



**The Mauritius Commercial Bank Limited**  
**Financial Statements**  
30th June 2016

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDER OF THE MAURITIUS COMMERCIAL BANK LIMITED**

This report is made solely to the shareholder of The Mauritius Commercial Bank Limited (the “bank”) in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the bank's shareholder those matters we are required to state to it 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 shareholder, for our audit work, for this report, or for the opinions we have formed.

#### **Report on the Financial Statements**

We have audited the accompanying separate financial statements of the bank which comprise the statement of financial position as at 30 June 2016 and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### **Directors' Responsibility for the Financial Statements**

The bank's 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 Mauritian Companies Act 2001, the Banking Act 2004 and regulations and guidelines of the Bank of Mauritius and for such internal control as the directors determine is necessary to enable the preparation of 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 about 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 entity'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 entity'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.

**INDEPENDENT AUDITORS' REPORT****TO THE SHAREHOLDER OF THE MAURITIUS COMMERCIAL BANK LIMITED (CONTINUED)****Report on the Financial Statements (Continued)*****Opinion***

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the bank as at 30 June 2016, 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 Mauritian Companies Act 2001.

**Report on Other Legal and Regulatory Requirements*****Mauritian Companies Act 2001***

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

- (a) 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;
- (b) we have obtained all information and explanations we have required; and
- (c) 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***

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

- (a) 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; and
- (b) 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 (the "Code") as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

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

**PricewaterhouseCoopers****Gilles Beesoo**  
Licensed by FRC

28 September 2016

**BDO & Co****Ameenah Ramdin**  
Licensed by FRC

		2016	2015	2014
		RS'000	RS'000	RS'000
<b>ASSETS</b>				
Cash and cash equivalents	4	31,975,711	22,999,839	17,703,620
Derivative financial instruments	5	175,771	268,901	126,939
Loans to and placements with banks	6(a)	22,485,623	9,486,995	6,558,004
Loans and advances to customers	6(b)	153,002,181	153,007,990	141,151,333
Investment securities	7	56,241,340	44,995,318	30,837,645
Investments in associates	8	1,161,063	-	-
Intangible assets	9	473,162	385,453	523,084
Property, plant and equipment	10	4,952,603	5,030,443	5,202,509
Deferred tax assets	11	193,960	222,519	194,292
Other assets	12	16,270,104	14,209,212	13,003,228
		<b>286,931,518</b>	<b>250,606,670</b>	<b>215,300,654</b>
Non-current assets held for distribution	34	-	1,331,216	1,331,216
<b>Total assets</b>		<b>286,931,518</b>	<b>251,937,886</b>	<b>216,631,870</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
Deposits from banks	13(a)	4,712,603	4,504,425	3,698,038
Deposits from customers	13(b)	238,311,493	203,942,576	172,569,469
Derivative financial instruments	5	122,353	112,976	539,203
Other borrowed funds	14	4,865,908	6,952,264	7,602,776
Subordinated liabilities	15	1,082,289	1,055,697	5,449,026
Current tax liabilities		578,996	448,835	368,440
Other liabilities	17	4,302,453	4,632,233	4,305,852
<b>Total liabilities</b>		<b>253,976,095</b>	<b>221,649,006</b>	<b>194,532,804</b>
<b>Shareholder's Equity</b>				
Stated capital		6,879,602	6,879,602	2,379,602
Retained earnings		20,435,491	18,705,062	16,322,961
Other components of equity		5,640,330	4,704,216	3,396,503
<b>Equity attributable to the ordinary equity holder of the bank</b>		<b>32,955,423</b>	<b>30,288,880</b>	<b>22,099,066</b>
<b>Total equity and liabilities</b>		<b>286,931,518</b>	<b>251,937,886</b>	<b>216,631,870</b>
<b>CONTINGENT LIABILITIES</b>				
Guarantees, letters of credit, endorsements and other obligations on account of customers		30,129,810	43,322,427	62,112,445
Commitments		2,600,154	4,380,241	4,355,291
Tax assessments		836,868	797,225	272,057
Other	19	1,427,519	1,184,265	1,504,788
		<b>34,994,351</b>	<b>49,684,158</b>	<b>68,244,581</b>

These financial statements were approved for issue by the Board of Directors on the 28<sup>th</sup> September 2016.

**Antony R. WITHERS**  
Director  
Chief Executive

**Jean-Philippe COULIER**  
Director  
Chairperson

**Gilles GUFFLET**  
Director  
Chairperson Audit Committee

The notes on pages 13 to 79 form part of these financial statements.  
Auditors' report on pages 1 and 2.

		2016 RS'000	2015 RS'000	2014 RS'000
<b>Continuing operations</b>				
Interest income	20	12,299,102	11,632,970	10,865,841
Interest expense	21	(4,101,325)	(4,284,673)	(4,319,193)
<b>Net interest income</b>		<b>8,197,777</b>	<b>7,348,297</b>	<b>6,546,648</b>
Fee and commission income	22	3,280,209	3,403,343	2,949,355
Fee and commission expense	23	(628,354)	(586,930)	(550,459)
<b>Net fee and commission income</b>		<b>2,651,855</b>	<b>2,816,413</b>	<b>2,398,896</b>
<b>Other income</b>				
Profit arising from dealing in foreign currencies		1,406,259	779,542	974,196
Net (loss)/gain from financial instruments carried at fair value	24	(106,784)	158,123	46,446
Dividend income	25	1,299,475	937,665	1,020,642
Net gain/(loss) on sale of securities		251,998	30,863	13,520
Other operating income		19,538	(7,817)	422,237
		42,455	35,679	46,686
<b>Operating income</b>		<b>1,613,466</b>	<b>996,390</b>	<b>1,503,085</b>
<b>Non-interest expense</b>				
Salaries and human resource development	26(a)	(2,761,898)	(2,582,066)	(2,405,637)
Depreciation		(358,331)	(358,815)	(410,318)
Amortisation of intangible assets		(139,093)	(178,893)	(215,688)
Other	26(b)	(1,380,498)	(1,341,309)	(1,361,415)
		(4,639,820)	(4,461,083)	(4,393,058)
<b>Operating profit before impairment</b>		<b>7,823,278</b>	<b>6,700,017</b>	<b>6,055,571</b>
Net impairment of financial assets	27	(907,021)	(897,173)	(1,843,056)
<b>Profit before tax</b>		<b>6,916,257</b>	<b>5,802,844</b>	<b>4,212,515</b>
Income tax expense	28	(1,296,094)	(960,290)	(871,418)
<b>Profit for the year from continuing operations</b>		<b>5,620,163</b>	<b>4,842,554</b>	<b>3,341,097</b>
<b>Discontinuing operations</b>				
<b>Profit for the year from discontinuing operations</b>	34(b)	-	161,746	345,484
<b>Profit for the year attributable to the owner of the bank</b>		<b>5,620,163</b>	<b>5,004,300</b>	<b>3,686,581</b>
<b>Earnings per share (Rs):</b>				
Continuing operations	30	8.17	19.84	14.04
Discontinuing operations	30	-	0.66	1.45

The notes on pages 13 to 79 form part of these financial statements.  
Auditors' report on pages 1 and 2.

	2016 RS'000	2015 RS'000	2014 RS'000
<b>Profit for the year</b>	<b>5,620,163</b>	5,004,300	3,686,581
<b>Other comprehensive (expense)/income:</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit pension plan, net of deferred tax	(173,765)	95,215	(229,412)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Reclassification adjustments on disposal of available-for-sale investments	(60,243)	-	(320,766)
Net fair value (loss)/gain on available-for-sale investments	(46,491)	398,796	101,416
	<b>(106,734)</b>	398,796	(219,350)
<b>Other comprehensive (expense)/income for the year</b>	<b>(280,499)</b>	494,011	(448,762)
<b>Total comprehensive income for the year</b>	<b>5,339,664</b>	5,498,311	3,237,819
<b>Total comprehensive income attributable to the owner of the bank:</b>			
Continuing operations	5,339,664	5,336,565	2,892,335
Discontinuing operations	-	161,746	345,484
	<b>5,339,664</b>	5,498,311	3,237,819

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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
<b>At 30<sup>th</sup> June 2013-restated</b>	<b>2,615,838</b>	<b>(360,057)</b>	<b>16,585,299</b>	<b>702,671</b>	<b>2,615,838</b>	<b>533,580</b>	<b>22,693,169</b>
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
29 Dividends in cash	-	-	(1,522,573)	-	-	-	(1,522,573)
29 Dividends in specie	-	-	(2,339,812)	-	-	-	(2,339,812)
Employee share options exercised	26,101	4,362	-	-	-	-	30,463
Cancellation of treasury shares	(262,337)	355,695	(93,358)	-	-	-	-
Transactions with owner in his capacity as owner	(236,236)	360,057	(3,955,743)	-	-	-	(3,831,922)
Transfer from statutory reserve	-	-	236,236	-	(236,236)	-	-
<b>At 30<sup>th</sup> June 2014</b>	<b>2,379,602</b>	<b>-</b>	<b>16,322,961</b>	<b>483,321</b>	<b>2,379,602</b>	<b>533,580</b>	<b>22,099,066</b>
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
29 Dividends in cash	-	-	(1,808,497)	-	-	-	(1,808,497)
Transactions with owner in his capacity as owner	4,500,000	-	(1,808,497)	-	-	-	2,691,503
Transfer to statutory reserve	-	-	(751,000)	-	751,000	-	-
Transfer to general banking reserve	-	-	(157,917)	-	-	157,917	-
<b>At 30<sup>th</sup> June 2015</b>	<b>6,879,602</b>	<b>-</b>	<b>18,705,062</b>	<b>882,117</b>	<b>3,130,602</b>	<b>691,497</b>	<b>30,288,880</b>
Profit for the year	-	-	5,620,163	-	-	-	5,620,163
Other comprehensive expense for the year	-	-	(173,765)	(106,734)	-	-	(280,499)
Total comprehensive income/(expense) for the year	-	-	5,446,398	(106,734)	-	-	5,339,664
29 Dividends in cash	-	-	(2,132,676)	-	-	-	(2,132,676)
29 Dividends in specie	-	-	(540,445)	-	-	-	(540,445)
Transactions with owner in his capacity as owner	-	-	2,773,277	(106,734)	-	-	2,666,543
Transfer to statutory reserve	-	-	(844,000)	-	844,000	-	-
Transfer to general banking reserve	-	-	(198,848)	-	-	198,848	-
<b>At 30<sup>th</sup> June 2016</b>	<b>6,879,602</b>	<b>-</b>	<b>20,435,491</b>	<b>775,383</b>	<b>3,974,602</b>	<b>890,345</b>	<b>32,955,423</b>

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		2016 RS'000	2015 RS'000	2014 RS'000
	Notes			
<b>Operating activities</b>				
Net cash flows from trading activities	32	5,094,910	5,841,493	3,492,841
Net cash flows from other operating activities	33	8,732,789	4,451,672	3,348,331
Dividends paid		(2,123,965)	(1,594,333)	(1,510,165)
Income tax paid		(1,107,371)	(921,438)	(784,946)
<b>Net cash flows from operating activities</b>		<b>10,596,363</b>	<b>7,777,394</b>	<b>4,546,061</b>
<b>Investing activities</b>				
Purchase of available-for-sale investments		(442,746)	(2,130,238)	(835,678)
Proceeds from sale of available-for-sale investments		413,354	415,573	429,960
Proceeds on disposal of shares in subsidiaries		-	-	251,392
Investment in subsidiaries		-	-	(1,512)
Investment in associate		(50,705)	-	(185)
Purchase of property, plant and equipment		(285,825)	(191,895)	(196,214)
Purchase of intangible assets		(226,802)	(44,668)	(47,207)
Proceeds from sale of intangible assets		-	17,762	331
Proceeds from sale of property, plant and equipment		5,886	11,437	60,118
<b>Net cash flows from investing activities</b>		<b>(586,838)</b>	<b>(1,922,029)</b>	<b>(338,995)</b>
<b>Net cash flows before financing activities</b>		<b>10,009,525</b>	<b>5,855,365</b>	<b>4,207,066</b>
<b>Financing activities</b>				
Employee share options exercised		-	-	26,595
Rights issue		-	4,500,000	-
Subordinated liabilities (transferred)/issued		-	(4,500,000)	5,455,512
Net debt securities (matured)/issued		-	(1,793,050)	145,800
Net refund of subordinated loan		199,354	-	12,500
		<b>199,354</b>	<b>(1,793,050)</b>	<b>5,640,407</b>
Increase in cash and cash equivalents		<b>10,208,879</b>	<b>4,062,315</b>	<b>9,847,473</b>
Net cash and cash equivalents at 1 <sup>st</sup> July		<b>21,760,382</b>	<b>17,698,067</b>	<b>7,850,594</b>
<b>Net cash and cash equivalents at 30<sup>th</sup> June</b>	4	<b>31,969,261</b>	<b>21,760,382</b>	<b>17,698,067</b>

The notes on pages 13 to 79 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 MCB Investment Holding Limited.

