oil and commodity prices, which poses challenges to exporting countries across the continent. Furthermore, the near-term outlook for the region is subject to non-negligible downside risks. Firstly, these relate to external forces, including: (i) a lower-than-expected and lopsided global recovery, principally across Europe and China, which are the region's major trading partners; (ii) additional US dollar strengthening which would render imports more expensive; and (iii) the further widening of fiscal imbalances on the back of tighter global financial conditions. Secondly, domestic disturbances, partly linked to an escalation of security tensions, could impede fiscal stability, dampen investment by impacting upon the business climate, and, thus, near-term growth prospects.

| Real GDP growth (%) | 2012 | 2013 | 2014(e) | 2015(f) |
|---|---|---|---|---|
| **Sub-Saharan Africa** | **4.2** | **5.2** | **5.0** | **4.4** |
| Oil-exporting countries | 3.7 | 5.7 | 5.8 | 4.5 |
| Middle-income countries | 3.4 | 3.6 | 2.7 | 3.3 |
| Low-income countries | 6.1 | 7.1 | 7.4 | 6.5 |
| Fragile states | 7.4 | 5.6 | 5.6 | 6.1 |

*(e) estimates (f) forecasts*

*Sources: IMF World Economic Outlook - April 2015, Regional Economic Outlook (Sub-Saharan Africa) - April 2015 & World Economic Outlook Update - July 2015*

## Market Environment

### *Overview*

During the period under review, the banking industry in Mauritius was exposed to delicate market conditions and, to some extent, sector-specific strains. In particular, against the backdrop of the continued subdued trends characterising private sector investment as well as difficulties faced by some economic sectors, downward pressures have been exerted on the demand for loans, while the evolution of asset quality metrics warranted attention in some instances. Compounded by persisting excess liquidity conditions and high levels of competitive pressures, such dynamics exerted pressures on margins and, subsequently, the revenue generation capabilities of banking sector players. Generally speaking however, the strategic orientations adopted by operators have enabled them to effectively withstand the difficult context and pursue their business development. Indeed, in support of their growth endeavours, operators have reinforced their inherent capabilities, alongside enhancing the richness of their value propositions and further executing their market diversification agenda across geographies, notably within the African continent and, also, in Asia. Furthermore, the industry has preserved the soundness of its financial indicators, with the Bank of Mauritius underscoring, in its Financial Stability Report dated August 2015, that, "*The banking sector maintained adequate capital levels during the period under review, although differences remained between types of banks in terms of their individual capital and asset holdings.*" From a policy perspective, it can be highlighted that the Monetary Policy Committee of the Bank of Mauritius has kept its key Repo Rate unchanged during the last financial year and till date. Notwithstanding such a stance and cognisant of market conditions, several banks have decreased their savings deposit and prime lending rates. In another light, on account partly of the predominant emphasis laid in its methodological framework on core capital as opposed to BIS capital, Moody's has lowered the credit ratings of the country's two rated banks, including MCB Ltd, which were placed on review for further downgrade amidst the execution of their restructuring exercises. However, since February 2015, all these ratings carry a stable outlook, pursuant to measures undertaken or planned by these banks to hold higher Tier 1 capital.

On another note, Mauritius was confronted by alleged financial irregularities in respect of the banking and non-banking financial entities of an important conglomerate. However, while relevant deliberations subsist at various levels, corrective actions have been taken by the authorities to tackle the matter. As part of these measures, a new state-owned bank was created to take over from the group's banking subsidiary, whose banking licence was revoked following capital and liquidity issues. Of note, the Government also injected capital in another state-owned operator during the year to cater for observed weaknesses in respect of its market positioning and financial soundness. Recently, the authorities announced that these two institutions will merged into a single bank.

# Management Discussion and Analysis

| Selected financial stability indicators (%) | Mar 14 | Jun 14 | Sep 14 | Dec 14 | Mar 15 |
|---|---|---|---|---|---|
| **Capital-based** | | | | | |
| Regulatory capital to risk-weighted assets | 17.9 | 17.8 | 17.5 | 17.1 | 17.7 |
| Regulatory Tier 1 capital to risk-weighted assets | 15.5 | 15.3 | 15.1 | 15.1 | 15.4 |
| **Asset quality** | | | | | |
| Non-performing loans to total gross loans | 4.4 | 4.5 | 4.5 | 4.9 | 5.1 |
| **Earnings and profitability** | | | | | |
| Return on assets | 1.3 | 1.5 | 1.5 | 1.4 | 1.3 |
| Return on equity | 14.6 | 16.0 | 16.3 | 15.2 | 13.7 |
| **Liquidity** | | | | | |
| Liquid assets to total assets | 22.6 | 19.5 | 22.7 | 24.1 | 26.0 |
| Liquid assets to short-term liabilities | 30.7 | 26.3 | 29.1 | 30.2 | 33.0 |
| **Sensitivity to market risk** | | | | | |
| Net open position in foreign exchange to capital | 3.1 | 3.8 | 3.0 | 2.4 | 2.7 |

*Source: Bank of Mauritius, Financial Stability Report - August 2015*

### *Key year-on-year trends witnessed during FY 2014/15*

While posting a higher growth as compared to the performance of the preceding financial year, total gross loans increased by a relatively subdued rate of 6% to attain Rs 613 billion as at 30 June 2015. This performance has, in the context of the persistently subdued investment climate, been predominantly tempered by the outturn of the banks' Segment A advances, i.e. exposures giving rise to locally-sourced income, whose growth rate dropped for the third consecutive year to stand at a modest 2.6%. Specifically, a prominent sight relates to the negative growth rates posted by loans to traders as well as the agriculture and fishing, tourism, export oriented manufacturing and public nonfinancial corporations sectors. On the other hand, the construction sector (excluding housing) depicted a relatively resilient growth, while a striking expansion rate was registered by the domestic oriented industry, which benefitted from credit facilities extended under the Government-backed Small and Medium Enterprises Financing Scheme, with an outstanding loan amount of Rs 1.7 billion as at June 2015, of which more than 40% is attributed to MCB Ltd. Besides, although exposures to the 'personal and professional' segment declined, the retail field witnessed another double-digit growth in housing loans on the back of operators enhancing their price competitiveness and refining the attractiveness of offerings. Similarly, notwithstanding high uncertainties over the Double Taxation Avoidance Agreement between Mauritius and India, the expansion in credit to Global Business Licence Holders remained robust. This achievement contributed to an upturn in Segment B loans, i.e. exposures giving rise to foreign-sourced earnings, which rose by 8.4% after making allowance for the recovery in foreign currency loans outside Mauritius, presumably linked to the evolution of cross-border exposures to Africa on the heels of strategies adopted by business operators to tap into appreciable avenues therein.

To a notable extent instigated by the restrained evolution of demand for credit, the money market was characterised by lingeringly high liquidity levels. In particular, excess cash holdings held by banks at the Bank of Mauritius (BoM) beyond the mandatory balances have, especially as from the beginning of 2015, kept on rising, with a peak of Rs 16.5 billion registered in April. This contributed to a marked and sustained downfall in the weighted average yield on treasury bills. Subsequently however, some relief has been noted with regard to the liquidity glut. Indeed, excess cash holdings at the Central Bank came down to Rs 7.9 billion at around the end of September 2015. This situation was engendered by a series of remedial measures brought about by the Central Bank. To start with, BoM conducted sterilised foreign exchange interventions with effect from January 2015. As from May 2015, it embarked on a programme of liquidity management, alongside announcing that money market operations will be sustained to sterilise around Rs 20 billion of liquidity by end-2015. BoM considers that a gradual reduction in excess liquidity levels will allow it to progressively steer short-term interest rates in the appropriate direction. This improved ability to affect short-term interest rates should help to positively influence the interest rate structure and lead to a better transmission of monetary policy signals. In this respect, BoM has, lately, announced its intention to improve the monetary policy operational framework in order to restore the link between the Key Repo Rate and other short-term interest rates in the domestic money market as well as to improve the transmission of monetary policy impulses to the real sector of the economy.

After observing a sharp deceleration in the pace of its evolution during the preceding year, total deposits rose by around 23% over the period under review to stand at Rs 869 billion as at June 2015. In spite of global economic uncertainties and instabilities, this was, mainly driven by an upturn of around 35% at the level of foreign currency deposits. Furthermore, in spite of the low interest environment and the restrained nationwide income generation, rupee deposits sustained an appreciable expansion rate of about 8%, supported by savings and demand deposits, in the process reflecting the sustained market confidence in the banking sector.

# Management Discussion and Analysis

## Main banking sector metrics

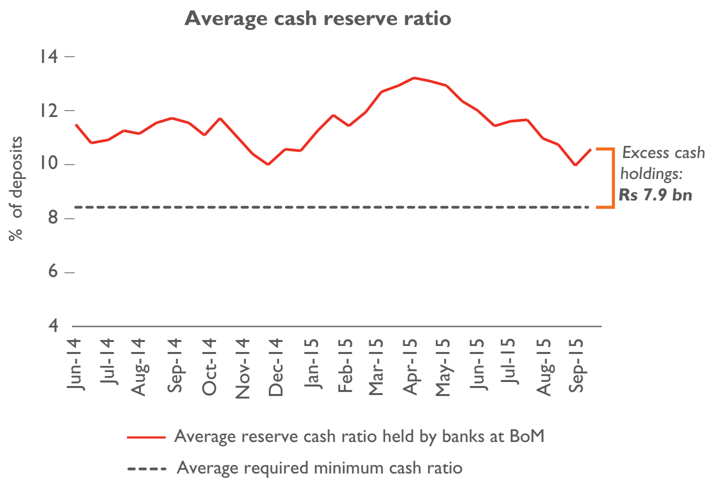
### Loans and deposits

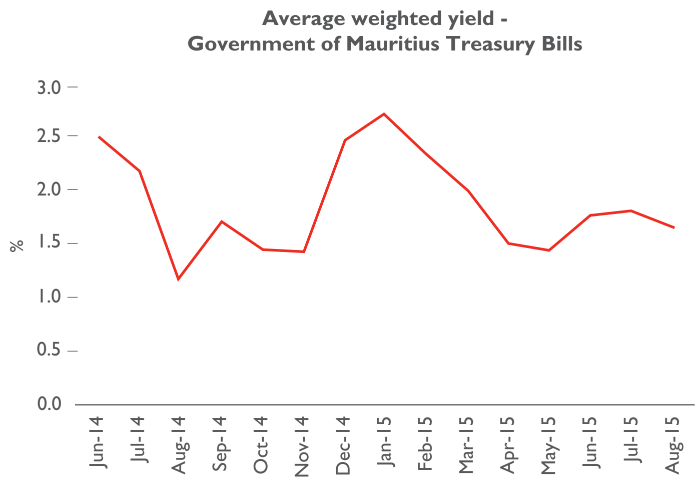
| Loans (June 2015) | | | |
|---|---|---|---|
| **By segment** | **Rs m** | **Mix (%)** | **Y.o.y. change (%)** |
| Segment A | 273,445 | 44.6 | 2.6 |
| Segment B | 339,871 | 55.4 | 8.4 |
| **Total** | 613,316 | 100.0 | 5.7 |

| Deposits (June 2015) | | | |
|---|---|---|---|
| **By type** | **Rs m** | **Mix (%)** | **Y.o.y. change (%)** |
| Rupee | 319,496 | 36.7 | 7.8 |
| *Savings* | *186,929* | *21.5* | *11.8* |
| *Demand* | *52,741* | *6.1* | *11.1* |
| *Time* | *79,826* | *9.2* | *(2.5)* |
| Foreign currency | 549,965 | 63.3 | 34.6 |
| **Total** | 869,461 | 100.0 | 23.3 |

| Credit to the economy (June 2015) | | | |
|---|---|---|---|
| **Sectors** | **Rs m** | **Mix (%)** | **Y.o.y. change (%)** |
| Agriculture and fishing | 17,667 | 5.6 | (3.7) |
| Export oriented industry | 5,819 | 1.8 | (2.1) |
| Domestic oriented industry | 14,133 | 4.5 | 16.2 |
| Tourism | 47,536 | 15.0 | (1.4) |
| Transport | 4,925 | 1.6 | 1.1 |
| Construction | 83,191 | 26.3 | 8.5 |
| *Housing* | *51,778* | *16.3* | *10.1* |
| *Others* | *31,413* | *9.9* | *5.9* |
| Traders | 30,034 | 9.5 | (4.3) |
| Information & Comm. Technology | 1,492 | 0.5 | 21.6 |
| Financial & business services | 25,012 | 7.9 | 7.1 |
| Infrastructure | 4,252 | 1.3 | (1.9) |
| Global Business Licence holders | 41,427 | 13.1 | 20.1 |
| Personal & professional | 30,565 | 9.7 | (2.4) |
| Public nonfinancial corporations | 3,320 | 1.0 | (3.8) |
| Others | 7,319 | 2.3 | 9.0 |
| **Total** | 316,693 | 100.0 | 4.7 |

### Money market indicators



## Legal and Institutional Environment

The legal and institutional environment has been subject to various developments during the last financial year. While aiming at preserving the soundness and competitiveness of the financial services sector, the evolving regulatory stipulations underscore the ever more exigent context within which the Bank has to operate. Against this backdrop, MCB Ltd continued to align its operations and processes with the evolving regulatory requirements and attended to relevant foreign codes and conventions, alongside remaining attentive to and assessing the implications of potential future moves by the authorities. The main developments within the regulatory and institutional landscape impacting the Bank are provided below.

### *Bank of Mauritius Guidelines*

Capital position

- As per the Guideline on Scope of Application of Basel III and Eligible Capital, banks are, as from 1 July 2014, required to adhere to the rules and timelines related to the strengthening of the capital framework. In line with the transitional schedule, the minimum total capital adequacy ratio will, over the coming years, rise from the currently applicable ratio of 10% of risk-weighted assets (Common Equity Tier 1: 6.0%; Tier 1: 7.5%) and will, inclusive of capital conservation buffer, stand at 12.5% as from 1 January 2020 (Common Equity Tier 1: 9.0%; Tier 1: 10.5%).
- Further to the issuance of the Guideline for dealing with Domestic-Systemically Important Banks, BoM has, in December 2014, identified five such banks, including MCB Ltd. Depending on their importance levels, these institutions are, as from 1 January 2016, required to hold a capital surcharge, with full compliance required as from 1 January 2019. As at that date, the magnitude of additional loss absorbency for the highest populated bucket will be 2.5% of risk-weighted assets – with an initially empty top bucket of 3.5% of risk-weighted assets – while the magnitude of additional loss absorbency for the lowest bucket will be 1.0% of risk-weighted assets.

Macroprudential measures

- A further set of macroprudential measures came into effect as from 1 July 2014, including: (i) application of higher risk-weights to selected funded and non-funded credit facilities; and (ii) allocation of additional portfolio provisions against future credit losses. Conversely, after having been formerly put into place as part of macroprudential measures, the sector concentration limits on the tourism, personal and commercial residential and land parcelling sectors were withdrawn in the context of the revised Guideline on Credit Concentration Risk issued in January 2015. Furthermore, while it had already been announced to banking operators some months earlier, a key amendment to the aforementioned guideline in August last relates to the fact that aggregate large credit exposures to all customers and groups of closely-related customers shall, henceforth, not exceed 800% of capital base instead of 600%.

### *Legislations*

- Following the delivery of the last National Budget, new provisions, notably relating to the licensing framework, have been added to the Banking Act 2004, while the revised Bank of Mauritius Act 2004 has extended the powers of the Central Bank, which, henceforth, *inter alia* (i) shall be responsible for the regulation, licensing, registration and overseeing of payment systems, clearing houses and the issuance and quality of payment instruments; and (ii) is empowered to purchase and sell gold or shares or units in gold funds.
- The Income Tax Act 1995 has been amended to provide for the maintenance of the special levy on banks in its current form. The levy, which stands at 10% of chargeable income for segment A business as well as 3.4% on book profit and 1% on operating income for the segment B banking business, shall be maintained up to the year of assessment commencing on 1 July 2017. With reference to the mandatory Corporate Social Responsibility contribution, every company is now able to implement its programme in accordance with its own framework.
- As for the Borrower Protection Act 2007, a new provision is that every lender shall take all reasonable steps to verify that the person as well as his guarantor, if any, have or are likely to have the means to repay the amount, with due diligence on the debt repayment capacity of both borrower and guarantor being required.

### *Payment infrastructure*

- The payment infrastructure has been subject to further developments, with the following platforms being put into place: (i) A Direct Debit Scheme to be operated through Bank of Mauritius Bulk Clearing System; and (ii) the SADC Integrated Regional Electronic Settlement System (SIRESS), which is a cross-border payment system dealing exclusively in Rand payments and operated by the South African Reserve Bank.

### *Codes and guidelines*

- Further to the signature of the reciprocal Model 1 Inter-governmental Agreement and a Tax Information Exchange Agreement with the US in December 2013, the Agreement for the Exchange of Information Relating to Taxes (United States of America – FATCA Implementation) Regulations 2014 were promulgated in Mauritius in early July 2014. These regulations now require Mauritian financial institutions to report to the US Internal Revenue Service any information about financial accounts held by US taxpayers or by foreign entities in which US taxpayers hold a substantial ownership interest.

- Mauritius forms part of the Early Adopters Group of jurisdictions which have committed, in a Joint Statement dated October 2014, to adopt the OECD Common Reporting Standard for Automatic Exchange of Tax Information. The country signed a multilateral competent authority agreement to automatically exchange financial account information and committed to have its first information exchange in 2017. Further reinforcing this commitment to these international norms is the signature of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in June 2015.

## Review of Operations

The Bank has, during the year, sustained its efforts to deploy its business expansion strategy aimed at diversifying its operations towards emerging and niche market segments, alongside strengthening its positioning within established markets. Concurrently, further strides were made in enhancing customer service quality, reinforcing risk management and bolstering internal capacity. Beyond the initiatives undertaken in the main business segments as detailed in subsequent sections, MCB Ltd embarked on an operational excellence journey, notably characterised by process reviews being initiated within back-office operations for efficiency gains. Furthermore, the Bank remained committed to investing in best-of-breed technologies as gauged by further enhancements brought to its technological platforms, the prime of which being the seamless upgrade to the latest version of the Core Banking System. In the same vein, specialist areas such as Treasury and Custody are gearing up their capabilities for even more meaningful contribution to the revenue line, while dedicated recruitment programmes were launched during the year to attract the required profiles to support our growth ambitions.

Moving forward, the Bank intends to sharpen its leadership position locally and extend its involvement on the regional front, anchored on fitting enablers. Specifically, the Bank is presently engaged in reinforcing its operational capabilities in terms of people, processes and systems, that will facilitate the deployment of its Medium Term Growth Strategy (MTGS). The latter has been elaborated to enhance earnings generation in future years beyond that implied by existing initiatives. Whilst being generally in line with ongoing strategic orientations, the following pillars have been identified as part of the MTGS to provide a notable uplift to revenue growth: (i) furtherance of our digital transformation strategy; (ii) expansion of private banking internationally; (iii) harmonisation of our 'Bank of Banks' proposal to better attend to our counterparts' needs; (iv) building of an energy and commodities hub; and (v) promotion of international hotel and project finance.

### Retail

During FY 2014/15, the Retail SBU was confronted by a challenging operating environment on account of soft economic conditions and the heightened competitive landscape amidst a high liquidity situation. Yet, the unit has maintained its lead in the market, backed by diversified and customer-centric business undertakings, a well-calibrated multichannel strategy, and bolstered capabilities. These led to a double-digit increase in its gross operating margin, *inter alia* reflecting (i) an appreciable growth in mortgage loans; (ii) a major rise in the client base of the Private Banking sub-segment – with notable inroads made in attracting foreign clients – which contributed to another strong growth in terms of assets under management; and (iii) a notable expansion in exposures of the Business Banking segment. In the process, the quality of assets was duly catered for, with reinforced risk management practices enabling market activities to depict a suitable risk-return profile.

Over the year under review, the Retail SBU made considerable headway in nurturing and consolidating close-knit relationships with clients, anchored on its ongoing strategies to shift from a transactional to a relationship banking mind-set and improve the quality of customer experiences. As such, the unit has enhanced the deployment and customer-centricity of its modern delivery channels in alignment with evolving market realities (refer to the following pages for more details) and has further enriched the range and attractiveness of its product-line. The interplay of these strategic levers has underpinned the success of business development endeavours conducted during the year. A prominent example relates to the 'Housing Loan promo' whose take-up was boosted by the flexibility provided to customers to choose between three different repayment options as well as commercial campaigns undertaken in collaboration with third-party vendors. The year also saw the launch of MCB 12-17 as part of the strategy to make banking accessible and attractive to customers across age brackets, income groups and life cycle stages. Conceived to meet the needs of teenagers in the relevant age group and their parents, the plan revolves around the MCB 12-17 savings account, which not only reaps interests on money saved but also offers the chance to participate in bi-annual lucky draws and win interesting prizes for every additional Rs 1,000 saved over a period of 6 months. MCB offers to all members of this plan a free Visa prepaid card. The latter gives the possibility for parents to set a strict spending limit, as well as to conveniently transfer pocket money to their children's card and allow them to manage their savings and expenses responsibly.

By and large, the Retail SBU maintained its efforts to strengthen its foothold across various sub-segments. Select Banking – which caters for the needs of professionals, managers and executives – continued to widen its market involvement by capitalising on its enriched value proposition and relationship-building campaigns. Notably, a pioneering free Financial Health Check service was introduced, whereby a comprehensive assessment of a client's current financial situation is conducted in full confidentiality and in collaboration with the individual, through a ratio analysis of his or her borrowing, savings and investment positions, as well as the determination of monthly spending and budget profiles. This personalised service provides a solid basis for the Select Banking's team of dedicated relationship managers to tailor-make a holistic product offering, which is attuned to the client's current and future financial needs and goals. For its part, the Private Banking sub-segment has further entrenched and diversified its market positioning vis-à-vis high net worth customers, backed by its brand and business relationship building drive, which enabled it to effectively broadcast its attractive product suite. This was, notably, achieved via participation in key roadshows and conferences as well as the sponsorship of high-profile events, amongst which featured (i) the MCB European Senior Tour Championship, the most prestigious golf contest in Mauritius; and (ii) its 'Wine and Business Club' event, which provided a relaxed setting for Private Banking customers to interact and socialise, whilst enjoying the finest wines in the world. As regards the Business Banking sub-segment, it cemented its position as the foremost service provider to Small and Medium Enterprises (SMEs), acting as a financial partner and coach to operators in Mauritius throughout their business development cycles. This was underpinned by new customer acquisitions and an increase in the share of wallet for existing clients, backed by the further widening and refinement of the range of service offerings as well as increasing client proximity, while cross-selling opportunities across the Group's entities were, also, leveraged. Of note, the segment conducted 15 business meetings during FY 2014/15, which aimed at providing guidance to some 200 directors of SMEs on pertinent topics, including leadership, trade finance, capital expenditure, working capital and cash flow management. Customer relationships were, also, reinforced by means of the full-fledged operation of the unit's 'Knowledge Centre', whereby entrepreneurs are provided with an array of online resources, which offer them strategic and financial tools to start, manage and expand their businesses.

In support of its growth ambitions, the Retail SBU further upgraded staff competencies by way of dedicated training programmes. In particular, the capacity development of the sales force of the Retail SBU has been fostered through the execution of action learning and coaching, with the guiding objective being to improve the quality of interactions and relationships with customers in the quest for customer service excellence. In the process, the sales force has continued to leverage the Bank's Customer Relationship Management tool for a thorough and systematic pipeline management, hence enhancing sales efficiency and promoting closer customer relationships. On the same note, no efforts have been spared in optimising and automating processes towards achieving greater operational efficiency, alongside actively promoting the migration towards digital channels. Furthermore, the Bank has regularly sought customer feedback through (i) Voice of the Customer and Net Promoter Score programmes, which measure and monitor customer satisfaction and advocacy, notably in respect of selected MCB products and services; (ii) systematic customer surveys within each customer segment to seek levels of satisfaction and improvement initiatives; and (iii) its recently upgraded 'Complaints Handling Policy', whereby customers are given the opportunity to provide their views via screens placed in the Bank's network. The findings gathered are analysed to better understand customer needs and, as such, to effectively feed in customer service enhancement initiatives.

Moving ahead, the Retail SBU is intent on pursuing its wide-ranging business strategies in an operating environment which remains quite demanding. In fact, key challenges confronting the Bank relate to (i) the evolving socio-economic, regulatory and competitive landscapes; and (ii) ongoing demographic dynamics, which are, for instance, reflected in the heightened sophistication and complexity of needs and aspirations of customers, notably those who are fast developing marked preferences for the utilisation of technological tools. Against this backdrop, the business development thrust across market sub-segments will be upheld, supported by the improved attractiveness and convenience of financial solutions.

# Management Discussion and Analysis

## Delivery channels

### Introduction

In recent years, amidst a fast-paced operating environment and the rising sophistication of customer needs, the Bank has engaged into a transformational journey from transactional to relationship banking. Towards this end, the Bank is, currently, shaping up the way forward for the execution of coherent and integrated initiatives to actively foster its channel strategy. Such endeavours fall under the umbrella of 'MCB goes digital!' which acts as a key pillar of the Bank's Medium Term Growth Strategy. The aim, for the periods ahead, is to further enhance the speed and flexibility with which it delivers simplified and personalised solutions to its clients.

### Overview of the Bank's delivery channels and their main features

While highlighting the key realisations achieved in recent times, the following sections shed light on the range and attractiveness of the Bank's main delivery channels. In a nutshell, it can be observed that the Bank has, over time, succeeded to (i) modernise the layout and convenience of traditional physical channels; and (ii) fast-track the migration to integrated online and self-service channels.

- Some years back, MCB initiated the redesign of its entire branch network. Today, the Bank has a network of 40 strategically-located branches, which operate according to world-class 'department store' standards and include full sales branches, kiosks in shopping malls and flagship branches. They are equipped with some 250 digital screens displaying information on the Bank's marketing offers, thus taking the 'active waiting' concept - which relates to approaching waiting customers for informational as well as promotional ends - to yet another level. Selected branches are also endowed with modern lounges where premium customers have the opportunity to meet their bankers and be attended to in privileged settings for the fast-tracking of their transactional needs. Also, front-liners at some branches are able to capture client loan and card applications on tablets.
- Accounting for around 36% of the national park, MCB's ATMs totalled 166 (including 8 Forex ATMs), whilst its network of merchant terminals (including multi-currency and wireless POS) widened to stand at over 6,700 lately. Furthermore, the 13 Bunch Note Acceptors (BNAs) deployed at selected ATMs offer a secure, user-friendly interface with reliable bank note recognition operational on a 24/7 basis and, as such, enable customers to make deposits which are instantly credited online to their accounts. On a different note, the ability to instantly provide in-branch clients with ready-to-use solutions has, recently, allowed for the prompt reissuance of cards as a precautionary measure to clients following the timely detection of skimming devices on a few ATMs.
- In 2013, MCB has been the first bank in Mauritius to launch a comprehensive mobile payments and banking platform, called 'Juice', which has gained market impetus over time. Further details are provided later on.
- With an average of around 65 new subscribers per day, MCB's Internet Banking platform counts nearly 115,000 customers logged on, thus conferring MCB a market share of 36% locally. This innovative self-banking service, which has recently been enhanced with more secure functionalities, simplifies everyday banking and provides customers with the freedom, comfort and security in managing their personal finances and effecting their transactions anywhere and anytime. Given the notable phishing attempts recorded domestically, regular security awareness campaigns are continuously conducted to educate customers on online banking and increase channel security. Furthermore, the total number of registered users for SMS Banking reached more than 200,000 of late.
- MCB websites have been comprehensively revamped lately, with the application of web content management solutions, rendering them more dynamic and effective for the coherent dissemination of information and online marketing. At another level, MCB actively promotes its brand and value proposition on social media. Notably, regular contests and promotional videos are hosted on MCB's official Facebook page and YouTube channel respectively.
- Reflecting the headway made in paving the way for reduced utilisation of paper and the enrichment of customer relationships, the total customers subscribing to e-statements has more than doubled during the year under review to reach around 123,000 as at 30 June 2015.

## Zooming on the Bank's mobile banking platform

The establishment of the 'Juice' mobile payments platform a couple of years ago can be viewed as a major accomplishment of the Bank. In 2015, MCB has further reshaped the local market by introducing 'Lifestyle Banking', which enhanced previously initiated 'Juice' features, while bringing new landmark functionalities, with the aim being to harness the transformative power of technological enhancements to meet latent customer needs for simplified banking experiences. Overall, through the free 'Juice' service, MCB offers its customers access anytime and anywhere to a rewarding real-life on-the-go banking and payments experience, using only a smartphone or tablet connected to the Internet. In so doing, MCB has contributed towards fostering the emergence of a 'cashlight' or 'cashless' society in Mauritius.

The noteworthy success achieved by the 'Juice' service on the marketplace can be gauged by the following: (i) 40,000 customer registrations have been made, with an average of more than 2,500 subscribers each month recently; (ii) above 125,000 logins and 150,000 transactions have been conducted by customers on the 'Juice' platform in August 2015; and (iii) a network of over 1,000 'Juice' registered agents is in operation. Furthermore, in September 2015, the Bank won the Pan-African Award conferred by EMEA Finance for Best product launch in Africa for its 'Juice' service.

In support of its market development endeavours, the Bank has conducted successful marketing campaigns in respect of the 'Juice' mobile payments platform. Noticeably, it had initiated a unique promotional campaign in the context of the launch of 'Lifestyle Banking'. Strikingly, a post on the MCB Facebook page, inviting people to take part in an audition for the advertisement of 'Lifestyle Banking', resulted in more than 500 applications within 48 hours.

## Overview of the key features of the 'Juice' platform

Customers can …

- Self-register using debit/credit card details on the free 'Juice' app, which can be downloaded on Apple App and Google Play Stores;
- Securely log in with mobile credentials, including a (i) four-digit pin (called mPIN) paired uniquely to the customer's phone; and (ii) two-factor authentication before allowing secure payments and third-party transactions;
- Effect instant payments, including agent, as well as bill and utility payments, without incurring any additional charges;
- Make card-less withdrawals and money transfers (including person-to-person transfers), even to non-MCB customers;
- Recharge prepaid mobile phone credit instantly using the 'Juice' application;
- Get real-time access to exclusive offers and privileges associated with 'Juice' and MCB Cards, which open up user benefits and experiences, such as last-minute ticketing deals and bargains of the day;
- Manage their cards and accounts, as well as effect debit/credit card activation, loading, repayment or PIN resetting; and
- Earn Wi-Fi credits, for each successful completed 'Juice' transaction, which can be redeemed in exchange of 1-hour Internet connectivity at selected access points across Mauritius.

# Management Discussion and Analysis

## Cards

In spite of bearing up to subdued economic activity levels and intensified competitive pressures, the Cards SBU snatched a circumstantially strong financial performance during FY 2014/15. This outcome has been spurred by focused initiatives aiming at further reinforcing the Bank's position as a market leader on the cards acquiring/issuing and e-commerce fronts, by means notably of product innovation, customer-centric relationship management, continuous field visibility and upgraded in-house competencies.

Essentially, the sustained growth momentum of the segment has been driven by endeavours to enrich its already extensive suite of customised card and mobile payment offerings to cater for the differentiated needs of both individual and corporate customers. Markedly, MCB has transformed the local market by introducing 'Lifestyle Banking' in 2015, which culminated in enhancing existing 'Juice' features, as well as bringing new ground-breaking functionalities. A major transformational customer experience relates to the move towards live PIN set-up for customers. In this respect, the 'Juice' service allows the Bank to do away with the risks of PINs being misplaced and necessitating a lengthy time period before their re-initiation. In addition, the year under review saw the introduction of MCB Visa Prepaid Cards. These reloadable cards – which are available in five different currencies, namely US dollar, British pound, euro, South African rand and Mauritian rupee – are accepted globally and act as a convenient and safer alternative to carrying cash. The cardholder neither needs to be an MCB customer nor have a bank account to avail of the benefits of the MCB Visa Prepaid Cards, which can be used for leisure, studies or business purposes. Notably, these prepaid cards simplify the e-commerce experience by enabling customers to make secure purchases in the same denominated currency as their favourite online retail stores and websites. At another level, true to its calling of going the extra mile to deliver value to its customers, the Cards SBU launched a 24/7 real-time assistance service, which involves a dedicated hotline and responsive support team in order to provide merchants with prompt and effective solutions in case of technical issues, including downtime on communication lines and on point of sales terminals.

Furthermore, the SBU continued to lay emphasis on deploying exclusive commercial and promotional campaigns, by leveraging the privileged association of the Bank with key global partners, to reward and prompt increased card usage at points of sale, as well as foster greater brand visibility. As the Official Mauritian Bank of the FIFA World Cup™ 2014, in association with Visa, MCB gave the unique opportunity to its valued customers to win all-inclusive packages to attend this world event in Rio de Janeiro. In addition, the traditional and most-awaited end-of-year campaign, themed '*Tell tales few can tell*' – which was open to all holders of MCB Maestro and MasterCard cards – featured an appealing trip package, including flights, accommodation, transfers and a cash prize of Rs 100,000 for two customers to visit the 'Seven Wonders' of the World. More recently, customers using MCB Visa cards were able to participate in a lucky draw to win a package for two to enjoy a trip on the legendary Venice Simplon Orient Express and discover Venice, Budapest and Paris. These promotional initiatives met with remarkable success, as gauged by a double-digit growth recorded in card utilisation, when compared with the previous year. Moreover, the Bank upheld credit card penetration across its customer base via regular in-branch sales activities, direct mailing campaigns and roadshows.

Moving forward, the Cards unit is well geared to remain a key revenue growth generator for the Bank by paving the way for the execution of dedicated initiatives, notably those associated with the underlying 'MCB goes digital!' strategy of the organisation. In this light, the function will leverage its sound business model, enhanced customer proximity, strengthened internal capacities, and greater operational efficiency. Above all, it will continue to pioneer the use of innovative technological improvements to provide customised solutions, which are in sync with contemporary lifestyles for the delight and convenience of its customers.

## Corporate and Institutional Banking

In the context of the elaboration of its Medium Term Growth Strategy, the Bank has engaged in a phased-wise clustering of competencies within the Corporate and International business lines. As to date, this has translated into the merging of the former Corporate SBU and International SBU (whose performances during FY 2014/15 have been dissected in the following sections) and the subsequent setting up of the Corporate and Institutional Banking (CIB) SBU as from 1 July 2015. Inherently, this integration aims to (i) foster greater goal congruence of the existing distinctive capabilities – notably in relation to the business architecture, the internal competency line-up and the value proposition – as well as their synergistic deployment across the value chain; and (ii) bolster risk management practices and foster operational efficiency gains. On the back of such headway, the CIB SBU should be better positioned to offer superior client solutions, alongside enhancing the deployment of its strategic thrusts. Particularly, the intent is to pave the way for the execution of a more coordinated international market development strategy, especially given the growing reach of activities beyond local shores.

Looking ahead, the Corporate and Institutional SBU is committed to achieving the aforementioned intentions, with a view to promoting sound and sustained business development across Mauritius and beyond. In the near-term, the unit will continue mobilising resources to work towards and achieve a proper alignment of its functioning model – principally in terms of its governance framework and internal processes – with its underlying business development ambitions. Thus, capitalising on its operational set-up, the unit will, over time, seek to uphold its leading position in servicing corporates undertaking business from Mauritius, while broadening and deepening the regional footprint of the Bank. In this respect and as a testimony of the Bank's commitment to adopting sensible growth strategies, the CIB SBU will, as highlighted before, adhere to the risk appetite that has, lately, been reviewed for the purpose of its Energy and Commodities, International Project Finance and Financial Institutions portfolios. Of note, the latter falls under the umbrella of the 'Bank of Banks' value proposition of the Group, which the Bank will actively leverage in its bid to increasingly meet the outsourcing needs of regional banking counterparts. All in all, the CIB SBU will take due advantage of its well-defined and updated risk appetite, customised solutions, business partnerships and correspondent banking relationships, enhanced market visibility, as well as the Bank's representative offices in Johannesburg and Nairobi in order to further its strategic endeavours across markets and geographies.

***Servicing domestically-located corporates***

During FY 2014/15, the former Corporate SBU faced up to a testing economic climate. In particular, the demand for credit remained sluggish as a result of the slow-moving private sector investment at the national level, while some economic sectors experienced sub-par performances against the backdrop of soft market conditions. In spite of this conjuncture and intensifying competitive pressures, the segment continued to build close-knit customer relationships and pursued wide-ranging market development strategies by leveraging its competencies as well as the Group's corporate finance and capital markets offerings. Accordingly, the unit chalked a resilient growth in gross operating margin, alongside preserving asset quality.

Overall, the segment has consolidated its status as the trusted business partner of corporates across established and emerging economic sectors by supporting them in their ventures, both locally and regionally. In the process, it has reaffirmed its catalytic role in supporting key projects shaping the Mauritian economy by leveraging its unique selling propositions to differentiate itself from its competitors. In this respect, the Bank has actively participated in the creation of BioPark, the first biotechnological hub of its kind in the Indian Ocean, hosted in Mauritius. This landmark architecture aims at bringing under one roof a synergy of laboratories with complementary expertise spanning areas such as clinical research, microbiology, analytical chemistry, marine biology, etc. Moreover, the Bank has widened the extent of its financing in the context of the second edition of its 'Green Loans' financing scheme, facilitating investments by clients in energy saving and carbon emissions reduction projects through a grant amounting to 8% of the bank finance that goes towards the reduction of the overall project cost. The provision of this grant by the Bank has been made possible thanks to the renewal of MCB's collaboration with the Agence Française de Développement (AFD) back in May 2014, through the signature of a new EUR 60 million loan agreement.

As part of the ongoing initiatives undertaken by the Corporate Banking team with the aim of bringing invaluable insights on various topical subjects for the benefit of our corporate clients, we hosted, in April 2015, a networking forum entitled "*How to secure transactions in international trade and avoid hidden cost traps*". The event, under the aegis of our Forward Thinking Programme, was attended by some 200 corporate directors and business professionals to listen to various well known subject matter speakers who also participated in panel discussions as part of the conference. Moreover, as a long-standing financial partner of the local and regional tourism industry, MCB sponsored the first international tourism conference hosted in Mauritius which focused on future growth avenues, including strategies to enable operators meet the needs of travellers of tomorrow. The conference also covered a number of challenges facing the sector such as the advent of new digital technologies, new distribution channels, low cost airlines, new emerging markets, evolving trends, tastes and expectations.

At another level, the Corporate Banking team was entrusted in the course of the year with the responsibility to revamp the Global Business operations and business strategies. The Global Business team is committed to reinforce its relationship with the network of management companies in order to more effectively cater for the financial and banking needs of global business vehicles set up in Mauritius. It is also revisiting the operating structures in place, the risk management and compliance processes of the global business operations, its range of product offerings as well as the enablers to promote cross selling of the Group's products and services for the benefit of the global business companies at large in Mauritius.

In a nutshell, business realisations were anchored on reinforced operating capabilities and technologies and the continuous improvement of risk management processes. Specifically, the unit focused on human resource development, notably through continuous investments in hands-on coaching, knowledge-sharing platforms as well as more formal in-house and external training programmes. Moreover, progress has been made in terms of the implementation of tailor-made information systems in relation to our credit protection management software and project finance management tool.

***Catering for foreign corporate and institutional clients***

During the last financial year, whilst the region continued to fare relatively well, the former International SBU faced up to generally sluggish global economic conditions, declining world oil and commodity prices, as well as some adverse socio-politico-economic conditions besetting some of its presence and non-presence countries. Notwithstanding this challenging context, the Bank has pursued its expansion strategy by making further forays in servicing corporate and institutional clients on the regional scene and beyond. The Bank indeed posted a solid business growth with respect to these international activities catered for from Mauritius, by notably reaping the benefits of past and ongoing business development initiatives aiming at further embedding MCB's related strategic positioning and credentials, with a focus on deepening customer and correspondent banking relationships, extending market visibility, as well as strengthening internal capacity. Conspicuously, the Bank has been active on the syndicated loan market through deals in African countries, as well as on the secondary market for the purchase and sale of risks, by capitalising on the network of risk participation and syndication agreements concluded with top-tier international banks. At the same time, despite a volatile global commodities landscape which has impacted MCB's clients operating in the regional oil trading and importing business, the Bank managed to sustain its appeal as a privileged partner in structured finance in respect of commodity trade, with activities focusing on the provision of bespoke self-liquidating finance facilities. Notable market inroads were also accomplished by building upon expertise garnered in asset-based structured project finance in sectors spanning the hospitality, infrastructure and telecommunications sectors across Africa and the region. Besides, the former International SBU continued to play a key role in the deployment of the 'Bank of Banks' initiative over the period under review. Worth noting, in support of its market development ambitions, MCB has, in addition to leveraging its existing Representative Office in South Africa, marked its presence in Eastern Africa via the opening of a Representative Office in Nairobi, which acts as a foothold to better monitor and tap into regional business opportunities, whilst helping in the enhanced showcasing of the organisation's distinctive offering. In parallel, major strides were accomplished during FY 2014/15 in promoting MCB's brand franchise, namely by capitalising on cross-selling opportunities across business segments and client groups, as well as fronting the execution of various targeted promotional and image building endeavours. Prominent amongst these initiatives, features MCB's diamond sponsorship of the Africa CEO Forum. This high-profile event, which stands as the largest international gathering of African business leaders for the promotion and development of the private sector in Africa, provided MCB with a unique networking space to nurture business relationships as well as further broadcast its value proposition on the regional marketplace. Additionally, the Bank reaped positive offshoots of enhanced field visibility with the co-sponsorship of and/or participation in prominent conferences on regional trade and commodities financing, which paved the way for ensuing deal materialisation and new avenues for business partnerships. Moreover, in line with its mandate of acting as the coordinating unit spearheading initiatives for the Group's overseas banking subsidiaries, the former International SBU collaborated with internal stakeholders and entities to foster the effective alignment and replication of MCB's product offerings, as well as operational processes in presence countries.

All these business realisations were achieved on the back of increased synergies, greater operational efficiency and upgraded internal capabilities, which contributed to upholding excellent customer service and the delivery of customised product offerings to clients. Concurrently, no efforts have been spared to drive the sound diversification of overseas exposures, in alignment with MCB's strengthened risk appetite.

