



The Mauritius Commercial Bank Limited
Financial Statements
30th June 2015

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 3 to 77 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.

TO THE SHAREHOLDERS OF THE MAURITIUS COMMERCIAL BANK LTD.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Opinion

In our opinion, the financial statements on pages 3 to 77 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

| | | 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 | 20 | 1,184,265 | 1,504,788 | 1,632,122 |
| | | 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 13 to 77 form part of these financial statements.
Auditors' report on pages 1 and 2.

Antony R. WITHERS
Director
Chief Executive

Jean-Philippe COULIER
Director
Chairperson

Gilles GUFFLET
Director
Chairperson Audit Committee

| | 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 |
| 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 13 to 77 form part of these financial statements.
Auditors' report on pages 1 and 2.

| | 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 13 to 77 form part of these financial statements.
Auditors' report on pages 1 and 2.

| 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 | - | - | (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 | - | - | (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 | - | - | (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 13 to 77 form part of these financial statements.
Auditors' report on pages 1 and 2.

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 (Restated) |
|--|--------------------|----------------|------------------------------|
| Net cash flows from trading activities | | | |
| Notes 33 | 5,294,795 | 3,431,071 | 5,391,313 |
| Net cash flows from other operating activities | | | |
| Notes 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 | 21,760,382 | 17,698,064 | 7,850,594 |

The notes on pages 13 to 77 form part of these financial statements.
Auditors' report on pages 1 and 2.

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.

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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.

IFRS 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.

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' 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of preparation (continued)****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.

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Investment securities (continued)**

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.

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(k) Property, plant and equipment**

Property, plant and equipment are carried at deemed 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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

(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 deductible temporary differences can be utilised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

(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 (continued)**(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.

Credit Quality of Loans And Advances

| | Bank | | |
|--|----------------|-------------|-------------|
| | 2015 | 2014 | 2013 |
| | RS'M | RS'M | 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 | 2014 | 2013 |
| | RS'M | RS'M | 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 | 2014 | 2013 |
| | RS'M | RS'M | 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 | 2014 | 2013 |
| | RS'M | RS'M | 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(CONTINUED)

(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 | 2014 | 2013 |
| | RS'M | RS'M | RS'M |
| Available-for-sale financial assets | 201 | 98 | 68 |

3. FINANCIAL RISK MANAGEMENT (CONTINUED)
(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 | EURO | USD | GBP | MUR | OTHER | TOTAL |
| Assets | RS '000 | RS '000 | RS '000 | RS '000 | RS '000 | 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 (CONTINUED)
(e) Currency risk (continued)
Concentration of assets, liabilities and off-balance sheet items

| Bank | EURO | USD | GBP | MUR | OTHER | TOTAL |
|--|----------------|----------------|----------------|----------------|----------------|--------------------|
| At June 30, 2014 | RS '000 | RS '000 | RS '000 | RS '000 | RS '000 | RS '000 |
| Assets | | | | | | |
| 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 (CONTINUED)

(e) Currency risk (continued)

Concentration of assets, liabilities and off-balance sheet items

| Bank At June 30, 2013 | EURO RS '000 | USD RS '000 | GBP RS '000 | MUR RS '000 | OTHER RS '000 | TOTAL RS '000 |
|--|-----------------|----------------|----------------|----------------|------------------|--------------------|
| Assets | | | | | | |
| 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 (CONTINUED)
(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 | Up to | 1-3 | 3-6 | 6-12 | 1-3 | Over 3 | Non-interest | Total |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------------|
| At June 30, 2015 | 1 month | months | months | months | years | years | bearing | RS '000 |
| Assets | RS '000 | RS '000 | RS '000 | RS '000 | RS '000 | RS '000 | RS '000 | 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 (CONTINUED)
(f) Interest rate risk (continued)
Interest sensitivity of assets and liabilities- repricing analysis

| Bank At June 30, 2014 | 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 |
|--|--------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------------------------------|---|--------------------------|
| Assets | | | | | | | | |
| 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 (CONTINUED)

(f) Interest rate risk (continued)

Interest sensitivity of assets and liabilities- repricing analysis

| Bank At June 30, 2013 | 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 |
|--|-----------------------------|--------------------------|--------------------------|---------------------------|-------------------------|----------------------------|------------------------------------|--------------------|
| Assets | | | | | | | | |
| 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 |