The ultimate holding company is 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

The financial statements of The Mauritius Commercial Bank Limited (the "bank"), parent company comply with The Mauritian 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. At the reporting date, interest receivable and interest payable have been reclassified under the appropriate underlying assets and liabilities. Furthermore, the balance of MCB Superannuation Fund has been reclassified under deposits.

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, derivative contracts and the defined benefit plan stated at fair value.

### Standards, Amendments to published Standards and Interpretations effective in the reporting period

There are no standards, amendments to published standards and interpretations effective for the first time in the reporting period.

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

Certain standards, amendments to published standards and interpretations issued are effective for accounting periods beginning on or after 1 July 2016, 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  
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  
Clarifications to IFRS 15 Revenue from Contracts 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)  
IFRS 16 Leases  
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)  
Amendments to IAS 7 Statement of Cash Flows  
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

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

IFRS 9 is of particular importance to the Bank. In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

#### Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise. For example, under IFRS 9, embedded derivatives are not separated from host financial assets and equity securities are measured at FVPL or, in limited circumstances, at FVOCI. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged. For certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### Impairment

The impairment requirements apply to financial assets measured at amortised cost, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

#### Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between it and risk management strategy and permitting the former to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

#### Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods.

The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date.

#### Investments in associates

An associate is an entity over which the bank has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. The investments in associates are carried at cost and reduced to recognise any impairment.

The financial statements contain information about the Mauritius Commercial Bank Limited as an individual company and do not contain consolidated financial information as the parent of a group. The bank has taken advantage of the exemption under IAS28 'Investments in Associates' from the requirement to prepare financial statements using equity-accounting as MCB Group Limited, the ultimate holding company, prepares consolidated financial statements that complies with IFRS. A copy of the consolidated financial statements is available at the registered office of the MCB Group Limited at 9-15, Sir William Newton Street, Port Louis.

### (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 at the dates of the transactions or valuation when the items are remeasured. 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 the derivative contracts are 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 using the effective interest method. 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 based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

**(f) Fees and commissions**

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

**(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 interest method.

**(h) Investment securities**

The bank classifies its investment securities as financial asset at fair value through profit or loss, held-to-maturity or available-for-sale assets. The directors determine the appropriate classification of the investments at the time of the purchase. Investment securities with fixed maturity where the directors have 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. Fair values for unlisted equity securities are estimated using maintainable earnings or net assets bases refined to reflect the specific circumstances of the issuer. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income and cumulated in a separate reserve, capital reserve.

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.

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.



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

**(k) Impairment of financial assets****(i) Assets carried at amortised cost**

The bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the bank may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

**(ii) Assets classified as available-for-sale**

The bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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

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

Depreciation is calculated to write down the cost 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

Land is not depreciated.

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.

**(m) Computer software development costs**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the directors intend to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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.

**(n) 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 which are short term, highly liquid with original maturities of 3 months or less. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

**(o) 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.

**(p) Deposits from banks and customers**

Deposits from banks and customers are classified as financial liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost.

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(q) Employee benefits**

The bank operates a number of defined benefit and defined contribution plans. 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.

**(i) Defined contribution plans**

A defined contribution plan is a pension plan under which the bank pays fixed contributions into a separate entity. The bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitled them to the contributions.

**(ii) Defined benefit plans**

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 16 to the financial statements.

The bank determines the net interest expense/(income) on the net defined benefit liability/(asset) 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/(asset), taking into account any changes in the net defined liability/(asset) 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.

As from 1st July 2015, the bank has introduced a Defined Contribution Cash Balanced scheme (DCCB) for its employees. With the introduction of DCCB, new employees automatically join the DCCB section, whilst existing employees had a one-time opportunity to choose from one of the options listed below:

Option A: To stay in the Defined Benefit (DB) section for all service.

Option B: To keep the accrued past pension benefits until 30th June 2015 in the DB section and join the DCCB section as from 1st July 2015.

Option C: To join the DCCB section as from 1st July 2015 and transfer the total accrued benefits as at 30th June 2015 from the DB section into the DCCB section.

**(r) 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.

**(s) Current and deferred income tax**

The tax expense for the period comprises current and deferred income 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. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**Current income tax**

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

**Deferred income tax**

Deferred income 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 by the end of the reporting period 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)****(t) 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 profit or loss over the period of the borrowings using the effective interest method.

**(u) Dividend distribution**

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

**(v) 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.

**(w) 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 operating segments are shown in note 35 to the financial statements.

**(x) Stated capital**

Ordinary shares are classified as equity.

**(i) Share issue costs**

Incremental costs directly attributable to the issue of new shares or options 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 shareholder's equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholder's equity.

**(y) 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.

**(z) 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 at amortised cost.

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

The bank follows the guidance of IAS 39 on determining when an available-for-sale investment has had a significant or prolonged decline in the fair value below cost. 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.

#### (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 16.

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) 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.

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.

### (f) 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.

### (g) Impairment loss on loans and advances

The bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

**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**

Neither past due nor impaired

Past due but not impaired

Impaired

Gross

Less Allowances for credit impairment

Net

Fair Value of collaterals of past due but not impaired loans

Fair Value of collaterals of impaired loans

	2016 RS'M	2015 RS'M	2014 RS'M
Neither past due nor impaired	147,302	148,911	140,066
Past due but not impaired	5,744	6,075	2,765
Impaired	9,516	9,535	10,672
Gross	162,562	164,521	153,503
Less Allowances for credit impairment	(6,623)	(7,137)	(7,357)
Net	155,939	157,384	146,146
Fair Value of collaterals of past due but not impaired loans	7,001	7,271	5,555
Fair Value of collaterals of impaired loans	9,629	6,286	6,496

The bank regards "Past due but not impaired" for amounts due for more than 60 days.

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

Up to 3 months

Over 3 months and up to 6 months

Over 6 months and up to 1 year

Over 1 year

	2016 RS'M	2015 RS'M	2014 RS'M
Up to 3 months	743	1,347	991
Over 3 months and up to 6 months	2,326	1,853	1,134
Over 6 months and up to 1 year	523	2,340	539
Over 1 year	2,152	535	101
	5,744	6,075	2,765

**Loans and advances negotiated**

Loans and advances negotiated

Fair value of collaterals

	2016 RS'M	2015 RS'M	2014 RS'M
Loans and advances negotiated	13,021	15,064	12,720
Fair value of collaterals	13,021	15,064	12,720

**Maximum exposure to credit risk before collateral and other credit risk enhancements :**
**Credit risk exposures relating to on-balance sheet assets are as follows :**

Cash and cash equivalents

Derivatives financial instruments

Loans to and placements with banks

Loans and advances to customers

Investment securities

Other financial assets

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

Financial guarantees

Loans committed and other credit related liabilities

**Total**

	2016 RS'M	2015 RS'M	2014 RS'M
Cash and cash equivalents	29,938	21,104	15,326
Derivatives financial instruments	176	269	127
Loans to and placements with banks	22,486	9,487	6,558
Loans and advances to customers	153,002	153,009	141,151
Investment securities	56,241	44,995	30,838
Other financial assets	14,578	12,732	11,681
Financial guarantees	30,130	43,322	62,112
Loans committed and other credit related liabilities	2,600	4,380	4,355
<b>Total</b>	<b>309,151</b>	<b>289,298</b>	<b>272,148</b>

**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 currency or interest rate 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.

**(i) 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%.

	<b>2016</b>	2015	2014
	<b>RS'M</b>	RS'M	RS'M
Available-for-sale financial assets	<b>202</b>	201	98



**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(ii) 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.

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
2016 (RS 'M)	(8.42)	(17.84)	(28.16)	(8.34)
2015 (RS 'M)	(13.45)	(8.94)	(15.48)	(4.80)
2014 (RS 'M)	(10.16)	(10.10)	(21.59)	(7.48)

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

At June 30, 2016	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
<b>Financial assets</b>						
Cash and cash equivalents	12,117,646	10,347,836	1,273,341	3,201,014	5,035,874	31,975,711
Derivative financial instruments	18,188	-	6	157,577	-	175,771
Loans to and placements with banks	1,632,006	12,220,466	1,483,933	5,987,290	1,179,873	22,503,568
Loans and advances to customers	14,411,705	41,033,852	792,997	103,223,701	145,425	159,607,680
Investment securities	595,535	1,627,834	789,800	53,128,639	99,532	56,241,340
Other financial assets	722,614	1,091,097	196,655	12,462,587	105,093	14,578,046
	29,497,694	66,321,085	4,536,732	178,160,808	6,565,797	285,082,116
Less allowances for credit impairment						(6,623,444)
<b>Total</b>						<b>278,458,672</b>
<b>Financial liabilities</b>						
Deposits from banks	884,677	3,305,007	227,234	153,743	141,942	4,712,603
Deposits from customers	26,682,169	52,482,780	3,973,912	148,763,687	6,408,945	238,311,493
Derivative financial instruments	23,794	5,009	5,267	88,283	-	122,353
Other borrowed funds	3,486,514	1,363,810	-	9,134	6,450	4,865,908
Subordinated liabilities	-	1,082,289	-	-	-	1,082,289
Other financial liabilities	211,213	255,188	232,511	1,460,893	23,777	2,183,582
<b>Total</b>	31,288,367	58,494,083	4,438,924	150,475,740	6,581,114	<b>251,278,228</b>
<b>Net on-balance sheet position</b>	(1,790,673)	7,827,002	97,808	27,685,068	(15,317)	33,803,888
Less allowances for credit impairment						(6,623,444)
						<b>27,180,444</b>
<b>Off balance sheet net notional position</b>	3,257,301	8,283,686	917,542	-	591,929	13,050,458
<b>Credit commitments</b>	3,789,137	15,177,904	30,305	13,407,884	324,734	32,729,964

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(ii) Currency risk (continued)**
**Concentration of assets, liabilities and off-balance sheet items**