# Financial Review

## Performance against Objectives

| OBJECTIVES FOR FY 2014/15 | PERFORMANCE IN FY 2014/15 | OBJECTIVES FOR FY 2015/16 |
|---|---|---|
| **Return on average Tier I** | | |
| Following the fall in equity due to the unbundling of some investments and given an expected better performance, return on average Tier I capital should improve in FY 2014/15. | Return on average Tier I capital increased to 20.1%, following a much improved profit level. | Given the significant rise in equity after the capital restructuring exercise at the end of June 2015, the ratio is likely to fall but should be close to the 19% mark. It is expected to recover in subsequent years especially as the execution of the medium term growth strategy gains momentum. |
| **Return on average assets (ROA)** | | |
| ROA is likely to go back above the 2% level (FY 2013/14: 1.8%). | ROA recovered from the previous year's drop to reach 2.1%. | ROA is likely to maintain an upward trend on account of enhanced financial performance. |
| **Operating income** | | |
| In spite of low yields on treasury bills, net interest income is anticipated to grow by more than 10% for the year, spurred by better balance sheet management, with a lesser impact of interest suspended from non-performing loans being foreseen. | Notwithstanding restrained demand for credit locally and pressures on treasury bills' yields linked to the high liquidity situation, net interest income rose by 12.2%, supported by continued growth in the average loan book especially in terms of foreign currency. | Even with the relatively low yields on treasury bills, net interest income is anticipated to grow by around 15% for the year, spurred by better balance sheet management and the impact of the Subordinated Notes transfer to the ultimate holding company. Adjusting for the latter impact, net interest income should still grow by more than 11% on a like for like basis. |
| Treasury profits are not expected to grow during the year. With fees and commissions rising by about 10%, on the back of strong contributions from our international operations, non-interest income is expected to rise within a range of 6-8%, excluding non-recurring income booked in FY 2013/14. | Excluding non-recurrent gains of some Rs 400 million in FY 2013/14, non-interest income rose by 9.1%, driven by an increase of 17.4% in net fee and commission income. On the other hand, a drop was recorded in profit on exchange. | Net fee and commission income is likely to maintain a healthy growth of about 13%, on the back of strong contributions from our international operations. With treasury profits also expected to grow further on account of a projected increase in transaction volumes, non-interest income is expected to rise by around 9%. |
| **Operating expenses** | | |
| Growth in operating expenses is expected to be contained to around 5% for the year. | Operating expenses grew by only 1.5%, following a drop in depreciation and amortisation charges as well as on-going operational efficiency initiatives. | Growth in operating expenses is forecast to pick up to around 12%, fuelled by capacity-building endeavours, including some major capital expenditure, to be undertaken in support of our medium term growth ambitions. |
| **Cost to income ratio** | | |
| Excluding non-recurring income which had a positive effect on the cost to income ratio in FY 2013/14, the latter should decrease for the year and be well below the level achieved in FY 2012/13 (43%). | With the rise in operating expenses being contained and operating income sustaining its growth, the cost to income ratio, dropped to 40.0%. | The ratio is expected to edge slightly higher from last year although remaining below the levels achieved in preceding years. |

# Management Discussion and Analysis

| OBJECTIVES FOR FY 2014/15 | PERFORMANCE IN FY 2014/15 | OBJECTIVES FOR FY 2015/16 |
|---|---|---|
| **Loans and advances growth** | | |
| Advances in rupees should pick up slightly from the stagnating growth rate registered in FY 2013/14, while the increase in the non-rupee portfolio is forecast to be around 10%, down from the much higher rates registered in previous years. Globally, the average growth rate of advances should be around the 6% mark. | Despite the sluggish evolution of private investment locally, average loan balances of the Bank rose by some 4%, boosted by a growth of some 7% in foreign currency loans. | Growth in rupee advances should improve slightly compared to FY 2014/15 while the increase in the non-rupee portfolio is forecast to maintain a healthy double digit growth. Overall, the average growth rate of loans and advances should improve to around 8%. |
| **Deposits growth** | | |
| The excess liquidity situation locally is expected to persist for some time yet. Consequently, the Bank will not be actively involved in the rupee deposit market. In spite of some unavoidable organic growth, the increase in customer deposits is expected to be below 10% for the year. | Average customer deposits grew by around 16%, on the back of an increase of 29% in foreign currency deposits and a 10% rise in rupee deposits. | Whilst the excess liquidity within the banking system is likely to fall, the deposit base should maintain its organic growth, with non-rupee deposits being further boosted by consistent flows from foreign customers being attracted. Overall, the increase in customer deposits is expected to reach some 10% for the year. |
| **Asset quality** | | |
| After the unexpected sharp rise in non-performing loans over the last two years, a reversal of the trend should start taking place, while a substantial drop in impairment charges should be registered. | As expected, gross and net NPL ratios of the Bank declined to reach 5.90% and 3.46% respectively, as compared to 7.06% and 4.01% in FY 2013/14. Against this backdrop, impairment charges dropped significantly compared to the exceptionally high level posted in FY 2013/14. | Non-performing loans are expected to stay at satisfactory levels with impairment charges anticipated to remain at the same level as FY 2014/15. |
| **Capital management** | | |
| The overall capital ratio (FY 2013/14: 13.8%) and the Tier 1 element (FY 2013/14: 10.3%) should improve by at least 1 percentage point over the year. Corresponding ratios (FY 2013/14: 14.3% and 11.1% respectively) for the consolidated banking cluster should follow a similar trend. | The overall BIS ratio went up to 15.1% with the Tier 1 ratio gaining 3.5 percentage points to stand at 13.8% on the back of organic growth and the capital restructuring exercise at the end of June 2015. On a consolidated basis, the capital adequacy ratio stood at 15.5% with Tier 1 ratio at 14.3%. | The overall capital ratio as well as the Tier 1 metric should improve by around 30 basis points over the year. |

## Performance against Objectives by Lines of Business

<table>
<tr><th>OBJECTIVES FOR FY 2014/15</th><th>PERFORMANCE IN FY 2014/15</th><th>OBJECTIVES FOR FY 2015/16</th></tr>
<tr><td>Retail</td><td></td><td></td></tr>
<tr><td>Whilst the operating environment is likely to remain delicate, the ongoing drive to reinforce the value proposition and improve service quality should sustain an increase of some 9% in average retail loans. Consequently, net interest income and gross operating income are likely to rise by slightly above 10%.</td><td>Notwithstanding heightened competitive pressures, the average loan portfolio grew by some 7% largely on account of continued growth in housing loans. Net interest income went up by around 14% while gross operating earnings, boosted by a significant rise in fee income within the high-end segment, rose by some 27%.</td><td>The ongoing drive to reinforce the value proposition, improve service quality and extend our services to foreign customers should underpin an increase of some 12% in average retail loans. This should contribute to net interest income and overall gross operating margin rising by nearly 8% and 6% respectively.</td></tr>
<tr><td>Corporate and Institutional Banking</td><td></td><td></td></tr>
<tr><td>Corporate</td><td></td><td rowspan="4">Whilst challenging market conditions locally are expected to persist, average loan book of the Corporate and Institutional Banking (CIB) segment is likely to grow by some 7%, reflecting the the Bank's thrust to pursue its regional agenda. Given improved margins emanating from an increased shift towards foreign currency advances and better balance sheet management, net interest income is forecast to grow by above 15%, thereby contributing to a rise of some 14% in gross operating earnings.</td></tr>
<tr><td>With difficult market conditions further restraining activity, average corporate loan portfolio is projected to grow by around 5%. However, a notable rise of above 10% is expected in net interest income and gross operating earnings as the Bank benefits from better margins resulting from an increased shift towards foreign currency advances.</td><td>Although being impacted by the low private investment level, average corporate exposures recorded a satisfactory expansion of some 5%, spurred by the growth in foreign currency loans. Net interest income thus edged up by 4%, contributing to an increase of around 6% in gross operating margin.</td></tr>
<tr><td>International</td><td></td></tr>
<tr><td>The average loan book is likely to grow by some 12% given the Bank's drive to tap into regional business opportunities. Related revenue should hence maintain its growth momentum with net interest income and gross operating earnings expected to rise by some 15% and 10% respectively.</td><td>Average loan portfolio in this segment grew by some 4% amidst soft market conditions. Nonetheless, underpinned by better margins, net interest income grew by around 14% while gross operating income went up by 10% despite the trade finance business being confronted with a drop in commodity prices.</td></tr>
</table>

# Management Discussion and Analysis

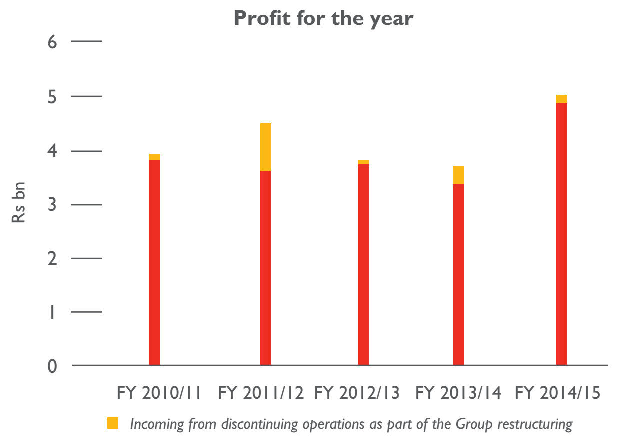
## Review by Financial Priority Area

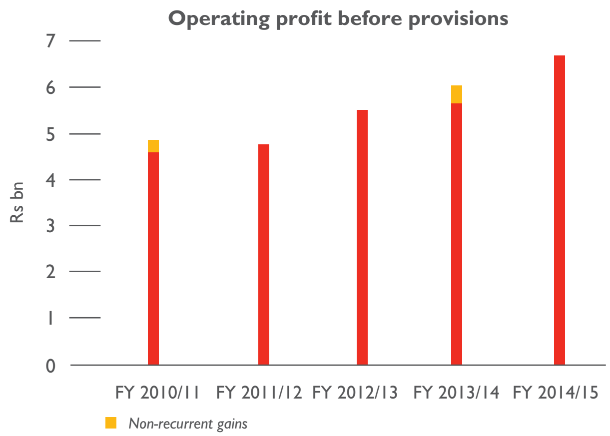
In the sections that follow and unless otherwise stated, the continuing operations of the Bank have been taken into account for analysis purposes across the whole period under review. Thus, the discontinuing operations linked to investments that have been and will be unbundled from MCB Ltd as part of the restructuring exercise have, in general, not been accounted for in the exercise for comparative purposes.

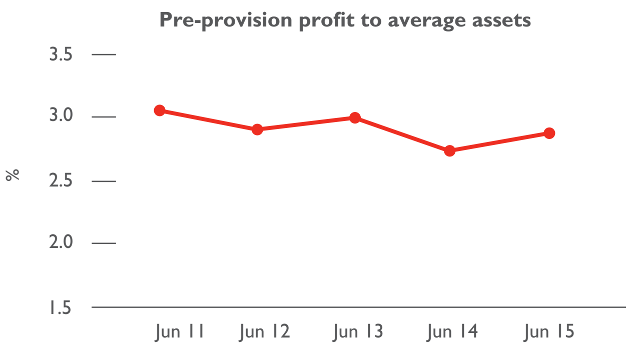
### *Analysis of results*

MCB Ltd posted a strong financial performance for the year ended 30 June 2015, despite facing difficult market conditions both locally and abroad. The Bank witnessed a broad-based expansion in revenue linked to its business development and diversification strategy aimed at targeting emerging and niche markets alongside strengthening its position within established ones. Indeed, operating income increased by almost 7% to stand at Rs 11,161 million for the year, supported by notable increases in net interest income as well as net fees and commissions whilst profit on exchange declined. Besides, operating costs edged up only marginally, thus contributing to a rise of 10.6% in operating profit before provisions, with effective growth being of the order of 18.6% when excluding non-recurrent gains on sale of securities in FY 2013/14. Results also benefited from a significant drop in allowances for credit impairment from the unusually high level in FY 2013/14. With income tax expense standing at Rs 960 million, this led to profit from continuing operations growing by some 45% to reach Rs 4,843 million. After accounting for revenues from discontinuing operations, overall results increased by some 36% to stand at Rs 5,004 million for the year under review.

Backed by sensible business practices, the financial soundness of the Bank was reinforced in FY 2014/15 as gauged by improved capitalisation and asset quality as well as the maintenance of strong funding and liquidity positions.



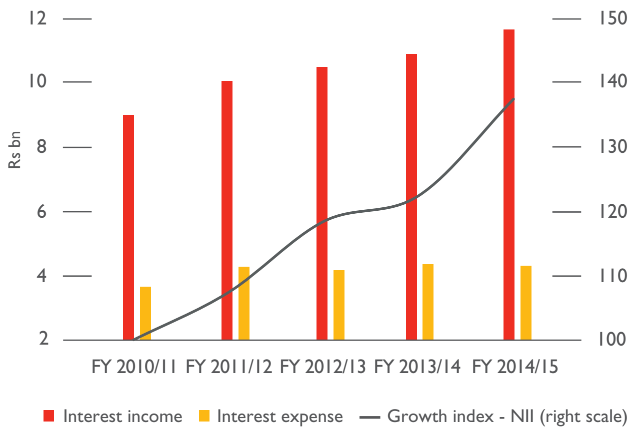

*Pre-provision profit to average assets = Pre-provision profit excluding net income from sale of securities and non-recurrent items to average assets*

### *Revenue growth*

#### *Net interest income*

Supported by continued rise in the loan portfolio notably linked to international operations, interest income for the Bank grew by 7.1% to Rs 11,633 million in FY 2014/15. For its part, notwithstanding an appreciable rise in the deposit base, interest expense decreased by 0.8% to Rs 4,285 million owing to relatively lower interest rate on average. Consequently, net interest income expanded by 12.2% to reach Rs 7,348 million in FY 2014/15 in spite of pressures on margins amidst the high liquidity situation and heightened competition locally. As such, net interest margin, as measured by net interest income to average earning assets, stood at 3.5%, while the ratio for net interest income to average assets was 3.1%.

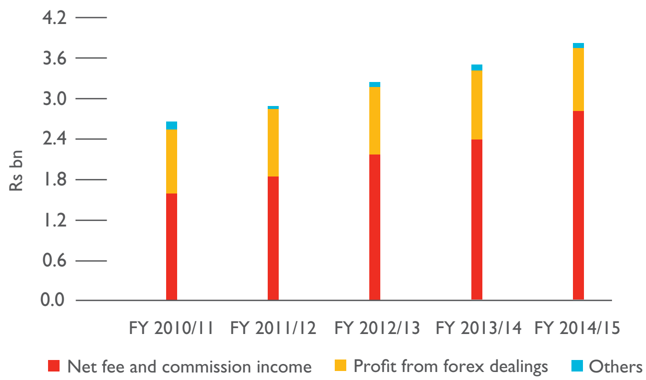
**Net interest income**




#### *Non-interest income*

In line with on-going market and product diversification endeavours, net fee and commission income registered a robust growth of 17.4% during the last financial year. This performance was driven principally by strong growth in revenues derived from regional trade finance, wealth management activities as well as card operations. On the other hand, 'other income' declined during the year following the decline of 8.1% in profit on exchange and given that non-recurrent gains of some Rs 400 million on sale of securities was realised in FY 2013/14. Overall, non-interest income, excluding the latter non-recurrent gains, sustained an appreciable growth of 9.1% over the period under review.

**Breakdown of non-interest income**

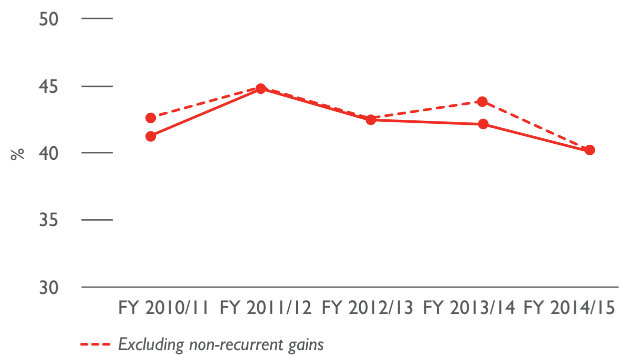



*Note : Figures exclude non-recurrent gains*

### *Cost control*

In spite of continuous investment in human capital, operating costs edged up only slightly by 1.5% to reach Rs 4,461 million in FY 2014/15. This reflects ongoing operational efficiency initiatives as well as lower depreciation and amortisation charges. In view of the higher growth registered in operating income, cost to income ratio declined from 42.0% to 40.0% during the last financial year.

**Cost to income ratio**



# Management Discussion and Analysis

### *Impairment charges*

Allowance for credit impairment registered a substantial drop of 53.3% to reach Rs 861 million in FY 2014/15, compared to the peak of Rs 1.8 billion in the previous financial year, prompted by specific impaired Global Business Indian exposures. Credit impairment charges thus represented 0.5% of the loan portfolio for the year ending June 2015. Reflecting the relative improvement in asset quality, non-performing loan ratios reversed their uptrend to reach 5.90% and 3.46% in gross and net terms respectively as at 30 June 2015.

### *Credit exposure*

Gross loans to customers posted a satisfactory growth of some 8% to stand at Rs 157.3 billion as at June 2015. On the domestic front, despite being restrained by the subdued private investment level, customer credit increased by 5.2% at Segment A level. In particular, the retail segment has remained quite resilient with advances growing by around 9% on a point-to-point basis to June 2015, driven mainly by a double-digit expansion in housing loans. For its part, credit to the corporate segment rose by 3.7%, with the growth principally underpinned by disbursements towards the financial and business services, traders, domestic oriented industry as well as the property development sector. At Segment B level, which relates to the provision of international financial services that give rise to foreign-sourced income, customer credit grew by 14.4%, in line with the Bank's regional diversification drive.

| **June 2015** | **Exposures** | | |
|---|---|---|---|
| | **Rs m** | **Y.o.y growth (%)** | **Mix (% )** |
| **Loans to customers** | **157,308** | **7.6** | **97.3** |
| Agriculture and fishing | 7,371 | 1.4 | 4.6 |
| Manufacturing | 9,943 | 0.4 | 6.1 |
| *of which EPZ* | *3,288* | *(10.8)* | *2.0* |
| Tourism | 33,217 | 2.8 | 20.5 |
| Transport | 3,461 | 7.9 | 2.1 |
| Construction | 15,666 | 6.3 | 9.7 |
| Traders | 16,846 | 3.3 | 10.4 |
| Financial and business services | 17,063 | 20.1 | 10.6 |
| Personal and professional | 30,386 | 8.9 | 18.8 |
| *of which credit cards* | *622* | *2.1* | *0.4* |
| *of which housing* | *19,080* | *12.7* | *11.8* |
| Global Business Licence holders | 14,331 | 18.7 | 8.9 |
| Others | 9,023 | 8.9 | 5.6 |
| **Loans to banks** | **4,391** | **(12.4)** | **2.7** |
| **Total** | **161,699** | **6.9** | **100.0** |

| June 2015 | Loans to customers | | |
|---|---|---|---|
| | Rs m | Y.o.y growth (%) | Mix (%) |
| Segment A | 114,114 | 5.2 | 72.5 |
| Segment B | 43,195 | 14.4 | 27.5 |
| **Total** | **157,308** | **7.6** | **100.0** |

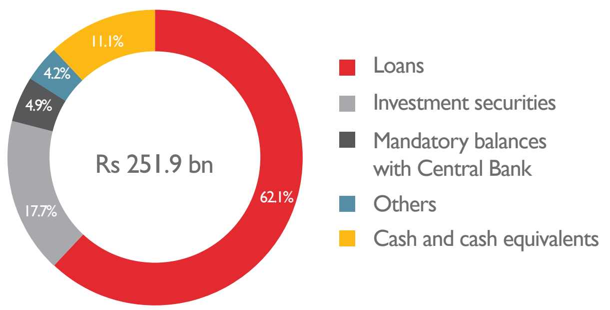
| Bank credit exposures as at 30 June | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **On-balance sheet** | **Rs m** | **Rs m** | **Rs m** | **Rs m** | **Rs m** |
| Lending | 117,771 | 133,606 | 145,889 | 151,245 | 161,699 |
| *Loans to customers* | *115,494* | *130,529* | *143,030* | *146,234* | *157,308* |
| *Loans to banks* | *2,277* | *3,077* | *2,859* | *5,012* | *4,391* |
| Trading | 1,261 | 1,533 | 1,354 | 1,958 | 4,027 |
| Investments | 16,684 | 15,252 | 20,477 | 28,657 | 40,648 |
| | **135,716** | **150,391** | **167,720** | **181,860** | **206,374** |
| **Off-balance sheet** | **Rs m** | **Rs m** | **Rs m** | **Rs m** | **Rs m** |
| Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers | 31,628 | 37,483 | 46,550 | 62,112 | 43,322 |
| Commitments | 3,832 | 4,520 | 5,022 | 4,355 | 4,380 |
| Other | 1,303 | 1,357 | 1,754 | 1,777 | 1,981 |
| **Contingent liabilities** | **36,763** | **43,360** | **53,326** | **68,245** | **49,684** |

# Management Discussion and Analysis

### *Other Assets*

In line with the excess liquidity situation prevailing in the money market, the total liquid assets of the Bank increased markedly during the last financial year. This was characterised by: (i) a rise of 30% in cash and cash equivalents mainly through money market placements; (ii) an increase of 42% in investment in treasury bills and Government securities; and (iii) a growth of 15% in mandatory balances at the Central Bank. Overall, the share of liquid assets, including placements, to deposits reached 39.1% as at 30 June 2015, with the corresponding ratio as a percentage of assets standing at 32.1%.

**Assets mix as at 30 June 2015**

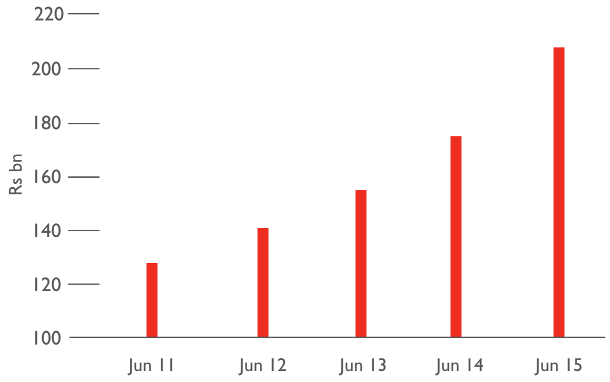



### *Funding*

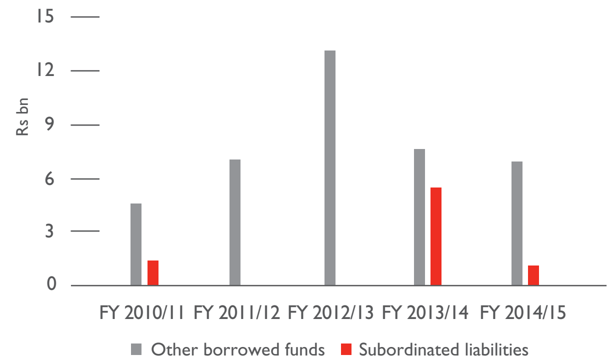
### *Deposits and borrowings*

Total deposits grew by 18.6% to reach Rs 207.2 billion as at 30 June 2015, boosted by a rise of some 27% in foreign currency deposits on the back of inroads made in respect of foreign customers especially within the high end segment. Rupee-denominated deposits increased by around 14%, following increases of 22% in demand deposits and 15% in savings deposits, the latter still accounting for the bulk of the total with a share of nearly 70%. On the other hand, 'other borrowed funds' recorded a drop of 8.6%, reflecting the repayment of senior unsecured floating rate notes worth Rs 1.8 billion as well as lower recourse to LC refinancing from overseas banks partly resulting from the decline in oil prices on related businesses. Besides, subordinated liabilities of the Bank fell to Rs 1.1 billion, in the wake of the transfer of the Subordinated Notes of Rs 4.5 billion from MCB Ltd to MCB Group Ltd.

**Deposits**



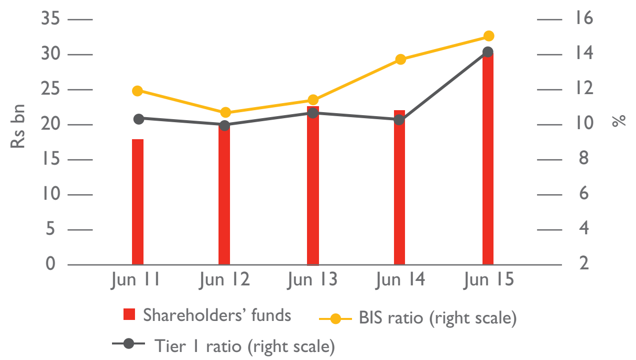

**Borrowings and subordinated liabilities**



### *Capital resources*

Shareholders' funds grew by 37.1% to reach Rs 30.3 billion as at 30 June 2015. This rise was, to a notable extent, attributable to an increase in share capital of Rs 4.5 billion following the capital restructuring exercise at the end of June 2015. The latter entailed the transfer of the assets and liabilities pertaining to the Subordinated Notes from MCB Ltd to MCB Group Ltd, which subscribed to an equivalent amount of shares in the Bank through MCB Investment Holding Ltd. Equity was also reinforced by a growth of 14.6% in retained earnings, after factoring dividend payments of Rs 1.8 billion, from the current year's profit. On the whole, testifying to its ability to withstand potential shocks and foster further business growth endeavours, the Bank maintained comfortable capitalisation levels, as gauged by the rise in the overall capital adequacy ratio from 13.8% to 15.1%, with the Tier 1 ratio standing at 13.8%. On a consolidated basis, the overall BIS ratio and the Tier 1 ratio stood at 15.5% and 14.3% respectively.

**Shareholders' funds and capital adequacy**




*Note: Capital adequacy ratios for June 2014 and June 2015 are based on Basel III*

A.R. Withers

**Antony R. WITHERS**
Chief Executive

# Risk Management Report

## Risk Management Philosophy

### The mission of the risk management function at MCB Ltd is:

To identify, assess and manage the risks to which the Bank is exposed, thereby improving the risk-return profile of its activities while upholding an environment conducive to attracting and promoting business operations.

### …whilst its goal is:

To enhance stakeholders' confidence with respect to the management of current and potential risks and foster an effective recovery of assets through:

- adequate internal control mechanisms;
- up-to-date and comprehensive risk policies; and
- adherence to legal and regulatory requirements.

## Key underpinnings

***Strong governance standards***

- Ultimate responsibility of the Board
- Supervision by the Board through sub-committees
- Risk appetite set and monitored by the Risk Monitoring Committee
- Well-established risk management framework and policy
- Comprehensive risk management processes and tools
- Independent teams covering internal audit, anti-money laundering and fraud prevention, as well as the compliance and legal functions

***Ensuring appropriate prudent and conservative capital levels***

- Good capital cushion held to withstand potential shocks
- Continuous strengthening of capitalisation levels to underpin growth ambitions and meet regulatory requirements
- Internal capital generated through retained earnings, with specific capital-enhancing measures being leveraged if required

***Reliable funding and sufficient liquidity***

- Diversified and stable funding sources by type and maturity
- Deposits represent the primary funding source
- Low involvement in overly volatile markets
- Funds raised at a reasonable cost and obligations met timely

***Appreciable asset quality***

- Healthy loan portfolio through strong credit discipline
- Prudent market penetration and sensible strategy execution
- Cautious loan origination and disbursements
- Active efforts deployed for debt collection and recovery

***Adequate risk-return profile***

- Well-diversified portfolio of exposures
- Adequate pricing of risk to achieve an appropriate return

# Risk management report

## Main Risks Faced

The main risks to which the Bank is exposed in the course of its operations are depicted in the table below, with their significance for business segments being dependent on the nature of their market activities. The specific steps that are, as and when required, taken for risk mitigation have also been delineated.

| | Principal risks | General definitions | Our strategic objectives | Key risk mitigating actions |
|---|---|---|---|---|
| FINANCIAL RISK | **Credit risk** | The risk of financial loss should borrowers or counterparties fail to fulfill their financial or contractual obligations to the Bank as and when they fall due; Credit risk, typically, includes counterparty risk, settlement risk and concentration risk, with the latter referring to the risk that the institution faces from the lack of diversification of its lending portfolio due to the excessive build-up of exposures to a counterparty, industry, market or product amongst others | To abide by sound credit risk management principles; to uphold a well-diversified credit portfolio consistent with the risk profiles defined in the risk appetite as well as the broad characteristics set out in target market criteria; to achieve the targeted risk-return profile of the portfolio; to monitor and manage the quality of the credit portfolio | Setting risk appetite in alignment with our strategic orientations and capital management objectives; defining target risk profile of the different credit portfolios; aligning and updating the lending policy; having a well-defined and established credit origination and monitoring framework, including, definition of limits, roles and responsibilities along the credit management process as well as clear delegation of decision-making authority for approval of facilities amongst others; adopting a credit risk culture across the organisation; establishing prudent lending criteria to foster appropriate and responsible lending; reviewing the credit portfolio on a regular basis to proactively manage any delinquency and minimising any undue credit concentrations; development of risk-response strategies and undertaking of credit management and recovery actions if deemed necessary |
| | **Country risk** | The risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet their financial obligations | To provide for a comprehensive framework and adequate control processes for assessing country risk, determining risk tolerance and allocating exposures across geographies | Setting risk appetite in terms of country risk profile; using a proven and well-established country risk model to assess country risk and define country limits on the basis of MCB's expertise and intimate knowledge of the country's economy amongst others; ensuring the proactive monitoring of country risk exposures against country limits set; promptly reviewing country limits against the backdrop of adverse unexpected events |
| | **Market risk** | The risk arising from a change in the market value of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, etc. | To monitor, report and control within limits and targets the overall market risk exposures, across both the trading and banking books, including market-contingent risks such as counterparty credit risk and profit and loss risks arising from the Bank's market risk activities | Adopting internal limits for mix of assets and liabilities; setting and reviewing asset and liability allocation objectives and targets to sustain both the diversification and growth of the institution's balance sheet from a market, funding and profitability perspective; setting a range of stop loss limits for trading book activities |
| | **Interest rate risk** | The risk arising from changes in interest rates, or the prices of interest rate related securities and derivatives, impacting on the Bank's earnings or economic value of equity | To manage the impact of interest rate changes on the Bank's overall risk profile both from an earnings and economic value perspective | Application of floating interest rates linked to an index; repricing gap analysis techniques used to monitor structural interest rate risk in the banking book |
| | **Funding and liquidity risk** | Funding risk: The risk that a maturing liability or class of liabilities may not be able to be refinanced (without additional relative cost) over any given period of time<br><br>Liquidity risk: The risk arising from insufficient realisable financial assets to meet financial commitments as and when they fall due | To maintain adequate liquidity levels and have access to diversified funding sources to rapidly and effectively respond to the demands of our clients and foster our business development | Maintenance of a diversified liability base across different categories of depositors; adopting cash flow management to avoid maturity mismatches; maintenance of adequate and regularly monitored liquid assets portfolio; use of international Basel III liquidity measures as reference to further enhance the liquidity risk management framework |

| | Principal risks | General definitions | Our strategic objectives | Key risk mitigating actions |
|---|---|---|---|---|
| OPERATIONAL RISK | **Operational risk** | The risk of loss or costs resulting from human factors, inadequate or failed internal processes and systems or external events. It includes fraud and criminal activity, project risk, business continuity, information and IT risk, etc. | To identify, mitigate and manage the Bank's operational risks in line with the defined risk appetite and with a strategic intent to provide our customers with seamless services | Prompt identification of risk incidents, followed by the initiation of appropriate mitigating actions and the reporting thereon; implementing the Bank's Business Continuity Management policy to maintain the availability of critical business activities at acceptable pre-defined service levels; proactive assessment of risk (operational risk maps) and design of control framework, containing clear steps for the implementation of mitigating actions as and when required; continuous review of the IT system architecture in order, for instance, to ensure systems are resilient, readily available for our customers and secure from cyber attack |
| OPERATIONAL RISK | **Regulatory and compliance risk** | The risk that is primarily linked to the impact of changes in legislation and regulations on the operation and functioning of the organisation. It is the risk of statutory or regulatory sanction and material financial loss or reputational damage, which eventually results in the risk of losses, fines or penalties linked to the failure to comply with any applicable laws, regulations or supervisory requirements | To comply with all relevant regulations and legislation in force to safeguard the assets of the organisation | Leveraging our internal and external legal advisors as well as our compliance function; adopting proper processes and procedures to meet various regulatory requirements; ensuring the continued investment in people, processes and IT systems to enable the organisation to meet its regulatory commitments; developing plans for regulatory changes and the tracking of progress against those plans |
| OTHER RISKS | **Strategic and business risk** | The risk to current or prospective earnings arising from inappropriate business decisions or inadequate future business strategies in relation to the operating environment. The risk is, usually, caused by inflexible cost structures, changes in the business environment, Government or international regulatory decisions, client behaviour and technological progress, and Bank-specific factors such as poor choice of strategy; the risk includes strategic risk, business risk, as well as environmental, social and governance risks | To set out and deploy our strategic orientations in a judicious and well-thought manner, remain attentive to changes in the operating environment and pay close attention to the current/ future exigencies of our customers | Developing appropriate platforms for judicious strategic planning and the implementation of flexible business development plans that assign due focus on ongoing changes in the operating environment; growing sensibly and setting out risk appetite in line with internal capabilities and external activity growth avenues; enhancing the range and adaptability of internal capabilities in terms of systems and processes; using reverse stress testing techniques to assess and mitigate risk arising from new potential strategic orientations |
| OTHER RISKS | **Reputation risk** | The risk of loss resulting from reputational damage to the Bank's image caused by negative media coverage, compliance failures, pending litigations or underperformance. Such damage may result in a breakdown of trust, confidence and business relationships, which may impair the Bank's ability to retain and generate business | To bolster our brand image and ensure that our actions and behaviours are in line with best practice standards | Participation in tailored and pertinent exercises or events (e.g. roadshows and promotional campaigns) to promote the brand image of the organisation; ensuring the consistent and regular monitoring of the Bank's reputation by anticipating the financial impact of reputation risk; proactively managing high risk situations |

# Risk management report

## Positioning and Performance of the Bank

### The Context

During the last financial year, the operations and activities of the Bank have been exposed to challenging economic and market conditions prevailing domestically and internationally. From a regulatory and statutory viewpoint, in addition to evolving domestic legislation and foreign codes/conventions, the year under review saw the introduction of mandatory requirements linked to the Basel III rules on capital formulation and allocation as well as macroprudential measures put into place by the Bank of Mauritius (BoM).

### Recent Developments

During FY 2014/15 and till date, the Bank effectively dealt with the changing market landscape and adhered to regulatory developments, backed by the exercise of continuous market vigilance and further bolstering of internal capabilities. The major initiatives undertaken to promote sensible business growth as well as the main outcomes from a risk management perspective are highlighted below:

- The key financial soundness ratios of the Bank improved during the course of the last financial year (see further on for more details). It has remained well-capitalised, with core capital being reinforced through a capital restructuring exercise by the Group and capital adequacy ratios standing comfortably above the Basel III minimum requirements. Against this backdrop, Moody's has in February 2015 removed the negative outlook that was assigned to MCB Ltd's ratings when they were lowered in October 2014. This marks the first step towards recovering from the ratings downgrade that Moody's had attributed to (i) the decline in the core capitalisation level of MCB Ltd following the transfer of the non-banking entities to MCB Group Ltd, in spite of Tier 2 capital having previously been raised in anticipation of this impact; (ii) the deterioration in NPL ratios observed then even if this was linked to specific Indian files which had already been adequately ring-fenced; and (iii) the moderation of the Government support assumptions incorporated in the methodological framework. At another level, the Viability Rating allocated to MCB Ltd by Fitch Ratings in March 2015 reflects the Bank's leading franchise in the domestic market, underlying profitability, solid funding and liquidity profile, as well as the simplified organisational structure following the MCB Group's restructuring exercise.
- In the context of the Bank's recently adopted Medium Term Growth Strategy, MCB Ltd has reinforced its risk management framework, notably through the enhancement of its risk appetite setting methodology, to ensure that business development strategies unfold in a progressive and balanced manner. Targeted risk profiles have been established for the Bank's Energy and Commodities, Financial Institutions, and International Project Finance portfolios so as to come up with the desired level of risk diversification and optimisation. Risk measurement and monitoring capabilities are being strengthened to better evaluate the Bank's prevailing risk profiles in relation to the targeted levels. Specifically, both qualitative and quantitative risk assessments are performed with respect to the above-mentioned portfolios, supported by the determination of country limits and a newly-designed internal bank rating model to gauge the creditworthiness of unrated correspondent banks.
- The adoption and dissemination of the risk culture is continuously fostered across the Bank. This is underpinned by (i) closer collaboration between the Risk Strategic Business Unit (SBU) and business lines in respect of the credit origination process and from a more general angle the structuring of large transactions; (ii) the effective realisation of temporary placements of Account Executives within the Credit Management Business Unit (BU) and vice versa; and (iii) the pursuit of the Operational Risk Cartography Programme, which resulted not only in the identification of operational risks and implementation of appropriate mitigants, but also in the empowerment of Operational Risk Officers within each SBU of the Bank. The partnership between the Risk SBU and business segments was further reinforced pursuant to the review and update of the Bank's Business Continuity Management Policy, whose underlying goal is to ensure that the necessary conditions subsist across the organisation for maintaining the availability of critical business activities at acceptable pre-defined service levels, thereby safeguarding the Bank's reputation and the interests of its stakeholders.
- The quality of risk management tools has been enhanced. The Risk SBU had some time back successfully rolled out Phase I of its state-of-the-art Enterprise Management System. During FY 2014/15, this system has amongst others contributed to improve its liquidity risk management capabilities, thus optimising the Bank's balance sheet structure and enabling it to be compliant with the Basel III International Liquidity Standards in anticipation of their introduction by the Central Bank. Furthermore, the recent successful completion of Phase II of the project enabled the Bank to (i) gear up its capacity to perform capital stress-testing and scenario analyses; and (ii) facilitate the review of the impact of changes in both business strategy and external factors, capturing user-defined scenarios and the simulation of capital sufficiency levels in line with regulatory requirements.

## Financial Soundness

### *Overview*

The Bank preserved the soundness of its financial metrics on the back of its comprehensive risk management framework and processes. During FY 2014/15, the Bank ensured that its funding and liquidity risks were effectively managed, alongside improving its asset quality and capitalisation metrics. Looking ahead, backed by a close scrutiny of the operating environment the Bank will seek to further bolster its risk management capabilities. In addition to safeguarding its sound financial fundamentals, the aim is to achieve the orderly execution of its Medium Term Growth Strategy.

### *Capitalisation*

During FY 2014/15, MCB continued to ensure that adequate capital buffers are kept to support its business expansion and fully comply with regulatory guidelines. The core and total equity capital bases of the Bank increased by notable margins during the last financial year, thus more than offsetting the drop registered in FY 2013/14 as a result of the transfer of the non-banking entities to MCB Group Ltd in the context of the restructuring exercise. The overall capital adequacy ratio rose by 134 basis points under Basel III to reach 15.1% as at June 2015 – which is well above the minimum regulatory capital of 10% – on the back of organic capital accumulation linked to the significant improvement in the financial results. The capital base was primarily made up of core capital, with the Tier 1 ratio rising from 10.3% to 13.8%. This reflects the transfer of the assets and liabilities pertaining to the Floating Rate Subordinated Notes worth Rs 4.5 billion – which qualified as Tier 2 capital, subject to an annual 10% reduction as per the transitional arrangement under Basel III – from the Bank to MCB Group Ltd, with the latter subscribing to additional shares of MCB Ltd of the same amount through MCB Investment Holding Ltd. This was viewed by Moody's as being 'credit positive' for depositors and other debt-holders of MCB Ltd given the higher equity capital cushion to absorb potential losses in case of need. As it stands, the Bank's core capital ratio comfortably overshoots the current minimum regulatory level of 7.5% as per the schedule set by BoM in its Guideline on Scope of Application of Basel III and Eligible Capital. Furthermore, it is worth noting that after making allowance for retained earnings of the foreign banking subsidiaries and associate, the Tier 1 and capital adequacy ratios of MCB Ltd on a consolidated basis stood at 14.3% and 15.5% respectively as at 30 June 2015.

| | MCB Ltd (Standalone basis) | | MCB Ltd (Consolidated basis) | |
|---|---|---|---|---|
| | Jun 14 | Jun 15 | Jun 14 | Jun 15 |
| | Rs m | Rs m | Rs m | Rs m |
| **Capital base** | **27,832** | **31,734** | **31,484** | **35,754** |
| *Tier 1* | *20,848* | *28,989* | *24,425* | *32,928* |
| *Tier 2* | *6,984* | *2,744* | *7,059* | *2,826* |
| **Risk-weighted assets** | **201,631** | **209,505** | **219,831** | **230,154** |
| **Capital adequacy (%)** | **13.8** | **15.1** | **14.3** | **15.5** |
| *of which Tier 1* | *10.3* | *13.8* | *11.1* | *14.3* |

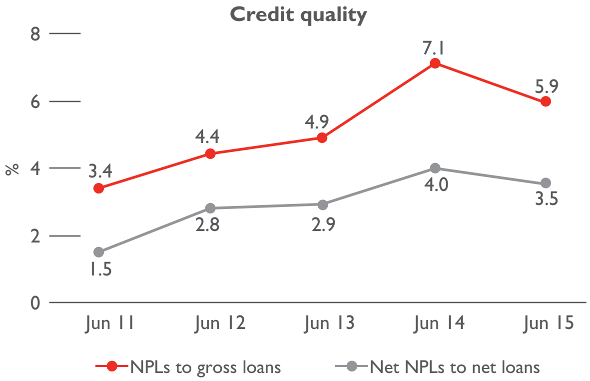
*Note: Proforma figures determined under Basel III are used for capital adequacy indicators as at 30 June 2014*

### *Asset quality*

After being unusually impacted by the impairment of a small number of larger than average Global Business Indian exposures during FY 2013/14 the Bank has now ring-fenced the problem. While new Indian corporate business has effectively been discontinued the new Recovery team set up to retrieve the impaired amounts due from these Indian corporates has been tasked with powers to take charge of the impaired files and engage in the recovery process, which has started to yield results in spite of the challenges posed by a complicated legal system in India. Against this backdrop and underpinned by further enhancements to risk management processes the asset quality metrics of the Bank improved significantly, with the gross and

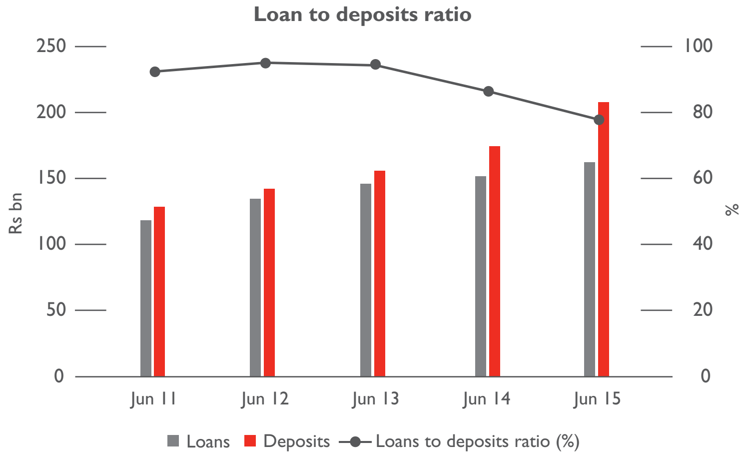
# Risk management report

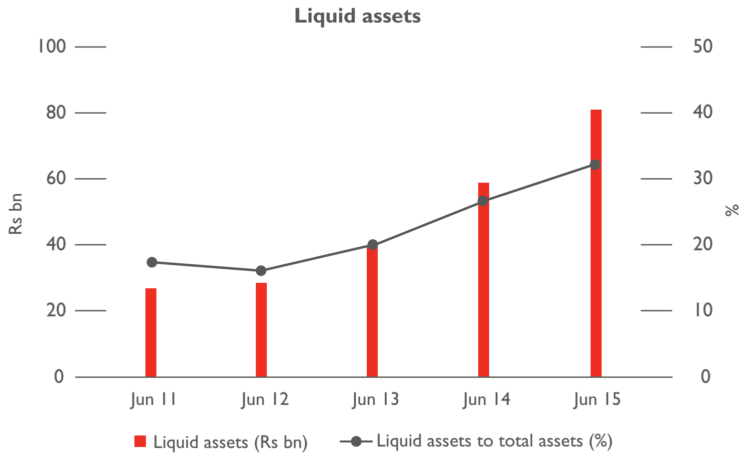
net non-performing loans ratios reaching 5.90% and 3.46% as at 30 June 2015, compared to 7.06% and 4.01% posted a year earlier. For its part, the cover ratio of NPLs by specific provisions stood at 43% at the year end, with the remaining portion being more than adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time. Reflecting the improvement in the Bank's credit quality levels, allowance for credit impairment recovered from the previous year's exceptionally high level – due to substantial provisions made to cover for the former mentioned sizeable Indian files – falling from Rs 1.8 billion to some Rs 860 million, a more acceptable level representing 0.5% of the loan portfolio as at 30 June 2015. In another respect, the Bank, in conformity with the BoM Guideline on Credit Impairment Measurement and Income Recognition, gives due weight to the varying degrees of risk attached to the different components of its loan portfolios. The latter are analysed by sectors, each sector having similar characteristics, and a statistical provision is assigned to each sector based on past loss experience and current attributes and outlook. In this respect, it can be noted that the Bank's portfolio provision increased by Rs 62 million during the year to reach Rs 1,103 million as at 30 June 2015.