3. FINANCIAL RISK MANAGEMENT (CONTINUED)
(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 At June 30, 2015 | 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-maturity items RS '000 | Total RS '000 |
|--|-----------------------------|--------------------------|--------------------------|---------------------------|-------------------------|----------------------------|----------------------------------|--------------------|
| Assets | | | | | | | | |
| 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 (CONTINUED)
(g) Liquidity risk (continued)
Maturities of assets and liabilities

| Bank At June 30, 2014 | 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-maturity items RS '000 | Total RS '000 |
|--|--------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------------------------------|---|--------------------------|
| Assets | | | | | | | | |
| 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 |
| Property, plant and equipment | - | - | - | - | - | - | - | 5,202,509 |
| Deferred tax assets | - | - | - | - | - | - | - | 194,292 |
| Non-current assets held for distribution | - | - | - | - | - | - | - | 1,331,216 |
| Other assets | - | - | - | - | - | - | - | 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 (CONTINUED)
(g) Liquidity risk (continued)
Maturities of assets and liabilities

| Bank At June 30, 2013 | 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-maturity items RS '000 | Total RS '000 |
|---------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------------------------------|---|--------------------------|
| Assets | | | | | | | | |
| 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 (continued)**(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 occurring 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 | 2014 | 2013 |
|--|---------------------|--------------|-------------|
| | RS'000 | RS'000 | 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 (continued)
(b) Loans and advances to customers

| | 2015 RS'000 | 2014 RS'000 | 2013 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 | | | |
| 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 |
| (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 (continued)
(b) Loans and advances to customers (continued)
(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 |
| <i>of which EPZ</i> | 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 |
| <i>of which credit cards</i> | 621,938 | 73,654 | 44,181 | 12,019 | 56,200 | 68,976 | 68,150 |
| <i>of which housing</i> | 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 |
| <i>of which EPZ</i> | 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

| | | | |
|---|-------------------|-------------------|-------------------|
| 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 |
| Others | 29,390 | 29,390 | - |
| | 40,648,131 | 28,656,695 | 15,921,035 |

(ii) Remaining term to maturity

| | 2015 | | | | | Total RS'000 |
|---|-----------------------------|---------------------------|----------------------------|--------------------------|---------------------------|-------------------|
| | 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 | |
| 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 was 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 |
| | | | | | | | <u>876,156</u> |

(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 | - | - | <u>876,156</u> |

9. INVESTMENTS IN SUBSIDIARIES
(a) The bank's interest in its subsidiaries was as follows:

| | Country of incorporation/ operation | Principal activities | Effective holding | | | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|--|--|--|-------------------|-----------|-----------|----------------|----------------|------------------|
| | | | 2015 % | 2014 % | 2013 % | | | |
| ** 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 |
| | | | | | | - | - | <u>3,679,902</u> |

(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 |

* 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)).

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

The movement in the deferred income tax account is as follows:

2015

| | 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 |
|---|-------------------------------------|----------------------------------|---|--|------------------------------------|
| 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 |

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|--|------------------------------|----------------|----------------|
| 13. OTHER ASSETS | | | |
| 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 | 2014 | 2013 |
|--|--------------------|-------------|-------------|
| | RS'000 | RS'000 | 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 | 2014 | 2013 |
|---|------------------|-----------|------------|
| | RS'000 | RS'000 | 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:

| | | | |
|--|---|-----------|-----------|
| 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:

| | | | |
|---|------------------|-----------|------------|
| 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 |
|---|------------------|----------------|----------------|
| Rs4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 6% (Level 1) | - | 4,500,000 | - |
| USD30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (Level 3) | 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 USD30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD150M 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 Rs'000 | 2014 Rs'000 | 2013 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 | <u>1,034,237</u> | <u>1,151,026</u> | <u>846,178</u> |
| 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 | <u>5,297,925</u> | <u>4,703,279</u> | <u>4,326,598</u> |
| 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 | <u>6,332,162</u> | <u>5,854,305</u> | <u>5,172,776</u> |
| 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 | <u>309,534</u> | <u>265,038</u> | <u>240,833</u> |
| 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 | <u>(112,018)</u> | <u>269,896</u> | <u>158,399</u> |

17. POST EMPLOYEE BENEFITS LIABILITIES (continued)

| | 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 | 2014 | 2013 |
| | Rs'000 | Rs'000 | 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.