<b>At June 30, 2015</b>	<b>EURO</b>	<b>USD</b>	<b>GBP</b>	<b>MUR</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Financial assets</b>	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>
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	17,859	-	-	251,042	-	268,901
Loans to and placements with banks	1,244,523	1,246,855	400	5,930,036	1,081,797	9,503,611
Loans and advances to customers	14,912,784	46,060,824	1,002,696	97,960,002	191,761	160,128,067
Investment securities	220,122	2,156,576	107,323	42,408,762	102,535	44,995,318
Other financial assets	379,404	930,233	103,005	11,319,793	-	12,732,435
	<u>18,621,264</u>	<u>58,871,726</u>	<u>4,625,217</u>	<u>162,203,090</u>	<u>6,306,874</u>	<u>250,628,171</u>
Less allowances for credit impairment						(7,136,693)
<b>Total</b>						<b><u>243,491,478</u></b>
<b>Financial liabilities</b>						
Deposits from banks	585,942	3,457,130	126,222	201,521	133,610	4,504,425
Deposits from customers	24,176,757	34,563,074	4,566,233	133,097,294	7,539,218	203,942,576
Derivative financial instruments	16,951	1,845	-	94,180	-	112,976
Other borrowed funds	3,407,056	3,533,162	104	11,831	111	6,952,264
Subordinated liabilities	-	1,055,697	-	-	-	1,055,697
Other financial liabilities	123,343	352,204	17,266	2,887,318	23,260	3,403,391
<b>Total</b>	<u>28,310,049</u>	<u>42,963,112</u>	<u>4,709,825</u>	<u>136,292,144</u>	<u>7,696,199</u>	<b><u>219,971,329</u></b>
<b>Net on-balance sheet position</b>	(9,688,785)	15,908,614	(84,608)	25,910,946	(1,389,325)	30,656,842
Less allowances for credit impairment						(7,136,693)
						<b><u>23,520,149</u></b>
<b>Off balance sheet net notional position</b>	3,525,033	17,496,463	943,953	-	502,597	22,468,046
<b>Credit commitments</b>	<u>4,983,272</u>	<u>32,894,885</u>	<u>243,628</u>	<u>12,136,109</u>	<u>650,025</u>	<u>50,907,919</u>

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(ii) Currency risk (continued)**
**Concentration of assets, liabilities and off-balance sheet items**

<b>At June 30, 2014</b>	<b>EURO</b>	<b>USD</b>	<b>GBP</b>	<b>MUR</b>	<b>OTHER</b>	<b>TOTAL</b>
	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>
<b>Financial assets</b>						
Cash and cash equivalents	3,958,598	2,146,589	2,123,233	4,128,630	5,346,570	17,703,620
Derivative financial instruments	26,696	-	-	100,243	-	126,939
Loans to and placements with banks	1,318,725	4,534,817	129	4,040	717,693	6,575,404
Loans and advances to customers	12,687,718	37,952,829	1,023,923	96,578,858	247,877	148,491,205
Investment securities	-	600,021	-	30,199,268	38,356	30,837,645
Other financial assets	458,928	1,190,981	81,444	9,857,484	91,802	11,680,639
	<u>18,450,665</u>	<u>46,425,237</u>	<u>3,228,729</u>	<u>140,868,523</u>	<u>6,442,298</u>	<u>215,415,452</u>
Less allowances for credit impairment						(7,357,272)
<b>Total</b>						<u><u>208,058,180</u></u>
<b>Financial liabilities</b>						
Deposits from banks	731,275	2,594,353	93,137	90,401	188,872	3,698,038
Deposits from customers	21,907,679	22,992,038	3,194,061	117,087,758	7,387,933	172,569,469
Derivative financial instruments	25,130	420,372	-	93,701	-	539,203
Other borrowed funds	3,515,965	2,200,482	80	23,424	1,862,825	7,602,776
Subordinated liabilities	-	909,081	-	4,539,945	-	5,449,026
Other financial liabilities	51,092	759,354	12,367	2,708,968	36,083	3,567,864
<b>Total</b>	<u>26,231,141</u>	<u>29,875,680</u>	<u>3,299,645</u>	<u>124,544,197</u>	<u>9,475,713</u>	<u><u>193,426,376</u></u>
<b>Net on-balance sheet position</b>	(7,780,476)	16,549,557	(70,916)	16,324,326	(3,033,415)	21,989,076
Less allowances for credit impairment						(7,357,272)
						<u><u>14,631,804</u></u>
<b>Off balance sheet net notional position</b>	4,606,621	19,977,023	1,204,381	-	871,141	26,659,166
<b>Credit commitments</b>	<u>5,346,577</u>	<u>46,590,357</u>	<u>132,678</u>	<u>13,007,444</u>	<u>1,390,680</u>	<u>66,467,736</u>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) 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 Rate Risk Earnings Impact Analysis**

The bank incurs interest rate risk mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown in Note 3(iii) to measure and monitor this source of risk. Amongst other methodologies, it applies BOM framework of a 200 basis point parallel shift in interest rates to estimate the one-year earnings impact on a static balance sheet basis as follows:

	2016 RSM	2015 RSM	2014 RSM
Decrease in Earnings	(714)	(483)	(165)

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

At June 30, 2016	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
<b>Financial assets</b>								
Cash and cash equivalents	10,011,721	-	-	-	-	-	21,963,990	31,975,711
Derivative financial instruments	-	-	-	-	-	6,292	169,479	175,771
Loans to and placements with banks	5,214,809	7,151,193	2,677,355	6,348,074	1,000,000	-	112,137	22,503,568
Loans and advances to customers	116,528,259	23,621,746	6,424,188	1,373,412	1,854,294	7,124,507	2,681,274	159,607,680
Investment securities	2,548,898	4,851,113	4,466,302	12,352,575	17,288,103	11,681,328	3,053,021	56,241,340
Other financial assets	-	-	-	-	-	247,353	14,330,693	14,578,046
	134,303,687	35,624,052	13,567,845	20,074,061	20,142,397	19,059,480	42,310,594	285,082,116
Less allowances for credit impairment								(6,623,444)
<b>Total</b>								<b>278,458,672</b>
<b>Financial liabilities</b>								
Deposits from banks	2,773,183	483,055	938,412	24,835	280,186	-	212,932	4,712,603
Deposits from customers	211,467,490	2,597,404	767,563	1,956,377	609,238	2,285,867	18,627,554	238,311,493
Derivative financial instruments	-	-	-	-	-	-	122,353	122,353
Other borrowed funds	2,320,419	-	1,383,312	9,044	-	1,124,132	29,001	4,865,908
Subordinated liabilities	1,064,361	-	-	-	-	-	17,928	1,082,289
Other financial liabilities	-	-	-	-	-	326,721	1,856,861	2,183,582
<b>Total</b>	217,625,453	3,080,459	3,089,287	1,990,256	889,424	3,736,720	20,866,629	<b>251,278,228</b>
<b>On balance sheet interest sensitivity gap</b>	(83,321,766)	32,543,593	10,478,558	18,083,805	19,252,973	15,322,760	21,443,965	33,803,888
Less allowances for credit impairment								(6,623,444)
								<b>27,180,444</b>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk (continued)

Interest sensitivity of assets and liabilities- repricing analysis

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-interest bearing RS '000	Total RS '000
<b>Financial assets</b>								
Cash and cash equivalents	10,247,911	-	-	-	-	-	12,751,928	22,999,839
Derivative financial instruments	-	-	-	-	-	-	268,901	268,901
Loans to and placements with banks	1,016,811	2,084,301	2,167,472	4,018,949	175,949	-	40,129	9,503,611
Loans and advances to customers	109,133,185	34,679,079	-	4,307,232	3,089,744	5,590,574	3,328,253	160,128,067
Investment securities	529,579	4,826,224	5,348,601	5,384,624	17,562,028	8,425,220	2,919,042	44,995,318
Other financial assets	140	1,006	-	-	680	-	12,730,609	12,732,435
	120,927,626	41,590,610	7,516,073	13,710,805	20,828,401	14,015,794	32,038,862	250,628,171
Less allowances for credit impairment								(7,136,693)
<b>Total</b>								<b>243,491,478</b>
<b>Financial liabilities</b>								
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	15,563,579	203,942,576
Derivative financial instruments	-	-	-	-	-	-	112,976	112,976
Other borrowed funds	3,336,037	524,775	2,082,895	11,719	-	952,586	44,252	6,952,264
Subordinated liabilities	1,055,697	-	-	-	-	-	-	1,055,697
Other financial liabilities	131,309	-	-	-	-	-	3,272,082	3,403,391
<b>Total</b>	190,580,420	3,013,302	3,751,112	247,614	68,700	3,056,161	19,254,020	<b>219,971,329</b>
<b>On balance sheet interest sensitivity gap</b>	(69,652,794)	38,577,308	3,764,961	13,463,191	20,759,701	10,959,633	12,784,842	30,656,842
Less allowances for credit impairment								(7,136,693)
								<b>23,520,149</b>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk (continued)

Interest sensitivity of assets and liabilities- repricing analysis

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
<b>Financial assets</b>								
Cash and cash equivalents	9,770,058	57,140	-	-	-	50,008	7,826,414	17,703,620
Derivative financial instruments	-	-	-	-	-	-	126,939	126,939
Loans to and placements with banks	2,119,071	2,818,669	1,025,658	588,227	-	-	23,779	6,575,404
Loans and advances to customers	101,994,828	29,799,997	3,692,028	4,994,739	1,903,920	3,183,179	2,922,514	148,491,205
Investment securities	2,061,003	3,380,053	4,607,305	4,838,117	8,439,874	5,509,813	2,001,480	30,837,645
Other financial assets	-	-	-	-	-	-	11,680,639	11,680,639
<b>Less allowances for credit impairment</b>	115,944,960	36,055,859	9,324,991	10,421,083	10,343,794	8,743,000	24,581,765	215,415,452
<b>Total</b>								<b>(7,357,272)</b>
<b>Financial liabilities</b>								
Deposits from banks	2,636,677	528,830	243,275	176,780	-	16,596	95,880	3,698,038
Deposits from customers	149,419,567	3,389,126	3,424,379	1,239,359	43,604	728,496	14,324,938	172,569,469
Derivative financial instruments	12,186	-	393,591	-	-	-	133,426	539,203
Other borrowed funds	695,549	2,189,437	3,521,488	23,189	-	1,130,392	42,721	7,602,776
Subordinated liabilities	909,081	4,500,000	-	-	-	-	39,945	5,449,026
Other financial liabilities	-	-	-	-	-	-	3,567,864	3,567,864
<b>Total</b>	153,673,060	10,607,393	7,582,733	1,439,328	43,604	1,875,484	18,204,774	<b>193,426,376</b>
<b>On balance sheet interest sensitivity gap</b>	(37,728,100)	25,448,466	1,742,258	8,981,755	10,300,190	6,867,516	6,376,991	21,989,076
Less allowances for credit impairment								<b>(7,357,272)</b>
								<b>14,631,804</b>

Other disclosures on interest rate risk are available in the Risk Management Report.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) 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.

The amounts disclosed in the following table are discounted.