### *Funding and liquidity*

The Bank lays due emphasis on maintaining sound funding and liquidity positions in support of its business development ambitions, as gauged by the evolution over the past few years of its loans to deposits and liquid assets to total assets ratios. Basically, while accessing wholesale markets as and when required, the Bank maintains cost-efficient, diversified and stable sources of funding, which predominantly comprise customer deposits. Furthermore, an appreciable level of liquid assets is kept to ensure that obligations can be met within a reasonable short-term time-frame.

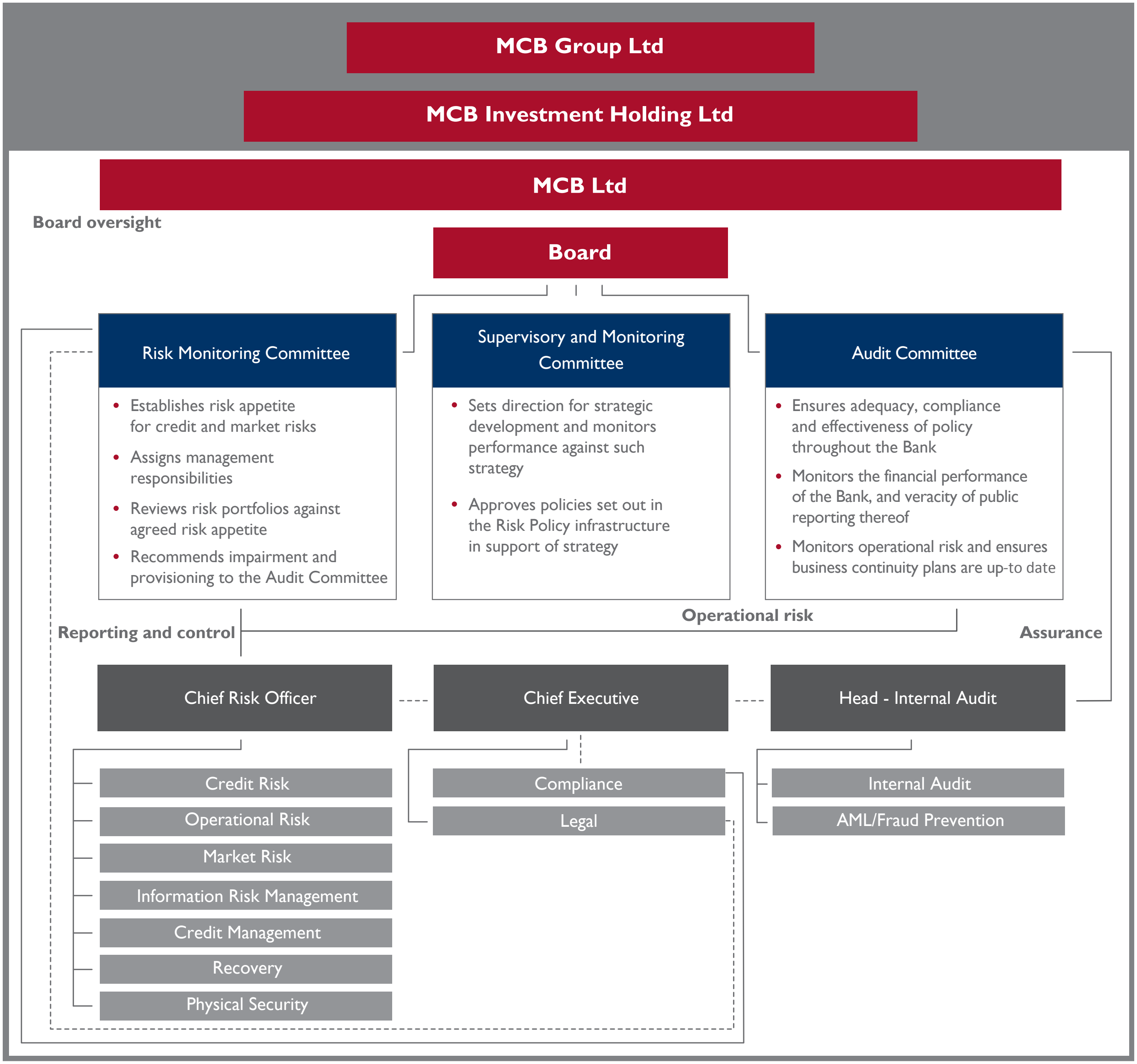



## Governance and Structure

The risk management framework of MCB Ltd 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 Bank's assets and promoting the deployment of its business strategy in an effective manner. The delegation of authority, control processes and operational procedures are accordingly documented and disseminated to staff at different levels. The underlying risk management framework of MCB Ltd is illustrated as follows.

## Risk management framework



# Risk management report

The Board has the ultimate responsibility of ensuring that risks faced by the organisation are adequately identified, measured, monitored and managed, in line with corporate governance principles. The Board discharges its duty through policies and frameworks as well as specialised committees. The primary Board committee overseeing risk matters at the Bank is the Risk Monitoring Committee (RMC). The latter sets the risk appetite for various countries, sectors and portfolios, after taking into account factors such as prevailing economic conditions and risk profiles, whilst also monitoring the effectiveness of the Bank's credit and country risk management structure, be it in terms of framework, people, processes, information, infrastructure, methodologies or systems. Four out of the six members of the RMC are non-executive directors, thus strengthening the Bank's independent risk oversight and control functions. Management is accountable to the Board for ensuring the effectiveness of risk management and the adherence to the set risk appetite. The Risk SBU of the Bank, under the aegis of the Chief Risk Officer (CRO), bears the responsibility on a day-to-day basis for providing independent risk control as well as managing credit, operational, market, information and physical security risks, alongside overseeing the credit management and recovery operations. While having an administrative reporting line to the Chief Executive, the CRO is accountable to the Audit Committee for operational risk and to the Risk Monitoring Committee for the other types of risk. Moreover, the CRO is assisted by the Deputy CRO who oversees the functions of market risk, credit risk, information risk and operational risk. Risk managers in these areas are dedicated to establishing methodologies for risk measurement and for ensuring the regular monitoring and reporting of the Bank's various risk exposures, profiles, concentration, and trends to the RMC and Senior Management for discussions and the formulation of appropriate actions.

A strong risk control framework is also fostered across the Bank through independent teams overseeing the internal audit and legal functions as well as full compliance with laws, regulations, codes of conduct and standards of good practice. The Internal Audit and Compliance functions have administrative reporting lines to the Chief Executive of the Bank, while being accountable to the Audit Committee and Risk Monitoring Committee respectively. It can be highlighted that the responsibility to act as Money Laundering Reporting Officer is entrusted to the Head of the Legal SBU in order to reinforce the strict independence required for this position.

The existing risk structure enables the Bank to reinforce the linkage between capital requirements and the level of risks undertaken in line with regulatory requirements.

## Management of Key Risks

### Risk Appetite and Strategy

The Board of Directors of MCB Ltd seeks to ensure that its business strategies are clearly linked to its risk appetite, thus ensuring that capital resources of the Bank are optimally managed. The risk appetite refers to the amount of risk the Bank is able and willing to take or tolerate in pursuit of its business objectives. The objective of setting risk appetite is not necessarily to limit risk-taking, but to cater for an alignment between the Bank's risk profile and its business strategy. For its part, the risk management strategy is targeted at ensuring ongoing risk identification and achieving effective capital management. To this end, MCB Ltd inter alia defines (i) its appetite for credit risk in terms, for example, of the allocation of range targets for domestic and international credit exposures, exposures by sectors, portfolios' asset quality as well as the risk profile of the different portfolios; and (ii) its appetite for market risk in terms of the splits between domestic and international markets, foreign currency and interest rate exposures, % exposure allocation for position-taking and % target splits in terms of maturities of exposure. Key mechanics employed by the Bank for proper risk identification and quantification include the following: (i) a continuous monitoring process with respect to the approved risk targets; (ii) quarterly risk reporting to the Risk Monitoring Committee; (iii) preparation and use of risk reports for capital management purposes; and (iv) application of a stress testing framework. The risk appetite framework of MCB Ltd is set, updated and monitored by the Risk Monitoring Committee, while the final approval of the Board is required before its execution.

## Our risk management strategy is founded on key principles …

### Principle 1: Comprehensive definition and identification of risk

The overall definition of risk used within MCB Ltd is:

> Risk is the outcome of uncertainty in the future course of events resulting from decisions or actions taken at any specific point in time. Risk has a financial consequence which can only be quantified with certainty after the event, but which must be estimated or assessed as best as possible in advance.

The Bank ensures that risks are identified, assessed, managed and controlled in a systematic manner, with clearly defined policies, roles and responsibilities which are documented and subject to regular review.

### Principle 2: Risk governance

The governance structure and policy framework seek to foster the embedding of risk considerations in existing business processes and ensure that consistent standards exist across the Bank's operating units. A description of the framework for risk governance, roles and responsibilities and lines of accountability for the various risk categories is provided later in the report.

### Principle 3: Segregation of duties

Segregation of duties and management oversight are key components of the Bank's risk management process. There is a clear segregation of duties between the three risk aspects namely:

- Risk-taking comprises the involvement of lines of business with customers, and the actions which give rise to risks for the Bank as a result of delivering products and services to those customers. These mainly relate to Corporate Banking, Retail Banking, Cards and International Banking.
- Risk processing refers to the actions which turn a risk-taking decision into a series of financial actions, often referred to as back office operations. Some examples of such functions are trade finance, treasury back office and central operations.
- Risk control includes all the actions required to ensure that risk-taking is undertaken within agreed boundaries, and that the consequences of all risk-taking and risk processing are analysed over time for their actual risk outcome. For instance, Risk Management, Internal Audit and Legal are referred to as risk control functions.

### Principle 4: Pricing of risk

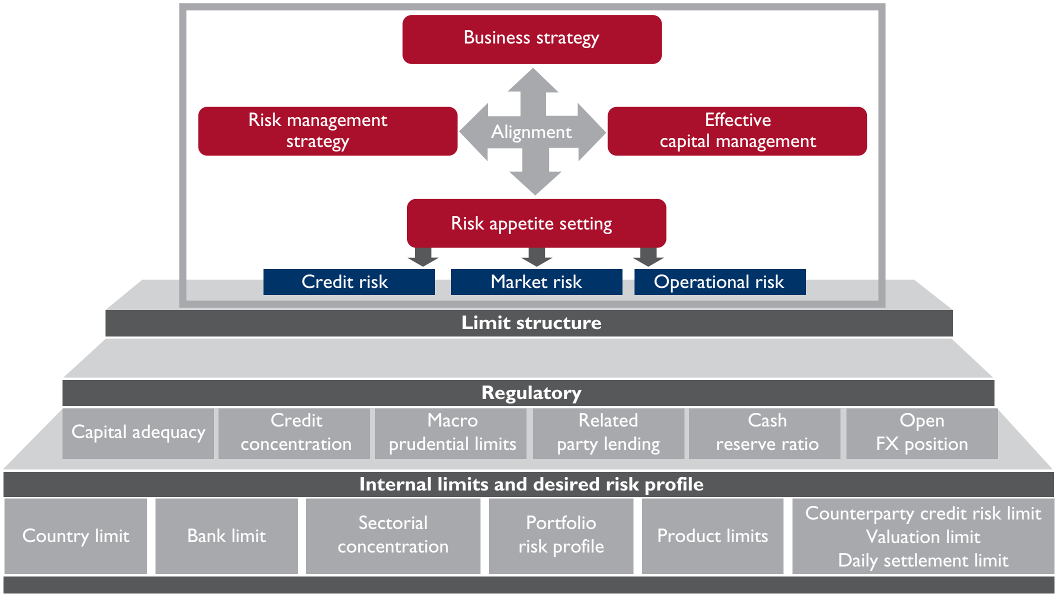
The following principles underpin the approach adopted by MCB Ltd to the pricing of risk:

- The price that is charged to clients is reasonable in relation to the relative riskiness of the exposure. In applying this principle while ensuring sustainable returns, the Bank uses the risk-based profitability metric, referred to as the return on risk-adjusted capital (RORAC), which provides the measure of net income as a proportion of the allocated capital commensurate with the risk undertaken.
- A reasonable expectation of return is established at the outset of any transaction where the Bank assumes a risk for its own account, an example being proprietary trading.

# Risk management report

## … while being aligned with our prudent risk appetite

Overall, our risk appetite is embedded within policies, authorities, limits and targets adhered to across the Bank. The Bank ensures that its business development objectives match its risk tolerances which are translated into relevant risk limits for different activities and types of customer segment, with the parameters set being expressed both qualitatively and quantitatively. Essentially, the size of internal limits are a function of regulatory requirements and the risk appetite set by the Board, after making allowance for the relevant economic and market environments as well as strategies being pursued for effective capital management. Furthermore, in its day-to-day business, the Bank makes regular use of internally-generated and externally-sourced rating tools for risk identification and quantification while gauging the extent to which the acceptable risk profiles put into place are being duly abided by.




### Rating tools used by the Bank

| | | |
|---|---|---|
| Country | External rating agencies | Moody's, Fitch, Standard & Poor's, and others as deemed appropriate |
| | Internally developed country rating model | The rating monitors social unrest, nationalisation and expropriation of assets, Government repudiation of external indebtedness, foreign exchange controls, and currency movements amongst others. |
| Banks | External rating agencies | Moody's, Fitch Ratings and Standard & Poor's |
| | Internally developed Bank scoring model | The creditworthiness is assessed by assigning a score based on the bank's financial strength, the probability of receiving affiliate and/or Government support in case of financial stress, as well as the sovereign risk of the country in which the institution operates |
| Corporate clients | Moody's Financial Analyst | The rating evaluates the counterparty's financial standing and specific non-quantitative factors such as industry risk, access to funding, market standing and management strength. |
| Retail clients | Internally developed credit scoring model | The rating assesses the credit standing, source of repayment and debt service ability of the borrower |

## Credit Risk

### *Governance and oversight*

The Board has ultimate control and oversight of credit risk management as well as credit risk policies and their deployment through dedicated committees. Notably, the Board delegates its authority to the Risk Monitoring Committee (RMC) for the setting of the overall direction and policy for managing credit risk at the enterprise level. For its part, the Supervisory and Monitoring Committee (SMC) is accountable to the Board through the normal chain of operational command and control for ensuring the appropriate segregation of duties within the credit risk management architecture. Additionally, the Executive Credit Committee is responsible for the planning, sanctioning, control and monitoring of credit risk.

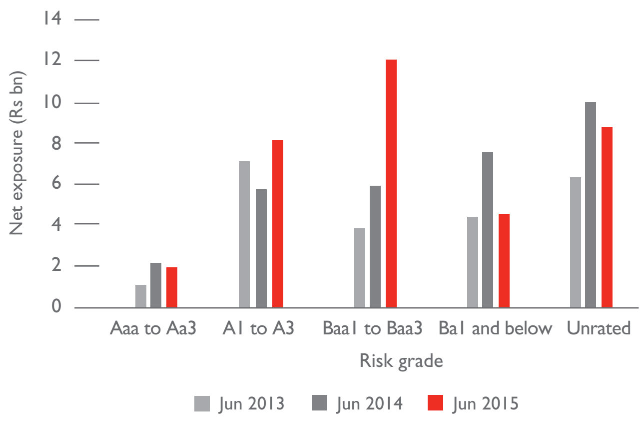
The model governing the Bank's credit risk management caters for regulatory requirements, as encompassed in key applicable Bank of Mauritius guidelines such as the Guideline on Standardised Approach to Credit Risk, the Guideline on Credit Impairment Measurement and Income Recognition, and the Guideline on Credit Concentration Risk. The latter guideline was amended in January 2015 to withdraw the sectoral credit concentration limits on the tourism, personal and commercial, residential and land parcelling sectors. In August 2015, the document was further revised with a key amendment – which had already been announced to banks earlier in April – relating to the increase in the limit for aggregate large credit exposures to all customers and groups of closely-related customers from 600% to 800%. The Bank also makes allowance for the macroprudential measures introduced by BoM last year. These relate to the Guideline on the Computation of Debt-to-Income Ratio for Residential Property Loans and the Guideline on the Computation of Loan-to-Value Ratio for Residential and Commercial Property Loans which came into effect as from 1 January 2014. Further on and effective 1 July 2014, the following measures have been implemented by BoM: (i) application of higher risk-weights to selected funded and non-funded credit facilities; and (ii) allocation of additional portfolio provisions against future credit losses.

### *Management and monitoring*

The credit risk management framework enables the Bank to manage credit risk within the limits of its evolving risk appetite, develop risk-response strategies and optimise risk-taking by anticipating and acting on potential opportunities or threats. Specifically, it relies on the Bank's well-established dual control structure, sound credit processes and clear delegation of decision-making authority, amongst other considerations, for the approval of loans.

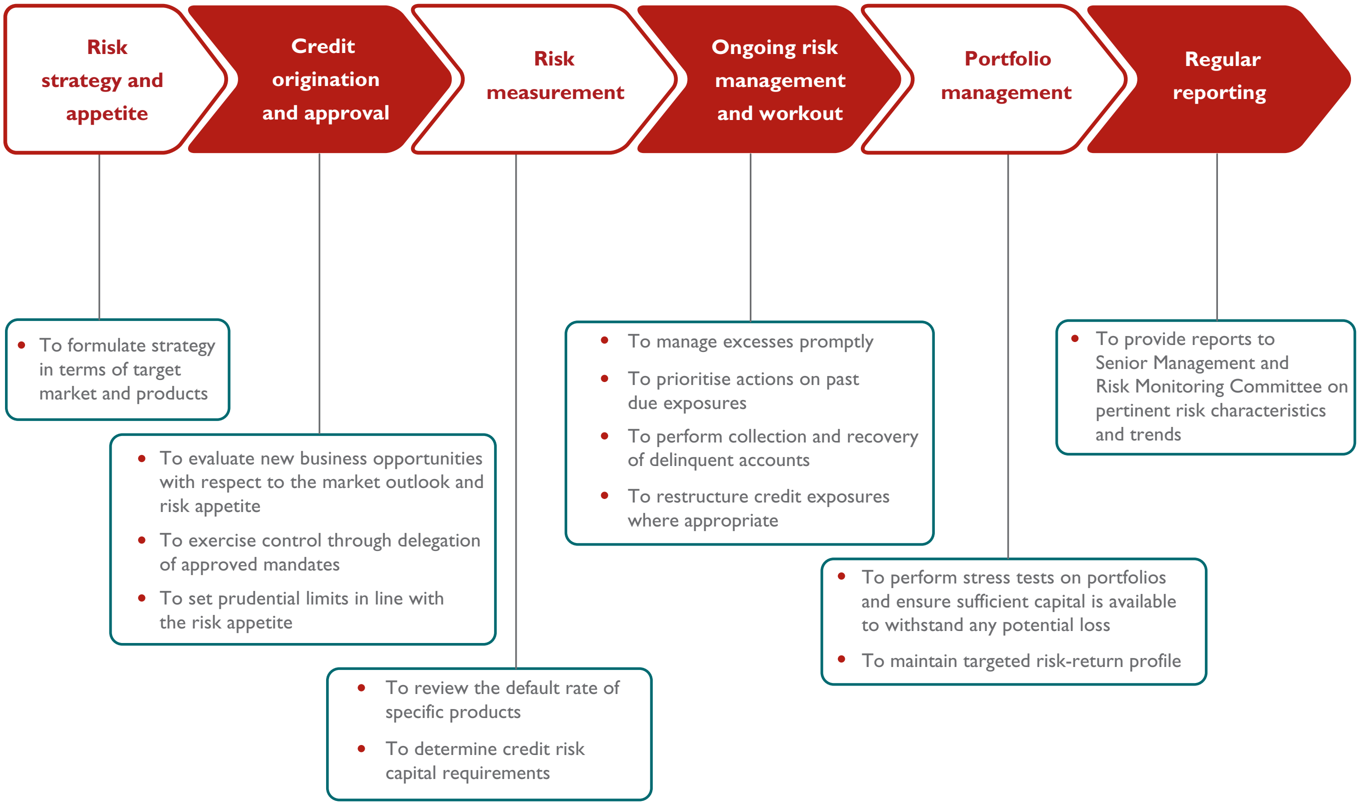
Credit risk exposures are managed through the Bank's robust credit assessment, structuring and monitoring process. The latter, under the responsibility of the Credit Management BU, involves the daily monitoring of credit limit excesses as well as the review of all exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible problem loans. Exposures showing signs of deterioration are placed on a watch list and referred to a dedicated team for closer scrutiny where appropriate. The Bank's disciplined approach to provisioning and loan loss assessment is based on the Guideline on Credit Impairment Measurement and Income Recognition issued by BoM. For its part, the Credit Risk BU is responsible for risk portfolio monitoring and risk measurement methodologies. It also provides an independent and regular review of the aggregate loan portfolio to manage proactively any delinquency and minimise undue credit concentrations. Significant trends in that respect are reported to Senior Management and the RMC on a regular basis, notably in relation to the credit risk profile of counterparties, including corporates and small businesses as well as banks, the risk exposures (via placements and advances) to which are indicatively provided in the following diagram.

**Risk exposure to banks**
*(classified by external ratings)*



# Risk management report

The enterprise-wide credit risk policy, approved and reviewed by the SMC, sets forth the principles by which the Bank conducts its credit risk management activities. The policy provides guidance in the formulation of the appropriate structure by which business generation is harmonised with risk management requirements, referred to as target market criteria. The credit risk management practices adopted by MCB Ltd cut across the entire credit cycle, as depicted in the following diagram.



### *Measurement*

Credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of the likely future behaviour of existing accounts for ongoing credit risk management. Ultimately, the Bank assesses whether individual business areas provide sufficient contribution to the targeted risk-return profile, with the aim to ensure that capital allocation generates an optimum return for the Bank. This is achieved by channelling risk capital away from low-return to high-return business areas, in a manner commensurate with the risks shouldered.

The Bank measures the credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures in line with the Guideline on Scope of Application of Basel III and Eligible Capital and the Guideline on Standardised Approach to Credit Risk issued by BoM. The capital adequacy and return on capital levels for the individual risk categories of the Bank's portfolio are regularly monitored by the RMC against the overall risk-bearing capacity of the Bank in order to ensure that the latter is, at all times, maintaining adequate capital to provide for its growth and to support a reasonable measure of unexpected losses.

#### *Retail*

Retail credit comprising mainly residential mortgages, unsecured loans and credit cards are managed on a portfolio basis and are assessed on the basis of credit scoring models, records from the Mauritius Credit Information Bureau, customers' behavioural records, as well as the application of relevant risk acceptance criteria. To ensure the robustness and adequacy of the scoring models, the Credit Risk BU independently conducts formal validation thereof at least annually. In collaboration with the Retail SBU, the Risk SBU regularly analyses default trends, identifies the underlying root causes and subsequently channels recommendations to Senior Management, with the aim being to eventually fine-tune the relevant credit scoring parameters.

#### *Corporate*

Large corporate credits are assessed using the Moody's Financial Analyst software which evaluates the counterparty's financial standing and specific non-quantitative factors such as industry risk, access to funding, market standing and management strength. The ratings generated by this software are typically used to measure the risk profile of the corporate banking customer segment, which consumes a sizeable proportion of capital resources of MCB Ltd, and also to set tolerance limits for enhanced management of excesses. The counterparty risk rating assigned to smaller business borrowers is primarily based on the counterparty's financial position and strength. Of note, MCB Ltd has also established a credit rating framework that enables the extensive usage of ratings not only in respect of loan approval, but also, in relation to credit review, monitoring as well as the stress testing and limits determination exercise.

### *Mitigation*

All credit facilities are granted based on the credit standing, source of repayment and debt servicing ability of the borrower. As a fundamental credit principle the Bank does not generally grant credit facilities solely on the basis of the collateral provided. Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically, with the frequency of valuation depending on the type, liquidity and volatility of the collateral value. On the whole, the main credit risk mitigation techniques applied by MCB Ltd include security/collateral, netting, guarantees and political risk covers. At another level, exposures arising from foreign exchange and derivatives are typically mitigated through agreements such as the International Swaps and Derivatives Association (ISDA) Master Agreements and the Credit Support Annex (CSA) documentation.

### *Concentration*

MCB Ltd promotes the diversification of its lending portfolio by setting industry sector limits based on forecasts spanning a five-year horizon to ensure that its performance is not negatively impacted by a large sectoral exposure default. Additionally, regular stress tests are performed on the portfolio to ensure that the Bank holds sufficient capital to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers. Overall, it is the policy of MCB Ltd to limit credit risk exposures and concentrations within the constraints of its capital base, whilst complying with the BoM Guideline on Credit Concentration Risk. As the situation stands, the stipulated limits are shown hereafter.

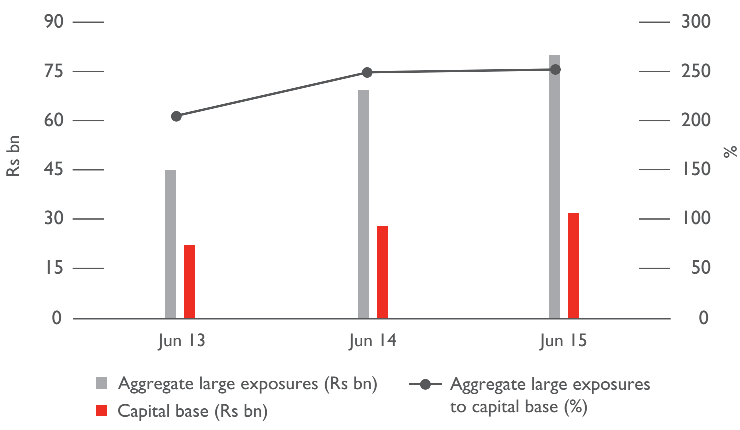
# Risk management report

| Guideline on Credit Concentration Risk | |
|---|---|
| **Credit concentration limits** | **% of bank's capital base** |
| Credit exposure to any single customer | Not exceed 25% |
| Credit exposure to any group of closely-related customers | Not exceed 40% |
| Aggregate large credit exposures* to all customers and groups of closely-related customers | Not exceed 800% |

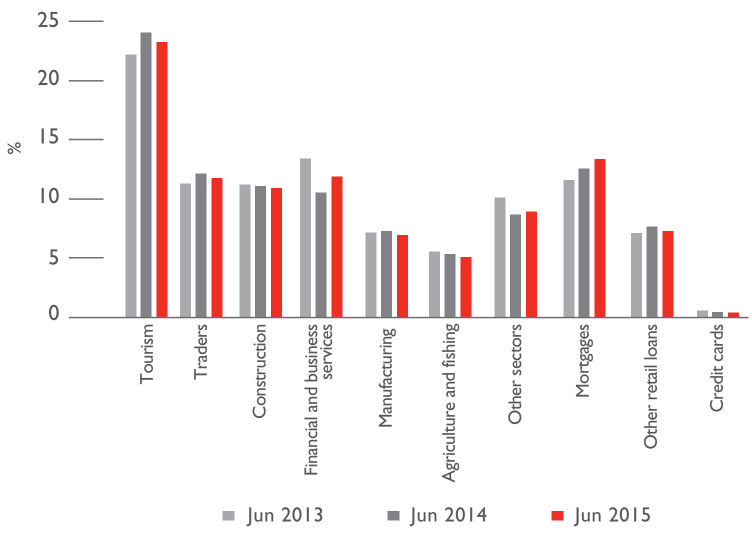
** Refer to exposures over 15% of the financial institution's capital base.*

Given the above regulatory limits, MCB Ltd is currently well positioned in terms of credit concentration, with its aggregate large credit exposure ratio at 252% being significantly lower than the prevailing prudential limit of 800%. Towards demonstrating the sound and diversified market positioning of the Bank, the following diagrams illustrate recent trends characterising its (i) aggregate large credit exposure ratio; and (ii) the sectorial distribution of its loans and advances to customers as a percentage of total credit to the private sector (excluding credit to Global Business Licence (GBL) companies). Moving forward, the organisation is committed to keeping a vigilant eye on its credit concentration towards meeting regulatory requirements and fostering sound business development. Notably, it will keep monitoring the credit concentration risk aggregating to more than 15% of its capital base, classified by industry sector, on a regular basis in order to ensure that its risk-bearing capacity is not jeopardised. Furthermore, the Bank has taken active steps to prudently manage its exposures and ensure that its loan book is judiciously diversified, while periodically conducting stress tests to assess the resilience of its portfolios in case of unfavourable events.

**Aggregate large exposures as a percentage of capital base**




**Sectorial distribution of credit to the private sector**



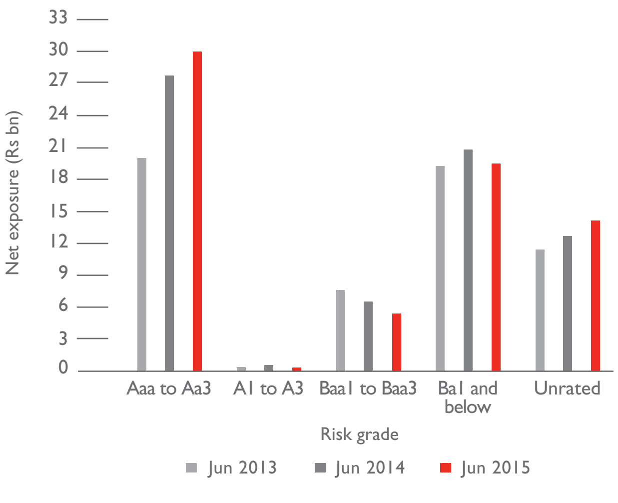
The following table provides further information on our large credit exposures as at 30 June 2015, relating to exposures to customers or groups of closely-related customers that are over 15% of the capital base of the Bank.

| Gross exposure as at 30 June 2015 | Total gross exposure | Risk capital consumed | *Risk capital consumed as a % of total credit risk capital* |
|---|---|---|---|
| | Rs bn | Rs bn | % |
| Top 5 customers / customer groups | 39.5 | 1.9 | *9.8* |
| Total large credit exposures | 80.0 | 3.6 | *18.7* |

## Country Risk

The specific country risk events that are monitored include social unrest, nationalisation and expropriation of assets, Government repudiation of external indebtedness, foreign exchange controls, and currency depreciation/devaluation amongst others. Overall, the foreign country exposure limits at the Bank are determined on the basis of its areas of expertise, its knowledge of the local economy in presence countries, its business development ambitions, and the operating environment, while concurrently making allowance for the risk appetite of the Bank and the BoM Guideline on Country Risk Management. Country limits are approved annually by the Board and monitored quarterly by the RMC. Where necessary, sub-limits relating to short-term trading operations in strategic commodities are set. The continuous improvements to the Bank's management information systems enable the generation of detailed reports for the identification, measurement and proactive monitoring of country risk exposures against limits approved by the Board. The following chart shows the country risk exposures of MCB Ltd by rating.

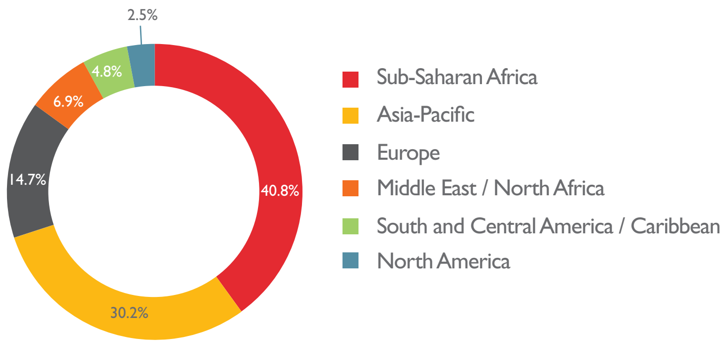
**Country risk exposure by rating**




The distribution of risk-weighted assets by region other than Mauritius is provided hereafter.

**Total risk-weighted exposures**

*(excluding Mauritius)*



# Risk management report

## Operational Risk

Operational risk exists in the normal course of business activity given that it is inherent in all banking products and services, activities, processes and systems. The management of operational risk requires an integrated approach for the prompt identification, assessment, monitoring and reporting thereof through the adherence to sound practices adopted by employees at all levels of the hierarchy. An overarching framework is in place for fostering the systematic and consistent management of operational risk at the Bank. The set-up consists of policies, standards, procedures and adapted contingency plans that are spelt out in the Operational Risk Policy, with the latter delineating the roles and responsibilities of key stakeholders in business and control functions.

### *Governance*

A clear governance structure is a prerequisite for managing operational risk effectively. With regard to MCB Ltd, the Board retains the ultimate responsibility for ensuring that operational risk is adequately managed throughout the Bank by providing clear guidance with respect to policies and processes for day-to-day operations. The Board delegates its authority to the Audit Committee with respect to operational risk tolerance as well as the regular review of business continuity plans. Furthermore, the responsibility for implementing the operational risk framework which addresses inherent risks is entrusted to Senior Management, while the monitoring of the entire operational cycle is exercised through the Information Risk, Operational Risk and Compliance Committee (IORCC), chaired by the Chief Executive. The IORCC acts as the focal point and coordinating committee which ensures that operational risk management conforms to the policy set out in the Operational Risk Policy.

The operational risk management framework relies on three primary lines of control as depicted in the following diagram. The control environment at MCB is based on a combination of adapted policies, processes and systems as well as an appropriate risk culture which is fostered through operational risk awareness sessions targeting relevant audiences. Also, an overview of both the Operational Risk function and Business Continuity Management is provided to new staff at the onset of their career through induction courses.

| Risk ownership | Risk control | Independent assurance |
|---|---|---|
| Strategic and Business Line Management | Audit Committee/ IORCC/ Operational Risk BU | Internal/External Audit |
| • Implements internal control procedures<br>• Identifies inherent risks in products, activities, processes and systems<br>• Initiates actions and applies mitigation strategies<br>• Reports risk incidents | • Oversees the conduct of policy<br>• Implements integrated risk framework<br>• Reports on inherent and residual risks<br>• Monitors corrective actions | • Verifies the effectiveness of the overall operational risk framework |

### *Risk exposure and measurement*

The determination of the Bank's risk exposure is anchored on the regular assessment and review of operational risks embedded in products, services and processes with the monitoring thereof being performed against acceptable tolerance limits. The use of the Basic Indicator Approach by the Bank provides a conservative and efficient approach for the calculation and reporting of the operational risk capital charge.

### *Management and monitoring*

MCB Ltd seeks to ensure that key operational risks are managed on a timely basis and in an effective manner. This is backed by adherence to good practices for the prompt identification of risk incidents, the initiation of appropriate remedial actions and the reporting of such incidents to the Operational Risk function. The information on operational risk events is recorded in a centralised database which enables systematic root cause and trend analysis for necessary corrective actions. Significant operational risks are escalated to the IORCC and then, if warranted, to the Audit Committee.

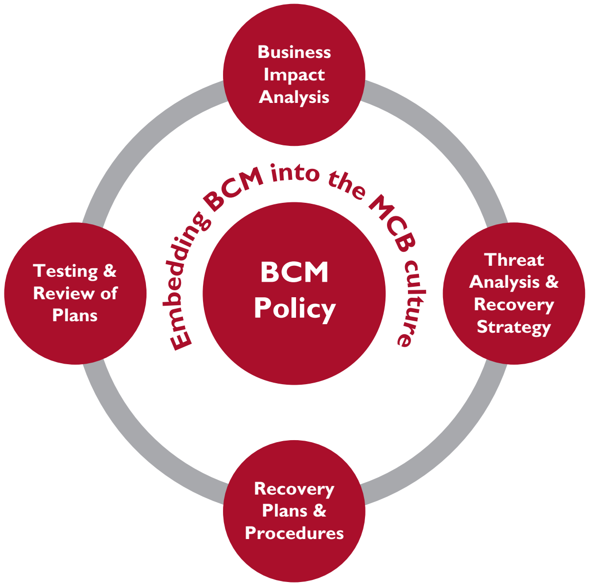
***Mitigation***

Operational risk mitigation is undertaken through appropriate policies, processes and systems throughout the Bank that, *inter alia*, foster adequate risk mitigation through clear segregation of duties, dual control, regular verification and reconciliation of transactions. Moreover, risk transfer is to some extent executed through the insurance or outsourcing of activities spanning beyond the banking sphere where appropriate.

***Business Continuity Management***

Business Continuity Management (BCM) at MCB Ltd is defined as its ability to effectively plan for and respond to incidents and business interruptions in order to maintain availability of the Bank's critical business activities at acceptable pre-defined service levels, thus safeguarding its reputation and the interests of key stakeholders. The BCM policy of the Bank outlines the prevailing governance structure and the roles and responsibilities of each actor involved in the relevant programme. The Board, through its Audit Committee, has the responsibility to ensure that the BCM policy is properly executed at the Bank. Responsibility for the implementation of relevant strategies and the monitoring of BCM is delegated to a BCM Committee. As an integral part of the Operational Risk Management framework, the BCM is centrally coordinated and controlled by the Operational Risk BU, in collaboration with some support functions of the Bank. Individual business units, through designated business continuity champions, are the BCM process owners and are, hence, responsible for coming forward with, reviewing and maintaining up-to-date recovery plans and procedures at their respective levels. Assurance on the programme is provided by the Internal Audit function. Of note, the BCM strategy is continuously refreshed to reflect changes in the business landscape and ensure that mission critical activities are able to resume in accordance with set recovery objectives and stakeholders' expectations. Specifically, workaround procedures and recovery plans are well-established within the Bank and regularly revised to assist business units to continue with or recover their activities with minimal disruption. Furthermore, the Bank ensures that all staff are well versed about its BCM policy, with new entrants familiarised with the process.

During the last financial year, the Bank moved forward with the full-fledged implementation of its BCM policy after it had been validated by the Board. In this way, the Bank has maintained its efforts to enhance its resilience and preparedness against adverse crisis situations by acting upon specific BCM pillars, illustrated below. As the situation stands, while the Business Impact Analysis for the Bank has been updated during the financial year, actions are being taken for the review of the Threat Analysis and the design of the Recovery Strategy. Additionally, a unique hotline number has been set up to enable staff to report any disruption on a 24/7 basis, in line with the Bank's Incident Crisis Management structure.




## Market Risk

***Governance and risk appetite***

The Board is ultimately responsible for setting risk appetite in respect of market risk, in compliance with the prudential guidelines set by BoM. Operating within this framework, the Asset and Liability Committee (ALCO) reviews and takes decision with regard to the overall structure of assets and liabilities within the separate (domestic and foreign currency) and consolidated balance sheets of MCB Ltd. ALCO, notably, sets and reviews asset and liability allocation objectives and targets where needed to sustain both the diversification and growth of the Bank's balance sheet, especially from a funding, market risk and profitability perspective, while taking into account the changing economic and competitive landscape. ALCO, which comprises members of the Bank's executive management, meets monthly under the chairmanship of the Chief Executive. Within the governance framework of market risk, the Market Risk Policy, as approved by the RMC and reviewed periodically, establishes a cogent and comprehensive framework of policies, principles and functional responsibilities within which market risk origination, processing and valuation are appropriately segregated and undertaken. The Market Risk BU is primarily tasked at exercising overall control and monitoring of market and liquidity risks within MCB Ltd, alongside assisting with the provision of financial position and risk analysis information to the ALCO and RMC. It is, also, responsible for all treasury-related market documentations and agreements aimed at mitigating related counterparty credit risk.

***Measurement and management***

The main sources of market risk to which the Bank is exposed and the management thereof are set out as follows.

***Interest Rate Risk***

Interest rate risk is defined as the exposure of the Bank's financial condition to adverse movements in interest rates or the prices of interest rate-related securities and derivatives. MCB Ltd is mainly exposed to repricing risk in its banking book due to the reset date of its on and off-balance sheet assets not coinciding exactly with the reset date of its on and off-balance sheet liabilities. The Bank monitors the resulting mismatch through discrete and cumulative interest rate risk gap analysis and estimates the impact of parallel shifts in interest rates both from an earnings and economic value perspective, as required by BoM. Repricing risk is limited by the application, in most cases, of floating interest rates linked to an index. Regarding its trading book exposures in fixed income securities and derivatives, the Bank sets Basis Point Value limits, which measure the dollar value of a 1 basis point parallel shift in applicable interest rates. Trading book exposures are, however, kept within the significance level of 5% of total assets as stipulated in the related BoM guideline.

***Foreign Exchange Risk***

Foreign exchange risk (FX risk) is defined as the risk arising from the movement in exchange rates between two currencies. FX risk may be incurred both from (i) an on-balance sheet perspective that is as a result of imbalances between the foreign currency composition of the Bank's assets and liabilities; and (ii) an off-balance sheet angle, through the execution of derivatives such as foreign exchange forwards. Exposure to FX risk is monitored against both the official regulatory guideline and an internal target. Besides, several individual trading, transactional and periodic stop-loss limits, which are reviewed on an annual basis by ALCO, are set at individual desk and trader levels. The limits are system-embedded, with automatic email alerts launched so as to signal breaches on a real-time basis to designated personnel at the Bank.

***Liquidity and Funding Risk***

Liquidity risk is defined as the risk that, at any time, the Bank does not have sufficient realisable financial assets to meet its financial obligations as they fall due. For its part, funding or liability risk is defined by the Bank as the risk that the Bank may not refinance a specific maturing liability or class of liabilities within a particular period. The liquidity policy of the Bank, aligned with the BoM Guideline on Liquidity Risk Management, seeks to ensure that the Bank can meet its financial obligations as they crystallise in the normal course of business and become due as a result of unexpected funding needs at short notice. This policy requires the establishment and maintenance of three mutually supportive lines of defence namely:

- Cash flow management: MCB Ltd creates a continuously maturing stream of assets and liabilities through time. This enables the Bank to identify concentration of maturities in any one-time bucket. Cash flow projections and resultant impact on treasury balances and liquidity metrics are closely monitored on a monthly basis by ALCO. Furthermore, the risk associated with liquidity mismatch should be observed in the light of the overall stickiness of deposits, with savings and current account balances considered as being non-volatile and granular.
- Liquid assets buffer maintenance: The Bank holds a stock of high quality and unencumbered assets which the Bank can rapidly dispose of in case of need in order to meet unexpected outflows of funds or to substitute expected inflows of funds, such as loan instalments, that do not materialise. Of note, as at financial year-end, the Bank maintained a relatively high level of liquid assets, including short-term placements with highly capitalised international banks.
- Liability base diversification: MCB Ltd maintains a diversified liability base across categories of depositors and fully exploits the funding

potential of wholesale markets. ALCO regularly monitors the largest depositors' concentration level, based on potential withdrawal scenario analysis. Liquidity risk tolerance is monitored by ALCO on a monthly basis and the RMC on a quarterly basis, using a variety of tools and measures such as liquid assets and loans to deposit ratios, funding concentration and liquidity risk gap analysis.

The measurement of market risk within MCB Ltd also relies on Value-at-Risk (VaR) analysis, which is a probabilistic estimate of future risk, where the assumptions underlying the probabilities are central to the calculations and estimates. In line with Basel recommendations, MCB Ltd uses a historical observation period of one year, with a 99% one-tailed confidence interval and a holding period of 10 days. Whereas VaR reflects the potential loss under conditions of normalcy, stress testing is used within MCB Ltd to assess its vulnerability to extreme movements in market prices and economic shifts.

## Information Risk Management

Following on from the previous year's initiatives, the Information Risk Management (IRM) BU has successfully met its objectives to foster the effective protection of the Bank's information systems and assets and, hence, preserve their confidentiality and integrity. In alignment with the business requirements of the Bank and its risk tolerance levels, IRM has, where applicable and appropriate, further reviewed its operational standards and its control-related processes, in order to enhance the efficiency and monitor the speed of its deliverables as well as to assist the organisation in meeting its market development objectives. This realisation has been anchored on (i) reinforced collaboration with internal parties to promptly identify and efficiently address issues linked to the management of information risk; and (ii) the adoption and execution of a recently-refined information risk assessment methodology, which closely aligned our frameworks and policies to proven international standards. Additionally, the business unit has further enhanced its ability to proactively monitor the security of the Bank's technical infrastructure towards upholding the confidence of customers in relation to financial solutions being offered to them. The year under review has also seen a significant stepping up of the IRM BU's governance framework which assisted in generating a closer alignment of executed initiatives to business requirements, constraints and initiatives. All in all, the IRM BU is increasingly acting as a facilitating agent in the execution of business strategies by ensuring that information security risk aspects are properly recognised and tackled in line with the organisation's risk appetite. Moving forward, while ensuring compliance with regulations, the IRM BU is committed to further promoting an information risk culture across the Bank, strengthening control frameworks, and being even more active in terms of information risk assessments and the implementation of related risk mitigating measures.