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 employees 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 Rs4.5 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
(a) Instruments

| | 2015 RS'000 | 2014 RS'000 | 2013 RS'000 |
|---|-------------------|-------------------|-------------------|
| 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 | 2014 | 2013 |
|------------------------------------|-------------------|------------|------------|
| | RS'000 | RS'000 | 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

| | | | |
|--------------------------|------------------|-----------|-----------|
| 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

| | | | |
|------------------------------|------------------|-----------|-----------|
| 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

| | | | |
|------------------------------|----------------|---------|---------|
| 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

| | | | |
|--|----------------|--------|---------|
| 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

| | | | |
|----------------------------------|---------------|--------|-------|
| 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

| | | | |
|--|------------------|------------------|------------------|
| 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 | | | |
| 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 | 2014 | 2013 |
|--|----------------|----------------|----------------|
| | RS'000 | RS'000 | 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 | <u>960,290</u> | <u>871,418</u> | <u>756,126</u> |

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

Profit before tax:

| | | | |
|--|------------------|------------------|------------------|
| Continuing operations | 5,802,844 | 4,212,515 | 4,463,296 |
| Discontinuing operations | 161,746 | 345,484 | 84,298 |
| | <u>5,964,590</u> | <u>4,557,999</u> | <u>4,547,594</u> |
| 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 | <u>960,290</u> | <u>871,418</u> | <u>756,126</u> |

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

| | | | |
|---|-----------------|----------------|----------------|
| Remeasurement of defined benefit pension plan | (112,018) | 269,896 | 158,399 |
| Deferred tax | 16,803 | (40,484) | (23,760) |
| | <u>(95,215)</u> | <u>229,412</u> | <u>134,639</u> |

30. DIVIDENDS IN CASH

| | | | |
|--|------------------|------------------|------------------|
| 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 |
| | <u>1,808,497</u> | <u>1,522,573</u> | <u>1,450,208</u> |

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 RS'000 | 2014 RS'000 | 2013 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 RS'000 | 2014 RS'000 | 2013 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 RS'000 | 2014 RS'000 | 2013 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 |
| | <u>4,998,373</u> | <u>3,450,043</u> | <u>(1,847,226)</u> |

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 |
| | | | <u>883,847</u> |
| Banking associate | | | |
| Banque Française Commerciale O.I. | Banking & Financial services | 49.99 | 447,369 |
| Total | | | <u><u>1,331,216</u></u> |

(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 | <u>161,746</u> | 345,484 | <u>84,298</u> |

Cash flow information from discontinuing operations is as follows:

| | | | |
|-----------------------------------|----------------|---------|---------------|
| Dividend received during the year | <u>195,878</u> | 284,264 | <u>71,298</u> |
|-----------------------------------|----------------|---------|---------------|

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 | | | | |

(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 | | | | |

(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 | Entities under common control (including defined benefit plan) | Entities in which the Bank holds more than a 10% interest | Directors and Key Management Personnel (including parent) | Enterprises in which Directors and Key Management Personnel have significant interest (including parent) |
|-------------------------------------|--------------------------|--|---|---|--|
| | RS'000 | RS'000 | RS'000 | RS'000 | 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 |
| 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 (continued)

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 Rs3.9M, 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

Remuneration and other benefits relating to Key Management

Personnel, including Directors, were as follows :

| | 2015 | 2014 | 2013 |
|---|----------------|---------|---------|
| | RS'000 | RS'000 | RS'000 |
| 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.

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 | | | | | | | | | |
| | 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 |
| 39(a) | 264,725 | 57,697 | 207,028 | 121,901 | 83,949 | 37,952 | 120,955 | 80,487 | 40,468 |
| 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 |
| 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 |
| 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 |
| 39(e) | - | - | - | - | - | - | 876,156 | 15,620 | 860,536 |
| 39(f) | - | - | - | - | - | - | 3,679,902 | 2,640,961 | 1,038,941 |
| | 385,453 | 385,453 | - | 523,084 | 523,084 | - | 691,896 | 691,896 | - |
| 39(g) | 5,030,443 | 5,030,443 | - | 5,202,509 | 5,202,509 | - | 5,442,042 | 5,442,042 | - |
| | 222,519 | 186,370 | 36,149 | 194,292 | 171,479 | 22,813 | 113,786 | 106,123 | 7,663 |
| 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 |
| 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 | | | | | | | | | |
| | 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(i) | 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(a) | 106,997 | 21,154 | 87,843 | 528,795 | 25,457 | 503,338 | 560,742 | 50,814 | 509,928 |
| | 6,915,825 | 11,719 | 6,904,106 | 7,565,608 | 23,189 | 7,542,419 | 13,103,722 | 391,614 | 12,712,108 |
| 39(k) | 1,055,697 | - | 1,055,697 | 5,408,081 | 4,322,106 | 1,086,975 | - | - | - |
| | 448,835 | 448,835 | - | 368,440 | 368,440 | - | 241,946 | 241,946 | - |
| 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 | | | | | | | | | |
| | 6,879,602 | 6,879,602 | - | 2,379,602 | 2,379,602 | - | 2,615,838 | 2,615,838 | - |
| | 18,705,062 | 18,705,062 | - | 16,322,961 | 16,322,961 | - | 16,585,299 | 16,585,299 | - |
| | 4,704,216 | 4,582,392 | 121,824 | 3,396,503 | 3,331,039 | 65,464 | 3,852,069 | 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 |
| | - | - | - | - | - | - | (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 | | | | | | | | | |
| | 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 |
| | 4,380,241 | 3,737,850 | 642,391 | 4,355,291 | 3,236,122 | 1,117,169 | 5,022,227 | 3,345,412 | 1,676,815 |
| | 797,225 | 797,225 | - | 272,057 | 272,057 | - | 121,584 | 121,584 | - |
| 39(m) | 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 |