**Maturities of assets and liabilities**

At June 30, 2016	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
<b>Financial assets</b>								
Cash and cash equivalents	31,525,258	-	-	-	-	-	450,453	31,975,711
Derivative financial instruments	112,196	21,369	14,308	9,654	-	6,292	11,952	175,771
Loans to and placements with banks	5,153,920	7,151,193	2,703,010	6,377,327	1,005,981	-	112,137	22,503,568
Loans and advances to customers	35,271,346	3,222,975	4,612,032	4,194,400	15,926,824	93,566,642	2,813,461	159,607,680
Investment securities	2,478,093	4,528,835	4,711,228	12,545,539	17,536,658	12,123,079	2,317,908	56,241,340
Other financial assets	13,688,608	-	-	-	-	247,353	642,085	14,578,046
	88,229,421	14,924,372	12,040,578	23,126,920	34,469,463	105,943,366	6,347,996	285,082,116
Less allowances for credit impairment								(6,623,444)
<b>Total</b>								<b>278,458,672</b>
<b>Financial liabilities</b>								
Deposits from banks	2,975,794	376,619	1,045,465	25,379	282,451	-	6,895	4,712,603
Deposits from customers	203,047,331	4,434,438	3,555,333	7,446,648	8,719,016	10,545,450	563,277	238,311,493
Derivative financial instruments	41,390	22,076	14,770	10,046	-	-	34,071	122,353
Other borrowed funds	6,450	-	-	9,044	90	4,827,862	22,462	4,865,908
Subordinated liabilities	-	-	-	-	-	1,064,361	17,928	1,082,289
Other financial liabilities	-	-	-	-	-	326,721	1,856,861	2,183,582
<b>Total</b>	206,070,965	4,833,133	4,615,568	7,491,117	9,001,557	16,764,394	2,501,494	<b>251,278,228</b>
<b>Net liquidity gap</b>	(117,841,544)	10,091,239	7,425,010	15,635,803	25,467,906	89,178,972	3,846,502	33,803,888
Less allowances for credit impairment								(6,623,444)
								<b>27,180,444</b>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk (continued)

Maturities of assets and liabilities

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
<b>Financial assets</b>								
Cash and cash equivalents	22,688,519	-	-	-	-	-	311,320	22,999,839
Derivative financial instruments	210,523	22,805	12,535	5,179	-	-	17,859	268,901
Loans to and placements with banks	2,140,740	2,282,130	652,588	4,034,532	175,950	177,542	40,129	9,503,611
Loans and advances to customers	35,893,847	8,097,958	3,046,710	3,945,189	14,878,944	90,372,528	3,892,891	160,128,067
Investment securities	509,875	3,869,962	6,200,833	5,485,633	17,626,305	8,696,698	2,606,012	44,995,318
Other financial assets	-	4,351	2,718	7,686	183,317	121,910	12,412,453	12,732,435
	61,443,504	14,277,206	9,915,384	13,478,219	32,864,516	99,368,678	19,280,664	250,628,171
Less allowances for credit impairment								(7,136,693)
<b>Total</b>								<b>243,491,478</b>
<b>Financial liabilities</b>								
Deposits from banks	3,436,910	380,841	468,681	151,133	66,860	-	-	4,504,425
Deposits from customers	173,989,598	4,308,172	3,899,387	5,920,255	7,533,925	7,158,050	1,133,189	203,942,576
Derivative financial instruments	13,445	65,025	11,405	4,305	-	-	18,796	112,976
Other borrowed funds	1,239,457	182,468	215,495	450,943	-	4,827,462	36,439	6,952,264
Subordinated liabilities	-	-	-	-	-	1,055,697	-	1,055,697
Other financial liabilities	-	-	-	112	-	-	3,403,279	3,403,391
<b>Total</b>	178,679,410	4,936,506	4,594,968	6,526,748	7,600,785	13,041,209	4,591,703	219,971,329
<b>Net liquidity gap</b>	(117,235,906)	9,340,700	5,320,416	6,951,471	25,263,731	86,327,469	14,688,961	30,656,842
Less allowances for credit impairment								(7,136,693)
								<b>23,520,149</b>



3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk (continued)

Maturities of assets and liabilities

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
<b>Financial assets</b>								
Cash and cash equivalents	17,307,927	57,140	-	-	-	-	338,553	17,703,620
Derivative financial instruments	70,612	19,023	9,749	559	-	-	26,996	126,939
Loans to and placements with banks	1,963,662	2,396,789	1,026,562	589,820	421,880	152,912	23,779	6,575,404
Loans and advances to customers	34,471,448	8,854,721	3,295,535	4,739,625	12,083,056	81,918,899	3,127,921	148,491,205
Investment securities	2,022,985	3,380,053	4,629,517	4,930,180	8,463,581	5,718,674	1,692,655	30,837,645
Other financial assets	-	-	-	-	-	-	11,680,639	11,680,639
	<u>55,836,634</u>	<u>14,707,726</u>	<u>8,961,363</u>	<u>10,260,184</u>	<u>20,968,517</u>	<u>87,790,485</u>	<u>16,890,543</u>	<u>215,415,452</u>
Less allowances for credit impairment								<u>(7,357,272)</u>
<b>Total</b>								<u><b>208,058,180</b></u>
<b>Financial liabilities</b>								
Deposits from banks	2,640,584	528,830	243,275	285,349	-	-	-	3,698,038
Deposits from customers	142,492,371	4,244,599	4,740,359	6,088,894	10,957,622	3,203,264	842,360	172,569,469
Derivative financial instruments	66,633	19,033	401,162	12,649	-	-	39,726	539,203
Other borrowed funds	5,553	-	1,285,650	1,468,885	1,274,919	3,530,601	37,168	7,602,776
Subordinated liabilities	-	-	-	-	-	5,409,081	39,945	5,449,026
Other financial liabilities	-	-	-	-	-	-	3,567,864	3,567,864
	<u>145,205,141</u>	<u>4,792,462</u>	<u>6,670,446</u>	<u>7,855,777</u>	<u>12,232,541</u>	<u>12,142,946</u>	<u>4,527,063</u>	<u>193,426,376</u>
<b>Net liquidity gap</b>	(89,368,507)	9,915,264	2,290,917	2,404,407	8,735,976	75,647,539	12,363,480	21,989,076
Less allowances for credit impairment								<u>(7,357,272)</u>
								<u><b>14,631,804</b></u>

Other disclosures on liquidity risk are available in the Risk Management Report.

**3. Financial Risk Management (continued)****(d) 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.

**(e) Capital risk management**

Disclosures relating to capital risk management are available in the Risk Management Report.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

At June 30, 2016	Held-for-maturity RS '000	Held-for-trading RS '000	Loans and Receivables RS '000	Available-for-sale RS '000	Other financial Liabilities at amortised cost RS '000	TOTAL RS '000
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	31,975,711	-	-	31,975,711
Derivative financial instruments	-	175,771	-	-	-	175,771
Loans to and placements with banks	-	-	22,503,568	-	-	22,503,568
Loans and advances to customers	-	-	159,607,680	-	-	159,607,680
Investment securities	51,487,622	722,789	-	4,030,929	-	56,241,340
Other financial assets	-	-	14,578,046	-	-	14,578,046
	51,487,622	898,560	228,665,005	4,030,929	-	285,082,116
Less allowances for credit impairment						(6,623,444)
<b>Total assets</b>						<b>278,458,672</b>
<b>Financial Liabilities</b>						
Deposits from banks	-	-	-	-	4,712,603	4,712,603
Deposits from customers	-	-	-	-	238,311,493	238,311,493
Derivative financial instruments	-	122,353	-	-	-	122,353
Other borrowed funds	-	-	-	-	4,865,908	4,865,908
Subordinated liabilities	-	-	-	-	1,082,289	1,082,289
Other financial liabilities	-	-	-	-	2,183,582	2,183,582
<b>Total liabilities</b>	-	122,353	-	-	251,155,875	<b>251,278,228</b>
<b>Net on-balance sheet position</b>	51,487,622	776,207	228,665,005	4,030,929	(251,155,875)	33,803,888
Less allowances for credit impairment						(6,623,444)
						<b>27,180,444</b>

At June 30, 2015	Held-for-maturity RS '000	Held-for-trading RS '000	Loans and Receivables RS '000	Available-for-sale RS '000	Other financial Liabilities at amortised cost RS '000	TOTAL RS '000
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	22,999,839	-	-	22,999,839
Derivative financial instruments	-	268,901	-	-	-	268,901
Loans to and placements with banks	-	-	9,503,611	-	-	9,503,611
Loans and advances to customers	-	-	160,128,067	-	-	160,128,067
Investment securities	40,952,351	-	-	4,042,967	-	44,995,318
Other financial assets	-	-	12,732,435	-	-	12,732,435
	40,952,351	268,901	205,363,952	4,042,967	-	250,628,171
Less allowances for credit impairment						(7,136,693)
<b>Total assets</b>						<b>243,491,478</b>
<b>Financial Liabilities</b>						
Deposits from banks	-	-	-	-	4,504,425	4,504,425
Deposits from customers	-	-	-	-	203,942,576	203,942,576
Derivative financial instruments	-	112,976	-	-	-	112,976
Other borrowed funds	-	-	-	-	6,952,264	6,952,264
Subordinated liabilities	-	-	-	-	1,055,697	1,055,697
Other financial liabilities	-	-	-	-	3,403,391	3,403,391
<b>Total liabilities</b>	-	112,976	-	-	219,858,353	<b>219,971,329</b>
<b>Net on-balance sheet position</b>	40,952,351	155,925	205,363,952	4,042,967	(219,858,353)	30,656,842
Less allowances for credit impairment						(7,136,693)
						<b>23,520,149</b>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category (continued)

At June 30, 2014	Held-for- maturity	Held-for- trading	Loans and Receivables	Available-for-sale	Other financial Liabilities at amortised cost	TOTAL
Financial Assets	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Cash and cash equivalents	-	-	17,703,620	-	-	17,703,620
Derivative financial instruments	-	126,939	-	-	-	126,939
Loans to and placements with banks	-	-	6,575,404	-	-	6,575,404
Loans and advances to customers	-	-	148,491,205	-	-	148,491,205
Investment securities	28,879,459	-	-	1,958,186	-	30,837,645
Other financial assets	-	-	11,680,639	-	-	11,680,639
	28,879,459	126,939	184,450,868	1,958,186	-	215,415,452
Less allowances for credit impairment						(7,357,272)
<b>Total assets</b>						<b>208,058,180</b>
<b>Financial Liabilities</b>						
Deposits from banks	-	-	-	-	3,698,038	3,698,038
Deposits from customers	-	-	-	-	172,569,469	172,569,469
Derivative financial instruments	-	539,203	-	-	-	539,203
Other borrowed funds	-	-	-	-	7,602,776	7,602,776
Subordinated liabilities	-	-	-	-	5,449,026	5,449,026
Other financial liabilities	-	-	-	-	3,567,864	3,567,864
<b>Total liabilities</b>	-	539,203	-	-	192,887,173	<b>193,426,376</b>
<b>Net on-balance sheet position</b>	28,879,459	(412,264)	184,450,868	1,958,186	(192,887,173)	21,989,076
Less allowances for credit impairment						(7,357,272)
						<b>14,631,804</b>

**4. CASH AND CASH EQUIVALENTS**

	2016 RS'000	2015 RS'000	2014 RS'000
Cash in hand	1,935,304	1,834,403	2,296,253
Foreign currency notes and coins	101,945	61,472	80,972
Unrestricted balances with Central Bank	599,525	2,234,995	1,450,185
Balances due in clearing	447,892	315,767	338,761
Money market placements	9,724,176	10,247,910	4,903,195
Balances with banks abroad	18,876,854	8,305,292	8,542,124
Interbank loans	290,015	-	90,003
Balances with local banks	-	-	2,127
	<b>31,975,711</b>	<b>22,999,839</b>	<b>17,703,620</b>