## Physical Security

In line with its commitment to foster a secure and convenient banking experience and towards generating an outstanding quality of service to customers, the Bank lays due emphasis on high physical security standards. To that effect, it relies on its physical security policies to protect its employees, customers and other assets from potential risks or hazards in an effective and sustainable way. The Bank's physical security agenda is reviewed and updated on an ongoing basis, with continuously enhanced preventive measures being implemented to enable timely detection of threats, while paving the way for appropriate responses and regular monitoring. Notably, the related practices and procedures that are documented in the physical security manual are regularly upgraded in alignment with advocated international standards as well as the Bank's corporate culture and business goals. Besides, the Bank ensures compliance with BoM regulations, applicable laws and legislations, contingency planning, health and safety regulations, and local fire codes. The thorough adherence to the Bank's established control and security structures for the prompt identification and correction of operational deficiencies is supported by the conduct of regular and formalised audit exercises across the network as well as awareness campaigns and training programmes to further strengthen the Bank's Emergency Plan, including, but not restricted to, evacuation and fire drills as well as health and safety procedures. It can also be underscored that, in support of the judicious delivery of its services, MCB Ltd continues to deploy state-of-the-art technology to complement its pool of trained security officers. In this respect, major initiatives undertaken during the past financial year include the completed upgrading of the CCTV system so as to meet the 90 days recording requirements set by the Central Bank and CCTV link-up from branches to the Control Room of the Bank. In other respects, it can be highlighted that, during FY 2014/15, the Bank has completed the security and risk profile of each branch, formalised the Security Champion role with the branch network and closely monitored the quality of services supplied by external security service providers so as to promptly identify and tackle operational deficiencies. Besides, the Bank has consolidated its collaboration with the Mauritius Police Force and other financial institutions as part of the conduct of ongoing crime prevention and awareness campaigns.

No major incident was reported at the Bank over the year under review.

## Legal

The general mandate of the Legal SBU is to uphold, secure and defend, from a legal standpoint, the interests of MCB Ltd. Based on its specialist knowledge in banking and financial services law, the Legal SBU advises the Bank on an array of banking law matters, including the granting of loans, property loan transactions and mortgages, syndication, collateral, security enforcement, professional secrecy, online banking

# Risk management report

transactions, e-commerce transactions and merchant accounts and anti-money laundering matters. During FY 2014/15, the Legal function has strengthened its capabilities to more effectively cater for the implications linked to the evolving banking industry and operating context. In fact, the legal and regulatory landscape has been characterised by several developments, while the Bank witnessed an overhaul of specific operational processes and notable investments in technology. Whilst being mindful of such changes, the Legal SBU has strived to skilfully integrate the banking and commercial perspective within its practice, thereby combining the legal approach to banking with a modern attitude that thoughtfully contributes to the business development of the Bank. In the process, the unit has managed to successfully address the increasing volume and complexity of requests for advice on an array of business deals and transactions. Looking ahead, while striving to provide an increasingly influential support to multiple stakeholders at the Bank in view of expanding business activities, the Legal SBU will seek to further broaden and deepen the knowledge and competency base of its staff. Towards this end, the function will strengthen its partnerships with internal parties as well as external law firms, with the overriding aim being to better support the Bank's operations and business development agenda in Mauritius and the region.

## Assurance Functions

The Bank ensures that its assurance functions provide dedicated oversight and support to further reinforce the risk management of activities and add more value to the organisation.

### Internal Audit

The Internal Audit BU reports directly to the Audit Committee for direction and accountability and to the Executive Directors for administrative interface and support. It ensures that the quality of internal audit services of the Bank is aligned with internationally recognised good practices. Over time, it has conscientiously geared up its efforts towards implementing a risk-centric model, whilst taking into consideration the need for adopting a purely compliance approach to some specifically identified business areas.

The main building blocks which the function uses to adopt a disciplined and systematic approach in evaluating and improving the effectiveness of risk management, control and governance processes are as follows: (i) the implementation of audit work programmes addressing, as far as possible, identified residual audit risks; (ii) increased reliance on data analytics through a world-wide recognised audit software; and (iii) automation of some audit-related administrative tasks relating to time sheets, reports and working papers. The outcomes of the different audit assignments, including a risk-based grading of the relevant issues, are submitted to relevant functional heads and line managers, as well as the Executive Directors. The Internal Audit function communicates, on a needs basis, a summarised implementation status of the main issues to the Executive Directors for discussion and, more importantly, for reaching a consensus on corrective actions. Quarterly or more frequent meetings are scheduled with the Audit Committee. The annual audit plan, the actual status of audit assignments, identified audit issues, progress regarding implementation thereof, and resource requirements are typical items on the agenda.

The Institute of Internal Auditors requires each internal audit function to have an external quality assessment conducted at least once every five years. The Internal Audit BU has been assessed twice, namely in 2009 and 2013, by an internationally recognised auditing firm and, in both cases, was confirmed as being compliant with the International Standards for the Professional Practice of Internal Audit issued by the above-mentioned institute. The current business model of the Internal Audit function ensures a continual and strict adherence to expected standards and approved processes through *inter alia*:

- The conduct of internal peer reviews and quality assurance assignments, which contribute to enhance the effectiveness of the Quality Assurance and Improvement Program (QAID) put into place;
- Increased communication and collaboration with the Risk SBU for improved synergy;
- Synthesised communication with the Compliance BU so as to consolidate compliance/regulatory assurance;
- The use of continuous and near real-time auditing that paves the way for a more timely identification of errors and other irregularities; and
- The implementation of an appropriate human resource development programme for the auditors, including the provision of specific and high-calibre training.

Looking ahead, the Internal Audit BU will further enhance the effectiveness and efficiency of its operations, alongside being attentive to the evolving and more demanding expectations of internal stakeholders and external parties. Besides, without falling into the common traps of assurance fatigue and pure check-list based auditing, the function will, in the quest for more impactful risk management, be engaged in the mobilisation of internal stakeholders, with secondments and the guest audit concept remaining key features of strategic undertakings. Moreover, the function will pursue its aim to provide the necessary audit and risk insights to support the strategic orientations pursued by the Bank including, notably its digital transformation endeavours and its regional market diversification aspirations.

## Compliance

The compliance strategy of MCB Ltd has been designed with the view to ensuring consistency between the conduct of its business operations and the ongoing observance of relevant laws, rules and standards of good market practices. The aim is to shield the Bank from legal and regulatory sanctions, as well as financial or reputation losses. The Board, through the RMC, and the Management team are responsible to ensure that adequate systems and procedures have been established and that sufficient resources have been put into place to ensure that MCB Ltd is adequately positioned to live up to the increasing exigent levels of regulation and greater scrutiny on the part of regulators and law enforcement authorities.

The Bank's approach to managing compliance risk is fivefold:

- Paying continuous attention to latest developments as regards related laws and regulations (including extra territorial laws), accurately understanding their impact and coming up with necessary responses to guarantee that the Bank effectively addresses the risks arising from such changes;
- Maintaining close working arrangements and communications with the business lines through the dissemination of compliance-related information and the delivery of training to staff;
- Making use of state-of-the-art technology to monitor adherence to the legal and regulatory requirements and, thereafter, giving the necessary assurances to Management and the Board regarding the state of compliance;
- Fostering good relationship with regulatory and supervisory bodies by keeping productive and value-adding dialogue with them in order to uphold effective two-way communication; and
- Assisting Management in nurturing and promoting a culture of integrity and ensuring that MCB Ltd and its staff adhere both to the letter and spirit of relevant laws, regulations, codes and standards of good practices.

In keeping with the foregoing, the aim of the Compliance BU is also to keep non-compliance incidents at bay. Steps taken as part of this endeavour include the following: (i) promoting awareness of Management and staff on requirements arising out of new or amendments to laws/regulations; (ii) undertaking regular reviews with the aim of ensuring ongoing adherence to the principles of good corporate governance; (iii) shoring up adopted processes and procedures to ensure that the Bank conducts its business in a manner that effectively mitigates the risk of money laundering and financing of terrorism; (iv) designing a set of policies to promote strong ethical behaviours by staff; and (v) exercising close oversight over customer-related complaints. Overall, the aim is to protect the Bank's reputation, ensure fair treatment of customers and identify potential breaches of the Bank's standards of ethics and behaviour, complemented by the conduct of regular tests and assignments.

With regard to the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) obligations of the Bank, the Compliance function is duty-bound to ensure that the Bank has adequate processes rendering its services inaccessible to criminals, including money launderers and terrorists or their financiers. To that end, the function, *inter alia,* ensures that staff is given appropriate training to help them identify suspicious transactions in keeping with legal and regulatory requirements. The Bank has also invested extensively in automated systems to assist in tracking transactions which are not commensurate with declared activities of the customer. Of note as well, a separate section, the Anti-Money Laundering/Fraud Prevention BU, which reports to the Head of Internal Audit, is involved in designing and implementing appropriate training programmes to promote staff awareness on fraud risks as well as in conducting enquiries with respect to cases of suspected fraud perpetrated internally or by outsiders. The Anti-Money Laundering/Fraud Prevention BU also provides assistance to the Money Laundering Reporting Officer as regards filing of suspicious transaction reports to the Financial Intelligence Unit.

Major initiatives successfully achieved by the Compliance BU during FY 2014/15 are as follows:

- Assessment of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) procedures of more than 50 correspondent banks and providing AML/CFT certifications to some 80 other correspondent banks, in accordance with international standards;
- Extension of the Bank's compliance policies via the establishment of an Economic and Financial Sanctions Policy setting out the principles followed by MCB Ltd and measures put in place to enable the Bank to meet its obligations on sanctions imposed by international organisations and local regulators;
- Implementation of dedicated processes and procedures in order to enable MCB Ltd to comply with the US FATCA provisions;
- Implementation of software that enables the risk segmentation of customers of MCB Ltd from an AML/CFT perspective;
- Introduction of an automated scanning process to search the client database on a quarterly basis and minimise the risk that business is knowingly conducted with sanctioned individuals or entities;
- Assisting in the development of the Bank's Whistleblowing Policy;
- Review and validation of amended process flows and ensuring that related regulatory requirements are duly incorporated in the way business is conducted; and
- Training of staff through classroom sessions and/or e-learning sessions on topical subjects.

## Capital Management

### Background

In line with Basel requirements and industry best practices, the Bank's capital management objective, which is aligned with the general directions determined at the Group level, is to ensure that adequate capital resources are available for fostering sustained business growth as well as for coping with adverse situations. At the same time, the aim is to continuously maintain a strong capital position that is consistent with the expectations/requirements of stakeholders such as regulators, rating agencies, correspondent banks, the authorities and customers.

### Capital Structure

***Internal Capital Adequacy Assessment Process***

MCB Ltd is 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 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 support its business activities. The Bank seeks to pay sustainable dividends over time, in line with its capital management objective and long-term business growth prospects. 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 RMC. The capital plan also includes a crisis management plan whereby measures to rapidly mobilise additional capital, should the need arise, are discussed at Board level.

The ICAAP framework has been developed and applied at the Bank pursuant to the issue of the BoM Guideline on Supervisory Review Process in April 2010. The document, which is approved by the Board and RMC, 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 over a three-year horizon, 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 of MCB Ltd is to ensure that risk management exercises are firmly embedded in the organisation's governance culture. This helps to bolster the observance of regulatory requirements with regard to risk management, while contributing to the competitive positioning of MCB Ltd.

***Adherence to Basel rules***

In respect of its exposures, the Bank uses the Basel II Standardised Approach to manage its credit and market risk, while resorting to the Basic Indicator Approach for its operational risk. Furthermore, with respect to the determination of its capital base, the Bank adheres to the BoM Guideline on Scope of Application of Basel III and Eligible Capital, which came into effect as from July 2014. As per the phase-in arrangements of capital requirements set out therein, the minimum total capital adequacy ratio assigned by the Central Bank for banks operating in Mauritius presently stands at 10.0% of risk-weighted assets and is scheduled to attain 12.5% as from 1 January 2020, inclusive of the capital conservation buffer. Correspondingly, the minimum ratios for common equity Tier 1 and the Tier 1 – which are set at 6.0% and 7.5% respectively as from 1 January 2015 – will attain 9.0% and 10.5% of risk-weighted assets (both inclusive of the capital conservation buffer) as from 2020. Furthermore, pursuant to the issue of the Guideline for dealing with Domestic-Systemically Important Banks, MCB Ltd is among the five banks that have been identified as falling under this category as per BoM, based on the assessment of five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability. Thus, the Bank will be subject to additional loss absorbency requirements, which will be applicable as from 1 January 2016 in a phased manner and become fully effective as from 1 January 2019.

## Basel Committee on Banking Supervision Reforms - Basel III rules

**Underlying objective**

To strengthen microprudential regulation and supervision, and add a macroprudential overlay that includes capital buffers

**Key Pillars**

| Pillar I | Pillar II | Pillar III |
|---|---|---|
| Enhanced minimum Capital and Liquidity requirements | Enhanced Supervisory Review Process for firm-wide Risk Management and Capital Planning | Enhanced Risk Disclosure and Market Discipline |

## Mauritius: Mandatory capital limits and buffers as per Basel III rules

*Guideline on Scope of Application of Basel III and Eligible Capital*

**Main objectives**

- To set out rules text and timelines to implement some of the elements related to the strengthening of the capital framework
- To formulate the characteristics that an instrument must have in order to qualify as regulatory capital
- To outline capital conservation buffers that ensure that banks build up capital buffers outside periods of stress
- To lay down the transitional arrangements for implementing the limits and minima of the different components of capital

Minimum regulatory ratios

| **CET 1 CAR (%)** | | **Jul 14** | **Jan 15** | **Jan 16** | **Jan 17** | **Jan 18** | **Jan 19** | **Jan 20** |
|---|---|---|---|---|---|---|---|---|
| Minimum CET 1 CAR | (a) | 5.500 | 6.000 | 6.500 | 6.500 | 6.500 | 6.500 | 6.500 |
| Capital Conservation Buffer | (b) | | | | 0.625 | 1.250 | 1.875 | 2.500 |
| **Minimun CET 1 CAR plus Capital Conservation Buffer** | **(c)=(a)+(b)** | **5.500** | **6.000** | **6.500** | **7.125** | **7.750** | **8.375** | **9.000** |
| **Tier 1 CAR (%)** | | **Jul 14** | **Jan 15** | **Jan 16** | **Jan 17** | **Jan 18** | **Jan 19** | **Jan 20** |
| Minimum Tier 1 CAR | (d) | 6.500 | 7.500 | 8.000 | 8.000 | 8.000 | 8.000 | 8.000 |
| **Minimun Tier 1 CAR plus Capital Conservation Buffer** | **(e)=(d)+(b)** | **6.500** | **7.500** | **8.000** | **8.625** | **9.250** | **9.875** | **10.500** |
| **Total CAR (%)** | | **Jul 14** | **Jan 15** | **Jan 16** | **Jan 17** | **Jan 18** | **Jan 19** | **Jan 20** |
| Minimum Total CAR | (f) | 10.000 | 10.000 | 10.000 | 10.000 | 10.000 | 10.000 | 10.000 |
| **Minimun Total CAR plus Capital Conservation Buffer** | **(g)=(f)+(b)** | **10.000** | **10.000** | **10.000** | **10.625** | **11.250** | **11.875** | **12.500** |

*Guideline for dealing with Domestic-Systemically Important Banks*

**Main objectives**

- To put in place a reference system for assessing the systemic importance of banks
- To identify those banks whose failure could affect the financial system and the real economy
- To ensure that the systemically important banks have the capacity to absorb losses through higher capital

Additional loss absorbency requirement*

| **Bucket (%)** | **Jan 16** | **Jan 17** | **Jan 18** | **Jan 19** |
|---|---|---|---|---|
| 5 (Empty) | | | | 3.500 |
| 4 | 0.625 | 1.250 | 1.875 | 2.500 |
| 3 | 0.500 | 1.000 | 1.500 | 2.000 |
| 2 | 0.375 | 0.750 | 1.125 | 1.500 |
| 1 | 0.250 | 0.500 | 0.750 | 1.000 |

**Related to additional CET 1 as a % of risk-weighted assets of D-SIBs*

# Risk management report

## Positioning of MCB Ltd

***Overview***

During FY 2014/15, MCB Ltd has effectively met the challenge of complying with the requirements linked to the implementation of Basel III rules as per domestic regulations and international norms. In the first place and as explained in the sections that follow, the Bank has fully complied with the evolving capital requirements attached to the Basel III rules in accordance with the transitional arrangements set by the Bank of Mauritius. In addition, though the relevant ratios have not yet been enforced by BoM in Mauritius, the Bank has, as at 30 June 2015, already achieved above-minimum state of readiness with regard to liquidity-related stipulations set under the Basel III rules on the international front, namely pertaining to the Liquid Coverage Ratio and the Net Stable Funding Ratio. Of note, the former aims at strengthening the resilience of banks' short-term liquidity risk profile, by requiring them to hold sufficient high-quality liquid assets to withstand a pre-specified stressed 30-day funding scenario, while the latter is a ratio which is targeted at reducing funding risk over a longer time horizon by requiring banks to fund their on- and off-balance sheet activities with sufficiently stable sources of funding.

***Capital position***

In line with BoM requirements, the following table depicts the determination and evolution of the capital adequacy ratios of the Bank as per Basel III rules, with allowances made for the definitions for Tier 1 and Tier 2 capital, the deductions required for goodwill, intangible assets, and capital investments in associates and insurance subsidiaries and the methodologies for computing risk-weighted assets. While the overall capital adequacy ratio witnessed an appreciable rise, the Tier 1 ratio rose by a significant margin during the last financial year, primarily explained by the transfer of the assets and liabilities pertaining to the Floating Rate Subordinated Notes from MCB Ltd to MCB Group Ltd and the latter's subsequent reinvestment of the proceeds in the Bank's share capital through MCB Investment Holding Ltd.

| MCB Ltd | Jun 14 | Jun 15 |
|---|---|---|
| **Capital base** | **Rs m** | **Rs m** |
| Ordinary shares (paid-up) capital | 2,380 | 6,880 |
| Retained earnings | 14,152 | 16,323 |
| Accumulated other comprehensive income and other disclosed reserves | 2,870 | 3,199 |
| Current year's interim profits | 2,164 | 3,196 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **21,565** | **29,597** |
| **Regulatory adjustments** | | |
| Other intangible assets | 523 | 385 |
| Deferred tax assets | 194 | 223 |
| **Common Equity Tier 1 capital (CET1)** | **20,848** | **28,989** |
| **Additional Tier 1 capital (AT1)** | **-** | **-** |
| **Tier 1 capital (T1 = CET1 + AT1)** | **20,848** | **28,989** |
| **Tier 2 capital** | | |
| Capital instruments | 5,409 | 950 |
| Provisions or loan-loss reserves | 1,575 | 1,794 |
| **Tier 2 capital before regulatory adjustments** | **6,984** | **2,744** |
| **Regulatory adjustments** | **-** | **-** |
| **Tier 2 capital (T2)** | **6,984** | **2,744** |
| **Total capital (T1 + T2)** | **27,832** | **31,734** |

| MCB Ltd | Jun 14 | Jun 15 |
|---|---|---|
| **Risk-weighted assets** | **Rs m** | **Rs m** |
| Weighted amount of on-balance sheet assets | 156,648 | 172,001 |
| Weighted amount of off-balance sheet exposures | 29,381 | 20,626 |
| Weighted risk assets for operational risk | 14,110 | 15,293 |
| Aggregate net open foreign exchange position | 1,492 | 1,586 |
| **Total risk-weighted assets** | **201,631** | **209,505** |

| Capital adequacy ratios (%) | | |
|---|---|---|
| BIS risk adjusted ratio | 13.8 | 15.1 |
| *of which Tier 1* | *10.3* | *13.8* |

*Note: Proforma figures determined under Basel III are used for capital adequacy indicators as at 30 June 2014*

# Risk management report

Looking ahead, the Bank is intent on (i) gearing up its capabilities to enhance both the allocation and utilisation of capital across business lines and market segments; and (ii) making the necessary market-based moves to bolster capitalisation levels if ever required, backed by a thorough assessment and the harnessing of capital-raising avenues. Ultimately, while ensuring that minimum regulatory capital ratios are exceeded at all times and that other stipulated Basel III rules are adhered to, the Bank will manage its capital resources in order to foster appropriate deployment across business segments, while maximising returns derived from its activities.

## Credit Risk

The risk-weighted exposures under the Standardised Approach to credit risk are based on the category of borrower, its associated risk weight and the credit conversion factor of the underlying credit facility. The Bank uses the external ratings from Standard & Poor's, Moody's and Fitch Ratings for credit exposures to its sovereign and bank portfolios. Furthermore, the Bank adheres to specific BoM requirements, notably the Guideline on Standardised Approach to Credit Risk. Thus, effective 1 July 2014, relatively higher risk weights have been stipulated for fund based and non-fund based credit facilities secured by residential property and commercial real estate for the purpose of purchase/construction in Mauritius. The applicable risk weights in this respect are provided below.

| Credit facilities secured by residential property and commercial real estate | | |
|---|---|---|
| | Risk weight | |
| **Housing** | **Performing loans** | **Past due loans** |
| Loan up to Rs 5 million | 35% | 100% |
| Loan greater than Rs 5 million up to Rs 12 million | 100% | 125% |
| Loan exceeding Rs 12 million | 125% | 150% |
| **Commercial Property** | | |
| Loan up to Rs 75 million | 100% | 125% |
| Loan exceeding Rs 75 million | 125% | 150% |

The following table provides comparative figures for the risk-weighted exposures of the Bank for both on- and off-balance sheet assets.

| **MCB Ltd** | **Jun 15** | | | **Jun 14** |
|---|---|---|---|---|
| | **Amount** | **Weight** | **Weighted Assets** | **Weighted Assets** |
| **Risk-weighted on-balance sheet assets** | **Rs m** | **%** | **Rs m** | **Rs m** |
| Cash items | 2,212 | 0 - 20 | 63 | 68 |
| Claims on sovereigns | 40,423 | 0 - 100 | 318 | 379 |
| Claims on central banks | 17,665 | 0 - 100 | 631 | 542 |
| Claims on banks | 25,653 | 20 - 100 | 10,881 | 10,390 |
| Claims on non-central government public sector entities | 0 | 0 - 100 | 0 | 69 |
| Claims on corporates | 114,564 | 100 - 125 | 117,277 | 107,935 |
| Claims on retail segment | 9,985 | 75 | 6,530 | 6,400 |
| Claims secured by residential property | 19,920 | 35 - 125 | 9,166 | 8,113 |
| Fixed assets/other assets | 9,530 | 100 - 250 | 12,393 | 11,409 |
| Past due claims | 11,150 | 50 - 150 | 14,742 | 11,343 |
| **Total** | | | **172,001** | **156,648** |

| **MCB Ltd** | **Jun 15** | | | | | **Jun 14** |
|---|---|---|---|---|---|---|
| | **Nominal Amount** | **Credit Conversion Factor** | **Credit Equivalent Amount** | **Weight** | **Weighted Amount** | **Weighted Amount** |
| **Non-market related off-balance sheet risk-weighted assets** | **Rs m** | **%** | **Rs m** | **%** | **Rs m** | **Rs m** |
| Direct credit substitutes | 4,241 | 100 | 4,241 | 0 - 100 | 4,010 | 7,580 |
| Transaction-related contingent items | 27,336 | 50 | 13,668 | 0 - 100 | 12,263 | 15,116 |
| Trade related contingencies | 11,835 | 20 | 2,367 | 0 - 100 | 1,979 | 4,309 |
| Outstanding loans commitment | 4,380 | 20 - 50 | 2,190 | 100 | 2,190 | 2,178 |
| **Total** | | | | | **20,442** | **29,183** |

| **MCB Ltd** | **Jun 15** | | | | | | **Jun 14** |
|---|---|---|---|---|---|---|---|
| | **Nominal Amount** | **Credit Conversion Factor** | **Potential Future Exposure** | **Current Exposure** | **Credit Equivalent Amount** | **Weighted Assets** | **Weighted Assets** |
| **Market-related off-balance sheet risk-weighted assets** | **Rs m** | **%** | **Rs m** | **Rs m** | **Rs m** | **Rs m** | **Rs m** |
| Interest rate contracts | 848 | 0 - 1.5 | 4 | 14 | 18 | 16 | 29 |
| Foreign exchange contracts | 18,881 | 1 - 7.5 | 189 | 243 | 432 | 168 | 169 |
| **Total** | | | | | | **184** | **198** |

# Risk management report

***Credit quality***

As mentioned previously, credit quality has improved during FY 2014/15 after having been impacted by the impairment of some specific exposures of the Global Business unit during the preceding financial year. Asset growth has been relatively balanced, achieved through proactive and disciplined risk management as reflected in the broadly stable average risk weights.

***Specific and portfolio allowances***

Credit impairment allowances consist of specific and portfolio provisions. The amount of specific provision more than adequately covers for the shortfall between the carrying amount of loans and their recoverable amounts. On the other hand, potential losses as a result of current economic conditions as well as general historical patterns of losses are assigned comfortable levels of portfolio provision allowances. The breakdown of specific and portfolio provision by industry is provided in Note 6(b) of the Financial Statements.

| June 2015 | Exposures | | Non-performing loans (NPLs) | | Allowances for credit impairment | | |
|---|---|---|---|---|---|---|---|
| **MCB Ltd** | **Rs m** | **Mix (%)** | **Rs m** | **% of loans** | **Rs m** | **% of loans** | **% of NPLs** |
| Loans to customers | 157,308 | *97.3* | 9,535 | *6.1* | 5,209 | *3.3* | *54.6* |
| Agriculture and fishing | 7,371 | *4.6* | 916 | *12.4* | 39 | *0.5* | *4.2* |
| Manufacturing | 9,943 | *6.1* | 354 | *3.6* | 290 | *2.9* | *82.1* |
| *of which EPZ* | *3,288* | *2.0* | *68* | *2.1* | *76* | *2.3* | *111.6* |
| Tourism | 33,217 | *20.5* | 696 | *2.1* | 253 | *0.8* | *36.3* |
| Transport | 3,461 | *2.1* | 891 | *25.8* | 637 | *18.4* | *71.5* |
| Construction | 15,666 | 9.7 | 1,941 | 12.4 | 894 | 5.7 | 46.1 |
| Traders | 16,846 | *10.4* | 894 | *5.3* | 620 | *3.7* | *69.4* |
| Financial and business services | 17,063 | *10.6* | 125 | *0.7* | 121 | *0.7* | *96.7* |
| Personal and professional | 30,386 | *18.8* | 2,569 | *8.5* | 1,318 | *4.3* | *51.3* |
| *of which credit cards* | *622* | *0.4* | *74* | *11.8* | *56* | *9.0* | *76.3* |
| *of which housing* | *19,080* | *11.8* | *1,017* | *5.3* | *241* | *1.3* | *23.7* |
| Global Business Licence holders | 14,331 | *8.9* | 855 | *6.0* | 850 | *5.9* | *99.4* |
| Others | 9,023 | *5.6* | 293 | *3.3* | 188 | *2.1* | *63.9* |
| Loans to banks | 4,391 | *2.7* | - | - | 17 | *0.4* | - |
| **Total** | **161,699** | ***100.0*** | **9,535** | **5.9** | **5,226** | **3.2** | **54.8** |

*Credit risk mitigation*

The Standardised Approach recognises the use of a number of techniques to mitigate the credit risks to which banks are exposed. For example, exposures may be collateralised by first priority claims, in whole or in part with cash or securities. Additionally, banks may agree to net loans owed to them against deposits from the same counterparty. On a conservative basis, for the purpose of calculating its capital requirements, MCB Ltd considers only cash pledged and guarantees as eligible credit risk mitigations in its calculations.

The following table summarises the credit exposures secured by cash and bank guarantees which qualify for a zero risk-weight. Cash collateral is generally more commonly used by the Retail as opposed to the Corporate asset class.

| Exposures covered by credit risk mitigation as at 30 June 2015 | |
|---|---|
| **On-balance sheet** | **Eligible collateral** |
| | **Rs m** |
| Corporate | 548 |
| Retail | 1,529 |
| | **2,077** |
| **Off-balance sheet** | **Eligible collateral** |
| | **Rs m** |
| Direct credit substitutes | 227 |
| Transaction-related contingent items | 373 |
| Trade-related contingencies | 318 |
| | **918** |
| **Total** | **2,995** |

## Operational Risk

The Bank 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 this 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 BoM and relates to the industry-wide level of required capital.

| **MCB Ltd** | **Basic Indicator Approach** | | | |
|---|---|---|---|---|
| **Line of business** | **Alpha factor ($\alpha$)** | **Jun 13** | **Jun 14** | **Jun 15** |
| | **%** | **Rs m** | **Rs m** | **Rs m** |
| Total yearly weighted gross income | $\alpha = 15$ | 1,427 | 1,522 | 1,639 |
| Capital charge for operational risk | | 1,301 | 1,411 | 1,529 |

# Risk management report

## Market Risk

MCB currently adheres to the Standardised methodology as outlined by BoM in its Guideline on Measurement and Management of Market Risk. According to this methodology, which is closely aligned with Basel II Standardised Measurement Method, a bank is required to hold additional capital whenever its overall position in trading book activities exceeds 5% or more of its total assets. Furthermore, a bank is encouraged to hold a capital buffer that adequately covers the interest rate risk exposures arising from non-trading activities. As at 30 June 2015, MCB's trading book exposures were below the 5% significance level and consisted mainly of foreign exchange risk. Separate interest rate risk gap analysis schedules are prepared and submitted to BoM on a quarterly basis for the Bank's significant currencies (MUR, USD and EUR). As at 30 June 2015, the Bank held a capital buffer commensurate with the aggregate banking book interest rate risk both from an earnings and economic value perspective as defined by the guideline. The following table provides the comparative figures for the aggregate net long foreign exchange position.

| Market risk | Jun 13 | Jun 14 | Jun 15 |
|---|---|---|---|
| **Aggregate net open foreign exchange position** | **Rs m** | **Rs m** | **Rs m** |
| Bank | 677 | 1,492 | 1,586 |

## Supervisory Review Process

As mentioned before, the ICAAP sets the stage for the implementation of the BoM Guideline on Supervisory Review Process. The aim of this framework is to ensure that banks have adequate capital to support all the risks they are exposed to in their business, and to encourage banks to develop and use better risk management techniques in monitoring and managing their risks.

The Supervisory Review process rests on the following four principles:

**Principle 1** - Banks should have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.

**Principle 2** - Supervisors should review and evaluate banks' internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with regulatory capital ratios. Supervisors should take appropriate action if they are not satisfied with the result of this process.

**Principle 3** - Supervisors should expect banks to operate above the minimum regulatory capital ratios and should have the ability to require banks to hold capital in excess of the minimum.

**Principle 4** - Supervisors should seek to intervene at an early stage to prevent capital from falling below the minimum levels required to support the risk characteristics of a particular bank and should require rapid remedial action if capital is not maintained or restored.

The ICAAP, which goes beyond regulatory requirements, enables the assessment of capital adequacy levels based on the indigenous complexity and risk exposures of banks whilst facilitating:

- the link between business strategy, risk introduced and capital required to support the strategy;
- the establishment of frameworks, policies and procedures for the effective management of material risks; and
- the development of plausible stress tests to provide useful information which acts as early warning signs and triggers so that contingency plans can be implemented.

***Stress testing***

Enabling conditions have been created at MCB Ltd for the development of sound stress testing practices through robust objectives-setting and oversight, proper scenario selection, and suitable methodologies. The relevance of stress testing in the risk management process is depicted in the following table.

| Process | Relevance of stress testing |
|---|---|
| Risk identification | • To detect and address existing or potential vulnerabilities such as unidentified and Bank-wide risk concentrations or interactions among various types of risk, many of which may be overlooked when relying purely on statistical risk management tools based on historical data |
| Risk assessment | • To promote a deep understanding of organisational vulnerabilities following forward-looking assessments of risk, to make risk more transparent via an estimation of scenario-based losses, and to prevent the development of any false sense of security about the Bank's resilience<br>• To evaluate risk during different phases, notably (i) during periods of favourable economic and financial conditions given a resulting lack of visibility over potentially negative future settings; and (ii) during periods of expansion when innovation leads to new products and services for which no historical data is available for forecasting future trends |
| Risk mitigation | • To facilitate and assess the development of risk mitigation or contingency plans across a range of stressed conditions<br>• To spur debates on and awareness of different risk aspects of banking portfolios among Management on the strength of (i) a well-organised surveying of the operational environment; (ii) an identification of the most important risk factors; and (iii) a scanning of the horizon for potential stressful events |

# Risk management report

The Bank has during the year under review conducted stress testing under various historical and stress test scenarios to assess the impact of unfavourable scenarios on its capital position. During the year, we successfully implemented Scenario Analyzer, a software package that transforms our stress testing program from a regulatory compliance exercise to a strategic management resource by automating the process of calculating stressed outputs based on selected inputs. It allows the Bank to stress test multiple asset classes under several scenarios to forecast Exposure at Default (EAD) and Risk Weighted Asset (RWA) calculations from a single platform and develop comparative measures for the impact that exogenous shocks have on regulatory capital. A sample of stress tests regularly conducted hitherto at MCB Ltd is provided hereafter.

| |
|---|
| **Scenario 1: Risk concentration** |
| • Default of large corporate borrowers |
| **Scenario 2: Credit risk** |
| • A shock in default rates for small medium enterprises and the agricultural loan portfolio |
| **Scenario 3: Reputation risk** |
| • MCB Ltd rating downgraded by three notches |
| **Scenario 4: Country risk** |
| • Degradation of credit quality for banks |
| **Scenario 5: Liquidity/liability risk** |
| • Withdrawal of top 10 depositors |
| **Scenario 6** |
| • Interest rate shock |
| **Worst case scenario** |
| • A combination of some of the above scenarios |

The above scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Bank's risk profile, activities and prevailing and forecasted economic conditions. The results of stress tests are reported and discussed in RMC as well as with the Board of Directors prior to being submitted to BoM. Overall, barring the extreme cases, our recent analyses have revealed that the capital adequacy of the Bank does not fall below the regulatory requirements in any of the above-mentioned scenarios.

**Jonathan CRICHTON**
Director
Chairperson Risk Monitoring Committee

**Antony R. WITHERS**
Chief Executive

# Statement of management's responsibility for financial reporting

The Financial Statements for the Bank presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied for the year ended 30 June 2015 and Management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review Committee and Risk Monitoring Committee, which comprise, principally, 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.

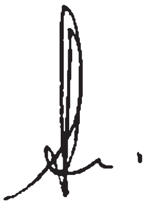
The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance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


**Antony R. WITHERS**
Chief Executive

**Jean-Philippe COULIER**
Director



**Gilles GUFFLET**
Director
Chairperson Audit Committee

# Report of the auditors

## To the shareholders of the Mauritius Commercial Bank Ltd.

### Independent auditors' report to the members

This report is made solely to the members of The Mauritius Commercial Bank Ltd. (the "bank"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the bank's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### Report on the Financial Statements

We have audited the financial statements of The Mauritius Commercial Bank Ltd. on pages 126 to 214 which comprise the statement of financial position at June 30, 2015 and the statement of profit or loss, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the bank's preparation and fair presentation of the financial statements 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 bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements on pages 126 to 214 give a true and fair view of the financial position of the bank at June 30, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

## Report on Other Legal and Regulatory Requirements

***Companies Act 2001***

We have no relationship with, or interests in, the bank, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the bank as far as it appears from our examination of those records.

***Banking Act 2004***

In our opinion, the 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 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

***Financial Reporting Act 2004***

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

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

**BDO & Co**
Chartered Accountants

**Ameenah Ramdin, FCCA, ACA**
Licensed by FRC
29th September 2015
Port Louis
Mauritius

# Statement of financial position

as at 30th June 2015

| | Notes | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 (Restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 4 | **22,999,839** | 17,703,617 | 14,614,633 |
| Derivative financial instruments | 5 | **264,725** | 121,901 | 120,955 |
| Loans to and placements with banks | 6(a) | **9,446,866** | 6,534,225 | 3,659,498 |
| Loans and advances to customers | 6(b) | **152,098,856** | 140,369,013 | 138,981,434 |
| Investment securities | 7 | **44,675,336** | 30,614,589 | 17,274,855 |
| Investments in associates | 8 | **-** | - | 876,156 |
| Investments in subsidiaries | 9 | **-** | - | 3,679,902 |
| Intangible assets | 10 | **385,453** | 523,084 | 691,896 |
| Property, plant and equipment | 11 | **5,030,443** | 5,202,509 | 5,442,042 |
| Deferred tax assets | 12 | **222,519** | 194,292 | 113,786 |
| Other assets | 13 | **15,482,633** | 14,037,530 | 10,739,181 |
| | | **250,606,670** | 215,300,760 | 196,194,338 |
| Non-current assets held for distribution | 35 | **1,331,216** | 1,331,216 | - |
| **Total assets** | | **251,937,886** | 216,631,976 | 196,194,338 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| Deposits from banks | 14(a) | **4,504,425** | 3,698,038 | 3,408,512 |
| Deposits from customers | 14(b) | **202,713,585** | 171,021,910 | 150,918,634 |
| Derivative financial instruments | 5 | **108,997** | 528,795 | 560,742 |
| Other borrowed funds | 15 | **6,915,825** | 7,565,608 | 13,103,722 |
| Subordinated liabilities | 16 | **1,055,697** | 5,409,081 | - |
| Current tax liabilities | | **448,835** | 368,440 | 241,946 |
| Other liabilities | 18 | **5,901,642** | 5,941,038 | 5,267,613 |
| **Total liabilities** | | **221,649,006** | 194,532,910 | 173,501,169 |
| **Shareholders' Equity** | | | | |
| Stated capital | | **6,879,602** | 2,379,602 | 2,615,838 |
| Retained earnings | | **18,705,062** | 16,322,961 | 16,585,299 |
| Other components of equity | | **4,704,216** | 3,396,503 | 3,852,089 |
| | | **30,288,880** | 22,099,066 | 23,053,226 |
| Less treasury shares | | **-** | - | (360,057) |
| **Equity attributable to the ordinary equity holders of the bank** | | **30,288,880** | 22,099,066 | 22,693,169 |
| **Total equity and liabilities** | | **251,937,886** | 216,631,976 | 196,194,338 |
| **CONTINGENT LIABILITIES** | | | | |
| Guarantees, letters of credit, endorsements and other obligations on account of customers | | **43,322,427** | 62,112,445 | 46,549,986 |
| Commitments | | **4,380,241** | 4,355,291 | 5,022,227 |
| Tax assessments | | **797,225** | 272,057 | 121,584 |
| Other | | **1,184,265** | 1,504,788 | 1,632,122 |
| | 20 | **49,684,158** | 68,244,581 | 53,325,919 |

These financial statements were approved for issue by the Board of Directors on the 29th September 2015.

The notes on pages 137 to 214 form part of these financial statements.
Auditors' report on pages 124 and 125.

A.R. Withers

**Antony R. WITHERS**
Director
Chief Executive

**Jean-Philippe COULIER**
Director
Chairperson

**Gilles GUFFLET**
Director
Chairperson Audit Committee

# Statement of profit or loss

for the year ended 30th June 2015

| | Notes | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 (Restated) |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Interest income | 21 | **11,632,970** | 10,865,841 | 10,474,716 |
| Interest expense | 22 | **(4,284,673)** | (4,319,193) | (4,141,301) |
| **Net interest income** | | **7,348,297** | 6,546,648 | 6,333,415 |
| Fee and commission income | 23 | **3,403,343** | 2,949,355 | 2,599,851 |
| Fee and commission expense | 24 | **(586,930)** | (550,459) | (411,373) |
| **Net fee and commission income** | | **2,816,413** | 2,398,896 | 2,188,478 |
| **Other income** | | | | |
| Profit arising from dealing in foreign currencies | | **779,542** | 974,196 | 775,743 |
| Net gain from financial instruments carried at fair value | 25 | **158,123** | 46,446 | 206,333 |
| | | **937,665** | 1,020,642 | 982,076 |
| Dividend income | 26 | **30,863** | 13,520 | 7,184 |
| Net (loss)/gain on sale of securities | | **(7,817)** | 422,237 | 19,916 |
| Other operating income | | **35,679** | 46,686 | 56,304 |
| | | **996,390** | 1,503,085 | 1,065,480 |
| **Operating income** | | **11,161,100** | 10,448,629 | 9,587,373 |
| **Non-interest expense** | | | | |
| Salaries and human resource development | 27(a) | **(2,272,532)** | (2,140,599) | (2,030,463) |
| Post employee benefits plan | 17 | **(309,534)** | (265,038) | (240,833) |
| Depreciation | | **(358,815)** | (410,318) | (406,897) |
| Amortisation of intangible assets | | **(178,893)** | (215,688) | (201,030) |
| Other | 27(b) | **(1,341,309)** | (1,361,415) | (1,189,577) |
| | | **(4,461,083)** | (4,393,058) | (4,068,800) |
| **Operating profit before impairment** | | **6,700,017** | 6,055,571 | 5,518,573 |
| Net impairment of financial assets | 28 | **(897,173)** | (1,843,056) | (1,055,277) |
| **Profit before tax** | | **5,802,844** | 4,212,515 | 4,463,296 |
| Income tax expense | 29 | **(960,290)** | (871,418) | (756,126) |
| **Profit for the year from continuing operations** | | **4,842,554** | 3,341,097 | 3,707,170 |
| **Discontinuing operations** | | | | |
| **Profit for the year from discontinuing operations** | 35(b) | **161,746** | 345,484 | 84,298 |
| **Profit for the year attributable to the owners of the bank** | | **5,004,300** | 3,686,581 | 3,791,468 |
| **Earnings per share (Rs):** | | | | |
| Continuing operations | 31 | **19.84** | 14.04 | 15.59 |
| Discontinuing operations | 31 | **0.66** | 1.45 | 0.35 |

The notes on pages 137 to 214 form part of these financial statements.
Auditors' report on pages 124 and 125.

# Statement of profit or loss and other comprehensive income
for the year ended 30th June 2015

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 (Restated) |
|---|---|---|---|
| **Profit for the year** | **5,004,300** | 3,686,581 | 3,791,468 |
| **Other comprehensive income/(expense):** | | | |
| **Item that will not be reclassified to profit or loss:** | | | |
| Remeasurement of defined benefit pension plan net of deferred tax | **95,215** | (229,412) | (134,639) |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Reclassification adjustments | **-** | (320,766) | (3,206) |
| Net fair value gain on available-for-sale investments | **398,796** | 101,416 | 184,631 |
| | **398,796** | (219,350) | 181,425 |
| **Other comprehensive income/(expense) for the year** | **494,011** | (448,762) | 46,786 |
| **Total comprehensive income for the year** | **5,498,311** | 3,237,819 | 3,838,254 |
| **Total comprehensive income attributable to the owners of the bank:** | | | |
| Continuing operations | **5,336,565** | 2,892,335 | 3,753,956 |
| Discontinuing operations | **161,746** | 345,484 | 84,298 |
| | **5,498,311** | 3,237,819 | 3,838,254 |

The notes on pages 137 to 214 form part of these financial statements.
Auditors' report on pages 124 and 125.