39. SEGMENTAL REPORTING (continued)
Statement of profit or loss for the year ended 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) |
| Continuing operations | | | | | | | | | | |
| 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 |
| Dividend income | 39(s) | 937,665 | 598,426 | 339,239 | 1,020,642 | 816,117 | 204,525 | 982,076 | 787,322 | 194,754 |
| Net (loss)/gain on sale of securities | | 30,863 | 27,994 | 2,869 | 13,520 | 10,335 | 3,185 | 7,184 | 4,831 | 2,353 |
| Other operating income | | (7,817) | - | (7,817) | 422,237 | 14,651 | 407,586 | 19,916 | 19,916 | - |
| Operating income | | 35,679 | 35,679 | - | 46,686 | 46,686 | - | 56,304 | 56,304 | - |
| Operating income | | 996,390 | 662,099 | 334,291 | 1,503,085 | 887,789 | 615,296 | 1,065,480 | 868,373 | 197,107 |
| Non-interest expense | | 11,161,100 | 7,665,874 | 3,475,226 | 10,448,629 | 7,422,586 | 3,026,043 | 9,587,373 | 7,148,504 | 2,438,869 |
| 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) |
| Operating profit before impairment | | 6,700,017 | 3,623,012 | 3,077,005 | 6,056,571 | 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) | (1,056,277) | (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) | (89,035) | (871,418) | (59,405) | (756,126) | (691,462) | (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 (continued)
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 |
| 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 (continued)
(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 | | | | | | | | | |
| 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 | | | | | | | | | |
| 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 (continued)
(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

| | | | | | | | | | |
|----------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
| 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

| | | | | | | | | | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 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 | - |
| <i>of which EPZ</i> | 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 (continued)
(c) Loans and advances to customers (continued)
(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 |

39. SEGMENTAL REPORTING (continued)
(c) Loans and advances to customers (continued)
(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 |
| <i>of which EPZ</i> | 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 |
| <i>of which credit cards</i> | 621,938 | 73,654 | 44,181 | 12,019 | 56,200 | 68,976 | 68,150 |
| <i>of which housing</i> | 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 |
| <i>of which EPZ</i> | 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 |
| <i>of which credit cards</i> | 607,851 | 73,654 | 44,181 | 12,019 | 56,200 | 68,976 | 68,150 |
| <i>of which housing</i> | 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 (continued)
(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 | | | | | | | | | |
| 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 | | | | | | | | | |
| 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 (continued)
(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 (continued)

(g) 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 - 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 (continued)
(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 |

39. SEGMENTAL REPORTING (continued)
(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 | 2,415,169 | 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 |

(j) Deposits from customers
(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 (continued)
(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 |
| Rs4.5 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 |

(m) Contingent liabilities
(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 | 31,100,558 |

(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 |

39. SEGMENTAL REPORTING (continued)
(n) Interest income

| | 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 |
| 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 |

(o) Interest expense

| | | | | | | | | | |
|--------------------------|------------------|------------------|----------------|------------------|------------------|----------------|------------------|------------------|----------------|
| 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 |
| Cards 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 (continued)
(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

| | | | | | | | | | |
|--|------------------|------------------|----------------|------------------|------------------|----------------|------------------|------------------|---------------|
| 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:

| | | | | | | | | | |
|----------------------------------|----------------|----------------|----------------|------------------|----------------|------------------|------------------|----------------|----------------|
| 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

| | | | | | | | | | |
|------------------------------------|----------------|----------------|----------------|------------------|----------------|------------------|------------------|----------------|----------------|
| 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 |

(w) Income tax expense

| | | | | | | | | | |
|--|------------------|----------------|---------------|----------------|----------------|---------------|----------------|----------------|---------------|
| 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:

| | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 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:

| | | | | | | | | | |
|---|-----------------|-----------------|----------|----------------|----------------|----------|----------------|----------------|----------|
| 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 (continued)

(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:

| | | Effective Holding % | TOTAL RS'000 | Segment A RS'000 | Segment B RS'000 |
|-----------------------------------|------------------------------|---------------------|------------------|------------------|------------------|
| Banking subsidiaries | Principal activities | | | | |
| 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 |