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

	2016 RS'000	2015 RS'000	2014 RS'000
Cash and cash equivalents	31,975,711	22,999,839	17,703,620
Other borrowed funds (see note 14(a))	(6,450)	(1,239,457)	(5,553)
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>31,969,261</b>	<b>21,760,382</b>	<b>17,698,067</b>
<b>CHANGE IN YEAR</b>	<b>10,208,879</b>	<b>4,062,315</b>	<b>9,847,473</b>

**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
<b>Derivatives held-for-trading</b>			
<b>Year ended 30<sup>th</sup> June 2016</b>			
<b>Foreign Exchange &amp; Interest Rate Derivatives</b>			
Currency forwards	2,898,540	70,977	75,943
Interest rate swaps	1,524,809	11,903	22,174
Currency swaps	8,951,194	92,841	24,236
Others	50	50	-
	<b>13,374,593</b>	<b>175,771</b>	<b>122,353</b>
<b>Year ended 30<sup>th</sup> June 2015</b>			
<b>Foreign Exchange &amp; Interest Rate Derivatives</b>			
Currency forwards	3,928,124	49,480	35,862
Interest rate swaps	847,571	17,859	18,796
Currency swaps	18,841,767	201,562	58,318
	<b>23,617,462</b>	<b>268,901</b>	<b>112,976</b>
<b>Year ended 30<sup>th</sup> June 2014</b>			
<b>Foreign Exchange &amp; Interest Rate Derivatives</b>			
Currency forwards	3,180,349	59,688	58,725
Cross currency interest rate swaps	2,262,827	-	413,472
Interest rate swaps	970,186	26,696	32,029
Currency swaps	21,165,753	40,255	34,977
Others	41,383	300	-
	<b>27,620,498</b>	<b>126,939</b>	<b>539,203</b>

**6. LOANS**
**(a) Loans to and placements with banks**

	<b>2016</b>	2015	2014
	<b>RS'000</b>	RS'000	RS'000
<b>(i) Loans to and placements with banks</b>			
in Mauritius	6,277,304	3,226,027	93,418
outside Mauritius	<b>45,117,309</b>	24,830,786	20,019,435
	<b>51,394,613</b>	28,056,813	20,112,853
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	<b>(28,891,045)</b>	(18,553,202)	(13,537,449)
	<b>22,503,568</b>	9,503,611	6,575,404
Less:			
Allowances for credit impairment	<b>(17,945)</b>	(16,616)	(17,400)
	<b>22,485,623</b>	9,486,995	6,558,004
<b>(ii) Remaining term to maturity</b>			
Up to 3 months	<b>12,417,250</b>	4,462,999	4,384,230
Over 3 months and up to 6 months	<b>2,703,010</b>	652,588	1,026,562
Over 6 months and up to 1 year	<b>6,377,327</b>	4,034,532	589,820
Over 1 year and up to 5 years	<b>1,005,981</b>	175,950	421,915
Over 5 years	-	177,542	152,877
	<b>22,503,568</b>	9,503,611	6,575,404

**(iii) Allowances for credit impairment**

	<b>RS'000</b>
<b>Portfolio provision :</b>	
At 1 <sup>st</sup> July 2013	10,000
Provision for credit impairment for the year	7,400
At 30 <sup>th</sup> June 2014	17,400
Provision released during the year	(784)
At 30 <sup>th</sup> June 2015	<b>16,616</b>
Provision for credit impairment for the year	<b>1,329</b>
<b>At 30<sup>th</sup> June 2016</b>	<b>17,945</b>

**6. LOANS (continued)**
**(b) Loans and advances to customers**

	2016 RS'000	2015 RS'000	2014 RS'000
<b>(i) Loans and advances to customers</b>			
Retail customers:			
Credit cards	653,788	632,299	619,236
Mortgages	21,969,378	19,079,950	16,935,623
Other retail loans	12,621,653	12,847,745	12,257,844
Corporate customers	97,817,761	98,090,550	92,849,447
Governments	283,043	308,155	428,745
Entities outside Mauritius	26,262,057	29,169,368	25,400,310
	<b>159,607,680</b>	<b>160,128,067</b>	<b>148,491,205</b>
Less:			
Allowances for credit impairment	(6,605,499)	(7,120,077)	(7,339,872)
	<b>153,002,181</b>	<b>153,007,990</b>	<b>141,151,333</b>
<b>(ii) Remaining term to maturity</b>			
Up to 3 months	41,307,782	47,884,696	46,454,090
Over 3 months and up to 6 months	4,612,032	3,046,710	3,295,535
Over 6 months and up to 1 year	4,194,400	3,945,189	4,739,625
Over 1 year and up to 5 years	39,145,416	40,080,619	27,527,934
Over 5 years	70,348,050	65,170,853	66,474,021
	<b>159,607,680</b>	<b>160,128,067</b>	<b>148,491,205</b>
<b>(iii) Allowances for credit impairment</b>			
	<b>Specific RS'000</b>	<b>Portfolio RS'000</b>	<b>Total RS'000</b>
At 1 <sup>st</sup> July 2015	3,236,815	1,086,213	4,323,028
Exchange adjustment	10,400	-	10,400
Provision for credit impairment for the year	1,527,623	16,794	1,544,417
Provision released during the year	(648,211)	-	(648,211)
Amounts written off	(1,435,896)	-	(1,435,896)
<b>At 30<sup>th</sup> June 2016</b>	<b>2,690,731</b>	<b>1,103,007</b>	<b>3,793,738</b>
Interest suspense	2,811,761	-	2,811,761
<b>Provision and interest suspense at 30<sup>th</sup> June 2016</b>	<b>5,502,492</b>	<b>1,103,007</b>	<b>6,605,499</b>
At 1 <sup>st</sup> 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 30 <sup>th</sup> June 2015	3,236,815	1,086,213	4,323,028
Interest suspense	2,797,049	-	2,797,049
<b>Provision and interest suspense at 30<sup>th</sup> June 2015</b>	<b>6,033,864</b>	<b>1,086,213</b>	<b>7,120,077</b>
At 1 <sup>st</sup> 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 30 <sup>th</sup> June 2014	3,843,616	1,023,900	4,867,516
Interest suspense	2,472,356	-	2,472,356
<b>Provision and interest suspense at 30<sup>th</sup> June 2014</b>	<b>6,315,972</b>	<b>1,023,900</b>	<b>7,339,872</b>

**6. LOANS (continued)**
**(b) Loans and advances to customers (continued)**
**(iv) Allowances for credit impairment by industry sectors**

	2016					2015	2014
	Gross amount of loans	Non performing loans	Specific provision and interest suspense	Portfolio provision	Total provision	Total provision	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Agriculture and fishing	7,052,382	1,079,055	151,788	5,504	157,292	41,153	29,829
Manufacturing	10,101,676	706,745	336,057	120,458	456,515	335,013	512,849
<i>of which EPZ</i>	3,164,207	30,759	13,115	21,691	34,806	85,795	106,660
Tourism	29,580,226	709,444	387,442	67,620	455,062	399,346	365,398
Transport	3,839,873	916,091	134,060	27,046	161,106	724,050	430,090
Construction	16,542,714	2,069,944	1,520,802	205,826	1,726,628	1,452,839	1,081,431
Financial and business services	18,045,489	119,680	87,075	48,730	135,805	151,989	142,582
Traders	15,740,041	792,418	540,640	137,527	678,167	772,900	1,185,299
Personal	32,761,273	2,045,023	1,198,073	200,240	1,398,313	1,597,019	1,706,740
<i>of which credit cards</i>	645,495	59,940	56,175	13,610	69,785	56,200	68,976
<i>of which housing</i>	21,969,378	960,292	372,166	102,447	474,613	394,410	375,995
Professional	1,046,945	125,388	60,706	19,923	80,629	222,614	75,675
Foreign governments	283,043	-	-	-	-	-	1,500
Global Business Licence holders	15,947,815	666,212	833,928	201,182	1,035,110	1,118,000	1,504,126
Others	8,666,203	285,741	251,921	68,951	320,872	305,154	304,353
	<b>159,607,680</b>	<b>9,515,741</b>	<b>5,502,492</b>	<b>1,103,007</b>	<b>6,605,499</b>	<b>7,120,077</b>	<b>7,339,872</b>

**(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.

	2016	2015	2014
	RS'000	RS'000	RS'000
Agriculture and fishing	2,088,601	1,272,256	2,390,858
Manufacturing	2,365,431	2,142,255	3,225,296
<i>of which EPZ</i>	1,616,803	1,553,253	1,652,056
Tourism	11,705,358	15,418,199	17,662,724
Transport	39,946	39,511	53,889
Construction	4,211,324	2,048,423	1,813,951
Financial and business services	15,081,604	23,187,296	19,966,767
Traders	15,283,922	21,074,963	14,101,600
Global Business Licence holders	21,789,702	14,104,893	7,243,028
Others	62,992	738,654	2,960,333
	<b>72,628,880</b>	<b>80,026,450</b>	<b>69,418,446</b>



**7. INVESTMENT SECURITIES**

	2016	2015	2014
	RS'000	RS'000	RS'000
Held-to-maturity	51,487,622	40,952,351	28,879,459
Available-for-sale	4,030,929	4,042,967	1,958,186
Held-for-trading	722,789	-	-
	<b>56,241,340</b>	<b>44,995,318</b>	<b>30,837,645</b>

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

Government of Mauritius and Bank of Mauritius bonds	35,690,180	26,664,552	15,329,616
Treasury bills	14,635,850	13,527,402	13,191,774
Foreign bonds	879,910	731,007	328,679
Notes	281,682	29,390	29,390
	<b>51,487,622</b>	<b>40,952,351</b>	<b>28,879,459</b>

**(ii) Remaining term to maturity**

	2016					Total
	Up to 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Government of Mauritius and Bank of Mauritius bonds	1,008,915	99,733	7,282,382	21,040,870	6,258,280	35,690,180
Treasury bills	6,046,002	4,060,686	4,529,162	-	-	14,635,850
Foreign bonds	-	107,468	574,042	198,400	-	879,910
Notes	30,890	-	-	250,792	-	281,682
	<b>7,085,807</b>	<b>4,267,887</b>	<b>12,385,586</b>	<b>21,490,062</b>	<b>6,258,280</b>	<b>51,487,622</b>

**(b) (i) Available-for-sale**

	2016	2015	2014
	RS'000	RS'000	RS'000
<b>Quoted - Level 1</b>			
Official list : shares	1,103,635	1,125,581	754,514
Bonds	1,185,342	1,243,909	30,266
Foreign shares	671,661	623,697	421,501
	<b>2,960,638</b>	<b>2,993,187</b>	<b>1,206,281</b>
<b>Unquoted - Level 2</b>			
Investment fund	416,227	408,482	92,063
<b>Unquoted - Level 3</b>			
Investment fund	215,927	203,158	187,369
Shares	229,276	229,279	263,612
Inflation - indexed Government of Mauritius bonds	208,861	208,861	208,861
	<b>654,064</b>	<b>641,298</b>	<b>659,842</b>
	<b>4,030,929</b>	<b>4,042,967</b>	<b>1,958,186</b>

7. INVESTMENT SECURITIES

(b) (ii) Reconciliation of Level 3 fair value measurements

	<u>RS'000</u>
At 1 <sup>st</sup> July 2013	660,332
Disposals	(5,000)
Fair value	8,734
Exchange adjustments	(4,224)
<b>At 30<sup>th</sup> June 2014</b>	<u>659,842</u>
Additions	370,640
Disposals	(25,933)
Fair value	(76,862)
Transfers	(307,473)
Exchange adjustments	21,084
<b>At 30<sup>th</sup> June 2015</b>	<u>641,298</u>
Disposals	(4)
Fair value	11,102
Exchange adjustments	1,668
<b>At 30<sup>th</sup> June 2016</b>	<u>654,064</u>

The book value approximates the fair value.