# Statement of changes in equity

for the year ended 30th June 2015

| | Note | Stated Capital RS'000 | Treasury Shares RS'000 | Retained Earnings RS'000 | Capital Reserve RS'000 | Statutory Reserve RS'000 | General Banking Reserve RS'000 | Total Equity RS'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30th June 2012** | | | | | | | | |
| As previously restated | | **2,593,395** | **(364,765)** | **14,401,121** | **521,246** | **2,593,395** | **533,580** | **20,277,972** |
| Profit for the year - restated | | - | - | 3,791,468 | - | - | - | 3,791,468 |
| Other comprehensive (expense)/income for the year - restated | | - | - | (134,639) | 181,425 | - | - | 46,786 |
| Total comprehensive income for the year - restated | | - | - | 3,656,829 | 181,425 | - | - | 3,838,254 |
| Dividends in cash | 30 | - | - | (1,450,208) | - | - | - | (1,450,208) |
| Transfer to statutory reserve | | - | - | (22,443) | - | 22,443 | - | - |
| Employee share options exercised | | 22,443 | 4,708 | - | - | - | - | 27,151 |
| **At 30th June 2013 - restated** | | **2,615,838** | **(360,057)** | **16,585,299** | **702,671** | **2,615,838** | **533,580** | **22,693,169** |
| Profit for the year | | - | - | 3,686,581 | - | - | - | 3,686,581 |
| Other comprehensive expense for the year | | - | - | (229,412) | (219,350) | - | - | (448,762) |
| Total comprehensive income/(expense) for the year | | - | - | 3,457,169 | (219,350) | - | - | 3,237,819 |
| Dividends in cash | 30 | - | - | (1,522,573) | - | - | - | (1,522,573) |
| Dividends in specie | | - | - | (2,339,812) | - | - | - | (2,339,812) |
| Transfer from statutory reserve | | - | - | 236,236 | - | (236,236) | - | - |
| Employee share options exercised | | 26,101 | 4,362 | - | - | - | - | 30,463 |
| Cancellation of treasury shares | | (262,337) | 355,695 | (93,358) | - | - | - | - |
| **At 30th June 2014** | | **2,379,602** | **-** | **16,322,961** | **483,321** | **2,379,602** | **533,580** | **22,099,066** |
| Profit for the year | | **-** | **-** | **5,004,300** | **-** | **-** | **-** | **5,004,300** |
| Other comprehensive income for the year | | **-** | **-** | **95,215** | **398,796** | **-** | **-** | **494,011** |
| Total comprehensive income for the year | | **-** | **-** | **5,099,515** | **398,796** | **-** | **-** | **5,498,311** |
| Rights issue | | **4,500,000** | **-** | **-** | **-** | **-** | **-** | **4,500,000** |
| Dividends in cash | 30 | **-** | **-** | **(1,808,497)** | **-** | **-** | **-** | **(1,808,497)** |
| Transfer to statutory reserve | | **-** | **-** | **(751,000)** | **-** | **751,000** | **-** | **-** |
| Transfer to general banking reserve | | **-** | **-** | **(157,917)** | **-** | **-** | **157,917** | **-** |
| **At 30th June 2015** | | **6,879,602** | **-** | **18,705,062** | **882,117** | **3,130,602** | **691,497** | **30,288,880** |

The notes on pages 137 to 214 form part of these financial statements.
Auditors' report on pages 124 and 125.

# Statement of cash flows
for the year ended 30th June 2015

| | Notes | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 (Restated) |
|---|---|---|---|---|
| **Net cash flows from trading activities** | 33 | **5,294,795** | 3,431,071 | 5,391,313 |
| **Net cash flows from other operating activities** | 34 | **4,998,373** | 3,450,043 | (1,847,226) |
| Dividends paid | | **(1,594,333)** | (1,510,165) | (1,425,893) |
| Income tax paid | | **(921,438)** | (784,946) | (725,926) |
| **Net cash flows from operating activities** | | **7,777,397** | 4,586,003 | 1,392,268 |
| **Investing activities** | | | | |
| Purchase of available-for-sale investments | | **(2,130,238)** | (835,678) | (35,000) |
| Proceeds from sale of available-for-sale investments | | **415,573** | 429,960 | 415,014 |
| Proceeds on disposal of shares in subsidiaries | | **-** | 251,392 | - |
| Investment in subsidiaries | | **-** | (1,512) | - |
| Investment in associate | | **-** | (185) | - |
| Purchase of property, plant and equipment | | **(191,895)** | (196,214) | (346,165) |
| Purchase of intangible assets | | **(44,668)** | (47,207) | (74,250) |
| Proceeds from sale of intangible assets | | **17,762** | 331 | - |
| Proceeds from sale of property, plant and equipment | | **11,437** | 60,118 | 79,605 |
| | | **(1,922,029)** | (338,995) | 39,204 |
| **Net cash flows before financing activities** | | **5,855,368** | 4,247,008 | 1,431,472 |
| **Financing activities** | | | | |
| Employee share options exercised | | **-** | 26,595 | 25,509 |
| Rights issue | | **4,500,000** | - | - |
| Subordinated liabilities (transferred)/issued | | **(4,500,000)** | 5,415,567 | - |
| Net debt securities (matured)/issued | | **(1,793,050)** | 145,800 | 354,900 |
| Net refund/(grant) of subordinated loan from/to subsidiaries | | **-** | 12,500 | (142,313) |
| | | **(1,793,050)** | 5,600,462 | 238,096 |
| Increase in cash and cash equivalents | | **4,062,318** | 9,847,470 | 1,669,568 |
| Net cash and cash equivalents at 1st July | | **17,698,064** | 7,850,594 | 6,181,026 |
| **Net cash and cash equivalents at 30th June** | 4 | **21,760,382** | 17,698,064 | 7,850,594 |

The notes on pages 137 to 214 form part of these financial statements.
Auditors' report on pages 124 and 125.

# General information

The Mauritius Commercial Bank Limited ("the bank") is a public company incorporated by Royal Charter in 1838 and registered as limited liability company on 18th August 1955. Its registered office is situated at 9-15, Sir William Newton Street, Port Louis, Mauritius.

The main activities of the bank consist of providing a whole range of banking and financial services. The bank is wholly owned by the MCB Investment Holding Limited.

The ultimate holding company is the MCB Group Limited which is listed on The Stock Exchange of Mauritius Ltd.

# Index to notes to the financial statements

# Index to notes to the financial statements
(continued)

# Index to notes to the financial statements
(continued)

# Notes to the financial statements
for the year ended 30th June 2015

## 1. Significant Accounting Policies

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

### (a) Basis of preparation

These separate financial statements contain information about The Mauritius Commercial Bank Limited as an individual company. All remaining investments in subsidiaries and investments in associates held at 30th June 2014 have been reclassified as "Non-current assets held for distribution" as shown in note 35, in accordance with IFRS 5.

The financial statements of The Mauritius Commercial Bank Limited comply with The Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS) and instructions, Guidelines and Guidance notes issued by the Bank of Mauritius, in so far as the operations of 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 financial statements have been prepared under the historical cost convention except for available-for-sale investment securities, financial assets and liabilities held-for-trading and all derivative contracts.

***Amendments to published Standards and Interpretations effective in the reporting period***

Amendments to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', clarify the requirements relating to the offset of financial assets and financial liabilities. The amendment is not expected to have any impact on the bank's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities', define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the bank is not an investment entity, the standard has no impact on the bank's financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what obligating event that gives rise to pay a levy and when should a liability be recognised. The amendment is not expected to have an impact on the bank's financial statements.

Amendments to IAS 36, 'Recoverable Amount Disclosures for Non-financial Assets', remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated. The amendment has no impact on the bank's financial statements.

Amendments to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendment has no impact on the bank's financial statements.

## 1. Significant Accounting Policies (Cont'd)

### (a) Basis of preparation (Cont'd)

***Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)***

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment has no impact on the bank's financial statements.

***Annual Improvements 2010-2012 Cycle***

IFRS 2, 'Share based payments' amendment is amended to clarify the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendment has no impact on the bank's financial statements.

IFRS 3, 'Business combinations' is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. The amendment has no impact on the bank's financial statements.

IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment has no impact on the bank's financial statements.

IFRS 13 (Amendment), 'Fair Value Measurement' clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the bank's financial statements.

IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The amendment has no impact on the bank's financial statements.

IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The amendment has no impact on the bank's financial statements.

***Annual Improvements 2011-2013 Cycle***

IFRS 1, 'First-time Adoption of International Financial Reporting Standards' is amended to clarify in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment has no impact on the bank's financial statements, since the bank is an existing IFRS preparer.

# 1. Significant Accounting Policies (Cont'd)

## (a) Basis of preparation (Cont'd)

***Annual Improvements 2011-2013 Cycle (Cont'd)***

IFRS 3,'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11. The amendment has no impact on the bank's financial statements.

IFRS 13,'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The amendment has no impact on the bank's financial statements.

IAS 40,'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment has no impact on the bank's financial statements.

***Standards, Amendments to published Standards and Interpretations issued but not yet effective***

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the bank has not early adopted.

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

IFRS 9 Financial Instruments
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 15 Revenue from Contract with Customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Annual Improvements to IFRSs 2012-2014 Cycle
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Disclosure Initiative (Amendments to IAS 1)

Where relevant, the bank is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

## (b) Foreign currency translation

### (i) Functional and presentation currency

These financial statements are prepared in Mauritian Rupees (Rs.), which is the bank's functional and presentation currency. Except as indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

# 1. Significant Accounting Policies (Cont'd)

## (b) Foreign currency translation (Cont'd)

### (ii) Transactions and balances

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 recognised in profit or loss.

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

## (c) Derivative financial instruments

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

The bank's derivative transactions, while providing effective economic hedges under the bank's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

The fair values of derivative financial instruments held for trading are disclosed in note 5.

## (d) Offsetting financial instruments

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

## 1. Significant Accounting Policies (Cont'd)

### (e) Interest income and expense

Interest income and expense are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

### (f) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan processing fees are deferred and recognised accordingly.

### (g) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repos agreements using the effective yield method.

### (h) Investment securities

The bank classifies its investment securities as fair value through profit or loss, held-to-maturity or available-for-sale assets. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale, which may be sold.

Investment securities are initially recognised at fair value plus, in the case of those not at fair value through profit or loss, transaction costs. Available-for-sale listed financial assets are subsequently remeasured at fair value based on quoted bid prices. Fair values for unlisted equity securities are estimated using maintainable earnings or net assets bases refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in statement of other comprehensive income. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Financial assets at fair value through profit or loss are financial assets held for trading.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any provision for impairment.

If the bank was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

# 1. Significant Accounting Policies (Cont'd)

## (h) Investment securities (Cont'd)

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably measured. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instruments original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in 'dividend income ' in profit or loss when the entity's right to receive payment is established.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

## (i) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at fair value (which includes transaction costs) and measured at subsequent reporting dates at fair value. All related realised and unrealised gains and losses are recognised in statement of profit or loss for the year.

## (j) Loans and provisions for loan impairment

Loans originated by the bank by providing money directly to the borrower (at draw-down) are categorised as loans 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. An allowance for loan impairment is established if there is the objective evidence that the bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the end of the reporting date. These have been estimated upon the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in profit or loss.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking reserve as an appropriation of retained earnings.

## 1. Significant Accounting Policies (Cont'd)

### (j) Loans and provisions for loan impairment (Cont'd)

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

### (k) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation.

Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 50 years |
| Computer and other equipment | 5-10 years |
| Furniture, fittings and vehicles | 5-15 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

### (l) Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the bank and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of eight years.

### (m) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and balances with Central Bank and amounts due to and from other banks. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

## 1. Significant Accounting Policies (Cont'd)

### (n) Provisions

Provisions are recognised when the bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### (o) Employee benefits

The bank operates a number of defined benefit plans throughout the region. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by the MCB Superannuation Fund.
Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

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 statements 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.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The bank determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined liability during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

### (p) Non-current assets held for distribution

Non-current assets classified as held for distribution are measured at the lower of carrying amount and fair value less costs to distribute if their carrying amount is recovered principally through a distribution rather than through a continuing use. This condition is regarded as met only, when the distribution is highly probable and the asset is available for immediate distribution in its present condition.

# 1. Significant Accounting Policies (Cont'd)

## (q) Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

***Current tax***

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantially enacted by the end of the reporting period.

***Deferred tax***

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductable temporary differences can be utilised.

## (r) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in statement of profit or loss over the period of the borrowings using the effective yield method.

## (s) Dividend distribution

Dividend distribution to the bank's shareholders is recognised as a liability in the period in which dividends are declared.

## (t) Acceptances

Acceptances comprise undertakings by the bank to pay bills of exchange drawn on customers. The bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

# 1. Significant Accounting Policies (Cont'd)

## (u) Operating segments

An operating segment is a component of the bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the bank's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Detailed analysis of segment reporting are shown in note 36 to the financial statements.

## (v) Stated capital

Ordinary shares are classified as equity.

### (i) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

### (ii) Treasury shares

Where the bank purchases its equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

## (w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are expensed.

## (x) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of an asset fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## 2. Critical Accounting Estimates and Judgements

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

**Critical accounting estimates and assumptions**

The bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Held-to-maturity investments

The bank follows the guidance of International Accounting Standard (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the bank evaluates its intention and ability to hold such investments to maturity.

If the bank fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

### (b) Impairment of available-for-sale financial assets

The bank follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### (c) Pension benefits

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 17.

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

### (d) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the bank using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The bank would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 2. Critical Accounting Estimates and Judgements (Cont'd)

### (e) Limitation of sensitivity analysis

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

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

### (f) Asset lives and residual values

Property, plant 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.

### (g) Depreciation policies

Property, plant 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 bank would currently obtain from disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

### (h) Impairment of assets

Assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by an asset or cash-generating assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

# 3. Financial Risk Management

## (a) Strategy in using financial instruments

The use of financial instruments is a major feature of the bank's operations. It has been the bank's policy to take deposits from customers at variable rates mostly by investing these funds in a wide range of assets.

The bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The bank's exposures are not restricted to just on-balance sheet loans and advances but, also, to guarantees and other commitments such as letters of credit, performance and other bonds.

## (b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfill their contractual obligations. Credit Risk Management at the bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

***Credit related commitments***

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

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

## 3. Financial Risk Management (Cont'd)

### (b) Credit risk (Cont'd)

#### Credit Quality of Loans and Advances

| | BANK | | |
|---|---|---|---|
| | 2015 RS'M | 2014 RS'M | 2013 RS'M |
| Neither past due nor impaired | **146,089** | 139,348 | 134,431 |
| Past due but not impaired | **6,075** | 2,765 | 5,137 |
| Impaired | **9,535** | 10,672 | 7,132 |
| Gross | **161,699** | 152,785 | 146,700 |
| Less Allowances for credit impairment | **(5,226)** | (5,882) | (4,059) |
| Net | **156,473** | 146,903 | 142,641 |
| Fair Value of collaterals of past due but not impaired loans | **7,271** | 5,555 | 5,290 |
| Fair Value of collaterals of impaired loans | **6,286** | 6,496 | 5,144 |

#### Age analysis of loans and advances that are past due but not impaired:

| | BANK | | |
|---|---|---|---|
| | 2015 RS'M | 2014 RS'M | 2013 RS'M |
| Up to 3 months | **1,347** | 991 | 156 |
| Over 3 months and up to 6 months | **1,853** | 1,134 | 3,364 |
| Over 6 months and up to 1 year | **2,340** | 539 | 436 |
| Over 1 year | **535** | 101 | 1,181 |
| | **6,075** | 2,765 | 5,137 |

#### Loans and advances negotiated

| | BANK | | |
|---|---|---|---|
| | 2015 RS'M | 2014 RS'M | 2013 RS'M |
| Loans and advances negotiated | **15,064** | 12,720 | 11,789 |
| Fair value of collaterals | **15,064** | 12,720 | 11,789 |

#### Maximum exposure to credit risk before collateral and other credit risk enhancements :

| | BANK | | |
|---|---|---|---|
| | 2015 RS'M | 2014 RS'M | 2013 RS'M |
| **Credit risk exposures relating to on - balance sheet assets are as follows:** | | | |
| Cash and cash equivalents | **23,000** | 17,704 | 14,615 |
| Derivatives financial instruments | **265** | 122 | 121 |
| Loans and advances to banks | **9,447** | 6,534 | 3,659 |
| Loans and advances to customers | **152,099** | 140,369 | 138,981 |
| Investment securities | **44,675** | 30,615 | 17,275 |
| Other assets | **15,483** | 14,038 | 10,739 |
| **Credit risk exposures relating to off - balance sheet assets are as follows:** | | | |
| Financial guarantees | **43,322** | 62,112 | 46,550 |
| Loans committed and other credit related liabilities | **4,380** | 4,355 | 5,022 |
| **Total** | **292,671** | 275,849 | 236,962 |

# 3. Financial Risk Management (Cont'd)

## (c) Market risk

Market risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as ancillary risks such as liquidity and funding risk. The market risk management policies at the bank are set by the Risk Committee of the Board and executive management of this class of risk is delegated to the Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

A major methodology which MCB uses for the measurement of market price risk is Value-at-Risk (VaR). VaR is the statistical representation of financial risk, expressed as a number, based on consistent modelling of past data and/or simulation of possible future movements, applied to a particular risk position, asset, or portfolio.

The VaR model used by the Bank is based upon a 99 percent one-tailed confidence level and assumes a ten-day holding period, with market data taken from the previous one year.

### VaR Analysis - Foreign Exchange Risk

| | As at 30 June | Average | Maximum | Minimum |
|---|---|---|---|---|
| **2015 (RS 'M)** | **(13.45)** | **(8.94)** | **(15.48)** | **(4.80)** |
| 2014 (RS 'M) | (10.16) | (10.10) | (21.59) | (7.48) |
| 2013 (RS 'M) | (11.32) | (10.70) | (13.79) | (8.41) |

## (d) Price risk

The bank is exposed to equity securities price risk because of investments held and classified as available-for-sale financial assets. The table below summarises the impact of increases/decreases in fair value of the investments on the bank's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

| | BANK | | |
|---|---|---|---|
| | 2015<br>RS'M | 2014<br>RS'M | 2013<br>RS'M |
| Available-for-sale financial assets | **201** | 98 | 68 |

## 3. Financial Risk Management (Cont'd)

### (e) Currency risk

Currency Risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the bank's foreign currency positions. Exposure resulting from trading activities is monitored through the use of targets and limits. Limits are given to the individual trader and monitored by the Treasury Manager. Such limits include daily, monthly, half-yearly and yearly stop losses. Exposure resulting from non-trading activities is managed through the Asset Liability Management framework, with reference to guidelines and policies set and approved by ALCO and the Board Risk Monitoring Committee.

**Concentration of assets, liabilities and off-balance sheet items**

**Bank**

| **At June 30, 2015** <br> **Assets** | **EURO** <br> **RS '000** | **USD** <br> **RS '000** | **GBP** <br> **RS '000** | **MUR** <br> **RS '000** | **OTHER** <br> **RS '000** | **TOTAL** <br> **RS '000** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1,846,572 | 8,477,238 | 3,411,793 | 4,333,455 | 4,930,781 | 22,999,839 |
| Derivative financial instruments | 13,683 | - | - | 251,042 | - | 264,725 |
| Loans to and placements with banks | 1,228,430 | 1,245,021 | - | 5,916,270 | 1,073,761 | 9,463,482 |
| Loans and advances to customers | 14,808,945 | 45,112,519 | 966,651 | 96,229,037 | 191,157 | 157,308,309 |
| Investment securities | 214,707 | 2,142,441 | 103,194 | 42,113,020 | 101,974 | 44,675,336 |
| Goodwill and other intangible assets | - | - | - | 385,453 | - | 385,453 |
| Property, plant and equipment | - | - | - | 5,030,443 | - | 5,030,443 |
| Deferred tax assets | - | - | - | 222,519 | - | 222,519 |
| Non-current assets held for distribution | - | - | - | 1,331,216 | - | 1,331,216 |
| Other assets | 782,698 | 1,540,561 | 140,499 | 12,994,101 | 24,774 | 15,482,633 |
| | 18,895,035 | 58,517,780 | 4,622,137 | 168,806,556 | 6,322,447 | 257,163,955 |
| Less allowances for credit impairment | | | | | | (5,226,069) |
| **Total assets** | | | | | | **251,937,886** |
| **Liabilities** | | | | | | |
| Deposits from banks | 585,942 | 3,457,130 | 126,222 | 201,521 | 133,610 | 4,504,425 |
| Deposits from customers | 24,120,850 | 34,437,009 | 4,565,233 | 132,060,314 | 7,530,179 | 202,713,585 |
| Derivative financial instruments | 12,983 | 1,834 | - | 94,180 | - | 108,997 |
| Other borrowed funds | 3,398,734 | 3,505,372 | - | 11,719 | - | 6,915,825 |
| Subordinated liabilities | - | 1,055,697 | - | - | - | 1,055,697 |
| Current tax liabilities | - | - | - | 448,835 | - | 448,835 |
| Deferred tax liabilities | - | - | - | - | - | - |
| Other liabilities | 191,531 | 506,070 | 18,370 | 5,153,260 | 32,411 | 5,901,642 |
| **Total liabilities** | 28,310,040 | 42,963,112 | 4,709,825 | 137,969,829 | 7,696,200 | **221,649,006** |
| **Net on-balance sheet position** | (9,415,005) | 15,554,668 | (87,688) | 30,836,727 | (1,373,753) | 35,514,949 |
| Less allowances for credit impairment | | | | | | (5,226,069) |
| | | | | | | **30,288,880** |
| **Off balance sheet net notional position** | 3,525,033 | 17,496,463 | 943,953 | - | 502,597 | 22,468,046 |
| **Credit commitments** | 4,983,272 | 32,894,885 | 243,628 | 12,136,109 | 650,025 | 50,907,920 |

# 3. Financial Risk Management (Cont'd)

## (e) Currency risk (Cont'd)

### Concentration of assets, liabilities and off-balance sheet items

| Bank<br>At June 30, 2014<br>Assets | EURO<br>RS '000 | USD<br>RS '000 | GBP<br>RS '000 | MUR<br>RS '000 | OTHER<br>RS '000 | TOTAL<br>RS '000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 3,958,598 | 2,146,589 | 2,123,233 | 4,128,627 | 5,346,570 | 17,703,617 |
| Derivative financial instruments | 21,658 | - | - | 100,243 | - | 121,901 |
| Loans to and placements with banks | 1,301,352 | 4,533,385 | - | 4,038 | 712,850 | 6,551,625 |
| Loans and advances to customers | 12,622,528 | 37,407,904 | 994,233 | 94,970,700 | 238,500 | 146,233,865 |
| Investment securities | - | 598,476 | - | 29,978,095 | 38,018 | 30,614,589 |
| Intangible assets | - | - | - | 523,084 | - | 523,084 |
| Property, plant and equipment | - | - | - | 5,202,509 | - | 5,202,509 |
| Deferred tax assets | - | - | - | 194,292 | - | 194,292 |
| Non-current assets held for distribution | - | - | - | 1,331,216 | - | 1,331,216 |
| Other assets | 627,497 | 1,584,208 | 142,588 | 11,542,577 | 140,660 | 14,037,530 |
| | 18,531,633 | 46,270,562 | 3,260,054 | 147,975,381 | 6,476,598 | 222,514,228 |
| Less allowances for credit impairment | | | | | | (5,882,252) |
| **Total assets** | | | | | | **216,631,976** |
| **Liabilities** | | | | | | |
| Deposits from banks | 731,275 | 2,594,353 | 93,137 | 90,401 | 188,872 | 3,698,038 |
| Deposits from customers | 21,838,777 | 22,866,774 | 3,193,216 | 115,752,484 | 7,370,659 | 171,021,910 |
| Derivative financial instruments | 20,470 | 414,624 | - | 93,701 | - | 528,795 |
| Other borrowed funds | 3,501,246 | 2,178,570 | - | 23,189 | 1,862,603 | 7,565,608 |
| Subordinated liabilities | - | 909,081 | - | 4,500,000 | - | 5,409,081 |
| Current tax liabilities | - | - | - | 368,440 | - | 368,440 |
| Other liabilities | 147,174 | 1,187,333 | 13,331 | 4,539,546 | 53,654 | 5,941,038 |
| **Total liabilities** | 26,238,942 | 30,150,735 | 3,299,684 | 125,367,761 | 9,475,788 | **194,532,910** |
| **Net on-balance sheet position** | (7,707,309) | 16,119,827 | (39,630) | 22,607,620 | (2,999,190) | 27,981,318 |
| Less allowances for credit impairment | | | | | | (5,882,252) |
| | | | | | | **22,099,066** |
| **Off balance sheet net notional position** | 4,606,621 | 19,977,023 | 1,204,381 | - | 871,141 | 26,659,167 |
| **Credit commitments** | 5,346,577 | 46,590,357 | 132,678 | 13,007,444 | 1,390,680 | 66,467,736 |

## 3. Financial Risk Management (Cont'd)

### (e) Currency risk (Cont'd)

**Concentration of assets, liabilities and off-balance sheet items**

| **Bank**<br>**At June 30, 2013**<br>**Assets** | EURO<br>RS '000 | USD<br>RS '000 | GBP<br>RS '000 | MUR<br>RS '000 | OTHER<br>RS '000 | TOTAL<br>RS '000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 2,873,627 | 290,548 | 2,420,188 | 4,704,761 | 4,325,509 | 14,614,633 |
| Derivative financial instruments | 25,518 | - | - | 95,437 | - | 120,955 |
| Loans to and placements with banks | 823,296 | 2,846,171 | - | 31 | - | 3,669,498 |
| Loans and advances to customers | 12,001,478 | 37,411,099 | 702,066 | 92,743,319 | 172,289 | 143,030,251 |
| Investment securities | - | 182,919 | - | 17,062,682 | 29,254 | 17,274,855 |
| Investment in associates | 413,352 | - | - | 462,804 | - | 876,156 |
| Investments in subsidiaries | - | 155,095 | - | 3,524,807 | - | 3,679,902 |
| Goodwill and other intangible assets | - | - | - | 691,896 | - | 691,896 |
| Property, plant and equipment | - | - | - | 5,442,042 | - | 5,442,042 |
| Deferred tax assets | - | - | - | 113,786 | - | 113,786 |
| Other assets | 612,259 | 1,463,183 | 158,594 | 8,482,573 | 22,572 | 10,739,181 |
| | 16,749,530 | 42,349,015 | 3,280,848 | 133,324,138 | 4,549,624 | 200,253,155 |
| Less allowances for credit impairment | | | | | | (4,058,817) |
| **Total assets** | | | | | | 196,194,338 |
| **Liabilities** | | | | | | |
| Deposits from banks | 598,609 | 2,265,199 | 73,350 | 173,286 | 298,068 | 3,408,512 |
| Deposits from customers | 15,676,983 | 20,695,284 | 3,004,356 | 107,768,366 | 3,773,645 | 150,918,634 |
| Derivative financial instruments | 23,837 | 63,516 | - | 473,389 | - | 560,742 |
| Other borrowed funds | 3,777,756 | 7,456,605 | - | - | 1,869,361 | 13,103,722 |
| Subordinated liabilities | - | - | - | - | - | - |
| Current tax liabilities | - | - | - | 241,946 | - | 241,946 |
| Deferred tax liabilities | - | - | - | - | - | - |
| Other liabilities | 148,778 | 763,335 | 21,086 | 4,284,455 | 49,959 | 5,267,613 |
| **Total liabilities** | 20,225,963 | 31,243,939 | 3,098,792 | 112,941,442 | 5,991,033 | 173,501,169 |
| **Net on-balance sheet position** | (3,476,433) | 11,105,076 | 182,056 | 20,382,696 | (1,441,409) | 26,751,986 |
| Less allowances for credit impairment | | | | | | (4,058,817) |
| | | | | | | 22,693,169 |
| **Off balance sheet net notional position** | 5,042,438 | 13,425,365 | 482,495 | - | 1,762,064 | 20,712,362 |
| **Credit commitments** | 3,580,662 | 33,749,021 | 18,844 | 13,551,022 | 672,664 | 51,572,213 |

## 3. Financial Risk Management (Cont'd)

### (f) Interest rate risk

Interest rate risk refers to the potential variability in the bank's financial condition owing to changes in the level of interest rates. It is the bank's policy to apply variable interest rates to lending and deposit taking. Fixed interest rates are applied to deposits in foreign currencies; however maturities in this regard are only short-term.

**Interest sensitivity of assets and liabilities - repricing analysis**

| **Bank**<br>**At June 30, 2015**<br>**Assets** | Up to<br>1 month<br>RS '000 | 1-3<br>months<br>RS '000 | 3-6<br>months<br>RS '000 | 6-12<br>months<br>RS '000 | 1-3<br>years<br>RS '000 | Over 3<br>years<br>RS '000 | Non-interest<br>bearing<br>RS '000 | Total<br>RS '000 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 10,247,911 | - | - | - | - | - | 12,751,928 | 22,999,839 |
| Derivative financial instruments | - | - | - | - | - | - | 264,725 | 264,725 |
| Loans to and placements with banks | 1,016,811 | 2,084,301 | 2,167,472 | 4,018,949 | 175,949 | - | - | 9,463,482 |
| Loans and advances to customers | 109,133,185 | 34,679,079 | - | 4,307,232 | 3,089,744 | 5,590,574 | 508,495 | 157,308,309 |
| Investment securities | 529,579 | 4,826,224 | 5,348,601 | 5,384,624 | 17,562,028 | 8,425,220 | 2,599,060 | 44,675,336 |
| Goodwill and other intangible assets | - | - | - | - | - | - | 385,453 | 385,453 |
| Property, plant and equipment | - | - | - | - | - | - | 5,030,443 | 5,030,443 |
| Deferred tax assets | - | - | - | - | - | - | 222,519 | 222,519 |
| Non-current assets held for distribution | - | - | - | - | - | - | 1,331,216 | 1,331,216 |
| Other assets | 140 | 1,006 | - | - | 680 | - | 15,480,807 | 15,482,633 |
| | 120,927,626 | 41,590,610 | 7,516,073 | 13,710,805 | 20,828,401 | 14,015,794 | 38,574,646 | 257,163,955 |
| Less allowances for credit impairment | | | | | | | | (5,226,069) |
| **Total assets** | | | | | | | | **251,937,886** |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 3,466,409 | 372,544 | 337,480 | - | 66,861 | - | 261,131 | 4,504,425 |
| Deposits from customers | 182,590,968 | 2,115,983 | 1,330,737 | 235,895 | 1,839 | 2,103,575 | 14,334,588 | 202,713,585 |
| Derivative financial instruments | - | - | - | - | - | - | 108,997 | 108,997 |
| Other borrowed funds | 3,336,037 | 524,775 | 2,082,895 | 11,719 | - | 952,586 | 7,813 | 6,915,825 |
| Subordinated liabilities | 1,055,697 | - | - | - | - | - | - | 1,055,697 |
| Current tax liabilities | - | - | - | - | - | - | 448,835 | 448,835 |
| Deferred tax liabilities | - | - | - | - | - | - | - | - |
| Other liabilities | 131,309 | - | - | - | - | - | 5,770,333 | 5,901,642 |
| **Total liabilities** | 190,580,420 | 3,013,302 | 3,751,112 | 247,614 | 68,700 | 3,056,161 | 20,931,697 | **221,649,006** |
| **On balance sheet interest sensitivity gap** | (69,652,794) | 38,577,308 | 3,764,961 | 13,463,191 | 20,759,701 | 10,959,633 | 17,642,949 | 35,514,949 |
| Less allowances for credit impairment | | | | | | | | (5,226,069) |
| | | | | | | | | **30,288,880** |

# 3. Financial Risk Management (Cont'd)

## (f) Interest rate risk (Cont'd)

### Interest sensitivity of assets and liabilities - repricing analysis

| Bank<br>At June 30, 2014<br>Assets | 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 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 9,770,055 | 57,140 | - | - | - | 50,008 | 7,826,414 | 17,703,617 |
| Derivative financial instruments | - | - | - | - | - | - | 121,901 | 121,901 |
| Loans to and placements with banks | 2,119,071 | 2,818,669 | 1,025,658 | 588,227 | - | - | - | 6,551,625 |
| Loans and advances to customers | 101,994,828 | 29,799,997 | 3,692,028 | 4,994,739 | 1,903,920 | 3,183,179 | 665,174 | 146,233,865 |
| Investment securities | 2,061,003 | 3,380,053 | 4,607,305 | 4,838,117 | 8,439,874 | 5,509,813 | 1,778,424 | 30,614,589 |
| Intangible assets | - | - | - | - | - | - | 523,084 | 523,084 |
| Property, plant and equipment | - | - | - | - | - | - | 5,202,509 | 5,202,509 |
| Deferred tax assets | - | - | - | - | - | - | 194,292 | 194,292 |
| Non-current assets held for distribution | - | - | - | - | - | - | 1,331,216 | 1,331,216 |
| Other assets | - | - | - | - | - | - | 14,037,530 | 14,037,530 |
| | 115,944,957 | 36,055,859 | 9,324,991 | 10,421,083 | 10,343,794 | 8,743,000 | 31,680,544 | 222,514,228 |
| Less allowances for credit impairment | | | | | | | | (5,882,252) |
| **Total assets** | | | | | | | | **216,631,976** |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 2,636,677 | 528,830 | 243,275 | 176,780 | - | 16,596 | 95,880 | 3,698,038 |
| Deposits from customers | 148,714,368 | 3,389,126 | 3,424,379 | 1,239,359 | 43,604 | 728,496 | 13,482,578 | 171,021,910 |
| Derivative financial instruments | 12,186 | - | 393,591 | - | - | - | 123,018 | 528,795 |
| Other borrowed funds | 695,549 | 2,189,437 | 3,521,488 | 23,189 | - | 1,130,392 | 5,553 | 7,565,608 |
| Subordinated liabilities | 909,081 | 4,500,000 | - | - | - | - | - | 5,409,081 |
| Current tax liabilities | - | - | - | - | - | - | 368,440 | 368,440 |
| Other liabilities | 705,199 | - | - | - | - | - | 5,235,839 | 5,941,038 |
| **Total liabilities** | 153,673,060 | 10,607,393 | 7,582,733 | 1,439,328 | 43,604 | 1,875,484 | 19,311,308 | **194,532,910** |
| **On balance sheet interest sensitivity gap** | (37,728,103) | 25,448,466 | 1,742,258 | 8,981,755 | 10,300,190 | 6,867,516 | 12,369,236 | 27,981,318 |
| Less allowances for credit impairment | | | | | | | | (5,882,252) |
| | | | | | | | | **22,099,066** |

# 3. Financial Risk Management (Cont'd)

## (f) Interest rate risk (Cont'd)

### Interest sensitivity of assets and liabilities - repricing analysis

| **Bank**<br>**At June 30, 2013**<br>**Assets** | 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 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 8,263,612 | 829,980 | - | - | - | - | 5,521,041 | 14,614,633 |
| Derivative financial instruments | - | - | - | - | - | - | 120,955 | 120,955 |
| Loans to and placements with banks | 2,202,093 | 1,346,432 | 77,547 | 43,426 | - | - | - | 3,669,498 |
| Loans and advances to customers | 102,922,599 | 18,396,985 | 11,165,943 | 4,832,646 | 1,288,949 | 3,777,388 | 645,741 | 143,030,251 |
| Investment securities | 959,541 | 2,661,653 | 4,666,055 | 4,831,050 | 1,993,765 | 1,017,741 | 1,145,050 | 17,274,855 |
| Investments in associates | - | 413,352 | - | - | - | - | 462,804 | 876,156 |
| Investments in subsidiaries | - | 155,095 | - | - | - | - | 3,524,807 | 3,679,902 |
| Goodwill and other intangible assets | - | - | - | - | - | - | 691,896 | 691,896 |
| Property, plant and equipment | - | - | - | - | - | - | 5,442,042 | 5,442,042 |
| Deferred tax assets | - | - | - | - | - | - | 113,786 | 113,786 |
| Other assets | - | - | - | - | - | - | 10,739,181 | 10,739,181 |
| | 114,347,845 | 23,803,497 | 15,909,545 | 9,707,122 | 3,282,714 | 4,795,129 | 28,407,303 | 200,253,155 |
| Less allowances for credit impairment | | | | | | | | (4,058,817) |
| **Total assets** | | | | | | | | **196,194,338** |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 2,059,059 | 458,565 | 223,680 | 423,871 | 31,019 | 14,062 | 198,256 | 3,408,512 |
| Deposits from customers | 129,312,874 | 4,099,718 | 2,266,872 | 2,672,474 | 61,797 | 143,410 | 12,361,489 | 150,918,634 |
| Derivative financial instruments | - | - | - | - | - | - | 560,742 | 560,742 |
| Other borrowed funds | 4,086,799 | 4,530,076 | 3,301,612 | - | - | 1,176,474 | 8,761 | 13,103,722 |
| Subordinated liabilities | - | - | - | - | - | - | - | - |
| Current tax liabilities | - | - | - | - | - | - | 241,946 | 241,946 |
| Deferred tax liabilities | - | - | - | - | - | - | - | - |
| Other liabilities | 746,721 | - | 393,445 | - | - | - | 4,127,447 | 5,267,613 |
| **Total liabilities** | 136,205,453 | 9,088,359 | 6,185,609 | 3,096,345 | 92,816 | 1,333,946 | 17,498,641 | **173,501,169** |
| **On balance sheet interest sensitivity gap** | (21,857,608) | 14,715,138 | 9,723,936 | 6,610,777 | 3,189,898 | 3,461,183 | 10,908,662 | 26,751,986 |
| Less allowances for credit impairment | | | | | | | | (4,058,817) |
| | | | | | | | | **22,693,169** |

# Notes to the financial statements
for the year ended 30th June 2015 (continued)

## 3. Financial Risk Management (Cont'd)

### (g) Liquidity risk

Liquidity risk can be defined as the risk of a funding crisis, notably a lack of funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management:

(a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day.

(b) the maintenance of a stock of liquid assets to ensure that the bank has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds.

The bank has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. The bank Treasury manages liquidity in accordance with this policy, on a day-to-day basis.

**Maturities of assets and liabilities**

| **Bank**<br>**At June 30, 2015**<br>**Assets** | **Up to 1 month**<br>**RS '000** | **1-3 months**<br>**RS '000** | **3-6 months**<br>**RS '000** | **6-12 months**<br>**RS '000** | **1-3 years**<br>**RS '000** | **Over 3 years**<br>**RS '000** | **Non-maturity items**<br>**RS '000** | **Total**<br>**RS '000** |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 22,688,519 | - | - | - | - | - | 311,320 | 22,999,839 |
| Derivative financial instruments | 210,523 | 22,805 | 12,535 | 5,179 | - | - | 13,683 | 264,725 |
| Loans to and placements with banks | 2,159,119 | 2,282,130 | 651,385 | 4,018,948 | 175,950 | 175,950 | - | 9,463,482 |
| Loans and advances to customers | 37,645,165 | 8,097,958 | 3,003,076 | 3,877,878 | 14,878,944 | 88,732,155 | 1,073,133 | 157,308,309 |
| Investment securities | 509,875 | 3,869,962 | 6,200,833 | 5,485,633 | 17,626,305 | 8,696,698 | 2,286,030 | 44,675,336 |
| Goodwill and other intangible assets | - | - | - | - | - | - | 385,453 | 385,453 |
| Property, plant and equipment | - | - | - | - | - | - | 5,030,443 | 5,030,443 |
| Deferred tax assets | - | - | - | - | - | - | 222,519 | 222,519 |
| Non-current assets held for distribution | - | - | - | - | - | - | 1,331,216 | 1,331,216 |
| Other assets | - | 4,351 | 2,718 | 7,686 | 183,317 | 121,910 | 15,162,651 | 15,482,633 |
| | 63,213,201 | 14,277,206 | 9,870,547 | 13,395,324 | 32,864,516 | 97,726,713 | 25,816,448 | 257,163,955 |
| Less allowances for credit impairment | | | | | | | | (5,226,069) |
| **Total assets** | | | | | | | | **251,937,886** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 3,436,910 | 380,841 | 468,681 | 151,133 | 66,860 | - | - | 4,504,425 |
| Deposits from customers | 174,301,643 | 4,308,172 | 3,866,812 | 5,826,402 | 7,533,925 | 6,876,631 | - | 202,713,585 |
| Derivative financial instruments | 13,445 | 65,025 | 11,405 | 4,305 | - | - | 14,817 | 108,997 |
| Other borrowed funds | 1,239,457 | 182,468 | 215,495 | 450,943 | - | 4,827,462 | - | 6,915,825 |
| Subordinated liabilities | - | - | - | - | - | 1,055,697 | - | 1,055,697 |
| Current tax liabilities | - | - | 448,835 | - | - | - | - | 448,835 |
| Deferred tax liabilities | - | - | - | - | - | - | - | - |
| Other liabilities | 95,802 | - | - | 112 | - | - | 5,805,728 | 5,901,642 |
| **Total liabilities** | 179,087,257 | 4,936,506 | 5,011,228 | 6,432,895 | 7,600,785 | 12,759,790 | 5,820,545 | **221,649,006** |
| | | | | | | | | |
| **Net liquidity gap** | (115,874,056) | 9,340,700 | 4,859,319 | 6,962,429 | 25,263,731 | 84,966,923 | 19,995,903 | 35,514,949 |
| Less allowances for credit impairment | | | | | | | | (5,226,069) |
| | | | | | | | | **30,288,880** |

## 3. Financial Risk Management (Cont'd)

## (g) Liquidity risk (Cont'd)

### Maturities of assets and liabilities

| Bank<br>At June 30, 2014<br>Assets | Up to<br>1 month<br>RS '000 | 1-3<br>months<br>RS '000 | 3-6<br>months<br>RS '000 | 6-12<br>months<br>RS '000 | 1-3<br>years<br>RS '000 | Over 3<br>years<br>RS '000 | Non-maturity<br>items<br>RS '000 | Total<br>RS '000 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 17,307,924 | 57,140 | - | - | - | - | 338,553 | 17,703,617 |
| Derivative financial instruments | 70,612 | 19,023 | 9,749 | 559 | - | - | 21,958 | 121,901 |
| Loans to and placements with banks | 1,967,557 | 2,396,789 | 1,025,658 | 588,227 | 421,880 | 151,514 | - | 6,551,625 |
| Loans and advances to customers | 36,956,504 | 8,854,721 | 3,227,931 | 4,639,738 | 12,083,056 | 79,601,334 | 870,581 | 146,233,865 |
| Investment securities | 2,022,985 | 3,380,053 | 4,629,517 | 4,930,180 | 8,463,581 | 5,718,674 | 1,469,599 | 30,614,589 |
| Intangible assets | - | - | - | - | - | - | 523,084 | 523,084 |
| Property, plant and equipment | - | - | - | - | - | - | 5,202,509 | 5,202,509 |
| Deferred tax assets | - | - | - | - | - | - | 194,292 | 194,292 |
| Non-current assets held for distribution | - | - | - | - | - | - | 1,331,216 | 1,331,216 |
| Other assets | - | - | - | - | - | - | 14,037,530 | 14,037,530 |
| | 58,325,582 | 14,707,726 | 8,892,855 | 10,158,704 | 20,968,517 | 85,471,522 | 23,989,322 | 222,514,228 |
| Less allowances for credit impairment | | | | | | | | (5,882,252) |
| **Total assets** | | | | | | | | **216,631,976** |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 2,640,584 | 528,830 | 243,275 | 285,349 | - | - | - | 3,698,038 |
| Deposits from customers | 142,457,912 | 4,244,599 | 4,661,964 | 5,771,105 | 10,957,622 | 2,928,708 | - | 171,021,910 |
| Derivative financial instruments | 66,633 | 19,033 | 401,162 | 12,649 | - | - | 29,318 | 528,795 |
| Other borrowed funds | 5,553 | - | 1,285,650 | 1,468,885 | 1,274,919 | 3,530,601 | - | 7,565,608 |
| Subordinated liabilities | - | - | - | - | - | 5,409,081 | - | 5,409,081 |
| Current tax liabilities | - | - | 368,440 | - | - | - | - | 368,440 |
| Other liabilities | 705,199 | - | - | - | - | - | 5,235,839 | 5,941,038 |
| **Total liabilities** | 145,875,881 | 4,792,462 | 6,960,491 | 7,537,988 | 12,232,541 | 11,868,390 | 5,265,157 | **194,532,910** |
| **Net liquidity gap** | (87,550,299) | 9,915,264 | 1,932,364 | 2,620,716 | 8,735,976 | 73,603,132 | 18,724,165 | 27,981,318 |
| Less allowances for credit impairment | | | | | | | | (5,882,252) |
| | | | | | | | | **22,099,066** |

## 3. Financial Risk Management (Cont'd)

### (g) Liquidity risk (Cont'd)

**Maturities of assets and liabilities**

| **Bank**<br>**At June 30, 2013**<br>**Assets** | Up to<br>1 month<br>RS '000 | 1-3<br>months<br>RS '000 | 3-6<br>months<br>RS '000 | 6-12<br>months<br>RS '000 | 1-3<br>years<br>RS '000 | Over 3<br>years<br>RS '000 | Non-maturity<br>items<br>RS '000 | Total<br>RS '000 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 13,356,658 | 829,980 | - | - | - | - | 427,995 | 14,614,633 |
| Derivative financial instruments | 27,533 | 62,957 | 4,644 | - | - | - | 25,821 | 120,955 |
| Loans to and placements with banks | 1,236,070 | 1,191,338 | 77,547 | 43,426 | 1,121,117 | - | - | 3,669,498 |
| Loans and advances to customers | 37,588,959 | 11,557,078 | 3,049,683 | 2,196,567 | 9,553,682 | 78,449,314 | 634,968 | 143,030,251 |
| Investment securities | 930,287 | 2,760,991 | 4,357,948 | 4,831,050 | 2,205,937 | 1,226,511 | 962,131 | 17,274,855 |
| Investment in associates | - | - | - | - | 413,352 | - | 462,804 | 876,156 |
| Investments in subsidiaries | - | - | - | - | 37,500 | 155,095 | 3,487,307 | 3,679,902 |
| Goodwill and other intangible assets | - | - | - | - | - | - | 691,896 | 691,896 |
| Property, plant and equipment | - | - | - | - | - | - | 5,442,042 | 5,442,042 |
| Deferred tax assets | - | - | - | - | - | - | 113,786 | 113,786 |
| Other assets | - | - | - | - | - | - | 10,739,181 | 10,739,181 |
| | 53,139,507 | 16,402,344 | 7,489,822 | 7,071,043 | 13,331,588 | 79,830,920 | 22,987,931 | 200,253,155 |
| Less allowances for credit impairment | | | | | | | | (4,058,817) |
| **Total assets** | | | | | | | | **196,194,338** |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 2,271,377 | 458,565 | 223,680 | 454,890 | - | - | - | 3,408,512 |
| Deposits from customers | 117,822,209 | 10,222,570 | 3,547,721 | 6,006,546 | 7,277,556 | 6,042,032 | - | 150,918,634 |
| Derivative financial instruments | 58,092 | 50,025 | 8,391 | 392 | - | - | 443,842 | 560,742 |
| Other borrowed funds | 4,095,560 | 2,669,477 | 469,027 | - | 2,057,668 | 3,811,990 | - | 13,103,722 |
| Subordinated liabilities | - | - | - | - | - | - | - | - |
| Current tax liabilities | - | - | 241,946 | - | - | - | - | 241,946 |
| Deferred tax liabilities | - | - | - | - | - | - | - | - |
| Other liabilities | 1,543,378 | - | 69,966 | - | 323,479 | - | 3,330,790 | 5,267,613 |
| **Total liabilities** | 125,790,616 | 13,400,637 | 4,560,731 | 6,461,828 | 9,658,703 | 9,854,022 | 3,774,632 | **173,501,169** |
| **Net liquidity gap** | (72,651,109) | 3,001,707 | 2,929,091 | 609,215 | 3,672,885 | 69,976,898 | 19,213,299 | 26,751,986 |
| Less allowances for credit impairment | | | | | | | | (4,058,817) |
| | | | | | | | | **22,693,169** |

# 3. Financial Risk Management (Cont'd)

## (h) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occuring market transactions on an arm's length basis. The quoted market price used for financial assets held by the bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value on instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the bank for similar financial instruments.

## 4. Cash and Cash Equivalents

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Cash in hand | **1,834,403** | 2,296,253 | 2,253,708 |
| Foreign currency notes and coins | **61,472** | 80,972 | 46,882 |
| Unrestricted balances with Central Bank | **2,234,995** | 1,450,185 | 2,179,531 |
| Balances due in clearing | **315,767** | 338,761 | 429,180 |
| Money market placements | **10,247,910** | 4,903,195 | 5,294,329 |
| Balances with banks abroad | **8,305,292** | 8,542,124 | 4,108,688 |
| Balances with local banks | **-** | 2,127 | 2,315 |
| Interbank loans | **-** | 90,000 | 300,000 |
| | **22,999,839** | 17,703,617 | 14,614,633 |

### Cash and cash equivalents as shown in the statement of cash flows

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Cash and cash equivalents | **22,999,839** | 17,703,617 | 14,614,633 |
| Other borrowed funds (see note 15(a)) | **(1,239,457)** | (5,553) | (6,764,039) |
| **Net cash and cash equivalents** | **21,760,382** | 17,698,064 | 7,850,594 |
| **Change in year** | **4,062,318** | 9,847,470 | 1,669,568 |

## 5. Derivative Financial Instruments

The bank utilises the following derivative instruments to manage its exposure to foreign currency risk and interest rate risk: Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

Except for certain currency swaps, no exchange of principal takes place. The bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the bank assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative instruments held are set out below:

| | Contractual/ Nominal Amount RS'000 | Fair value assets RS'000 | Fair value liabilities RS'000 |
|---|---|---|---|
| **Derivatives held-for-trading** | | | |
| **Year ended 30th June 2015** | | | |
| **Foreign Exchange & Interest Rate Derivatives** | | | |
| Currency forwards | **3,928,124** | **49,480** | **35,862** |
| Interest rate swaps | **847,571** | **13,683** | **14,817** |
| Currency swaps | **18,841,767** | **201,562** | **58,318** |
| | **23,617,462** | **264,725** | **108,997** |
| Year ended 30th June 2014 | | | |
| **Foreign Exchange & Interest Rate Derivatives** | | | |
| Currency forwards | 3,180,349 | 59,688 | 58,725 |
| Cross currency interest rate swaps | 2,262,827 | - | 413,472 |
| Interest rate swaps | 970,186 | 21,658 | 21,621 |
| Currency swaps | 21,165,753 | 40,255 | 34,977 |
| Others | 41,383 | 300 | - |
| | 27,620,498 | 121,901 | 528,795 |
| Year ended 30th June 2013 | | | |
| **Foreign Exchange & Interest Rate Derivatives** | | | |
| Currency forwards | 2,827,737 | 28,138 | 30,727 |
| Cross currency interest rate swaps | 2,254,045 | - | 420,006 |
| Interest rate swaps | 831,201 | 25,518 | 23,837 |
| Currency swaps | 15,684,252 | 66,996 | 86,172 |
| Others | 81,093 | 303 | - |
| | 21,678,328 | 120,955 | 560,742 |

## 6. Loans

### (a) Loans to and placements with banks

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| **(i) Loans to and placements with banks** | | | |
| in Mauritius | **3,212,050** | 93,194 | 302,315 |
| outside Mauritius | **24,804,634** | 19,995,877 | 13,072,515 |
| | **28,016,684** | 20,089,071 | 13,374,830 |
| Less: | | | |
| Loans and placements with original maturity less than 3 months and included in cash and cash equivalents | **(18,553,202)** | (13,537,446) | (9,705,332) |
| | **9,463,482** | 6,551,625 | 3,669,498 |
| Less: | | | |
| Allowances for credit impairment | **(16,616)** | (17,400) | (10,000) |
| | **9,446,866** | 6,534,225 | 3,659,498 |
| **(ii) Remaining term to maturity** | | | |
| Up to 3 months | **4,441,249** | 4,364,346 | 2,427,408 |
| Over 3 months and up to 6 months | **651,385** | 1,025,658 | 77,547 |
| Over 6 months and up to 1 year | **4,018,948** | 588,227 | 43,426 |
| Over 1 year and up to 5 years | **175,950** | 421,880 | 1,121,117 |
| Over 5 years | **175,950** | 151,514 | - |
| | **9,463,482** | 6,551,625 | 3,669,498 |

#### (iii) Allowances for credit impairment

| | 2015 RS'000 |
|---|---|
| **Portfolio Provision :** | |
| At 30th June 2012 | 8,000 |
| Provision for credit impairment for the year | 2,000 |
| At 30th June 2013 | 10,000 |
| Provision for credit impairment for the year | 7,400 |
| At 30th June 2014 | **17,400** |
| Provision released during the year | **(784)** |
| **At 30th June 2015** | **16,616** |

## 6. **Loans** (Cont'd)

## (b) Loans and advances to customers

| | 2015<br>RS'000 | 2014<br>RS'000 | 2013<br>RS'000 |
|---|---|---|---|
| **(i) Loans and advances to customers** | | | |
| Retail customers: | | | |
| Credit cards | **632,299** | 619,236 | 752,714 |
| Mortgages | **19,079,950** | 16,935,623 | 15,827,003 |
| Other retail loans | **12,342,851** | 11,745,765 | 11,139,760 |
| Corporate customers | **96,162,672** | 91,276,818 | 86,063,359 |
| Governments | **308,155** | 428,745 | 450,738 |
| Entities outside Mauritius | **28,782,382** | 25,227,678 | 28,796,677 |
| | **157,308,309** | 146,233,865 | 143,030,251 |
| Less: | | | |
| Allowances for credit impairment | **(5,209,453)** | (5,864,852) | (4,048,817) |
| | **152,098,856** | 140,369,013 | 138,981,434 |

| **(ii) Remaining term to maturity** | 2015<br>RS'000 | 2014<br>RS'000 | 2013<br>RS'000 |
|---|---|---|---|
| Up to 3 months | **46,816,256** | 45,811,225 | 49,146,037 |
| Over 3 months and up to 6 months | **3,003,076** | 3,227,931 | 3,049,683 |
| Over 6 months and up to 1 year | **3,877,878** | 4,639,738 | 2,196,567 |
| Over 1 year and up to 5 years | **39,241,204** | 26,950,307 | 25,773,840 |
| Over 5 years | **64,369,895** | 65,604,664 | 62,864,124 |
| | **157,308,309** | 146,233,865 | 143,030,251 |

## 6. Loans (Cont'd)

### (b) Loans and advances to customers (Cont'd)

#### (iii) Allowances for credit impairment

| | Specific RS'000 | Portfolio RS'000 | Total RS'000 |
|---|---|---|---|
| At 1st July 2014 | **3,843,616** | **1,023,900** | **4,867,516** |
| Exchange adjustment | **113,409** | **-** | **113,409** |
| Provision for credit impairment for the year | **806,953** | **62,313** | **869,266** |
| Provision released during the year | **(29,350)** | **-** | **(29,350)** |
| Amounts written off | **(1,497,813)** | **-** | **(1,497,813)** |
| **At 30th June 2015** | **3,236,815** | **1,086,213** | **4,323,028** |
| Interest suspense | **886,425** | **-** | **886,425** |
| **Provision and interest suspense at 30th June 2015** | **4,123,240** | **1,086,213** | **5,209,453** |
| | | | |
| At 1st July 2013 | 2,173,283 | 997,000 | 3,170,283 |
| Provision for credit impairment for the year | 1,769,341 | 26,900 | 1,796,241 |
| Provision released during the year | (9,857) | - | (9,857) |
| Amounts written off | (89,151) | - | (89,151) |
| At 30th June 2014 | 3,843,616 | 1,023,900 | 4,867,516 |
| Interest suspense | 997,336 | - | 997,336 |
| Provision and interest suspense at 30th June 2014 | 4,840,952 | 1,023,900 | 5,864,852 |
| | | | |
| At 1st July 2012 | 1,423,193 | 908,600 | 2,331,793 |
| Provision for credit impairment for the year | 924,655 | 88,400 | 1,013,055 |
| Provision released during the year | (29,152) | - | (29,152) |
| Amounts written off | (145,413) | - | (145,413) |
| At 30th June 2013 | 2,173,283 | 997,000 | 3,170,283 |
| Interest suspense | 878,534 | - | 878,534 |
| Provision and interest suspense at 30th June 2013 | 3,051,817 | 997,000 | 4,048,817 |

# 6. Loans (Cont'd)

## (b) Loans and advances to customers (Cont'd)

### (iv) Allowances for credit impairment by industry sectors

| | 2015 | | | | | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| | Gross amount of loans RS'000 | Non performing loans RS'000 | Specific provision RS'000 | Portfolio provision RS'000 | Total provision RS'000 | Total provision RS'000 | Total provision RS'000 |
| Agriculture and fishing | **7,370,595** | **916,270** | **30,900** | **7,884** | **38,784** | 25,629 | 54,549 |
| Manufacturing | **9,943,480** | **353,855** | **219,562** | **70,828** | **290,390** | 471,559 | 340,864 |
| *of which EPZ* | ***3,288,128*** | ***68,343*** | ***52,336*** | ***23,910*** | ***76,246*** | *97,181* | *110,739* |
| Tourism | **33,217,297** | **696,417** | **175,597** | **77,413** | **253,010** | 256,320 | 222,223 |
| Transport | **3,461,231** | **891,332** | **591,311** | **46,180** | **637,491** | 384,108 | 48,673 |
| Construction | **15,665,597** | **1,940,928** | **674,116** | **220,062** | **894,178** | 694,657 | 614,013 |
| Financial and business services | **17,063,392** | **124,659** | **69,159** | **51,350** | **120,509** | 114,159 | 123,014 |
| Traders | **16,846,080** | **893,973** | **461,027** | **159,007** | **620,034** | 1,071,935 | 441,264 |
| Personal | **29,405,695** | **2,257,337** | **945,987** | **181,736** | **1,127,723** | 1,220,379 | 1,195,660 |
| *of which credit cards* | ***621,938*** | ***73,654*** | ***44,181*** | ***12,019*** | ***56,200*** | *68,976* | *68,150* |
| *of which housing* | ***19,079,950*** | ***1,017,111*** | ***157,176*** | ***84,052*** | ***241,228*** | *236,556* | *191,831* |
| Professional | **980,526** | **311,169** | **171,645** | **18,340** | **189,985** | 56,073 | 52,672 |
| Foreign governments | **308,155** | **-** | **-** | **-** | **-** | 1,500 | 1,600 |
| Global Business Licence holders | **14,330,994** | **855,207** | **655,884** | **193,894** | **849,778** | 1,381,419 | 736,219 |
| Others | **8,715,267** | **293,499** | **128,052** | **59,519** | **187,571** | 187,114 | 218,066 |
| | **157,308,309** | **9,534,646** | **4,123,240** | **1,086,213** | **5,209,453** | 5,864,852 | 4,048,817 |

### (v) Credit concentration of risk by industry sectors

Total credit facilities including guarantees and other similar commitments extended by the bank to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors.

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Agriculture and fishing | **1,272,256** | 2,390,858 | 1,842,681 |
| Manufacturing | **2,142,255** | 3,225,296 | 2,164,474 |
| *of which EPZ* | ***1,553,253*** | *1,652,056* | *875,888* |
| Tourism | **15,418,199** | 17,662,724 | 14,959,946 |
| Transport | **39,511** | 53,889 | 110,888 |
| Construction | **2,048,423** | 1,813,951 | 3,201,793 |
| Financial and business services | **23,187,296** | 19,966,767 | 9,245,340 |
| Traders | **21,074,963** | 14,101,600 | 7,756,834 |
| Global Business Licence holders | **14,104,893** | 7,243,028 | 2,264,230 |
| Others | **738,654** | 2,960,333 | 3,527,255 |
| | **80,026,450** | 69,418,446 | 45,073,441 |

## 7. Investment Securities

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Held-to-maturity | **40,648,131** | 28,656,695 | 15,921,035 |
| Available-for-sale | **4,027,205** | 1,957,894 | 1,353,820 |
| | **44,675,336** | 30,614,589 | 17,274,855 |

### (a) (i) Held-to-maturity

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Government of Mauritius & Bank of Mauritius bonds | **26,368,810** | 15,108,443 | 3,413,044 |
| Treasury bills | **13,527,402** | 13,191,774 | 12,278,428 |
| Foreign bonds | **722,529** | 327,088 | 29,253 |
| Mauritius Development Loan Stocks | **-** | - | 200,310 |
| Other | **29,390** | 29,390 | - |
| | **40,648,131** | 28,656,695 | 15,921,035 |

### (ii) Remaining term to maturity

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 3 months RS'000 | 3 - 6 months RS'000 | 6 - 12 months RS'000 | 1 - 5 years RS'000 | Over 5 years RS'000 | Total RS'000 |
| Government of Mauritius & Bank of Mauritius bonds | **-** | **200,111** | **1,153,832** | **20,113,495** | **4,901,372** | **26,368,810** |
| Treasury bills | **4,524,071** | **4,948,490** | **4,054,841** | **-** | **-** | **13,527,402** |
| Foreign bonds | **351,649** | **-** | **175,950** | **194,930** | **-** | **722,529** |
| Other | **-** | **-** | **-** | **29,390** | **-** | **29,390** |
| | **4,875,720** | **5,148,601** | **5,384,623** | **20,337,815** | **4,901,372** | **40,648,131** |

### (b) Available-for-sale

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| **Quoted - Level 1** | | | |
| Official list : shares | **1,125,581** | 754,514 | 6,773 |
| Bonds | **1,228,147** | 29,974 | - |
| Foreign shares | **623,697** | 421,501 | 686,715 |
| **Unquoted - Level 2** | | | |
| Investment fund | **101,009** | 92,063 | - |
| **Unquoted - Level 3** | | | |
| Investment fund | **510,631** | 187,369 | 182,919 |
| Shares | **229,279** | 263,612 | 268,643 |
| Inflation - indexed Government of Mauritius bonds | **208,861** | 208,861 | 208,770 |
| | **4,027,205** | 1,957,894 | 1,353,820 |

## 8. Investments in Associates

### (a) The bank's interest in its principal associates were as follows:

| | Country of incorporation | Assets RS'000 | Liabilities RS'000 | Revenues RS'000 | Profit RS'000 | Holding % | Cost RS'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 30th June 2015 and 30th June 2014** | - | - | - | - | - | - | - |
| Year ended 30th June 2013 | | | | | | | |
| Banque Française Commerciale O.I. | France | 61,554,233 | 56,676,426 | 4,386,013 | 473,170 | 49.99 | 447,184 |
| Credit Guarantee Insurance Co Ltd | Mauritius | 77,939 | 52,757 | 35,383 | 4,929 | 40.00 | 12,000 |
| | | | | | | | 459,184 |
| Subordinated loans to associates | | | | | | | 416,972 |
| | | | | | | | 876,156 |

### (b) Movements in investment in associates

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| At 1st July | - | 876,156 | 861,635 |
| Increase in shareholding during the year | - | 185 | - |
| Exchange adjustment on subordinated loan | - | 8,528 | 14,521 |
| Subordinated loan converted into shares and disposed thereafter | - | (3,600) | - |
| Distributed by way of dividend in specie (see note 35(b)) | - | (12,000) | - |
| Transferred to non-current assets held for distribution (see note 35(a)) | - | (447,369) | - |
| | - | 421,900 | 876,156 |
| Subordinated loans to associates reclassified to loans to banks/customers where applicable | - | (421,900) | - |
| At 30th June | - | - | 876,156 |

# Notes to the financial statements
for the year ended 30th June 2015 (continued)

## 9. Investments in Subsidiaries

### (a) The bank's interest in its subsidiaries were as follows:

| | Country of incorporation/ operation | Principal activities | Effective holding 2015 % | 2014 % | 2013 % | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|---|---|---|---|---|
| ** MCB (Maldives) Private Ltd | Republic of Maldives | Banking & Financial services | **N/A** | N/A | 100.00 | **-** | - | 347,963 |
| ** MCB Moçambique SA | Mozambique | Banking & Financial services | **N/A** | N/A | 95.00 | **-** | - | 260,040 |
| ** MCB Seychelles Ltd | Seychelles | Banking & Financial services | **N/A** | N/A | 100.00 | **-** | - | 211,522 |
| ** MCB Madagascar SA | Madagascar | Banking & Financial services | **N/A** | N/A | 85.00 | **-** | - | 64,322 |
| * MCB Equity Fund Ltd | Mauritius | Private Equity Fund | **N/A** | N/A | 100.00 | **-** | - | 2,334,637 |
| * International Card Processing Services Ltd | Mauritius | Providing card system facilities, card embossing and encoding services | **N/A** | N/A | 80.00 | **-** | - | 80,000 |
| * MCB Capital Markets Ltd | Mauritius | Investment Holding Company | **N/A** | N/A | 96.00 | **-** | - | 71,858 |
| * MCB Factors Ltd | Mauritius | Factoring | **N/A** | N/A | 100.00 | **-** | - | 50,000 |
| * Fincorp Investment Ltd | Mauritius | Investment Company | **N/A** | N/A | 57.56 | **-** | - | 24,736 |
| * MCB Properties Ltd | Mauritius | Property ownership & development | **N/A** | N/A | 100.00 | **-** | - | 14,625 |
| * Blue Penny Museum | Mauritius | Philatelic museum | **N/A** | N/A | 97.88 | **-** | - | 950 |
| | | | | | | **-** | - | 3,460,653 |
| Subordinated loans to subsidiaries | | | | | | **-** | - | 219,249 |
| | | | | | | **-** | - | 3,679,902 |

* These subsidiaries have been distributed by way of dividend in specie.
** These subsidiaries have been transferred to non-current asset held for distribution (see note 35(a)).

## 9. Investments in Subsidiaries (Cont'd)

### (b) Movements in investment in subsidiaries

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| At 1st July | - | 3,679,902 | 3,537,307 |
| Net movement in shareholding during the year | - | (248,994) | - |
| Exchange adjustment on subordinated loan | - | (3,581) | - |
| Distributed by way of dividend in specie | - | (2,327,812) | - |
| Transferred to non-current assets held for distribution | - | (883,847) | - |
| Subordinated loans (refunded by)/granted to subsidiaries | - | (12,500) | 142,595 |
| Subordinated loans reclassified to loans to banks/customers where applicable | - | (203,168) | - |
| **At 30th June** | - | - | 3,679,902 |

## 10. Intangible Assets

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| **Computer Software** | | | |
| **Cost** | | | |
| At 1st July | **2,392,790** | 2,367,218 | 2,302,259 |
| Additions | **44,668** | 47,207 | 74,250 |
| Scrap/Impairment | **(12,824)** | (21,082) | (9,291) |
| Disposal | **(68,992)** | (553) | - |
| **At 30th June** | **2,355,642** | 2,392,790 | 2,367,218 |
| | | | |
| **Amortisation** | | | |
| At 1st July | **1,869,706** | 1,675,322 | 1,483,583 |
| Scrap/Impairment | **(12,824)** | (21,082) | (9,291) |
| Disposal adjustment | **(65,586)** | (222) | - |
| Charge for the year | **178,893** | 215,688 | 201,030 |
| **At 30th June** | **1,970,189** | 1,869,706 | 1,675,322 |
| **Net book value** | **385,453** | 523,084 | 691,896 |

## 11. Property, Plant and Equipment

| | Land and buildings RS'000 | Computer and other equipment RS'000 | Furniture fittings and vehicles RS'000 | Work in progress RS'000 | Total RS'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1st July 2012 | 4,334,616 | 2,684,533 | 754,235 | 37,436 | 7,810,820 |
| Additions | 104,447 | 72,058 | 22,788 | 146,872 | 346,165 |
| Disposals | (25,987) | (150,133) | (37,685) | - | (213,805) |
| Transfer | 22,223 | 94,123 | 33,317 | (149,663) | - |
| At 30th June 2013 | 4,435,299 | 2,700,581 | 772,655 | 34,645 | 7,943,180 |
| Additions | 23,597 | 71,805 | 25,815 | 74,997 | 196,214 |
| Disposals | (21,288) | (40,424) | (39,752) | - | (101,464) |
| Transfer | - | 29,489 | 15,123 | (44,612) | - |
| At 30th June 2014 | **4,437,608** | **2,761,451** | **773,841** | **65,030** | **8,037,930** |
| Additions | **10,583** | **118,140** | **12,319** | **50,853** | **191,895** |
| Disposals | **-** | **(71,121)** | **(33,124)** | **-** | **(104,245)** |
| Transfer | **-** | **80,357** | **10,066** | **(90,423)** | **-** |
| **At 30th June 2015** | **4,448,191** | **2,888,827** | **763,102** | **25,460** | **8,125,580** |
| **Accumulated depreciation** | | | | | |
| At 1st July 2012 | 436,315 | 1,512,835 | 317,723 | - | 2,266,873 |
| Charge for the year | 70,622 | 277,915 | 58,360 | - | 406,897 |
| Disposal adjustment | (3,413) | (137,310) | (31,909) | - | (172,632) |
| At 30th June 2013 | 503,524 | 1,653,440 | 344,174 | - | 2,501,138 |
| Charge for the year | 71,037 | 284,604 | 54,677 | - | 410,318 |
| Disposal adjustment | (98) | (37,767) | (38,170) | - | (76,035) |
| At 30th June 2014 | **574,463** | **1,900,277** | **360,681** | **-** | **2,835,421** |
| Charge for the year | **71,261** | **235,154** | **52,400** | **-** | **358,815** |
| Disposal adjustment | **-** | **(68,932)** | **(30,167)** | **-** | **(99,099)** |
| **At 30th June 2015** | **645,724** | **2,066,499** | **382,914** | **-** | **3,095,137** |
| **Net book values** | | | | | |
| **At 30th June 2015** | **3,802,467** | **822,328** | **380,188** | **25,460** | **5,030,443** |
| At 30th June 2014 | 3,863,145 | 861,174 | 413,160 | 65,030 | 5,202,509 |
| At 30th June 2013 | 3,931,775 | 1,047,141 | 428,481 | 34,645 | 5,442,042 |

## 12. Deferred Tax Assets

| | Balance as at 1st July RS'000 | Exchange Adjustment RS'000 | Recognised in Statement of profit or loss RS'000 | Statement of profit or loss and other comprehensive income RS'000 | Balance as at 30 June RS'000 |
|---|---|---|---|---|---|
| The movement in the deferred income tax account is as follows: | | | | | |
| **2015** | | | | | |
| **Provisions and post retirement benefits** | **254,103** | **-** | **(716)** | **(16,803)** | **236,584** |
| **Provisions for credit impairment** | **117,432** | **3,486** | **41,917** | **-** | **162,835** |
| **Accelerated tax depreciation** | **(177,243)** | **-** | **343** | **-** | **(176,900)** |
| **At 30th June 2015** | **194,292** | **3,486** | **41,544** | **(16,803)** | **222,519** |
| 2014 | | | | | |
| Provisions and post retirement benefits | 208,376 | - | 5,243 | 40,484 | 254,103 |
| Provisions for credit impairment | 94,689 | - | 22,743 | - | 117,432 |
| Accelerated tax depreciation | (189,279) | - | 12,036 | - | (177,243) |
| At 30th June 2014 | 113,786 | - | 40,022 | 40,484 | 194,292 |
| 2013 | | | | | |
| Provisions and post retirement benefits | 180,269 | - | 4,347 | 23,760 | 208,376 |
| Provisions for credit impairment | 78,351 | - | 16,338 | - | 94,689 |
| Accelerated tax depreciation | (177,602) | - | (11,677) | - | (189,279) |
| At 30th June 2013 | 81,018 | - | 9,008 | 23,760 | 113,786 |

## 13. Other Assets

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Mandatory balances with Central Bank | **12,252,565** | 10,646,314 | 8,039,278 |
| Accrued interest receivable | **1,273,421** | 1,034,304 | 1,034,790 |
| Prepayments & other receivables | **741,942** | 910,276 | 556,197 |
| Receivable from Mauritius Union Assurance Co Ltd | **25,000** | 50,000 | 75,000 |
| Credit Card Clearing | **180,193** | 238,605 | 87,828 |
| Non-banking assets acquired in satisfaction of debts | **57,474** | 55,792 | 51,433 |
| Margin deposit under Credit Support Annex | **-** | 431,521 | 461,251 |
| Impersonal & other accounts | **952,038** | 670,718 | 433,404 |
| | **15,482,633** | 14,037,530 | 10,739,181 |

## 14. Deposits

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| **(a) Deposits from banks** | | | |
| Demand deposits | **3,303,800** | 2,415,169 | 1,685,080 |
| Money market deposits with remaining term to maturity: | | | |
| Up to 3 months | **513,951** | 754,245 | 1,044,862 |
| Over 3 months and up to 6 months | **468,681** | 243,275 | 223,680 |
| Over 6 months and up to 1 year | **151,133** | 285,349 | 454,890 |
| Over 1 year and up to 5 years | **66,860** | - | - |
| | **1,200,625** | 1,282,869 | 1,723,432 |
| | **4,504,425** | 3,698,038 | 3,408,512 |
| **(b) Deposits from customers** | | | |
| **(i) Retail customers** | | | |
| Demand deposits | **20,749,512** | 15,508,233 | 12,012,604 |
| Savings deposits | **86,278,568** | 74,282,426 | 68,226,248 |
| Time deposits with remaining term to maturity: | | | |
| Up to 3 months | **3,442,220** | 3,280,785 | 4,106,179 |
| Over 3 months and up to 6 months | **1,907,356** | 2,703,635 | 2,339,617 |
| Over 6 months and up to 1 year | **4,370,791** | 4,219,592 | 4,630,251 |
| Over 1 year and up to 5 years | **10,204,584** | 9,218,134 | 9,037,608 |
| Over 5 years | **53,629** | 31,905 | 4,855 |
| | **19,978,580** | 19,454,051 | 20,118,510 |
| | **127,006,660** | 109,244,710 | 100,357,362 |
| **(ii) Corporate customers** | | | |
| Demand deposits | **57,541,764** | 43,706,020 | 32,425,132 |
| Savings deposits | **5,643,459** | 5,591,302 | 5,102,968 |
| Time deposits with remaining term to maturity: | | | |
| Up to 3 months | **4,915,207** | 4,311,127 | 6,116,391 |
| Over 3 months and up to 6 months | **1,959,456** | 1,958,329 | 1,208,104 |
| Over 6 months and up to 1 year | **1,455,611** | 1,551,513 | 1,376,295 |
| Over 1 year and up to 5 years | **1,398,256** | 1,739,488 | 1,438,877 |
| Over 5 years | **2,754,087** | 2,896,803 | 2,838,248 |
| | **12,482,617** | 12,457,260 | 12,977,915 |
| | **75,667,840** | 61,754,582 | 50,506,015 |
| **(iii) Government** | | | |
| Demand deposits | **10,423** | 3,715 | 3,997 |
| Savings deposits | **28,662** | 18,903 | 51,260 |
| | **39,085** | 22,618 | 55,257 |
| | **202,713,585** | 171,021,910 | 150,918,634 |

## 15. Other Borrowed Funds

### (a) Other borrowed funds comprise the following:

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Borrowings from banks: | | | |
| in Mauritius | **11,719** | 23,189 | 387,736 |
| abroad | **6,904,106** | 5,685,369 | 10,855,386 |
| Debt securities* | **-** | 1,857,050 | 1,860,600 |
| | **6,915,825** | 7,565,608 | 13,103,722 |
| Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4 | **1,239,457** | 5,553 | 6,764,039 |

The carrying amounts of other borrowed funds are not materially different from the fair value.

* The debt securities consist of senior unsecured floating rate notes as follows:

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| ZAR 200 million maturing in January 2015 at an average interest rate of 6.6% | **-** | 571,400 | - |
| ZAR 100 million maturing in December 2014 at an average interest rate of 6.8% | **-** | 285,700 | 310,100 |
| ZAR 350 million maturing in December 2014 at an average interest rate of 7.4% | **-** | 999,950 | 1,085,350 |
| ZAR 150 million matured in December 2013 at an average interest rate of 6.1% | **-** | - | 465,150 |
| | **-** | 1,857,050 | 1,860,600 |

### (b) Remaining term to maturity:

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| On demand or within a period not exceeding 1 year | **2,088,363** | 2,760,088 | 7,234,064 |
| Within a period of more than 1 year but not exceeding 2 years | **-** | 1,274,919 | 2,057,668 |
| Within a period of more than 3 years | **4,827,462** | 3,530,601 | 3,811,990 |
| | **6,915,825** | 7,565,608 | 13,103,722 |

## 16. Subordinated Liabilities

| | | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|---|
| Rs 4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 6% (Level 1) | (i) | - | 4,500,000 | - |
| USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (Level 3) | (ii) | **1,055,697** | 909,081 | - |
| | | **1,055,697** | 5,409,081 | - |

The carrying amounts of the subordinated liabilities are not materially different from the fair value.

**(i)** As part of its capital-raising plans, the bank made an offer to the public for the issue of Rs 3 billion worth of floating rate subordinated notes due in 2023, with an option to issue up to Rs 4.5 billion, in case of oversubscription. The offer closed on 19th July 2013 and applications were received for a total of Rs 6.3 billion from which the bank decided to retain the maximum amount of Rs 4.5 billion.

In order to strengthen the capital base of the bank in anticipation of future business growth and of higher regulatory requirements set out in Basel III, The Board of Directors of the bank and MCB Group Limited have obtained the approval of the Bank of Mauritius under Section 32A of the Banking Act to transfer the assets and liabilities attached to the ultimate holding company, MCB Group Limited. The transfer was effected on 25th June 2015. As such, the bank has been replaced by MCB Group Limited as the issuer of the Notes and the corresponding liabilities (i.e. coupon payments and principal repayment at maturity) would be fully assumed by MCB Group Limited in exchange of a cash receipt of Rs 4.5 billion. Apart from the change in issuer, the existing terms and conditions of the Notes remained unchanged.

These Notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd and are presently available to individual and institutional investors for secondary trading.

**(ii)** The bank obtained a USD 30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD 150M granted by the latter to allow the bank to increase its foreign currency lending to clients operating in the region and in mainland Africa.

## 17. Post Employee Benefits Liabilities

### Amounts recognised in the financial statements at end of year

| | 2015<br>Rs'000 | 2014<br>Rs'000 | 2013<br>Rs'000 |
|---|---|---|---|
| **Reconciliation of net defined benefit liability** | | | |
| Opening balance | **1,151,026** | 846,178 | 658,795 |
| Amount recognised in statements of profit or loss | **309,534** | 265,038 | 240,833 |
| Amount recognised in statement of profit or loss and other comprehensive income | **(112,018)** | 269,896 | 158,399 |
| Less employer contributions | **(314,305)** | (230,086) | (211,849) |
| **Liability as shown in note 18** | **1,034,237** | 1,151,026 | 846,178 |
| | | | |
| **Reconciliation of fair value of plan assets** | | | |
| Opening balance | **4,703,279** | 4,326,598 | 3,824,012 |
| Interest income | **379,941** | 347,894 | 384,559 |
| Employer contributions | **314,305** | 230,086 | 211,849 |
| Benefits paid | **(220,533)** | (185,062) | (167,630) |
| Return on plan assets excluding interest income | **120,933** | (16,237) | 73,808 |
| **Closing balance** | **5,297,925** | 4,703,279 | 4,326,598 |
| | | | |
| **Reconciliation of present value of defined benefit obligation** | | | |
| Opening balance | **5,854,305** | 5,172,776 | 4,482,807 |
| Current service cost | **229,782** | 206,370 | 185,293 |
| Interest expense | **459,693** | 406,562 | 440,099 |
| Other benefits paid | **(220,533)** | (185,062) | (167,630) |
| Liability experience loss/(gain) | **20,774** | (31,361) | - |
| Liability gain due to change in demographic assumptions | **-** | - | (247,028) |
| Liability (gain)/loss due to change in financial assumptions | **(11,859)** | 285,020 | 479,235 |
| **Closing balance** | **6,332,162** | 5,854,305 | 5,172,776 |
| | | | |
| **Components of amount recognised in statement of profit or loss** | | | |
| Current service cost | **229,782** | 206,370 | 185,293 |
| Net interest on net defined benefit liability | **79,752** | 58,668 | 55,540 |
| **Total** | **309,534** | 265,038 | 240,833 |
| | | | |
| **Components of amount recognised in other comprehensive income** | | | |
| Return on plan assets (above)/below interest income | **(120,933)** | 16,237 | (73,808) |
| Liability experience loss/(gain) | **20,774** | (31,361) | - |
| Liability gain due to change in demographic assumptions | **-** | - | (247,028) |
| Liability (gain)/loss due to change in financial assumptions | **(11,859)** | 285,020 | 479,235 |
| **Total** | **(112,018)** | 269,896 | 158,399 |

## 17. Post Employee Benefits Liabilities (Cont'd)

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Allocation of plan assets at end of year** | % | % | % |
| Equity - Local quoted | **22** | 22 | 20 |
| Equity - Local unquoted | **2** | 2 | 2 |
| Debt - Overseas quoted | **9** | 11 | 13 |
| Debt - Local quoted | **4** | 3 | 0 |
| Debt - Local unquoted | **3** | 4 | 8 |
| Property - Local | **4** | 4 | 4 |
| Investment funds | **39** | 37 | 35 |
| Cash and other | **17** | 17 | 18 |
| **Total** | **100** | 100 | 100 |

| | | | |
|---|---|---|---|
| **Allocation of plan assets at end of period** | % | % | % |
| Reporting entity's own transferable financial instruments | **6** | 5 | 5 |
| Property occupied by reporting entity | **2** | 3 | 3 |
| Other assets used by reporting entity | **11** | 14 | 17 |

| | | | |
|---|---|---|---|
| **Principal assumptions used at end of period** | | | |
| Discount rate | **7.0%** | 8.0% | 8.0% |
| Rate of salary increases | **5.0%** | 6.0% | 6.5% |
| Rate of pension increases | **4.5%** | 5.5% | 4.5% |
| Average retirement age (ARA) | **62** | 62 | 62 |
| Average life expectancy for: | | | |
| Male at ARA | **18.0 years** | 18.0 years | 18.0 years |
| Female at ARA | **22.5 years** | 22.5 years | 22.5 years |

| | 2015<br>Rs'000 | 2014<br>Rs'000 | 2013<br>Rs'000 |
|---|---|---|---|
| **Sensitivity analysis on defined benefit obligation at end of period** | | | |
| Increase due to 1% decrease in discount rate | **1,219,187** | 1,152,747 | N/A |
| Decrease due to 1% increase in discount rate | **942,666** | 830,913 | N/A |

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

## 17. Post Employee Benefits Liabilities (Cont'd)

It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing that sensitivity analysis from prior years.

The bank sponsors a defined benefit pension plan for its staff which is self-administered and funded separately from the bank. The bank has recognized a net defined benefit liability of Rs 1,034,237,000 as at 30 June 2015 for the plan (2014 : Rs 1,151,026,000).

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

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

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

**Longevity risk:**
The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

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

There has been no plan amendment, curtailment or settlement during the year.

**Future cash flows**
The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries

| | |
|---|---|
| Expected employer contribution for the next year | **239,527** |
| Weighted average duration of the defined benefit obligation | **17 years** |

**Defined contribution scheme**
As from 1st July 2015, the bank has introduced a Defined Contribution Cash Balanced scheme for its employees.

Consequently, all employees joining the bank as from that date are automatically enrolled in the new scheme. Existing employee have the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants.

## 18. Other Liabilities

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Accrued interest payable | **640,654** | 929,987 | 891,777 |
| MCB Superannuation Fund | **664,262** | 705,199 | 746,721 |
| Margin deposit under Credit Support Annex | **21,818** | - | - |
| Post employee benefit liability (see note 17) | **1,034,237** | 1,151,026 | 846,178 |
| Proposed dividend | **1,023,229** | 809,065 | 796,657 |
| Impersonal & other accounts | **2,517,442** | 2,345,761 | 1,986,280 |
| | **5,901,642** | 5,941,038 | 5,267,613 |

## 19. Share Capital, Treasury Shares and Reserves

### (a) Share capital and treasury shares

| | Number of shares | | |
|---|---|---|---|
| | Share Capital | Treasury Shares | Total |
| At 1st July 2012 | 250,375,595 | (12,731,940) | 237,643,655 |
| Exercise of share options | - | 164,344 | 164,344 |
| At 30th June 2013 | 250,375,595 | (12,567,596) | 237,807,999 |
| Exercise of share options | - | 152,248 | 152,248 |
| Cancellation of treasury shares | (12,415,348) | 12,415,348 | - |
| At 30th June 2014 | **237,960,247** | **-** | **237,960,247** |
| Rights issue | **450,000,000** | **-** | **450,000,000** |
| **At 30th June 2015** | **687,960,247** | **-** | **687,960,247** |

At a special meeting of shareholders of the bank held on 25th June 2015, 450,000,000 shares were offered by way of rights issue for an amount of Rs 4.5 billion. The shares have no par value and rank "pari passu" in all respects with the existing ordinary shares of the company.

### (b) Reserves

**(i) Capital reserve**
The capital reserve represents the cumulative net change in the fair value of available-for-sale investment securities until the securities are derecognised or impaired.

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

**(iii) General banking reserve**
The bank makes an appropriation to a general banking reserve for unforeseen risks and future losses.

## 20. Contingent Liabilities

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| **(a) Instruments** | | | |
| Guarantees on account of customers | **15,686,218** | 15,931,937 | 16,901,250 |
| Letters of credit and other obligations on account of customers | **15,781,597** | 29,632,253 | 18,687,134 |
| Other contingent items | **11,854,612** | 16,548,255 | 10,961,602 |
| | **43,322,427** | 62,112,445 | 46,549,986 |
| **(b) Commitments** | | | |
| Loans and other facilities, including undrawn credit facilities | **4,380,241** | 4,355,291 | 5,022,227 |
| **(c) Tax assessments *** | **797,225** | 272,057 | 121,584 |
| **(d) Other** | | | |
| Inward bills held for collection | **380,692** | 461,794 | 454,499 |
| Outward bills sent for collection | **803,573** | 1,042,994 | 1,177,623 |
| | **1,184,265** | 1,504,788 | 1,632,122 |
| | **49,684,158** | 68,244,581 | 53,325,919 |

*During the period December 2011 to June 2015, the bank received income tax assessments relating to the years ended 30th June 2007, 30th June 2008, 30th June 2009, 30th June 2010, 30th June 2011 and 30th June 2012 respectively against which the bank has objected.

In May 2012, October 2012 and December 2014, the bank received assessments under the Value Added Tax Act for the periods April 2006 to December 2009, January 2010 to January 2011 and February 2011 to December 2013 respectively against which the bank has also objected.

The above are pending in front of the Assessment Review Committee. The maximum liability that could arise from these assessments amounts to Rs 797.2 million, including penalties and interests.