8. INVESTMENTS IN ASSOCIATES

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

	Country of incorporation	Assets RS'000	Liabilities RS'000	Revenues RS'000	Profit/(loss) RS'000	Holding %	Cost RS'000
<b>Year ended 30<sup>th</sup> June 2016</b>							
Banque Française Commerciale Ocean Indien	France	68,961,035	62,672,636	4,169,968	877,613	49.99	447,489
Société Générale Moçambique	Moçambique	3,205,028	2,160,847	234,284	(229,511)	35.00	310,625
							758,114
Subordinated loans to associates							402,949
							<u>1,161,063</u>
<b>Year ended 30<sup>th</sup> June 2015 and 30<sup>th</sup> June 2014</b>							
		-	-	-	-	-	-

(b) Movements in investments in associates

	2016 RS'000	2015 RS'000	2014 RS'000
<b>At 1<sup>st</sup> July</b>	-	-	876,156
Increase in shareholding during the year	50,705	-	185
Exchange adjustment on subordinated loan	-	-	8,528
Subordinated loan converted into shares and disposed thereafter	-	-	(3,600)
Distributed by way of dividend in specie	-	-	(12,000)
Transferred from/(to) non-current assets held for distribution	707,409	-	(447,369)
	758,114	-	421,900
Subordinated loans to associates reclassified from/(to) loans to banks/customers	402,949	-	(421,900)
<b>At 30<sup>th</sup> June</b>	<u>1,161,063</u>	-	-

9. INTANGIBLE ASSETS

	2016 RS'000	2015 RS'000	2014 RS'000
<b>Computer Software</b>			
<b>Cost</b>			
<b>At 1<sup>st</sup> July</b>	<b>2,355,642</b>	2,392,790	2,367,218
Additions	<b>226,802</b>	44,668	47,207
Scrap/Impairment	<b>(50,679)</b>	(12,824)	(21,082)
Disposal	-	(68,992)	(553)
<b>At 30<sup>th</sup> June</b>	<b>2,531,765</b>	2,355,642	2,392,790
<b>Amortisation</b>			
<b>At 1<sup>st</sup> July</b>	<b>1,970,189</b>	1,869,706	1,675,322
Scrap/Impairment	<b>(50,679)</b>	(12,824)	(21,082)
Disposal adjustment	-	(65,586)	(222)
Charge for the year	<b>139,093</b>	178,893	215,688
<b>At 30<sup>th</sup> June</b>	<b>2,058,603</b>	1,970,189	1,869,706
<b>Net book value</b>	<b>473,162</b>	385,453	523,084

The Core Banking System T24 is the only material intangible asset. The remaining useful life of this intangible asset is 4 years.

10. 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
<b>Cost</b>					
At 1 <sup>st</sup> July 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 30 <sup>th</sup> 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 30 <sup>th</sup> June 2015	4,448,191	2,888,827	763,102	25,460	8,125,580
Additions	-	93,962	18,595	173,268	285,825
Disposals	-	(162,079)	(26,247)	-	(188,326)
Transfer	-	60,203	3,705	(63,908)	-
At 30 <sup>th</sup> June 2016	4,448,191	2,880,913	759,155	134,820	8,223,079
<b>Accumulated depreciation</b>					
At 1 <sup>st</sup> July 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 30 <sup>th</sup> 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 30 <sup>th</sup> June 2015	645,724	2,066,499	382,914	-	3,095,137
Charge for the year	71,260	237,601	49,470	-	358,331
Disposal adjustment	-	(160,828)	(22,164)	-	(182,992)
At 30 <sup>th</sup> June 2016	716,984	2,143,272	410,220	-	3,270,476
<b>Net book values</b>					
At 30 <sup>th</sup> June 2016	3,731,207	737,641	348,935	134,820	4,952,603
At 30 <sup>th</sup> June 2015	3,802,467	822,328	380,188	25,460	5,030,443
At 30 <sup>th</sup> June 2014	3,863,145	861,174	413,160	65,030	5,202,509

**11. DEFERRED TAX ASSETS**

	Balance as at 1 <sup>st</sup> July	Exchange adjustments	Recognised in Statement of profit or loss	Recognised in Statement of comprehensive income	Balance as at 30 <sup>th</sup> June
	RS'000	RS'000	RS'000	RS'000	RS'000

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

**2016**

Provisions and post retirement benefits	236,584	-	(13,344)	30,665	253,905
Provisions for credit impairment	162,835	(660)	(46,422)	-	115,753
Accelerated tax depreciation	(176,900)	-	1,202	-	(175,698)
<b>At 30<sup>th</sup> June 2016</b>	<b>222,519</b>	<b>(660)</b>	<b>(58,564)</b>	<b>30,665</b>	<b>193,960</b>

**2015**

Provisions and post retirement benefits	254,103	-	(716)	(16,803)	236,584
Provisions for credit impairment	117,432	3,486	41,917	-	162,835
Accelerated tax depreciation	(177,243)	-	343	-	(176,900)
<b>At 30<sup>th</sup> June 2015</b>	<b>194,292</b>	<b>3,486</b>	<b>41,544</b>	<b>(16,803)</b>	<b>222,519</b>

**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)
<b>At 30<sup>th</sup> June 2014</b>	<b>113,786</b>	<b>-</b>	<b>40,022</b>	<b>40,484</b>	<b>194,292</b>

**12. OTHER ASSETS**

	2016 RS'000	2015 RS'000	2014 RS'000
Mandatory balances with Central Bank	13,688,608	12,252,565	10,646,314
Prepayments & other receivables	725,499	741,942	910,276
Credit Card Clearing	68,659	180,193	238,605
Non-banking assets acquired in satisfaction of debts	51,909	57,474	55,792
Margin deposit under Credit Support Annex	10,178	-	431,521
Impersonal & other accounts	1,725,251	952,038	670,720
Receivable from Mauritius Union Assurance Co Ltd	-	25,000	50,000
	<b>16,270,104</b>	<b>14,209,212</b>	<b>13,003,228</b>

**13. DEPOSITS**

	2016 RS'000	2015 RS'000	2014 RS'000
<b>(a) Deposits from banks</b>			
Demand deposits	2,643,632	3,303,800	2,415,169
Money market deposits with remaining term to maturity:			
Up to 3 months	715,676	513,951	754,245
Over 3 months and up to 6 months	1,045,465	468,681	243,275
Over 6 months and up to 1 year	25,379	151,133	285,349
Over 1 year and up to 5 years	282,451	66,860	-
	<u>2,068,971</u>	<u>1,200,625</u>	<u>1,282,869</u>
	<u>4,712,603</u>	<u>4,504,425</u>	<u>3,698,038</u>
<b>(b) Deposits from customers</b>			
<b>(i) Retail customers</b>			
Demand deposits	25,182,505	20,749,512	15,508,233
Savings deposits	96,501,629	86,278,568	74,282,426
Time deposits with remaining term to maturity:			
Up to 3 months	3,304,781	3,551,031	3,401,560
Over 3 months and up to 6 months	1,855,545	1,931,431	2,759,831
Over 6 months and up to 1 year	4,596,129	4,426,212	4,314,523
Over 1 year and up to 5 years	11,663,604	10,388,268	9,404,831
Over 5 years	5,478	53,665	32,002
	<u>21,425,537</u>	<u>20,350,607</u>	<u>19,912,747</u>
	<u>143,109,671</u>	<u>127,378,687</u>	<u>109,703,406</u>
<b>(ii) Corporate customers</b>			
Demand deposits	72,803,936	58,121,151	44,337,589
Savings deposits	5,253,182	5,643,459	5,591,302
Time deposits with remaining term to maturity:			
Up to 3 months	4,937,434	5,048,153	4,435,602
Over 3 months and up to 6 months	1,699,788	1,967,956	1,980,528
Over 6 months and up to 1 year	2,850,519	1,494,043	1,774,371
Over 1 year and up to 5 years	4,803,622	1,468,282	1,795,147
Over 5 years	2,791,762	2,781,760	2,928,906
	<u>17,083,125</u>	<u>12,760,194</u>	<u>12,914,554</u>
	<u>95,140,243</u>	<u>76,524,804</u>	<u>62,843,445</u>
<b>(iii) Government</b>			
Demand deposits	9,411	10,423	3,715
Savings deposits	52,168	28,662	18,903
	<u>61,579</u>	<u>39,085</u>	<u>22,618</u>
	<u>238,311,493</u>	<u>203,942,576</u>	<u>172,569,469</u>



14. OTHER BORROWED FUNDS

(a) Other borrowed funds comprise the following:

	2016 RS'000	2015 RS'000	2014 RS'000
Borrowings from banks:			
in Mauritius	9,134	11,832	23,424
abroad	4,856,774	6,940,432	5,722,302
Debt securities*	-	-	1,857,050
	<b>4,865,908</b>	<b>6,952,264</b>	<b>7,602,776</b>
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	<b>6,450</b>	<b>1,239,457</b>	<b>5,553</b>

The carrying amounts of other borrowed funds are not materially different from their fair values.

\* 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
ZAR 350 million maturing in December 2014 at an average interest rate of 7.4%	-	-	999,950
	<b>-</b>	<b>-</b>	<b>1,857,050</b>

(b) Remaining term to maturity:

On demand or within a period not exceeding 1 year	15,584	2,092,663	2,783,254
Within a period of more than 1 year but not exceeding 2 years	-	-	1,276,836
Within a period of more than 3 years	4,850,324	4,859,601	3,542,686
	<b>4,865,908</b>	<b>6,952,264</b>	<b>7,602,776</b>

**15. SUBORDINATED LIABILITIES**

Subordinated liabilities comprise of the following:

	<b>2016</b>	2015	2014
	<b>RS'000</b>	RS'000	RS'000
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.8%(2015:3.5%) (Level 3)	(i) <b>1,082,289</b>	1,055,697	909,081
Rs 4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 6% (Level 1)	(ii) -	-	4,539,945
	<b>1,082,289</b>	1,055,697	5,449,026

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

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

(ii)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 floating rate subordinated notes 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) were 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.