## 21. Interest Income

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Loans to and placements with banks | **202,394** | 186,503 | 170,839 |
| Loans and advances to customers | **10,105,092** | 9,747,799 | 9,708,287 |
| Held-to-maturity investments | **1,280,581** | 919,662 | 589,115 |
| Available-for-sale investments | **35,254** | 159 | - |
| Other | **9,649** | 11,718 | 6,475 |
| | **11,632,970** | 10,865,841 | 10,474,716 |

## 22. Interest Expense

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Deposits from banks | **16,335** | 32,200 | 30,536 |
| Deposits from customers | **3,856,580** | 3,836,096 | 3,924,629 |
| Subordinated liabilities | **300,459** | 262,671 | - |
| Other borrowed funds | **111,299** | 188,226 | 186,136 |
| | **4,284,673** | 4,319,193 | 4,141,301 |

## 23. Fee and Commission Income

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Retail banking fees | **653,258** | 433,631 | 243,385 |
| Corporate banking fees | **430,487** | 386,329 | 356,603 |
| Guarantee fees | **204,688** | 217,778 | 222,582 |
| Interbank transaction fees | **43,092** | 46,398 | 41,492 |
| Cards and other related fees | **1,221,028** | 1,107,863 | 926,821 |
| Trade finance fees | **647,999** | 637,558 | 707,795 |
| Others | **202,791** | 119,798 | 101,173 |
| | **3,403,343** | 2,949,355 | 2,599,851 |

## 24. Fee and Commission Expense

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Interbank transaction fees | **16,553** | 8,374 | 6,479 |
| Cards and other related fees | **539,423** | 490,788 | 392,239 |
| Others | **30,954** | 51,297 | 12,655 |
| | **586,930** | 550,459 | 411,373 |

## 25. Net Gain from Financial Instruments Carried at Fair Value

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Net gain from derivatives | **157,552** | 46,291 | 206,140 |
| Investment securities at fair value through profit or loss | **571** | 155 | 193 |
| | **158,123** | 46,446 | 206,333 |

## 26. Dividend Income

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Income from quoted investments | **26,348** | 10,182 | 5,365 |
| Income from unquoted investments | **4,515** | 3,338 | 1,819 |
| | **30,863** | 13,520 | 7,184 |

## 27. Non-Interest Expense

### (a) Salaries and human resource development

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Wages and salaries | **1,766,201** | 1,607,208 | 1,540,139 |
| Compulsory social security obligations | **54,079** | 50,646 | 46,257 |
| Equity settled share-based payments | **1,488** | 4,192 | 1,929 |
| Other personnel expenses | **450,764** | 478,553 | 442,138 |
| | **2,272,532** | 2,140,599 | 2,030,463 |
| Number of employees at the end of the year | **2,522** | 2,522 | 2,397 |

### (b) Other non-interest expense

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Software licensing and other information technology cost | **208,519** | 179,326 | 156,988 |
| Others | **1,132,790** | 1,182,089 | 1,032,589 |
| | **1,341,309** | 1,361,415 | 1,189,577 |

## 28. Net Impairment of Financial Assets

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| The impairment charge related to the Statement of Profit or Loss: | | | |
| Allowance for credit impairment | **860,840** | 1,843,056 | 1,055,277 |
| Impairment of available-for-sale | **36,333** | - | - |
| | **897,173** | 1,843,056 | 1,055,277 |

### (a) Allowance for credit impairment

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Loans to and placements with banks | **-** | 7,400 | 2,000 |
| Loans and advances to customers | **869,266** | 1,796,241 | 1,013,055 |
| Bad debts written off for which no provisions were made | **48,960** | 81,479 | 94,108 |
| Provision released during the year: | | | |
| Loans to and placements with banks | **(784)** | - | - |
| Loans and advances to customers | **(29,350)** | (9,857) | (29,152) |
| Recoveries of advances written off | **(27,252)** | (32,207) | (24,734) |
| | **860,840** | 1,843,056 | 1,055,277 |

## 29. Income Tax Expense

### (a) The tax charge related to statement of profit or loss is as follows:

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Income tax based on the adjusted profits | **588,653** | 526,365 | 510,488 |
| Deferred tax | **(41,544)** | (40,022) | (9,008) |
| Special levy on banks | **362,494** | 332,456 | 185,523 |
| Corporate Social Responsibility Contribution | **62,749** | 59,647 | 55,450 |
| (Over)/under provision in previous years | **(12,062)** | (7,028) | 13,673 |
| **Charge for the year** | **960,290** | 871,418 | 756,126 |

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Profit before tax: | | | |
| Continuing operations | **5,802,844** | 4,212,515 | 4,463,296 |
| Discontinuing operations | **161,746** | 345,484 | 84,298 |
| | **5,964,590** | 4,557,999 | 4,547,594 |
| Tax calculated at a rate of 15% | **894,689** | 683,700 | 682,139 |
| Impact of: | | | |
| Income not subject to tax | **(119,631)** | (69,039) | (31,630) |
| Expenses not deductible for tax purposes | **117,934** | 125,023 | 81,981 |
| Tax credits | **(345,883)** | (253,341) | (231,010) |
| Special levy on banks | **362,494** | 332,456 | 185,523 |
| Corporate Social Responsibility Contribution | **62,749** | 59,647 | 55,450 |
| (Over)/under provision in previous years | **(12,062)** | (7,028) | 13,673 |
| **Tax charge** | **960,290** | 871,418 | 756,126 |

### (b) The tax charge related to statement of profit or loss and other comprehensive income is as follows:

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Remeasurement of defined benefit pension plan | **(112,018)** | 269,896 | 158,399 |
| Deferred tax | **16,803** | (40,484) | (23,760) |
| | **(95,215)** | 229,412 | 134,639 |

## 30. Dividends in Cash

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Paid on 19th December 2014 at Rs 3.30 per share (F/Y 2014: Rs 3.00; F/Y 2013: Rs 2.75) | **785,268** | 713,508 | 653,551 |
| Paid on 30th July 2015 at Rs 4.30 per share (F/Y 2014: Rs 3.40; F/Y 2013: Rs 3.35) | **1,023,229** | 809,065 | 796,657 |
| | **1,808,497** | 1,522,573 | 1,450,208 |

# Notes to the financial statements
for the year ended 30th June 2015 (continued)

## 31. Earnings per Share

Earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the bank by the weighted average number of ordinary shares outstanding during the year, excluding the weighted average number of ordinary shares purchased by the bank and held as treasury shares.

| | 2015<br>RS'000 | 2014<br>RS'000 | 2013<br>RS'000 |
|---|---|---|---|
| **Profit from continuing operations attributable to the ordinary equity holders of the bank** | **4,842,554** | 3,341,097 | 3,707,170 |
| **Profit from discontinuing operations attributable to the ordinary equity holders of the bank** | **161,746** | 345,484 | 84,298 |
| **Weighted average number of ordinary shares (thousands)** | **244,124** | 237,887 | 237,718 |
| **Earnings per share (Rs)** | | | |
| Continuing operations | **19.84** | 14.04 | 15.59 |
| Discontinuing operations | **0.66** | 1.45 | 0.35 |

## 32. Commitments

### (a) Capital commitments

| | 2015<br>RS'000 | 2014<br>RS'000 | 2013<br>RS'000 |
|---|---|---|---|
| Expenditure contracted for but not incurred | **117,600** | 79,776 | 77,053 |
| Expenditure approved by the Board but not contracted for | **304,371** | 25,911 | 22,679 |

### (b) Securities pledged

The bank has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius:

| | 2015<br>RS'000 | 2014<br>RS'000 | 2013<br>RS'000 |
|---|---|---|---|
| Government of Mauritius bonds | **2,941,320** | 2,442,656 | 2,064,791 |

## 33. Net Cash Flows from Trading Activities

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Profit before tax | **5,802,844** | 4,212,515 | 4,463,296 |
| Increase in interest receivable and other assets | **(1,479,237)** | (3,233,620) | (844,938) |
| (Decrease)/increase in other liabilities | **(136,780)** | 356,169 | 318,707 |
| Net (increase)/decrease in derivatives | **(562,622)** | (32,893) | 136,890 |
| Decrease in investment securities at fair value through profit or loss | **-** | - | 78,202 |
| Employee share option expenses | **-** | 3,868 | 1,642 |
| (Release)/additional provision for employee benefits | **(4,771)** | 34,952 | 28,984 |
| Charge for credit impairment | **869,266** | 1,803,641 | 1,015,055 |
| Release of provision for credit impairment | **(30,134)** | (9,857) | (29,152) |
| Exchange loss/(profit) | **79,140** | (157,048) | (398,250) |
| Depreciation | **358,815** | 410,318 | 406,897 |
| Amortisation of intangible assets | **178,893** | 215,688 | 201,030 |
| Profit on disposal of property, plant and equipment | **(6,291)** | (34,689) | (38,432) |
| Profit on disposal of intangible assets | **(14,356)** | - | - |
| Impairment of available for sale investments | **36,333** | - | - |
| Loss/(profit) on disposal of available-for-sale investments | **7,817** | (421,351) | (19,916) |
| Profit on disposal of shares in subsidiaries | **-** | (886) | - |
| | **5,098,917** | 3,146,807 | 5,320,015 |
| **Discontinuing operations** | | | |
| Net cash flows from trading activities (see note 35(b)) | **195,878** | 284,264 | 71,298 |
| | **5,294,795** | 3,431,071 | 5,391,313 |

## 34. Net Cash Flows from Other Operating Activities

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|---|---|---|
| Net increase in deposits | **32,498,062** | 20,392,802 | 13,517,853 |
| Net increase in loans and advances | **(15,481,616)** | (5,431,021) | (13,036,220) |
| Increase in held to maturity investment securities | **(11,991,436)** | (12,735,660) | (5,146,643) |
| Net (decrease)/increase in other borrowed funds | **(26,637)** | 1,223,922 | 2,817,784 |
| | **4,998,373** | 3,450,043 | (1,847,226) |

## 35. Non-Current Assets Held for Distribution

### (a) Non-current assets held for distribution

Upon the "Scheme" becoming effective and subject to obtaining relevant regulatory approvals, the banking subsidiaries and associate of the bank will be unbundled into MCB Investment Holding Limited.

As at 30th June 2015, the subsidiaries and associate not yet unbundled have been classified as non-current assets held for distribution due to respective local authorities formalities yet to be completed and are as follows:

| | Principal activities | Effective Holding % | Value Rs'000 |
|---|---|---|---|
| **Banking subsidiaries** | | | |
| MCB (Maldives) Private Ltd | Banking & Financial services | 100.00 | 347,963 |
| MCB Moçambique SA | Banking & Financial services | 95.00 | 260,040 |
| MCB Seychelles Ltd | Banking & Financial services | 100.00 | 211,522 |
| MCB Madagascar SA | Banking & Financial services | 85.00 | 64,322 |
| | | | 883,847 |
| **Banking associate** | | | |
| Banque Française Commerciale O.I. | Banking & Financial services | 49.99 | 447,369 |
| **Total** | | | **1,331,216** |

### (b) Discontinuing operations following unbundling of investments

**Income recognised in profit or loss is as follows:**

| | 2015 Rs'000 | 2014 Rs'000 | 2013 Rs'000 |
|---|---|---|---|
| Dividend income | **161,746** | 345,484 | 84,298 |

**Cash flow information from discontinuing operations is as follows:**

| | 2015 Rs'000 | 2014 Rs'000 | 2013 Rs'000 |
|---|---|---|---|
| Dividend received during the year | **195,878** | 284,264 | 71,298 |

## 36. Operating Segments

Operating segments are reported in accordance with the internal reporting provided to the Supervisory and Monitoring Committee, which is the Board Committee responsible for allocating capital and resources to the reportable segments and assessing their performance. All operating segments used by the bank meet the definition of a reportable segment under IFRS 8.

### (a) Year ended 30th June 2015

| | | Continuing operations | | | |
|---|---|---|---|---|---|
| | RS'000 | Net interest income RS'000 | Net fee and commissions RS'000 | Dividend income RS'000 | Forex profit and others RS'000 |
| Operating income | **11,161,100** | 7,348,297 | 2,816,413 | 30,863 | 965,527 |
| Non-interest expense | **(4,461,083)** | | | | |
| Net impairment of financial assets | **(897,173)** | | | | |
| Income tax expense | **(960,290)** | | | | |
| Profit from discontinuing operations | **161,746** | | | | |
| **Profit for the year** | **5,004,300** | | | | |
| **Segment assets** | **225,038,985** | 223,060,428 | - | 1,978,557 | - |
| Intangible assets | **385,453** | | | | |
| Deferred tax assets | **222,519** | | | | |
| Non current assets held for distribution | **1,331,216** | | | | |
| Unallocated assets | **24,959,713** | | | | |
| **Total assets** | **251,937,886** | | | | |
| **Segment liabilities** | **215,298,529** | 215,298,529 | - | - | - |
| Unallocated liabilities | **6,350,477** | | | | |
| **Total liabilities** | **221,649,006** | | | | |

## 36. Operating Segments (Cont'd)

### (b) Year ended 30th June 2014

| | | Continuing operations | | | |
|---|---|---|---|---|---|
| | RS'000 | Net interest income RS'000 | Net fee and commissions RS'000 | Dividend income RS'000 | Forex profit and others RS'000 |
| Operating income | 10,448,629 | 6,546,648 | 2,398,896 | 13,520 | 1,489,565 |
| Non-interest expense | (4,393,058) | | | | |
| Net impairment of financial assets | (1,843,056) | | | | |
| Income tax expense | (871,418) | | | | |
| Profit from discontinuing operations | 345,484 | | | | |
| **Profit for the year** | 3,686,581 | | | | |
| **Segment assets** | 191,177,174 | 189,737,547 | - | 1,439,627 | - |
| Intangible assets | 523,084 | | | | |
| Deferred tax assets | 194,292 | | | | |
| Non current assets held for distribution | 1,331,216 | | | | |
| Unallocated assets | 23,406,210 | | | | |
| **Total assets** | 216,631,976 | | | | |
| **Segment liabilities** | 188,223,432 | 188,223,432 | - | - | - |
| Unallocated liabilities | 6,309,478 | | | | |
| **Total liabilities** | 194,532,910 | | | | |

## 36. Operating Segments (Cont'd)

### (c) Year ended 30th June 2013

| | | Continuing operations | | | |
|---|---|---|---|---|---|
| | RS'000 | Net interest income RS'000 | Net fee and commissions RS'000 | Dividend income RS'000 | Forex profit and others RS'000 |
| Operating income | 9,587,373 | 6,333,415 | 2,188,478 | 7,184 | 1,058,296 |
| Non-interest expense | (4,068,800) | | | | |
| Net impairment of financial assets | (1,055,277) | | | | |
| Income tax expense | (756,126) | | | | |
| Profit from discontinuing operations | 84,298 | | | | |
| **Profit for the year** | 3,791,468 | | | | |
| **Segment assets** | 169,742,074 | 168,779,943 | - | 962,131 | - |
| Investments in associates | 876,156 | | | | |
| Investments in subsidiaries | 3,679,902 | | | | |
| Intangible assets | 691,896 | | | | |
| Deferred tax assets | 113,786 | | | | |
| Unallocated assets | 21,090,524 | | | | |
| **Total assets** | 196,194,338 | | | | |
| **Segment liabilities** | 167,991,610 | 167,991,610 | - | - | - |
| Unallocated liabilities | 5,509,559 | | | | |
| **Total liabilities** | 173,501,169 | | | | |

## 37. Related Party Transactions

| | Ultimate Holding Company RS'000 | Entities under common control (including defined benefit plan) RS'000 | Entities in which the Bank holds more than a 10% interest RS'000 | Directors and Key Management Personnel (including parent) RS'000 | Enterprises in which Directors and Key Management Personnel have significant interest (including parent) RS'000 |
|---|---|---|---|---|---|
| **Loans and advances** | | | | | |
| **Balances at 30th June 2014** | - | 2,272,757 | 1,578,298 | 70,366 | 614,542 |
| Net movements during the year | - | 277,706 | 182,079 | 3,355 | 1,968 |
| Transfer through dividend in specie | - | - | - | - | - |
| **Balances at 30th June 2015** | **-** | **2,550,463** | **1,760,377** | **73,721** | **616,510** |
| **Leases receivable** | | | | | |
| Balance at year end: | | | | | |
| 30th June 2013 | - | - | - | - | 365 |
| 30th June 2014 | - | - | - | - | - |
| **30th June 2015** | **-** | **-** | **-** | **-** | **643** |
| **Deposits** | | | | | |
| Balance at year end: | | | | | |
| 30th June 2013 | - | 3,130,781 | 620,684 | 177,832 | 90,730 |
| 30th June 2014 | - | 3,580,766 | 480,341 | 210,132 | 25,946 |
| **30th June 2015** | **-** | **3,791,256** | **168,075** | **241,313** | **41,600** |
| **Amounts due from** | | | | | |
| Balance at year end: | | | | | |
| 30th June 2013 | - | 473,311 | 416,705 | - | - |
| 30th June 2014 | 11,498 | 688,674 | 426,007 | - | - |
| **30th June 2015** | **10,164** | **613,448** | **405,030** | **-** | **-** |
| **Off Balance sheet items** | | | | | |
| Balance at year end: | | | | | |
| 30th June 2013 | - | 530,862 | 306,964 | 250 | 337,585 |
| 30th June 2014 | - | 692,829 | - | - | 10,477 |
| **30th June 2015** | **-** | **1,486,755** | **-** | **-** | **5,394** |

## 37. Related Party Transactions (Cont'd)

| | Ultimate Holding Company RS'000 | Entities under common control (including defined benefit plan) RS'000 | Entities in which the Bank holds more than a 10% interest RS'000 | Directors and Key Management Personnel (including parent) RS'000 | Enterprises in which Directors and Key Management Personnel have significant interest (including parent) RS'000 |
|---|---|---|---|---|---|
| **Interest income** | | | | | |
| For the year ended: | | | | | |
| 30th June 2013 | - | 116,827 | 441,218 | 1,775 | 2,696 |
| 30th June 2014 | - | 117,102 | 30,156 | 2,387 | 8,429 |
| **30th June 2015** | **-** | **113,089** | **27,380** | **2,552** | **10,229** |
| **Interest expense** | | | | | |
| For the year ended: | | | | | |
| 30th June 2013 | - | 63,475 | 12,246 | 3,237 | 1,116 |
| 30th June 2014 | - | 59,042 | 6,365 | 3,341 | 1,099 |
| **30th June 2015** | **-** | **51,672** | **3,953** | **2,823** | **356** |
| **Other income** | | | | | |
| For the year ended: | | | | | |
| 30th June 2013 | - | 227,661 | 28,272 | 430 | 3,545 |
| 30th June 2014 | 1,897 | 379,643 | 103,521 | 474 | 3,575 |
| **30th June 2015** | **6,699** | **172,263** | **99,936** | **531** | **468** |
| **Non interest expense** | | | | | |
| For the year ended: | | | | | |
| 30th June 2013 | - | 49,697 | - | - | - |
| 30th June 2014 | - | 80,795 | - | - | - |
| **30th June 2015** | **-** | **83,491** | **-** | **-** | **-** |

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

## 37. Related Party Transactions (Cont'd)

The figure for "other income" from Subsidiaries and Entities in which the bank holds more than a 10% interest includes an element, representing management fees charged to Entities in which the bank holds more than a 10% interest in respect of salaries, notional rental of office space and provision of technical, administrative and other assistance to local Group companies. It also includes an amount of Rs 3.9M, Rs 4.1M and Rs 4.1M respectively for 2015, 2014 and 2013 in respect of management fees charged to BFCOI.

Additionally, the bank has entered into management contracts with its foreign banking subsidiaries and charges management fees based on operating income. These fees also included in "other income" represent the re-invoicing of expatriate salaries and benefits, where applicable, as well as management, administrative and technical support provided by The Mauritius Commercial Bank Limited. Gross amounts claimed, net of withholding tax in the local jurisdiction, were as follows :

| | | |
|---|---|---|
| MCB Seychelles | 5 % of Gross operating income | Rs 32.8 M |
| MCB Madagascar | 5 % of operating income | Rs 14.0 M |
| MCB Moçambique | 5 % of operating income | Rs 10.8 M |
| MCB Maldives | 5 % of operating income | Rs 16.4 M |

IT and Systems support to two of the above companies is provided by BFCOI who has claimed EUR 49,910 and EUR 276,950 from MCB Seychelles and MCB Madagascar respectively. These amounts have been charged to the foreign banking fellow subsidiaries' profit or loss.

During the year, 7,588 share options were exercised by key management personnel, including executive directors, for an amount of Rs 1.5 M (FY 2013/2014: 50,110 share options for Rs 9.7M, FY 2012/13: 55,587 share options for Rs 9.1M).

**Key Management Personnel compensation**

| | 2015<br>RS'000 | 2014<br>RS'000 | 2013<br>RS'000 |
|---|---|---|---|
| Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows : | | | |
| Salaries and short term employee benefits | **107,899** | 131,091 | 126,153 |
| Post employment benefits | **13,010** | 10,807 | 15,390 |
| | **120,909** | 141,898 | 141,543 |

## 38. Events After Reporting Date

The MCB Ltd has on 18th March 2015, subject to regulatory approval, entered into an investment agreement with Societe Generale whereby the latter would subscribe to additional capital in MCB Mozambique SA. Completion on this agreement will result in MCB's stake in that company being reduced to a minority shareholding.

## 39. Segmental Reporting

The bank classifies its assets and liabilities into two segments; Segment A and Segment B. Segment B activity is essentially directed to the provision of international financial services that give rise to "foreign source income".

Segment B assets will generally consist of placements with and advances to foreign financial institutions, notably associated companies and overseas correspondents.

Segment B liabilities will normally arise from deposits, borrowings and funds deposited by non-residents, global business companies and residents.

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.

## 39. Segmental Reporting (Cont'd)

### Statement of financial position as at 30th June 2015

| | Note | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 (Restated) | Segment A RS'000 (Restated) | Segment B RS'000 (Restated) |
| **ASSETS** | | | | | | | | | | |
| Cash and cash equivalents | | **22,999,839** | **4,446,636** | **18,553,203** | 17,703,617 | 4,258,299 | 13,445,318 | 14,614,633 | 5,211,617 | 9,403,016 |
| Derivative financial instruments | 39(a) | **264,725** | **57,697** | **207,028** | 121,901 | 83,949 | 37,952 | 120,955 | 80,487 | 40,468 |
| Loans to and placements with banks | 39(b) | **9,446,866** | **3,212,050** | **6,234,816** | 6,534,225 | 1,067 | 6,533,158 | 3,659,498 | - | 3,659,498 |
| Loans and advances to customers | 39(c) | **152,098,856** | **110,778,434** | **41,320,422** | 140,369,013 | 105,097,093 | 35,271,920 | 138,981,434 | 101,015,795 | 37,965,639 |
| Investment securities | 39(d) | **44,675,336** | **41,477,271** | **3,198,065** | 30,614,589 | 29,546,543 | 1,068,046 | 17,274,855 | 16,365,917 | 908,938 |
| Investments in associates | 39(e) | **-** | **-** | **-** | - | - | - | 876,156 | 15,620 | 860,536 |
| Investments in subsidiaries | 39(f) | **-** | **-** | **-** | - | - | - | 3,679,902 | 2,640,961 | 1,038,941 |
| Intangible assets | | **385,453** | **385,453** | **-** | 523,084 | 523,084 | - | 691,896 | 691,896 | - |
| Property, plant and equipment | 39(g) | **5,030,443** | **5,030,443** | **-** | 5,202,509 | 5,202,509 | - | 5,442,042 | 5,442,042 | - |
| Deferred tax assets | | **222,519** | **186,370** | **36,149** | 194,292 | 171,479 | 22,813 | 113,786 | 106,123 | 7,663 |
| Other assets | 39(h) | **15,482,633** | **14,363,788** | **1,118,845** | 14,037,530 | 12,802,969 | 1,234,561 | 10,739,181 | 9,724,285 | 1,014,896 |
| | | **250,606,670** | **179,938,142** | **70,668,528** | 215,300,760 | 157,686,992 | 57,613,768 | 196,194,338 | 141,294,743 | 54,899,595 |
| Non-current assets held for distribution | 39(x) | **1,331,216** | **-** | **1,331,216** | 1,331,216 | - | 1,331,216 | - | - | - |
| **Total assets** | | **251,937,886** | **179,938,142** | **71,999,744** | 216,631,976 | 157,686,992 | 58,944,984 | 196,194,338 | 141,294,743 | 54,899,595 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | | | | | |
| Deposits from banks | 39(i) | **4,504,425** | **52,892** | **4,451,533** | 3,698,038 | 35,221 | 3,662,817 | 3,408,512 | 23,751 | 3,384,761 |
| Deposits from customers | 39(j) | **202,713,585** | **142,034,317** | **60,679,268** | 171,021,910 | 124,251,211 | 46,770,699 | 150,918,634 | 116,244,368 | 34,674,266 |
| Derivative financial instruments | 39(a) | **108,997** | **21,154** | **87,843** | 528,795 | 25,457 | 503,338 | 560,742 | 50,814 | 509,928 |
| Other borrowed funds | | **6,915,825** | **11,719** | **6,904,106** | 7,565,608 | 23,189 | 7,542,419 | 13,103,722 | 391,614 | 12,712,108 |
| Subordinated liabilities | 39(k) | **1,055,697** | **-** | **1,055,697** | 5,409,081 | 4,322,106 | 1,086,975 | - | - | - |
| Current tax liabilities | | **448,835** | **448,835** | **-** | 368,440 | 368,440 | - | 241,946 | 241,946 | - |
| Other liabilities | 39(l) | **5,901,642** | **5,640,880** | **260,762** | 5,941,038 | 5,610,506 | 330,532 | 5,267,613 | 5,018,288 | 249,325 |
| **Total liabilities** | | **221,649,006** | **148,209,797** | **73,439,209** | 194,532,910 | 134,636,130 | 59,896,780 | 173,501,169 | 121,970,781 | 51,530,388 |
| **Shareholders' Equity** | | | | | | | | | | |
| Stated capital | | **6,879,602** | **6,879,602** | **-** | 2,379,602 | 2,379,602 | - | 2,615,838 | 2,615,838 | - |
| Retained earnings | | **18,705,062** | **18,705,062** | **-** | 16,322,961 | 16,322,961 | - | 16,585,299 | 16,585,299 | - |
| Other components of equity | | **4,704,216** | **4,582,392** | **121,824** | 3,396,503 | 3,331,039 | 65,464 | 3,852,089 | 3,667,197 | 184,892 |
| | | **30,288,880** | **30,167,056** | **121,824** | 22,099,066 | 22,033,602 | 65,464 | 23,053,226 | 22,868,334 | 184,892 |
| Less treasury shares | | **-** | **-** | **-** | - | - | - | (360,057) | (360,057) | - |
| **Equity attributable to the ordinary equity holders of the bank** | | **30,288,880** | **30,167,056** | **121,824** | 22,099,066 | 22,033,602 | 65,464 | 22,693,169 | 22,508,277 | 184,892 |
| **Total equity and liabilities** | | **251,937,886** | **178,376,853** | **73,561,033** | 216,631,976 | 156,669,732 | 59,962,244 | 196,194,338 | 144,479,058 | 51,715,280 |
| **CONTINGENT LIABILITIES** | | | | | | | | | | |
| Guarantees, letters of credit, endorsements and other obligations on account of customers | | **43,322,427** | **13,798,403** | **29,524,024** | 62,112,445 | 15,164,789 | 46,947,656 | 46,549,986 | 15,449,432 | 31,100,554 |
| Commitments | | **4,380,241** | **3,737,850** | **642,391** | 4,355,291 | 3,238,122 | 1,117,169 | 5,022,227 | 3,345,412 | 1,676,815 |
| Tax assessments | | **797,225** | **797,225** | **-** | 272,057 | 272,057 | - | 121,584 | 121,584 | - |
| Other | | **1,184,265** | **650,259** | **534,006** | 1,504,788 | 783,738 | 721,050 | 1,632,122 | 917,793 | 714,329 |
| | 39(m) | **49,684,158** | **18,983,737** | **30,700,421** | 68,244,581 | 19,458,706 | 48,785,875 | 53,325,919 | 19,834,221 | 33,491,698 |

## 39. Segmental Reporting (Cont'd)

### Statement of profit or loss for the year ended 30th June 2015

| | | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 (Restated) | Segment A RS'000 (Restated) | Segment B RS'000 (Restated) |
| **Continuing operations** | Note | | | | | | | | | |
| Interest income | 39(n) | 11,632,970 | 9,285,110 | 2,347,860 | 10,865,841 | 8,691,324 | 2,174,517 | 10,474,716 | 8,571,175 | 1,903,541 |
| Interest expense | 39(o) | (4,284,673) | (3,632,492) | (652,181) | (4,319,193) | (3,609,592) | (709,601) | (4,141,301) | (3,446,638) | (694,663) |
| **Net interest income** | | 7,348,297 | 5,652,618 | 1,695,679 | 6,546,648 | 5,081,732 | 1,464,916 | 6,333,415 | 5,124,537 | 1,208,878 |
| Fee and commission income | 39(p) | 3,403,343 | 1,910,305 | 1,493,038 | 2,949,355 | 1,943,667 | 1,005,688 | 2,599,851 | 1,547,747 | 1,052,104 |
| Fee and commission expense | 39(q) | (586,930) | (539,148) | (47,782) | (550,459) | (490,602) | (59,857) | (411,373) | (392,153) | (19,220) |
| **Net fee and commission income** | | 2,816,413 | 1,371,157 | 1,445,256 | 2,398,896 | 1,453,065 | 945,831 | 2,188,478 | 1,155,594 | 1,032,884 |
| **Other income** | | | | | | | | | | |
| Profit arising from dealing in foreign currencies | | 779,542 | 447,619 | 331,923 | 974,196 | 788,016 | 186,180 | 775,743 | 596,843 | 178,900 |
| Net gain from financial instruments carried at fair value | 39(r) | 158,123 | 150,807 | 7,316 | 46,446 | 28,101 | 18,345 | 206,333 | 190,479 | 15,854 |
| | | 937,665 | 598,426 | 339,239 | 1,020,642 | 816,117 | 204,525 | 982,076 | 787,322 | 194,754 |
| Dividend income | 39(s) | 30,863 | 27,994 | 2,869 | 13,520 | 10,335 | 3,185 | 7,184 | 4,831 | 2,353 |
| Net (loss)/gain on sale of securities | | (7,817) | - | (7,817) | 422,237 | 14,651 | 407,586 | 19,916 | 19,916 | - |
| Other operating income | | 35,679 | 35,679 | - | 46,686 | 46,686 | - | 56,304 | 56,304 | - |
| | | 996,390 | 662,099 | 334,291 | 1,503,085 | 887,789 | 615,296 | 1,065,480 | 868,373 | 197,107 |
| **Operating income** | | 11,161,100 | 7,685,874 | 3,475,226 | 10,448,629 | 7,422,586 | 3,026,043 | 9,587,373 | 7,148,504 | 2,438,869 |
| **Non-interest expense** | | | | | | | | | | |
| Salaries and human resource development | 39(t) | (2,272,532) | (2,051,859) | (220,673) | (2,140,599) | (1,974,904) | (165,695) | (2,030,463) | (1,899,820) | (130,643) |
| Post employee benefits plan | | (309,534) | (283,465) | (26,069) | (265,038) | (248,040) | (16,998) | (240,833) | (227,676) | (13,157) |
| Depreciation | | (358,815) | (345,338) | (13,477) | (410,318) | (397,229) | (13,089) | (406,897) | (393,864) | (13,033) |
| Amortisation of intangible assets | | (178,893) | (171,773) | (7,120) | (215,688) | (207,833) | (7,855) | (201,030) | (194,607) | (6,423) |
| Other | 39(u) | (1,341,309) | (1,210,427) | (130,882) | (1,361,415) | (1,258,663) | (102,752) | (1,189,577) | (1,112,202) | (77,375) |
| | | (4,461,083) | (4,062,862) | (398,221) | (4,393,058) | (4,086,669) | (306,389) | (4,068,800) | (3,828,169) | (240,631) |
| **Operating profit before impairment** | | 6,700,017 | 3,623,012 | 3,077,005 | 6,055,571 | 3,335,917 | 2,719,654 | 5,518,573 | 3,320,335 | 2,198,238 |
| Net impairment of financial assets | 39(v) | (897,173) | (454,378) | (442,795) | (1,843,056) | (376,031) | (1,467,025) | (1,055,277) | (383,911) | (671,366) |
| **Profit before tax** | | 5,802,844 | 3,168,634 | 2,634,210 | 4,212,515 | 2,959,886 | 1,252,629 | 4,463,296 | 2,936,424 | 1,526,872 |
| Income tax expense | 39(w) | (960,290) | (871,255) | (89,035) | (871,418) | (813,013) | (58,405) | (756,126) | (691,482) | (64,644) |
| **Profit for the year from continuing operations** | | 4,842,554 | 2,297,379 | 2,545,175 | 3,341,097 | 2,146,873 | 1,194,224 | 3,707,170 | 2,244,942 | 1,462,228 |
| **Discontinuing operations** | | | | | | | | | | |
| **Profit for the year from discontinuing operations** | 39(x) | 161,746 | - | 161,746 | 345,484 | 164,000 | 181,484 | 84,298 | 30,848 | 53,450 |
| **Profit for the year attributable to the owners of the bank** | | 5,004,300 | 2,297,379 | 2,706,921 | 3,686,581 | 2,310,873 | 1,375,708 | 3,791,468 | 2,275,790 | 1,515,678 |

## 39. Segmental Reporting (Cont'd)

### Statement of profit or loss and other comprehensive income for the year ended 30th June 2015

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 (Restated) | Segment A RS'000 (Restated) | Segment B RS'000 (Restated) |
| **Profit for the year** | 5,004,300 | 2,297,379 | 2,706,921 | 3,686,581 | 2,310,873 | 1,375,708 | 3,791,468 | 2,275,790 | 1,515,678 |
| **Other comprehensive income/(expense):** | | | | | | | | | |
| **Item that will not be reclassified to profit or loss:** | | | | | | | | | |
| Remeasurement of defined benefit pension plan net of deferred tax | 95,215 | 95,215 | - | (229,412) | (229,412) | - | (134,639) | (134,639) | - |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | | | | | |
| Reclassification adjustments | - | - | - | (320,766) | - | (320,766) | (3,206) | (3,206) | - |
| Net fair value gain/(loss) on available-for-sale investments | 398,796 | 276,972 | 121,824 | 101,416 | 35,952 | 65,464 | 184,631 | (261) | 184,892 |
| | 398,796 | 276,972 | 121,824 | (219,350) | 35,952 | (255,302) | 181,425 | (3,467) | 184,892 |
| **Other comprehensive income/(expense) for the year** | 494,011 | 372,187 | 121,824 | (448,762) | (193,460) | (255,302) | 46,786 | (138,106) | 184,892 |
| **Total comprehensive income for the year** | 5,498,311 | 2,669,566 | 2,828,745 | 3,237,819 | 2,117,414 | 1,120,405 | 3,838,254 | 2,137,684 | 1,700,570 |
| **Total comprehensive income attributable to the owners of the bank:** | | | | | | | | | |
| Continuing operations | 5,336,565 | 2,669,566 | 2,666,999 | 2,892,335 | 1,953,414 | 938,921 | 3,753,956 | 2,106,836 | 1,647,120 |
| Discontinuing operations | 161,746 | - | 161,746 | 345,484 | 164,000 | 181,484 | 84,298 | 30,848 | 53,450 |
| | 5,498,311 | 2,669,566 | 2,828,745 | 3,237,819 | 2,117,414 | 1,120,405 | 3,838,254 | 2,137,684 | 1,700,570 |

# 39. Segmental Reporting (Cont'd)

## (a) Derivative financial instruments

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **(i) Fair value assets** | | | | | | | | | |
| Currency forwards | **49,480** | **31,926** | **17,554** | 59,688 | 53,642 | 6,046 | 28,138 | 14,602 | 13,536 |
| Interest rate swaps | **13,683** | **13,683** | **-** | 21,658 | 21,658 | - | 25,518 | 25,518 | - |
| Currency swaps | **201,562** | **12,088** | **189,474** | 40,255 | 8,649 | 31,606 | 66,996 | 40,367 | 26,629 |
| Others | **-** | **-** | **-** | 300 | - | 300 | 303 | - | 303 |
| | **264,725** | **57,697** | **207,028** | 121,901 | 83,949 | 37,952 | 120,955 | 80,487 | 40,468 |
| **(ii) Fair value liabilities** | | | | | | | | | |
| Currency forwards | **35,862** | **13,169** | **22,693** | 58,725 | 4,338 | 54,387 | 30,727 | 17,710 | 13,017 |
| Cross currency interest rate swaps | **-** | **-** | **-** | 413,472 | - | 413,472 | 420,006 | - | 420,006 |
| Interest rate swaps | **14,817** | **-** | **14,817** | 21,621 | - | 21,621 | 23,837 | - | 23,837 |
| Currency swaps | **58,318** | **7,985** | **50,333** | 34,977 | 21,119 | 13,858 | 86,172 | 33,104 | 53,068 |
| | **108,997** | **21,154** | **87,843** | 528,795 | 25,457 | 503,338 | 560,742 | 50,814 | 509,928 |

## (b) Loans to and placements with banks

### (i) Loans to and placements with banks

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| in Mauritius | **3,212,050** | **3,212,050** | **-** | 93,194 | 93,194 | - | 302,315 | 302,315 | - |
| outside Mauritius | **24,804,634** | **-** | **24,804,634** | 19,995,877 | - | 19,995,877 | 13,072,515 | - | 13,072,515 |
| | **28,016,684** | **3,212,050** | **24,804,634** | 20,089,071 | 93,194 | 19,995,877 | 13,374,830 | 302,315 | 13,072,515 |
| Less: | | | | | | | | | |
| Loans and placements with original maturity less than 3 months | **(18,553,202)** | **-** | **(18,553,202)** | (13,537,446) | (92,127) | (13,445,319) | (9,705,332) | (302,315) | (9,403,017) |
| | **9,463,482** | **3,212,050** | **6,251,432** | 6,551,625 | 1,067 | 6,550,558 | 3,669,498 | - | 3,669,498 |
| Less allowances for credit impairment | **(16,616)** | **-** | **(16,616)** | (17,400) | - | (17,400) | (10,000) | - | (10,000) |
| | **9,446,866** | **3,212,050** | **6,234,816** | 6,534,225 | 1,067 | 6,533,158 | 3,659,498 | - | 3,659,498 |

### (ii) Remaining term to maturity

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Up to 3 months | **4,441,249** | **-** | **4,441,249** | 4,364,346 | 1,067 | 4,363,279 | 2,427,408 | - | 2,427,408 |
| Over 3 months and up to 6 months | **651,385** | **-** | **651,385** | 1,025,658 | - | 1,025,658 | 77,547 | - | 77,547 |
| Over 6 months and up to 1 year | **4,018,948** | **3,212,050** | **806,898** | 588,227 | - | 588,227 | 43,426 | - | 43,426 |
| Over 1 year and up to 5 years | **175,950** | **-** | **175,950** | 421,880 | - | 421,880 | 1,121,117 | - | 1,121,117 |
| Over 5 years | **175,950** | **-** | **175,950** | 151,514 | - | 151,514 | - | - | - |
| | **9,463,482** | **3,212,050** | **6,251,432** | 6,551,625 | 1,067 | 6,550,558 | 3,669,498 | - | 3,669,498 |

### (iii) Allowances for credit impairment

| | TOTAL RS'000 | Segment B RS'000 |
|---|---|---|
| **Portfolio provision** | | |
| At 30th June 2012 | 8,000 | 8,000 |
| Provision for credit impairment for the year | 2,000 | 2,000 |
| At 30th June 2013 | **10,000** | **10,000** |
| Provision for credit impairment for the year | **7,400** | **7,400** |
| At 30th June 2014 | **17,400** | **17,400** |
| Provision released during the year | **(784)** | **(784)** |
| **At 30th June 2015** | **16,616** | **16,616** |

## 39. Segmental Reporting (Cont'd)

### (c) Loans and advances to customers

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Retail customers: | | | | | | | | | |
| Credit cards | 632,299 | 617,957 | 14,342 | 619,236 | 607,046 | 12,190 | 752,714 | 752,714 | - |
| Mortgages | 19,079,950 | 17,896,781 | 1,183,169 | 16,935,623 | 15,860,714 | 1,074,909 | 15,827,003 | 14,730,246 | 1,096,757 |
| Other retail loans | 12,342,851 | 11,986,249 | 356,602 | 11,745,765 | 11,412,169 | 333,596 | 11,139,760 | 10,634,551 | 505,209 |
| Corporate customers | 96,162,672 | 83,612,538 | 12,550,134 | 91,276,818 | 80,590,578 | 10,686,240 | 86,063,359 | 77,918,737 | 8,144,622 |
| Governments | 308,155 | - | 308,155 | 428,745 | - | 428,745 | 450,738 | - | 450,738 |
| Entities outside Mauritius | 28,782,382 | - | 28,782,382 | 25,227,678 | - | 25,227,678 | 28,796,677 | - | 28,796,677 |
| | 157,308,309 | 114,113,525 | 43,194,784 | 146,233,865 | 108,470,507 | 37,763,358 | 143,030,251 | 104,036,248 | 38,994,003 |
| Less: | | | | | | | | | |
| Allowances for credit impairment | (5,209,453) | (3,335,091) | (1,874,362) | (5,864,852) | (3,373,414) | (2,491,438) | (4,048,817) | (3,020,453) | (1,028,364) |
| | 152,098,856 | 110,778,434 | 41,320,422 | 140,369,013 | 105,097,093 | 35,271,920 | 138,981,434 | 101,015,795 | 37,965,639 |

### (i) Remaining term to maturity

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Up to 3 months | 46,816,256 | 31,178,113 | 15,638,143 | 45,811,225 | 31,765,277 | 14,045,948 | 49,146,037 | 31,227,233 | 17,918,804 |
| Over 3 months and up to 6 months | 3,003,076 | 1,470,267 | 1,532,809 | 3,227,931 | 1,863,338 | 1,364,593 | 3,049,683 | 2,118,830 | 930,853 |
| Over 6 months and up to 1 year | 3,877,878 | 3,367,598 | 510,280 | 4,639,738 | 1,478,646 | 3,161,092 | 2,196,567 | 984,406 | 1,212,161 |
| Over 1 year and up to 5 years | 39,241,204 | 21,571,039 | 17,670,165 | 26,950,307 | 16,415,847 | 10,534,460 | 25,773,840 | 15,246,432 | 10,527,408 |
| Over 5 years | 64,369,895 | 56,526,508 | 7,843,387 | 65,604,664 | 56,947,399 | 8,657,265 | 62,864,124 | 54,459,347 | 8,404,777 |
| | 157,308,309 | 114,113,525 | 43,194,784 | 146,233,865 | 108,470,507 | 37,763,358 | 143,030,251 | 104,036,248 | 38,994,003 |

### (ii) Credit concentration of risk by industry sectors

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture and fishing | 1,272,256 | 1,272,256 | - | 2,390,858 | 2,390,858 | - | 1,842,681 | 1,842,681 | - |
| Manufacturing | 2,142,255 | 2,142,255 | - | 3,225,296 | 3,225,266 | 30 | 2,164,474 | 2,164,474 | - |
| *of which EPZ* | *1,553,253* | *1,553,253* | - | *1,652,056* | *1,652,056* | - | *875,888* | *875,888* | - |
| Tourism | 15,418,199 | 14,348,693 | 1,069,506 | 17,662,724 | 16,188,075 | 1,474,649 | 14,959,946 | 12,774,828 | 2,185,118 |
| Transport | 39,511 | 39,511 | - | 53,889 | 53,889 | - | 110,888 | 110,888 | - |
| Construction | 2,048,423 | 2,048,423 | - | 1,813,951 | 1,813,951 | - | 3,201,793 | 3,201,793 | - |
| Financial and business services | 23,187,296 | 4,019,725 | 19,167,571 | 19,966,767 | 4,554,717 | 15,412,050 | 9,245,340 | 4,609,147 | 4,636,193 |
| Traders | 21,074,963 | 793,626 | 20,281,337 | 14,101,600 | 1,546,019 | 12,555,581 | 7,756,834 | 1,345,910 | 6,410,924 |
| Global Business Licence holders | 14,104,893 | - | 14,104,893 | 7,243,028 | - | 7,243,028 | 2,264,230 | - | 2,264,230 |
| Others | 738,654 | 175,616 | 563,038 | 2,960,333 | 2,477,054 | 483,279 | 3,527,255 | 2,614,807 | 912,448 |
| | 80,026,450 | 24,840,105 | 55,186,345 | 69,418,446 | 32,249,829 | 37,168,617 | 45,073,441 | 28,664,528 | 16,408,913 |