**16. POST EMPLOYEE BENEFITS LIABILITIES**

Amounts recognised in the financial statements at end of year

	2016 Rs'000	2015 Rs'000	2014 Rs'000
<b>Reconciliation of net defined benefit liability</b>			
Opening balance	1,034,237	1,151,026	846,178
Amount recognised in statement of profit or loss	267,942	309,534	265,038
Amount recognised in statement of comprehensive income	204,430	(112,018)	269,896
Less capital injection	(1,000,000)	-	-
Less employer contributions	(256,902)	(314,305)	(230,086)
Liability as shown in note 17	<u>249,707</u>	<u>1,034,237</u>	<u>1,151,026</u>
<b>Reconciliation of fair value of plan assets</b>			
Opening balance	5,297,925	4,703,279	4,326,598
Interest income	365,479	379,941	347,894
Capital injection	1,000,000	-	-
Employer contributions	256,902	314,305	230,086
Benefits paid	(317,155)	(220,533)	(185,062)
Return on plan assets excluding interest income	(400,454)	120,933	(16,237)
<b>Closing balance</b>	<u>6,202,697</u>	<u>5,297,925</u>	<u>4,703,279</u>
<b>Reconciliation of present value of defined benefit obligation</b>			
Opening balance	6,332,162	5,854,305	5,172,776
Current service cost	201,604	229,782	206,370
Interest expense	431,817	459,693	406,562
Other benefits paid	(317,155)	(220,533)	(185,062)
Liability experience (gain)/loss	(2,726)	20,774	(31,361)
Liability (gain)/loss due to change in financial assumptions	(193,298)	(11,859)	285,020
<b>Closing balance</b>	<u>6,452,404</u>	<u>6,332,162</u>	<u>5,854,305</u>
<b>Components of amount recognised in statement of profit or loss</b>			
Current service cost	201,604	229,782	206,370
Net interest on net defined benefit liability	66,338	79,752	58,668
<b>Total</b>	<u>267,942</u>	<u>309,534</u>	<u>265,038</u>
Analysed as follows:			
Mauritius Commercial Bank Ltd	238,205	271,530	246,158
Other members of the MCB Group Ltd	29,737	38,004	18,880
	<u>267,942</u>	<u>309,534</u>	<u>265,038</u>
<b>Components of amount recognised in other comprehensive income</b>			
Return on plan assets below/(above) interest income	400,454	(120,933)	16,237
Liability experience (gain)/loss	(2,726)	20,774	(31,361)
Liability (gain)/loss due to change in financial assumptions	(193,298)	(11,859)	285,020
<b>Total</b>	<u>204,430</u>	<u>(112,018)</u>	<u>269,896</u>

**16. POST EMPLOYEE BENEFITS LIABILITIES (continued)**

	2016	2015	2014
<b>Allocation of plan assets at end of year</b>	%	%	%
Equity - Local quoted	21	22	22
Equity - Local unquoted	1	2	2
Debt - Overseas quoted	9	9	11
Debt - Local quoted	6	4	3
Debt - Local unquoted	1	3	4
Property - Local	3	4	4
Investment funds	31	39	37
Cash and other	28	17	17
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Allocation of plan assets at end of period</b>	%	%	%
Reporting entity's own transferable financial instruments	6	6	5
Property occupied by reporting entity	1	2	3
Other assets used by reporting entity	25	11	14
<b>Principal assumptions used at end of period</b>			
Discount rate	6.5%	7.0%	8.0%
Rate of salary increases	4.5%	5.0%	6.0%
Rate of pension increases	3.7%	4.5%	5.5%
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
<b>Sensitivity analysis on defined benefit obligation at end of period</b>	2016	2015	2014
	Rs'000	Rs'000	Rs'000
Increase due to 1% decrease in discount rate	1,221,952	1,219,187	1,152,747
Decrease due to 1% increase in discount rate	947,166	942,666	830,913

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 Rs249,707,000 as at 30 June 2016 for the plan (2015 : Rs 1,034,237,000).

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.

16. POST EMPLOYEE BENEFITS LIABILITIES (continued)

**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 (Rs'000)	238,352
Weighted average duration of the defined benefit obligation	17 years

**Capital injection**

During the year, the bank has injected Rs1 billion into the Superannuation Fund in order to finance the shortfall of the fund.

**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.

**17. OTHER LIABILITIES**

	2016 RS'000	2015 RS'000	2014 RS'000
Margin deposit under Credit Support Annex	-	21,818	-
Post employee benefit liability (see note 16)	249,707	1,034,237	1,151,026
Proposed dividend	1,031,940	1,023,229	809,065
Impersonal & other accounts	3,020,806	2,552,949	2,345,761
	<b>4,302,453</b>	<b>4,632,233</b>	<b>4,305,852</b>

**18. STATED CAPITAL, TREASURY SHARES AND RESERVES**
**(a) Stated capital and treasury shares**

	Number of shares		
	Share Capital	Treasury Shares	Total
At 30 <sup>th</sup> 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 30 <sup>th</sup> June 2014	<b>237,960,247</b>	-	<b>237,960,247</b>
Rights issue	450,000,000	-	450,000,000
At 30 <sup>th</sup> June 2015 and 30 <sup>th</sup> June 2016	<b>687,960,247</b>	-	<b>687,960,247</b>

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

**(b) Reserves**
**(i) Capital reserve**

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

**(ii) Statutory reserve**

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

**(iii) General banking reserve**

The bank makes an appropriation to a general banking reserve for unforeseen risks and future losses.

**19. CONTINGENT LIABILITIES**
**(a) Instruments**

	2016 RS'000	2015 RS'000	2014 RS'000
Guarantees on account of customers	18,330,563	15,686,218	15,931,937
Letters of credit and other obligations on account of customers	8,273,242	15,781,597	29,632,253
Other contingent items	3,526,005	11,854,612	16,548,255
	<b>30,129,810</b>	<b>43,322,427</b>	<b>62,112,445</b>

**(b) Commitments**

Loans and other facilities, including undrawn credit facilities	2,600,154	4,380,241	4,355,291
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**(c) Tax assessments \***

	836,868	797,225	272,057
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**(d) Other**

Inward bills held for collection	423,796	380,692	461,794
Outward bills sent for collection	1,003,723	803,573	1,042,994
	<b>1,427,519</b>	<b>1,184,265</b>	<b>1,504,788</b>
	<b>34,994,351</b>	<b>49,684,158</b>	<b>68,244,581</b>

\*During the period December 2011 to June 2016, the bank received income tax assessments relating to six consecutive years starting with financial year ended 30th June 2007 to 30th June 2012 against which the bank has objected.

Moreover, the bank received several assessments under the Value Added Tax Act for the periods beginning April 2006 to June 2015 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 836.9 million, including penalties and interests.

**20. INTEREST INCOME**

	2016 RS'000	2015 RS'000	2014 RS'000
Loans to and placements with banks	367,076	202,394	186,503
Loans and advances to customers	10,196,930	10,105,092	9,747,799
Held-to-maturity investments	1,680,892	1,280,581	919,662
Available-for-sale investments	44,754	35,254	159
Other	9,450	9,649	11,718
	<b>12,299,102</b>	<b>11,632,970</b>	<b>10,865,841</b>

**21. INTEREST EXPENSE**

Deposits from banks	15,623	16,335	32,200
Deposits from customers	3,949,990	3,856,580	3,836,096
Subordinated liabilities	41,006	300,459	262,671
Other borrowed funds	94,706	111,299	188,226
	<b>4,101,325</b>	<b>4,284,673</b>	<b>4,319,193</b>

**22. FEE AND COMMISSION INCOME**

Retail banking fees	618,982	653,258	433,631
Corporate banking fees	433,541	430,487	386,329
Guarantee fees	212,579	204,688	217,778
Interbank transaction fees	49,809	43,092	46,398
Cards and other related fees	1,315,704	1,221,028	1,107,863
Trade finance fees	432,867	647,999	637,558
Others	216,727	202,791	119,798
	<b>3,280,209</b>	<b>3,403,343</b>	<b>2,949,355</b>

**23. FEE AND COMMISSION EXPENSE**

Interbank transaction fees	20,589	16,553	8,374
Cards and other related fees	582,843	539,423	490,788
Others	24,922	30,954	51,297
	<b>628,354</b>	<b>586,930</b>	<b>550,459</b>

**24. NET (LOSS)/GAIN FROM FINANCIAL INSTRUMENTS  
CARRIED AT FAIR VALUE**

Net (loss)/gain from derivative financial instruments	(108,131)	157,552	46,291
Investment securities held-for-trading	1,347	571	155
	<b>(106,784)</b>	<b>158,123</b>	<b>46,446</b>

**25. DIVIDEND INCOME**

Income from associate	210,830	-	-
Income from quoted investments	33,720	26,166	10,182
Income from unquoted investments	7,448	4,697	3,338
	<b>251,998</b>	<b>30,863</b>	<b>13,520</b>

**26. NON - INTEREST EXPENSE**
**(a) Salaries and human resource development**

	2016 RS'000	2015 RS'000	2014 RS'000
Wages and salaries	1,857,907	1,766,201	1,607,208
Defined benefit plan	238,205	271,530	246,158
Defined contribution plan	36,046	-	-
Compulsory social security obligations	56,856	54,079	50,646
Equity settled share-based payments	1,558	1,488	4,192
Other personnel expenses	571,326	488,768	497,433
	<b>2,761,898</b>	<b>2,582,066</b>	<b>2,405,637</b>
Number of employees at the end of the year	<b>2,598</b>	<b>2,522</b>	<b>2,522</b>

**(b) Other non-interest expense**

Software licensing and other information technology cost	215,071	208,519	179,326
Others	1,165,427	1,132,790	1,182,089
	<b>1,380,498</b>	<b>1,341,309</b>	<b>1,361,415</b>

**27. NET IMPAIRMENT OF FINANCIAL ASSETS**

	2016 RS'000	2015 RS'000	2014 RS'000
<b>The impairment charge related to the statement of profit or loss:</b>			
Allowance for credit impairment	907,021	860,840	1,843,056
Impairment of available-for-sale investment securities	-	36,333	-
	<b>907,021</b>	<b>897,173</b>	<b>1,843,056</b>

**(a) Allowance for credit impairment**

Provision for bad and doubtful debts:			
Loans to and placements with banks	1,329	-	7,400
Loans and advances to customers	1,544,417	869,266	1,796,241
Bad debts written off for which no provisions were made	34,776	48,960	81,479
Provision released during the year:			
Loans to and placements with banks	-	(784)	-
Loans and advances to customers	(648,211)	(29,350)	(9,857)
Recoveries of advances written off	(25,290)	(27,252)	(32,207)
	<b>907,021</b>	<b>860,840</b>	<b>1,843,056</b>



**28. INCOME TAX EXPENSE**

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

	2016	2015	2014
	RS'000	RS'000	RS'000
Income tax based on the adjusted profit	664,577	588,653	526,365
Deferred tax	58,564	(41,544)	(40,022)
Special levy on banks	428,271	362,494	332,456
Corporate Social Responsibility Contribution	147,733	62,749	59,647
Over provision in previous years	(3,051)	(12,062)	(7,028)
<b>Charge for the year</b>	<b>1,296,094</b>	<b>960,290</b>	<b>871,418</b>

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	6,916,257	5,802,844	4,212,515
Discontinuing operations	-	161,746	345,484
	<b>6,916,257</b>	<b>5,964,590</b>	<b>4,557,999</b>
Tax calculated at a rate of 15%	1,037,439	894,689	683,700
Impact of:			
Income not subject to tax	(126,464)	(119,631)	(69,039)
Expenses not deductible for tax purposes	79,259	117,934	125,023
Special levy on banks	428,271	362,494	332,456
Tax credits	(267,093)	(345,883)	(253,341)
Corporate Social Responsibility Contribution	147,733	62,749	59,647
Over provision in previous years	(3,051)	(12,062)	(7,028)
<b>Tax charge</b>	<b>1,296,094</b>	<b>960,290</b>	<b>871,418</b>

(b) The tax charge related to statement of comprehensive income is as follows:

Remeasurement of defined benefit pension plan	204,430	(112,018)	269,896
Deferred tax (credited)/ charge	(30,665)	16,803	(40,484)
	<b>173,765</b>	<b>(95,215)</b>	<b>229,412</b>

**29. DIVIDENDS**
**Dividend in cash**

Paid on 15 <sup>th</sup> December 2015 at Rs 1.60 per share (F/Y 2015: Rs 3.30; F/Y 2014: Rs 3.00)	1,100,736	785,268	713,508
Paid on 26 <sup>th</sup> July 2016 at Rs 1.50 per share (F/Y 2015: Rs 4.30; F/Y 2014: Rs 3.40)	1,031,940	1,023,229	809,065
	<b>2,132,676</b>	<b>1,808,497</b>	<b>1,522,573</b>

**Dividend in specie**

Dividend in specie	540,445	-	2,339,812
	<b>2,673,121</b>	<b>1,808,497</b>	<b>3,862,385</b>

Unbundling of non-current assets which were held for distribution were made through dividend in specie for MCB (Maldives) Private Ltd and MCB Seychelles Ltd on 31<sup>st</sup> March 2016.