## 39. Segmental Reporting (Cont'd)

## (c) Loans and advances to customers (Cont'd)

### (iii) Allowances for credit impairment

| | TOTAL | | | SEGMENT A | | | SEGMENT B | | |
|---|---|---|---|---|---|---|---|---|---|
| | Specific RS'000 | Portfolio RS'000 | Total RS'000 | Specific RS'000 | Portfolio RS'000 | Total RS'000 | Specific RS'000 | Portfolio RS'000 | Total RS'000 |
| At 1st July 2014 | 3,843,616 | 1,023,900 | 4,867,516 | 1,701,127 | 692,623 | 2,393,750 | 2,142,489 | 331,277 | 2,473,766 |
| Exchange adjustment | 113,409 | - | 113,409 | - | - | - | 113,409 | - | 113,409 |
| Provision for credit impairment for the year | 806,953 | 62,313 | 869,266 | 376,472 | 45,945 | 422,417 | 430,481 | 16,368 | 446,849 |
| Provision released during the year | (29,350) | - | (29,350) | (26,080) | - | (26,080) | (3,270) | - | (3,270) |
| Amounts written off | (1,497,813) | - | (1,497,813) | (306,121) | - | (306,121) | (1,191,692) | - | (1,191,692) |
| **At 30th June 2015** | 3,236,815 | 1,086,213 | 4,323,028 | 1,745,398 | 738,568 | 2,483,966 | 1,491,417 | 347,645 | 1,839,062 |
| Interest suspense | 886,425 | - | 886,425 | 851,125 | - | 851,125 | 35,300 | - | 35,300 |
| **Provision and interest suspense at 30th June 2015** | 4,123,240 | 1,086,213 | 5,209,453 | 2,596,523 | 738,568 | 3,335,091 | 1,526,717 | 347,645 | 1,874,362 |
| At 1st July 2013 | 2,173,283 | 997,000 | 3,170,283 | 1,459,973 | 691,533 | 2,151,506 | 713,310 | 305,467 | 1,018,777 |
| Provision for credit impairment for the year | 1,769,341 | 26,900 | 1,796,241 | 335,046 | 1,090 | 336,136 | 1,434,295 | 25,810 | 1,460,105 |
| Provision released during the year | (9,857) | - | (9,857) | (8,393) | - | (8,393) | (1,464) | - | (1,464) |
| Amounts written off | (89,151) | - | (89,151) | (85,499) | - | (85,499) | (3,652) | - | (3,652) |
| At 30th June 2014 | 3,843,616 | 1,023,900 | 4,867,516 | 1,701,127 | 692,623 | 2,393,750 | 2,142,489 | 331,277 | 2,473,766 |
| Interest suspense | 997,336 | - | 997,336 | 979,664 | - | 979,664 | 17,672 | - | 17,672 |
| Provision and interest suspense at 30th June 2014 | 4,840,952 | 1,023,900 | 5,864,852 | 2,680,791 | 692,623 | 3,373,414 | 2,160,161 | 331,277 | 2,491,438 |
| At 1st July 2012 | 1,423,193 | 908,600 | 2,331,793 | 1,315,000 | 666,547 | 1,981,547 | 108,193 | 242,053 | 350,246 |
| Provision for credit impairment for the year | 924,655 | 88,400 | 1,013,055 | 318,654 | 24,986 | 343,640 | 606,001 | 63,414 | 669,415 |
| Provision released during the year | (29,152) | - | (29,152) | (29,152) | - | (29,152) | - | - | - |
| Amounts written off | (145,413) | - | (145,413) | (144,529) | - | (144,529) | (884) | - | (884) |
| At 30th June 2013 | 2,173,283 | 997,000 | 3,170,283 | 1,459,973 | 691,533 | 2,151,506 | 713,310 | 305,467 | 1,018,777 |
| Interest suspense | 878,534 | - | 878,534 | 868,947 | - | 868,947 | 9,587 | - | 9,587 |
| Provision and interest suspense at 30th June 2013 | 3,051,817 | 997,000 | 4,048,817 | 2,328,920 | 691,533 | 3,020,453 | 722,897 | 305,467 | 1,028,364 |

# Notes to the financial statements
for the year ended 30th June 2015 (continued)

## 39. Segmental Reporting (Cont'd)

### (c) Loans and advances to customers (Cont'd)

### (iv) Allowances for credit impairment by industry sectors

| | 2015 | | | | | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| | Gross amount of loans RS'000 | Non performing loans RS'000 | Specific provision RS'000 | Portfolio provision RS'000 | Total provision RS'000 | Total provision RS'000 | Total provision RS'000 |
| **TOTAL** | | | | | | | |
| Agriculture and fishing | 7,370,595 | 916,270 | 30,900 | 7,884 | 38,784 | 25,629 | 54,549 |
| Manufacturing | 9,943,480 | 353,855 | 219,562 | 70,828 | 290,390 | 471,559 | 340,864 |
| *of which EPZ* | *3,288,128* | *68,343* | *52,336* | *23,910* | *76,246* | *97,181* | *110,739* |
| Tourism | 33,217,297 | 696,417 | 175,597 | 77,413 | 253,010 | 256,320 | 222,223 |
| Transport | 3,461,231 | 891,332 | 591,311 | 46,180 | 637,491 | 384,108 | 48,673 |
| Construction | 15,665,597 | 1,940,928 | 674,116 | 220,062 | 894,178 | 694,657 | 614,013 |
| Financial and business services | 17,063,392 | 124,659 | 69,159 | 51,350 | 120,509 | 114,159 | 123,014 |
| Traders | 16,846,080 | 893,973 | 461,027 | 159,007 | 620,034 | 1,071,935 | 441,264 |
| Personal | 29,405,695 | 2,257,337 | 945,987 | 181,736 | 1,127,723 | 1,220,379 | 1,195,660 |
| *of which credit cards* | *621,938* | *73,654* | *44,181* | *12,019* | *56,200* | *68,976* | *68,150* |
| *of which housing* | *19,079,950* | *1,017,111* | *157,176* | *84,052* | *241,228* | *236,556* | *191,831* |
| Professional | 980,526 | 311,169 | 171,645 | 18,340 | 189,985 | 56,073 | 52,672 |
| Foreign governments | 308,155 | - | - | - | - | 1,500 | 1,600 |
| Global Business Licence holders | 14,330,994 | 855,207 | 655,884 | 193,894 | 849,778 | 1,381,419 | 736,219 |
| Others | 8,715,267 | 293,499 | 128,052 | 59,519 | 187,571 | 187,114 | 218,066 |
| | 157,308,309 | 9,534,646 | 4,123,240 | 1,086,213 | 5,209,453 | 5,864,852 | 4,048,817 |
| **Segment A** | | | | | | | |
| Agriculture and fishing | 7,207,423 | 916,258 | 30,888 | 7,705 | 38,593 | 25,412 | 52,108 |
| Manufacturing | 8,845,296 | 353,649 | 219,356 | 62,651 | 282,007 | 465,176 | 330,346 |
| *of which EPZ* | *3,288,128* | *68,343* | *52,336* | *23,910* | *76,246* | *97,181* | *110,739* |
| Tourism | 21,445,425 | 160,678 | 87,222 | 50,649 | 137,871 | 156,333 | 135,972 |
| Transport | 1,998,452 | 108,064 | 14,156 | 33,881 | 48,037 | 42,881 | 19,432 |
| Construction | 15,630,143 | 1,940,912 | 674,103 | 219,490 | 893,593 | 694,652 | 613,901 |
| Financial and business services | 15,024,188 | 108,172 | 57,765 | 45,198 | 102,963 | 97,783 | 93,075 |
| Traders | 11,445,493 | 776,600 | 428,720 | 105,127 | 533,847 | 487,092 | 397,934 |
| Personal | 27,865,669 | 2,206,578 | 921,770 | 171,270 | 1,093,040 | 1,186,594 | 1,156,181 |
| *of which credit cards* | *607,851* | *73,654* | *44,181* | *12,019* | *56,200* | *68,976* | *68,150* |
| *of which housing* | *17,896,781* | *985,687* | *150,925* | *84,052* | *234,977* | *228,832* | *191,831* |
| Professional | 721,572 | 89,781 | 36,087 | 17,180 | 53,267 | 52,958 | 47,807 |
| Others | 3,929,864 | 291,903 | 126,456 | 25,417 | 151,873 | 164,533 | 173,697 |
| | 114,113,525 | 6,952,595 | 2,596,523 | 738,568 | 3,335,091 | 3,373,414 | 3,020,453 |
| **Segment B** | | | | | | | |
| Agriculture and fishing | 163,172 | 12 | 12 | 179 | 191 | 217 | 2,441 |
| Manufacturing | 1,098,184 | 206 | 206 | 8,177 | 8,383 | 6,383 | 10,518 |
| Tourism | 11,771,872 | 535,739 | 88,375 | 26,764 | 115,139 | 99,987 | 86,251 |
| Transport | 1,462,779 | 783,268 | 577,155 | 12,299 | 589,454 | 341,227 | 29,241 |
| Construction | 35,454 | 16 | 13 | 572 | 585 | 5 | 112 |
| Financial and business services | 2,039,204 | 16,487 | 11,394 | 6,152 | 17,546 | 16,376 | 29,939 |
| Traders | 5,400,587 | 117,373 | 32,307 | 53,880 | 86,187 | 584,843 | 43,330 |
| Personal | 1,540,026 | 50,759 | 24,217 | 10,466 | 34,683 | 33,785 | 39,479 |
| Professional | 258,954 | 221,388 | 135,558 | 1,160 | 136,718 | 3,115 | 4,865 |
| Foreign governments | 308,155 | - | - | - | - | 1,500 | 1,600 |
| Global Business Licence holders | 14,330,994 | 855,207 | 655,884 | 193,894 | 849,778 | 1,381,419 | 736,219 |
| Others | 4,785,403 | 1,596 | 1,596 | 34,102 | 35,698 | 22,581 | 44,369 |
| | 43,194,784 | 2,582,051 | 1,526,717 | 347,645 | 1,874,362 | 2,491,438 | 1,028,364 |

# 39. Segmental Reporting (Cont'd)

## (d) Investment securities

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Held-to-maturity | **40,648,131** | **39,925,602** | **722,529** | 28,656,695 | 28,329,607 | 327,088 | 15,921,035 | 15,891,782 | 29,253 |
| Available-for-sale | **4,027,205** | **1,551,669** | **2,475,536** | 1,957,894 | 1,216,936 | 740,958 | 1,353,820 | 474,135 | 879,685 |
| | **44,675,336** | **41,477,271** | **3,198,065** | 30,614,589 | 29,546,543 | 1,068,046 | 17,274,855 | 16,365,917 | 908,938 |

### (i) Held-to-maturity

| | 2015 TOTAL RS'000 | 2015 Segment A RS'000 | 2015 Segment B RS'000 | 2014 TOTAL RS'000 | 2014 Segment A RS'000 | 2014 Segment B RS'000 | 2013 TOTAL RS'000 | 2013 Segment A RS'000 | 2013 Segment B RS'000 |
|---|---|---|---|---|---|---|---|---|---|
| Government of Mauritius & Bank of Mauritius bonds | **26,368,810** | **26,368,810** | **-** | 15,108,443 | 15,108,443 | - | 3,413,044 | 3,413,044 | - |
| Treasury bills | **13,527,402** | **13,527,402** | **-** | 13,191,774 | 13,191,774 | - | 12,278,428 | 12,278,428 | - |
| Foreign Bonds | **722,529** | **-** | **722,529** | 327,088 | - | 327,088 | 29,253 | - | 29,253 |
| Mauritius Development Loan Stocks | **-** | **-** | **-** | - | - | - | 200,310 | 200,310 | - |
| Others | **29,390** | **29,390** | **-** | 29,390 | 29,390 | - | - | - | - |
| | **40,648,131** | **39,925,602** | **722,529** | 28,656,695 | 28,329,607 | 327,088 | 15,921,035 | 15,891,782 | 29,253 |

### (ii) Available-for-sale

| | 2015 TOTAL RS'000 | 2015 Segment A RS'000 | 2015 Segment B RS'000 | 2014 TOTAL RS'000 | 2014 Segment A RS'000 | 2014 Segment B RS'000 | 2013 TOTAL RS'000 | 2013 Segment A RS'000 | 2013 Segment B RS'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Quoted - Level 1** | | | | | | | | | |
| Official list: shares | **1,125,581** | **1,125,581** | **-** | 754,514 | 754,514 | - | 6,773 | 6,773 | - |
| Bonds | **1,228,147** | **-** | **1,228,147** | 29,974 | - | 29,974 | - | - | - |
| Foreign shares | **623,697** | **-** | **623,697** | 421,501 | - | 421,501 | 686,715 | - | 686,715 |
| **Unquoted - Level 2** | | | | | | | | | |
| Investment fund | **101,009** | **-** | **101,009** | 92,063 | - | 92,063 | - | - | - |
| **Unquoted - Level 3** | | | | | | | | | |
| Investment fund | **510,631** | **-** | **510,631** | 187,369 | - | 187,369 | 182,919 | - | 182,919 |
| Shares | **229,279** | **217,227** | **12,052** | 263,612 | 253,561 | 10,051 | 268,643 | 258,592 | 10,051 |
| Inflation - indexed Government of Mauritius bonds | **208,861** | **208,861** | **-** | 208,861 | 208,861 | - | 208,770 | 208,770 | - |
| | **4,027,205** | **1,551,669** | **2,475,536** | 1,957,894 | 1,216,936 | 740,958 | 1,353,820 | 474,135 | 879,685 |

## 39. Segmental Reporting (Cont'd)

### (e) Investments in associates

#### (i) The bank's interest in its principal associates was as follows:

| | Country of incorporation | Holding % | TOTAL RS'000 | Segment A RS'000 | Segment B RS'000 |
|---|---|---|---|---|---|
| **Year ended 30th June 2015 & 2014** | | | - | - | - |
| Year ended 30th June 2013 | | | | | |
| Banque Française Commerciale O.I. | France | 49.99 | 447,184 | - | 447,184 |
| Credit Guarantee Insurance Co. Ltd | Mauritius | 40.00 | 12,000 | 12,000 | - |
| | | | 459,184 | 12,000 | 447,184 |
| Subordinated loans to associates | | | 416,972 | 3,620 | 413,352 |
| | | | 876,156 | 15,620 | 860,536 |

#### (ii) Movements in investment in associates

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| At 1st July | - | - | - | 876,156 | 15,620 | 860,536 | 861,635 | 15,620 | 846,015 |
| Increase in shareholding during the year | - | - | - | 185 | - | 185 | - | - | - |
| Exchange adjustment on subordinated loan | - | - | - | 8,528 | - | 8,528 | 14,521 | - | 14,521 |
| Subordinated loan converted into shares and disposed thereafter | - | - | - | (3,600) | (3,600) | - | - | - | - |
| Distributed by way of dividend in specie | - | - | - | (12,000) | (12,000) | - | - | - | - |
| Transferred to non-current assets held for distribution (see note 39x(i)) | - | - | - | (447,369) | - | (447,369) | - | - | - |
| | - | - | - | 421,900 | 20 | 421,880 | 876,156 | 15,620 | 860,536 |
| Subordinated loans to associates reclassified to loans to banks/customers where applicable | - | - | - | (421,900) | (20) | (421,880) | - | - | - |
| At 30th June | - | - | - | - | - | - | 876,156 | 15,620 | 860,536 |

## 39. Segmental Reporting (Cont'd)

### (f) Investments in subsidiaries

#### (i) The bank's interest in its subsidiaries was as follows:

| | Country of incorporation/ operation | Principal activities | Effective Holding % | TOTAL RS'000 | Segment A RS'000 | Segment B RS'000 |
|---|---|---|---|---|---|---|
| **Year ended 30th June 2015 & 2014** | | | | - | - | - |

| | Country of incorporation/ operation | Principal activities | Effective Holding % | TOTAL RS'000 | Segment A RS'000 | Segment B RS'000 |
|---|---|---|---|---|---|---|
| MCB (Maldives) Private Ltd | Republic of Maldives | Banking & Financial services | 100.00 | 347,963 | - | 347,963 |
| MCB Moçambique SA | Mozambique | Banking & Financial services | 95.00 | 260,040 | - | 260,040 |
| MCB Seychelles Ltd | Seychelles | Banking & Financial services | 100.00 | 211,522 | - | 211,522 |
| MCB Madagascar SA | Madagascar | Banking & Financial services | 85.00 | 64,322 | - | 64,322 |
| MCB Equity Fund Ltd | Mauritius | Private Equity Fund | 100.00 | 2,334,637 | 2,334,637 | - |
| International Card Processing Services Ltd | Mauritius | Providing card system facilities, card embossing & encoding services | 80.00 | 80,000 | 80,000 | - |
| MCB Capital Markets Ltd | Mauritius | Investment Holding Company | 96.00 | 71,858 | 71,858 | - |
| MCB Factors Ltd | Mauritius | Factoring | 100.00 | 50,000 | 50,000 | - |
| Fincorp Investment Ltd | Mauritius | Investment Company | 57.56 | 24,736 | 24,736 | - |
| MCB Properties Ltd | Mauritius | Property ownership & development | 100.00 | 14,625 | 14,625 | - |
| Blue Penny Museum | Mauritius | Philatelic museum | 97.88 | 950 | 950 | - |
| | | | | 3,460,653 | 2,576,806 | 883,847 |
| Subordinated loans to subsidiaries | | | | 219,249 | 64,155 | 155,094 |
| Year ended 30th June 2013 | | | | 3,679,902 | 2,640,961 | 1,038,941 |

#### (ii) Movements in investment in subsidiaries

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| At 1st July | - | - | - | 3,679,902 | 2,640,961 | 1,038,941 | 3,537,307 | 2,653,460 | 883,847 |
| Net movement in shareholding during the year | - | - | - | (248,994) | (248,994) | - | - | - | - |
| Exchange adjustment on subordinated loan | - | - | - | (3,581) | - | (3,581) | - | - | - |
| Distributed by way of dividend in specie | - | - | - | (2,327,812) | (2,327,812) | - | - | - | - |
| Transferred to non current assets held for distribution (see note 39x(i)) | - | - | - | (883,847) | - | (883,847) | - | - | - |
| Subordinated loans (refunded by)/granted to subsidiaries | - | - | - | (12,500) | (12,500) | - | 142,595 | (12,499) | 155,094 |
| Subordinated loans reclassified to loans to banks/customers where applicable | - | - | - | (203,168) | (51,655) | (151,513) | - | - | - |
| **At 30th June** | - | - | - | - | - | - | 3,679,902 | 2,640,961 | 1,038,941 |

## 39. Segmental Reporting (Cont'd)

### (g) Property, plant and equipment

| | Land and buildings RS'000 | Computer and other equipment RS'000 | Furniture fittings and vehicules RS'000 | Work in progress RS'000 | Total RS'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1st July 2012 | 4,334,616 | 2,684,533 | 754,235 | 37,436 | 7,810,820 |
| Additions | 104,447 | 72,058 | 22,788 | 146,872 | 346,165 |
| Disposals | (25,987) | (150,133) | (37,685) | - | (213,805) |
| Transfer | 22,223 | 94,123 | 33,317 | (149,663) | - |
| At 30th June 2013 | 4,435,299 | 2,700,581 | 772,655 | 34,645 | 7,943,180 |
| Additions | 23,597 | 71,805 | 25,815 | 74,997 | 196,214 |
| Disposals | (21,288) | (40,424) | (39,752) | - | (101,464) |
| Transfer | - | 29,489 | 15,123 | (44,612) | - |
| At 30th June 2014 | **4,437,608** | **2,761,451** | **773,841** | **65,030** | **8,037,930** |
| Additions | **10,583** | **118,140** | **12,319** | **50,853** | **191,895** |
| Disposals | **-** | **(71,121)** | **(33,124)** | **-** | **(104,245)** |
| Transfer | **-** | **80,357** | **10,066** | **(90,423)** | **-** |
| **At 30th June 2015** | **4,448,191** | **2,888,827** | **763,102** | **25,460** | **8,125,580** |
| **Accumulated depreciation** | | | | | |
| At 1st July 2012 | 436,315 | 1,512,835 | 317,723 | - | 2,266,873 |
| Charge for the year | 70,622 | 277,915 | 58,360 | - | 406,897 |
| Disposal adjustment | (3,413) | (137,310) | (31,909) | - | (172,632) |
| At 30th June 2013 | 503,524 | 1,653,440 | 344,174 | - | 2,501,138 |
| Charge for the year | 71,037 | 284,604 | 54,677 | - | 410,318 |
| Disposal adjustment | (98) | (37,767) | (38,170) | - | (76,035) |
| At 30th June 2014 | **574,463** | **1,900,277** | **360,681** | **-** | **2,835,421** |
| Charge for the year | **71,261** | **235,154** | **52,400** | **-** | **358,815** |
| Disposal adjustment | **-** | **(68,932)** | **(30,167)** | **-** | **(99,099)** |
| **At 30th June 2015** | **645,724** | **2,066,499** | **382,914** | **-** | **3,095,137** |
| **Net book values - Segment A** | | | | | |
| **At 30th June 2015** | **3,802,467** | **822,328** | **380,188** | **25,460** | **5,030,443** |
| At 30th June 2014 | 3,863,145 | 861,174 | 413,160 | 65,030 | 5,202,509 |
| At 30th June 2013 | 3,931,775 | 1,047,141 | 428,481 | 34,645 | 5,442,042 |

# 39. Segmental Reporting (Cont'd)

## (h) Other assets

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Mandatory balances with Central Bank | **12,252,565** | **12,252,565** | **-** | 10,646,314 | 10,646,314 | - | 8,039,278 | 8,039,278 | - |
| Accrued interest receivable | **1,273,421** | **290,660** | **982,761** | 1,034,304 | 470,685 | 563,619 | 1,034,790 | 554,047 | 480,743 |
| Prepayments and other receivables | **741,942** | **688,486** | **53,456** | 910,276 | 762,965 | 147,311 | 556,197 | 511,445 | 44,752 |
| Receivable from Mauritius Union Assurance Co Ltd | **25,000** | **25,000** | **-** | 50,000 | 50,000 | - | 75,000 | 75,000 | - |
| Credit card clearing | **180,193** | **164,291** | **15,902** | 238,605 | 168,220 | 70,385 | 87,828 | 69,401 | 18,427 |
| Non-banking assets acquired in satisfaction of debts | **57,474** | **57,474** | **-** | 55,792 | 55,792 | - | 51,433 | 51,433 | - |
| Margin deposit under Credit Support Annex | **-** | **-** | **-** | 431,521 | - | 431,521 | 461,251 | - | 461,251 |
| Impersonal & other accounts | **952,038** | **885,312** | **66,726** | 670,718 | 648,993 | 21,725 | 433,404 | 423,681 | 9,723 |
| | **15,482,633** | **14,363,788** | **1,118,845** | 14,037,530 | 12,802,969 | 1,234,561 | 10,739,181 | 9,724,285 | 1,014,896 |

## (i) Deposits from banks

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Demand deposits | **3,303,800** | **52,892** | **3,250,908** | 2,145,169 | 31,433 | 2,383,736 | 1,685,080 | 23,751 | 1,661,329 |
| Money market deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | **513,951** | **-** | **513,951** | 754,245 | 3,788 | 750,457 | 1,044,862 | - | 1,044,862 |
| Over 3 months and up to 6 months | **468,681** | **-** | **468,681** | 243,275 | - | 243,275 | 223,680 | - | 223,680 |
| Over 6 months and up to 1 year | **151,133** | **-** | **151,133** | 285,349 | - | 285,349 | 454,890 | - | 454,890 |
| Over 1 year and up to 5 years | **66,860** | **-** | **66,860** | - | - | - | - | - | - |
| | **1,200,625** | **-** | **1,200,625** | 1,282,869 | 3,788 | 1,279,081 | 1,723,432 | - | 1,723,432 |
| | **4,504,425** | **52,892** | **4,451,533** | 3,698,038 | 35,221 | 3,662,817 | 3,408,512 | 23,751 | 3,384,761 |

## 39. Segmental Reporting (Cont'd)

### (j) Deposits from customers

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **(i) Retail customers** | | | | | | | | | |
| Demand deposits | **20,749,512** | **10,628,272** | **10,121,240** | 15,508,233 | 8,386,164 | 7,122,069 | 12,012,604 | 7,298,206 | 4,714,398 |
| Savings deposits | **86,278,568** | **79,501,616** | **6,776,952** | 74,282,426 | 68,596,297 | 5,686,129 | 68,226,248 | 63,488,219 | 4,738,029 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | **3,442,220** | **2,413,167** | **1,029,053** | 3,280,785 | 2,133,644 | 1,147,141 | 4,106,179 | 2,856,631 | 1,249,548 |
| Over 3 months and up to 6 months | **1,907,356** | **1,255,470** | **651,886** | 2,703,635 | 1,540,043 | 1,163,592 | 2,339,617 | 1,705,622 | 633,995 |
| Over 6 months and up to 1 year | **4,370,791** | **3,190,649** | **1,180,142** | 4,219,592 | 3,075,909 | 1,143,683 | 4,630,251 | 3,253,067 | 1,377,184 |
| Over 1 year and up to 5 years | **10,204,584** | **8,077,502** | **2,127,082** | 9,218,134 | 7,590,570 | 1,627,564 | 9,037,608 | 7,747,578 | 1,290,030 |
| Over 5 years | **53,629** | **48,754** | **4,875** | 31,905 | 31,905 | - | 4,855 | 4,405 | 450 |
| | **19,978,580** | **14,985,542** | **4,993,038** | 19,454,051 | 14,372,071 | 5,081,980 | 20,118,510 | 15,567,303 | 4,551,207 |
| | **127,006,660** | **105,115,430** | **21,891,230** | 109,244,710 | 91,354,532 | 17,890,178 | 100,357,362 | 86,353,728 | 14,003,634 |
| **(ii) Corporate customers** | | | | | | | | | |
| Demand deposits | **57,541,764** | **27,156,104** | **30,385,660** | 43,706,020 | 21,633,439 | 22,072,581 | 32,425,132 | 18,869,538 | 13,555,594 |
| Savings deposits | **5,643,459** | **5,562,870** | **80,589** | 5,591,302 | 5,511,891 | 79,411 | 5,102,968 | 5,028,016 | 74,952 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | **4,915,207** | **1,157,594** | **3,757,613** | 4,311,127 | 2,125,111 | 2,186,016 | 6,116,391 | 2,974,760 | 3,141,631 |
| Over 3 months and up to 6 months | **1,959,456** | **892,890** | **1,066,566** | 1,958,329 | 916,082 | 1,042,247 | 1,208,104 | 912,945 | 295,159 |
| Over 6 months and up to 1 year | **1,455,611** | **1,013,386** | **442,225** | 1,551,513 | 1,137,360 | 414,153 | 1,376,295 | 611,447 | 764,848 |
| Over 1 year and up to 5 years | **1,398,256** | **1,096,958** | **301,298** | 1,739,488 | 1,550,178 | 189,310 | 1,438,877 | 1,438,677 | 200 |
| Over 5 years | **2,754,087** | **-** | **2,754,087** | 2,896,803 | - | 2,896,803 | 2,838,248 | - | 2,838,248 |
| | **12,482,617** | **4,160,828** | **8,321,789** | 12,457,260 | 5,728,731 | 6,728,529 | 12,977,915 | 5,937,829 | 7,040,086 |
| | **75,667,840** | **36,879,802** | **38,788,038** | 61,754,582 | 32,874,061 | 28,880,521 | 50,506,015 | 29,835,383 | 20,670,632 |
| **(iii) Government** | | | | | | | | | |
| Demand deposits | **10,423** | **10,423** | **-** | 3,715 | 3,715 | - | 3,997 | 3,997 | - |
| Savings deposits | **28,662** | **28,662** | **-** | 18,903 | 18,903 | - | 51,260 | 51,260 | - |
| | **39,085** | **39,085** | **-** | 22,618 | 22,618 | - | 55,257 | 55,257 | - |
| | **202,713,585** | **142,034,317** | **60,679,268** | 171,021,910 | 124,251,211 | 46,770,699 | 150,918,634 | 116,244,368 | 34,674,266 |

# 39. Segmental Reporting (Cont'd)

## (k) Subordinated liabilities

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Rs 4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 6% (Level 1) | - | - | - | 4,500,000 | 4,322,106 | 177,894 | - | - | - |
| USD30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (Level 3) | **1,055,697** | - | **1,055,697** | 909,081 | - | 909,081 | - | - | - |
| | **1,055,697** | - | **1,055,697** | 5,409,081 | 4,322,106 | 1,086,975 | - | - | - |

## (l) Other liabilities

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Accrued interest payable | **640,654** | **458,450** | **182,204** | 929,987 | 706,629 | 223,358 | 891,777 | 699,005 | 192,772 |
| MCB Superannuation Fund | **664,262** | **664,262** | - | 705,199 | 705,199 | - | 746,721 | 746,721 | - |
| Margin deposit under Credit Support Annex | **21,818** | - | **21,818** | - | - | - | - | - | - |
| Post employee benefit liability | **1,034,237** | **1,034,237** | - | 1,151,026 | 1,151,026 | - | 846,178 | 846,178 | - |
| Proposed dividend | **1,023,229** | **1,023,229** | - | 809,065 | 809,065 | - | 796,657 | 796,657 | - |
| Impersonal & other accounts | **2,517,442** | **2,460,702** | **56,740** | 2,345,761 | 2,238,587 | 107,174 | 1,986,280 | 1,929,727 | 56,553 |
| | **5,901,642** | **5,640,880** | **260,762** | 5,941,038 | 5,610,506 | 330,532 | 5,267,613 | 5,018,288 | 249,325 |

## 39. Segmental Reporting (Cont'd)

### (m) Contingent liabilities

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **(i) Instruments** | | | | | | | | | |
| Guarantees on account of customers | **15,686,218** | **10,608,174** | **5,078,044** | 15,931,937 | 11,325,367 | 4,606,570 | 16,901,250 | 11,554,540 | 5,346,710 |
| Letters of credit and other obligations on account of customers | **15,781,597** | **2,856,450** | **12,925,147** | 29,632,253 | 2,956,933 | 26,675,320 | 18,687,134 | 3,647,798 | 15,039,336 |
| Other contingent items | **11,854,612** | **333,779** | **11,520,833** | 16,548,255 | 882,489 | 15,665,766 | 10,961,602 | 247,094 | 10,714,508 |
| | **43,322,427** | **13,798,403** | **29,524,024** | 62,112,445 | 15,164,789 | 46,947,656 | 46,549,986 | 15,449,432 | 31,100,554 |
| **(ii) Commitments** | | | | | | | | | |
| Loans and other facilities, including undrawn credit facilities | **4,380,241** | **3,737,850** | **642,391** | 4,355,291 | 3,238,122 | 1,117,169 | 5,022,227 | 3,345,412 | 1,676,815 |
| **(iii) Tax assessments** | **797,225** | **797,225** | **-** | 272,057 | 272,057 | - | 121,584 | 121,584 | - |
| **(iv) Other** | | | | | | | | | |
| Inward bills held for collection | **380,692** | **328,127** | **52,565** | 461,794 | 319,826 | 141,968 | 454,499 | 324,561 | 129,938 |
| Outward bills sent for collection | **803,573** | **322,132** | **481,441** | 1,042,994 | 463,912 | 579,082 | 1,177,623 | 593,232 | 584,391 |
| | **1,184,265** | **650,259** | **534,006** | 1,504,788 | 783,738 | 721,050 | 1,632,122 | 917,793 | 714,329 |
| | **49,684,158** | **18,983,737** | **30,700,421** | 68,244,581 | 19,458,706 | 48,785,875 | 53,325,919 | 19,834,221 | 33,491,698 |

### (n) Interest income

| | 2015 TOTAL RS'000 | 2015 Segment A RS'000 | 2015 Segment B RS'000 | 2014 TOTAL RS'000 | 2014 Segment A RS'000 | 2014 Segment B RS'000 | 2013 TOTAL RS'000 | 2013 Segment A RS'000 | 2013 Segment B RS'000 |
|---|---|---|---|---|---|---|---|---|---|
| Loans to and placements with banks | **202,394** | **6,258** | **196,136** | 186,503 | 14,282 | 172,221 | 170,839 | 2,409 | 168,430 |
| Loans and advances to customers | **10,105,092** | **8,008,423** | **2,096,669** | 9,747,799 | 7,749,074 | 1,998,725 | 9,708,287 | 7,975,863 | 1,732,424 |
| Held-to-maturity investments | **1,280,581** | **1,260,780** | **19,801** | 919,662 | 916,437 | 3,225 | 589,115 | 586,736 | 2,379 |
| Available-for-sale investments | **35,254** | **-** | **35,254** | 159 | - | 159 | - | - | - |
| Other | **9,649** | **9,649** | **-** | 11,718 | 11,531 | 187 | 6,475 | 6,167 | 308 |
| | **11,632,970** | **9,285,110** | **2,347,860** | 10,865,841 | 8,691,324 | 2,174,517 | 10,474,716 | 8,571,175 | 1,903,541 |

# 39. Segmental Reporting (Cont'd)

## (o) Interest expense

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Deposits from banks | **16,335** | **2** | **16,333** | 32,200 | 4 | 32,196 | 30,536 | - | 30,536 |
| Deposits from customers | **3,856,580** | **3,376,990** | **479,590** | 3,836,096 | 3,364,421 | 471,675 | 3,924,629 | 3,438,700 | 485,929 |
| Subordinated liabilities | **300,459** | **255,044** | **45,415** | 262,671 | 241,890 | 20,781 | - | - | - |
| Other borrowed funds | **111,299** | **456** | **110,843** | 188,226 | 3,277 | 184,949 | 186,136 | 7,938 | 178,198 |
| | **4,284,673** | **3,632,492** | **652,181** | 4,319,193 | 3,609,592 | 709,601 | 4,141,301 | 3,446,638 | 694,663 |

## (p) Fee and commission income

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Retail banking fees | **653,258** | **355,491** | **297,767** | 433,631 | 427,949 | 5,682 | 243,385 | 233,673 | 9,712 |
| Corporate banking fees | **430,487** | **320,675** | **109,812** | 386,329 | 285,453 | 100,876 | 356,603 | 237,685 | 118,918 |
| Guarantee fees | **204,688** | **142,804** | **61,884** | 217,778 | 157,771 | 60,007 | 222,582 | 159,419 | 63,163 |
| Interbank transaction fees | **43,092** | **-** | **43,092** | 46,398 | - | 46,398 | 41,492 | - | 41,492 |
| Cards and other related fees | **1,221,028** | **982,407** | **238,621** | 1,107,863 | 902,770 | 205,093 | 926,821 | 762,387 | 164,434 |
| Trade finance fees | **647,999** | **48,971** | **599,028** | 637,558 | 128,064 | 509,494 | 707,795 | 112,598 | 595,197 |
| Others | **202,791** | **59,957** | **142,834** | 119,798 | 41,660 | 78,138 | 101,173 | 41,985 | 59,188 |
| | **3,403,343** | **1,910,305** | **1,493,038** | 2,949,355 | 1,943,667 | 1,005,688 | 2,599,851 | 1,547,747 | 1,052,104 |

## (q) Fee and commission expense

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Interbank transaction fees | **16,553** | **-** | **16,553** | 8,374 | - | 8,374 | 6,479 | - | 6,479 |
| Card and other related fees | **539,423** | **539,148** | **275** | 490,788 | 490,602 | 186 | 392,239 | 392,153 | 86 |
| Others | **30,954** | **-** | **30,954** | 51,297 | - | 51,297 | 12,655 | - | 12,655 |
| | **586,930** | **539,148** | **47,782** | 550,459 | 490,602 | 59,857 | 411,373 | 392,153 | 19,220 |

## (r) Net gain from financial instruments carried at fair value

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Net gain from derivatives | **157,552** | **150,255** | **7,297** | 46,291 | 27,946 | 18,345 | 206,140 | 190,286 | 15,854 |
| Investment securities at fair value through profit or loss | **571** | **552** | **19** | 155 | 155 | - | 193 | 193 | - |
| | **158,123** | **150,807** | **7,316** | 46,446 | 28,101 | 18,345 | 206,333 | 190,479 | 15,854 |

## (s) Dividend income

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Available-for-sale securities | **30,863** | **27,994** | **2,869** | 13,520 | 10,335 | 3,185 | 7,184 | 4,831 | 2,353 |

# 39. Segmental Reporting (Cont'd)

## (t) Salaries and human resource development

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Wages and salaries | **1,766,201** | **1,596,954** | **169,247** | 1,607,208 | 1,484,667 | 122,541 | 1,540,139 | 1,444,076 | 96,063 |
| Compulsory social security obligations | **54,079** | **49,476** | **4,603** | 50,646 | 47,121 | 3,525 | 46,257 | 43,472 | 2,785 |
| Equity settled share-based payments | **1,488** | **1,442** | **46** | 4,192 | 4,067 | 125 | 1,929 | 1,876 | 53 |
| Other personnel expenses | **450,764** | **403,987** | **46,777** | 478,553 | 439,049 | 39,504 | 442,138 | 410,396 | 31,742 |
| | **2,272,532** | **2,051,859** | **220,673** | 2,140,599 | 1,974,904 | 165,695 | 2,030,463 | 1,899,820 | 130,643 |

## (u) Other non-interest expense

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Software licensing and other information technology cost | **208,519** | **194,648** | **13,871** | 179,326 | 170,296 | 9,030 | 156,988 | 149,560 | 7,428 |
| Others | **1,132,790** | **1,015,779** | **117,011** | 1,182,089 | 1,088,367 | 93,722 | 1,032,589 | 962,642 | 69,947 |
| | **1,341,309** | **1,210,427** | **130,882** | 1,361,415 | 1,258,663 | 102,752 | 1,189,577 | 1,112,202 | 77,375 |

## (v) Net impairment of financial assets

**The impairment charge related to the Statement of Profit or Loss:**

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Allowance for credit impairment | **860,840** | **418,045** | **442,795** | 1,843,056 | 376,031 | 1,467,025 | 1,055,277 | 383,911 | 671,366 |
| Impairment of available-for-sale | **36,333** | **36,333** | **-** | - | - | - | - | - | - |
| | **897,173** | **454,378** | **442,795** | 1,843,056 | 376,031 | 1,467,025 | 1,055,277 | 383,911 | 671,366 |

## (i) Allowance for credit impairment

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Loans to and placements with banks | **(784)** | **-** | **(784)** | 7,400 | - | 7,400 | 2,000 | - | 2,000 |
| Loans and advances to customers | **861,624** | **418,045** | **443,579** | 1,835,656 | 376,031 | 1,459,625 | 1,053,277 | 383,911 | 669,366 |
| | **860,840** | **418,045** | **442,795** | 1,843,056 | 376,031 | 1,467,025 | 1,055,277 | 383,911 | 671,366 |

## 39. Segmental Reporting (Cont'd)

### (w) Income tax expense

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **Current tax expense** | | | | | | | | | |
| Current year | 1,013,896 | 903,228 | 110,668 | 918,468 | 845,121 | 73,347 | 751,461 | 679,876 | 71,585 |
| (Over)/Under provision in previous years | (12,062) | (279) | (11,783) | (7,028) | (7,236) | 208 | 13,673 | 13,673 | - |
| | 1,001,834 | 902,949 | 98,885 | 911,440 | 837,885 | 73,555 | 765,134 | 693,549 | 71,585 |
| Deferred tax | (41,544) | (31,694) | (9,850) | (40,022) | (24,872) | (15,150) | (9,008) | (2,067) | (6,941) |
| **Charge for the year** | 960,290 | 871,255 | 89,035 | 871,418 | 813,013 | 58,405 | 756,126 | 691,482 | 64,644 |

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Profit before tax: | | | | | | | | | |
| Continuing operations | 5,802,844 | 3,168,634 | 2,634,210 | 4,212,515 | 2,959,886 | 1,252,629 | 4,463,296 | 2,936,424 | 1,526,872 |
| Discontinuing operations | 161,746 | - | 161,746 | 345,484 | 164,000 | 181,484 | 84,298 | 30,848 | 53,450 |
| | 5,964,590 | 3,168,634 | 2,795,956 | 4,557,999 | 3,123,886 | 1,434,113 | 4,547,594 | 2,967,272 | 1,580,322 |
| Tax calculated at a rate of 15% | 894,689 | 475,295 | 419,394 | 683,700 | 468,583 | 215,117 | 682,139 | 445,091 | 237,048 |
| Impact of: | | | | | | | | | |
| Income not subject to tax | (119,631) | (46,316) | (73,315) | (69,039) | (46,275) | (22,764) | (31,630) | (30,344) | (1,286) |
| Expenses not deductible for tax purposes | 117,934 | 43,614 | 74,320 | 125,023 | 22,005 | 103,018 | 81,981 | 37,778 | 44,203 |
| Tax credits | (345,883) | - | (345,883) | (253,341) | - | (253,341) | (231,010) | - | (231,010) |
| Special levy on banks | 362,494 | 336,192 | 26,302 | 332,456 | 316,289 | 16,167 | 185,523 | 169,834 | 15,689 |
| Corporate Social Responsibility Contribution | 62,749 | 62,749 | - | 59,647 | 59,647 | - | 55,450 | 55,450 | - |
| (Over)/Under provision in previous years | (12,062) | (279) | (11,783) | (7,028) | (7,236) | 208 | 13,673 | 13,673 | - |
| **Tax charge** | 960,290 | 871,255 | 89,035 | 871,418 | 813,013 | 58,405 | 756,126 | 691,482 | 64,644 |

The tax charge related to statement of profit or loss and other comprehensive income is as follows:

| | 2015 TOTAL | 2015 Segment A | 2015 Segment B | 2014 TOTAL | 2014 Segment A | 2014 Segment B | 2013 TOTAL | 2013 Segment A | 2013 Segment B |
|---|---|---|---|---|---|---|---|---|---|
| Remeasurement of defined benefit pension plan | (112,018) | (112,018) | - | 269,896 | 269,896 | - | 158,399 | 158,399 | - |
| Deferred tax | 16,803 | 16,803 | - | (40,484) | (40,484) | - | (23,760) | (23,760) | - |
| | (95,215) | (95,215) | - | 229,412 | 229,412 | - | 134,639 | 134,639 | - |

## 39. Segmental Reporting (Cont'd)

### (x) Non-current assets held for distribution

#### (i) Non-current assets held for distribution

Upon the "Scheme" becoming effective and subject to obtaining relevant regulatory approvals, the banking subsidiaries and associate of the bank will be unbundled into MCB Investment Holding Limited.

As at 30th June 2015, the subsidiaries and associate not yet unbundled have been classified as non-current assets held for distribution and are as follows:

| | Principal activities | Effective Holding % | TOTAL RS'000 | Segment A RS'000 | Segment B RS'000 |
|---|---|---|---|---|---|
| **Banking subsidiaries** | | | | | |
| MCB (Maldives) Private Ltd | Banking & Financial services | 100.00 | 347,963 | - | 347,963 |
| MCB Moçambique SA | Banking & Financial services | 95.00 | 260,040 | - | 260,040 |
| MCB Seychelles Ltd | Banking & Financial services | 100.00 | 211,522 | - | 211,522 |
| MCB Madagascar SA | Banking & Financial services | 85.00 | 64,322 | - | 64,322 |
| | | | 883,847 | - | 883,847 |
| **Banking associate** | | | | | |
| Banque Française Commerciale O.I. | Banking & Financial services | 49.99 | 447,369 | - | 447,369 |
| **Total** | | | **1,331,216** | **-** | **1,331,216** |

#### (ii) Discontinuing operations following unbundling of investments

Income recognised in profit or loss is as follows:

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Dividend income | **161,746** | **-** | **161,746** | 345,484 | 164,000 | 181,484 | 84,298 | 30,848 | 53,450 |

# Administrative information

**REGISTERED ADDRESS**

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Swift: MCBLMUMU
Email: contact@mcb.mu
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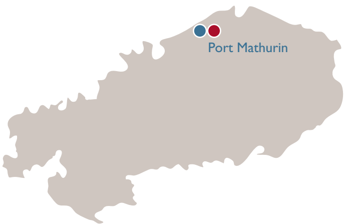
## Local Branch Network

### Mauritius

# Rodrigues




- Branches
- Bureaux de Change / Forex ATMs
- ★ Bank Kiosks