**30. 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.

	2016 RS'000	2015 RS'000	2014 RS'000
<b>Profit from continuing operations attributable to the ordinary equity holder of the bank</b>	<b>5,620,163</b>	4,842,554	3,341,097
<b>Profit from discontinuing operations attributable to the equity holder of the bank</b>	-	161,746	345,484
<b>Weighted average number of ordinary shares (thousands)</b>	<b>687,960</b>	244,124	237,887
<b>Earnings per share (Rs)</b>			
Continuing operations	8.17	19.84	14.04
Discontinuing operations	-	0.66	1.45

**31. COMMITMENTS**
**(a) Capital commitments**

	2016 RS'000	2015 RS'000	2014 RS'000
Expenditure contracted for but not incurred	217,793	117,600	79,776
Expenditure approved by the Board but not contracted for	348,114	304,371	25,911

**(b) Securities pledged**

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

	2016 RS'000	2015 RS'000	2014 RS'000
Government of Mauritius bonds	3,041,047	2,941,320	2,442,656

**32. NET CASH FLOWS FROM TRADING ACTIVITIES**

	2016 RS'000	2015 RS'000	2014 RS'000
<b>Continuing operations</b>			
Profit before tax	6,916,257	5,802,844	4,212,515
Increase in interest receivable and other assets	(2,000,439)	(1,291,386)	(2,839,464)
Increase/(decrease) in other liabilities	446,039	229,006	(33,964)
Net decrease/(increase) in derivatives	102,507	(568,189)	24,089
Increase in investment securities held-for-trading	(722,789)	-	-
Employee share option expenses	-	-	3,868
Capital injection in Superannuation Fund	(1,000,000)	-	-
Additional/(release) of provision for employee benefits	11,040	(4,771)	34,952
Charge for credit impairment	1,545,746	869,266	1,803,641
Release of provision for credit impairment	(648,211)	(30,134)	(9,857)
Exchange (profit)/loss	(50,919)	77,768	(156,283)
Depreciation	358,331	358,815	410,318
Amortisation of intangible assets	139,093	178,893	215,688
Profit on disposal of property, plant and equipment	(552)	(6,291)	(34,689)
Profit on disposal of intangible assets	-	(14,356)	-
Impairment of available-for-sale investments	-	36,333	-
(Profit)/loss on disposal of available-for-sale investments	(1,193)	7,817	(421,351)
Profit on disposal of shares in subsidiaries	-	-	(886)
	5,094,910	5,645,615	3,208,577
<b>Discontinuing operations</b>			
Net cash flows from trading activities (see note 34(b))	-	195,878	284,264
	5,094,910	5,841,493	3,492,841

33. NET CASH FLOWS FROM OTHER OPERATING ACTIVITIES

	2016 RS'000	2015 RS'000	2014 RS'000
Net increase in deposits	34,577,095	32,179,494	20,349,846
Net increase in loans and advances	(14,473,617)	(15,624,780)	(5,327,192)
Increase in held to maturity investment securities	(10,535,271)	(12,072,892)	(12,898,245)
Net (decrease)/increase in other borrowed funds	(835,418)	(30,150)	1,223,922
	<b>8,732,789</b>	<b>4,451,672</b>	<b>3,348,331</b>

**34. NON-CURRENT ASSETS HELD FOR DISTRIBUTION**
**(a) Non-current assets held for distribution**

As at 30<sup>th</sup> June 2016, all the subsidiaries classified as non-current assets held for distribution, with the exception of MCB Moçambique SA, have been unbundled. Both Banque Francaise Commerciale Ocean Indien and Société Générale Moçambique (formerly called MCB Moçambique SA) have been transferred to investments in associates.

	Principal activities	Effective Holding %	Value Rs'000
<b>Year ended 30<sup>th</sup> June 2016</b>			
<b>Banking subsidiaries and associate</b>	<b>Banking &amp; Financial services</b>	N/A	-
<b>Year ended 30<sup>th</sup> June 2015 and 30<sup>th</sup> June 2014</b>			
<b>Banking subsidiaries</b>			
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>
<b>Banking associate</b>			
Banque Francaise Commerciale Ocean Indien	Banking & Financial services	49.99	447,369
<b>Total</b>			<u><u>1,331,216</u></u>

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

Income recognised in profit or loss is as follows:

	2016 Rs'000	2015 Rs'000	2014 Rs'000
Dividend income	-	161,746	345,484

Cash flow information from discontinuing operations is as follows:

Dividend received during the year	-	195,878	284,264
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**35. 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.

**(a) Year ended 30<sup>th</sup> June 2016**

	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	12,463,098	8,197,777	2,651,855	251,998	1,361,468
Non-interest expense	(4,639,820)				
Net impairment of financial assets	(907,021)				
Income tax expense	(1,296,094)				
Profit from discontinuing operations	-				
<b>Profit for the year</b>	<b>5,620,163</b>				
<b>Segment assets</b>	<b>261,518,749</b>	259,514,177	-	2,004,572	-
Intangible assets	473,162				
Deferred tax assets	193,960				
Non current assets held for distribution	-				
Unallocated assets	24,745,647				
<b>Total assets</b>	<b>286,931,518</b>				
<b>Segment liabilities</b>	<b>249,094,646</b>	249,094,646	-	-	-
Unallocated liabilities	4,881,449				
<b>Total liabilities</b>	<b>253,976,095</b>				

**(b) Year ended 30<sup>th</sup> 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				
<b>Profit for the year</b>	<b>5,004,300</b>				
<b>Segment assets</b>	<b>226,312,406</b>	224,333,849	-	1,978,557	-
Intangible assets	385,453				
Deferred tax assets	222,519				
Non current assets held for distribution	1,331,216				
Unallocated assets	23,686,292				
<b>Total assets</b>	<b>251,937,886</b>				
<b>Segment liabilities</b>	<b>216,567,938</b>	216,567,938	-	-	-
Unallocated liabilities	5,081,068				
<b>Total liabilities</b>	<b>221,649,006</b>				

**(c) Year ended 30<sup>th</sup> 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				
<b>Profit for the year</b>	<b>3,686,581</b>				
<b>Segment assets</b>	<b>192,211,370</b>	190,771,743	-	1,439,627	-
Intangible assets	523,084				
Deferred tax assets	194,292				
Non current assets held for distribution	1,331,216				
Unallocated assets	22,371,908				
<b>Total assets</b>	<b>216,631,870</b>				
<b>Segment liabilities</b>	<b>189,858,512</b>	189,858,512	-	-	-
Unallocated liabilities	4,674,292				
<b>Total liabilities</b>	<b>194,532,804</b>				

**36. RELATED PARTY TRANSACTIONS**

	Ultimate Holding Company *	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	RS'000
<b>Loans and advances</b>						
Balances at 30 <sup>th</sup> June 2015	16	-	2,550,463	1,760,377	73,721	616,510
Net movements during the year	314	-	(379,682)	1,007,552	105,203	27,463
<b>Balances at 30<sup>th</sup> June 2016</b>	<b>330</b>	<b>-</b>	<b>2,170,781</b>	<b>2,767,929</b>	<b>178,924</b>	<b>643,973</b>
<b>Leases receivable</b>						
Balance at year end:						
30 <sup>th</sup> June 2014	-	-	-	-	-	-
30 <sup>th</sup> June 2015	-	-	-	-	-	643
<b>30<sup>th</sup> June 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>497</b>
<b>Deposits</b>						
Balance at year end:						
30 <sup>th</sup> June 2014	3,166	-	3,580,766	480,341	210,132	25,946
30 <sup>th</sup> June 2015	51,828	2,060	3,791,256	168,075	241,313	41,600
<b>30<sup>th</sup> June 2016</b>	<b>50,361</b>	<b>79,361</b>	<b>5,475,637</b>	<b>57,485</b>	<b>304,548</b>	<b>106,069</b>
<b>Amounts due from/(to)</b>						
Balance at year end:						
30 <sup>th</sup> June 2014	(797,567)	-	688,674	426,007	-	-
30 <sup>th</sup> June 2015	10,164	(1,023,229)	613,448	405,030	-	-
<b>30<sup>th</sup> June 2016</b>	<b>9,605</b>	<b>(1,017,164)</b>	<b>388,211</b>	<b>408,877</b>	<b>-</b>	<b>-</b>
<b>Off Balance sheet items</b>						
Balance at year end:						
30 <sup>th</sup> June 2014	-	-	692,829	-	-	10,477
30 <sup>th</sup> June 2015	-	-	1,486,755	-	-	5,394
<b>30<sup>th</sup> June 2016</b>	<b>-</b>	<b>-</b>	<b>709,839</b>	<b>487,814</b>	<b>-</b>	<b>-</b>
<b>Interest income</b>						
For the year ended:						
30 <sup>th</sup> June 2014	-	-	117,102	30,156	2,387	8,429
30 <sup>th</sup> June 2015	-	-	113,089	27,380	2,552	10,229
<b>30<sup>th</sup> June 2016</b>	<b>-</b>	<b>-</b>	<b>108,999</b>	<b>30,256</b>	<b>5,567</b>	<b>11,002</b>
<b>Interest expense</b>						
For the year ended:						
30 <sup>th</sup> June 2014	-	-	59,042	6,365	3,341	1,099
30 <sup>th</sup> June 2015	-	-	51,672	3,953	2,823	356
<b>30<sup>th</sup> June 2016</b>	<b>-</b>	<b>-</b>	<b>51,443</b>	<b>2,671</b>	<b>3,567</b>	<b>108</b>
<b>Other income</b>						
For the year ended:						
30 <sup>th</sup> June 2014	1,898	-	379,643	103,521	474	3,575
30 <sup>th</sup> June 2015	6,701	-	172,263	99,936	531	468
<b>30<sup>th</sup> June 2016</b>	<b>5,100</b>	<b>1,598</b>	<b>92,676</b>	<b>215,172</b>	<b>801</b>	<b>452</b>
<b>Non interest expense</b>						
For the year ended:						
30 <sup>th</sup> June 2014	-	-	80,795	-	-	-
30 <sup>th</sup> June 2015	-	-	83,491	-	-	-
<b>30<sup>th</sup> June 2016</b>	<b>-</b>	<b>-</b>	<b>70,074</b>	<b>-</b>	<b>-</b>	<b>-</b>

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.

\* The directors regard MCB Investment Holding Limited as its holding company and MCB Group Limited as its ultimate holding company. The figures for 'Amounts due from/(to)' include the Interim Dividend payable to MCB Investment Holding Limited of Rs1,031.9M for 2015/2016 and Rs1,023.2M for 2014/2015 and Interim Dividend payable to MCB Group Limited of Rs809.1M for 2013/2014.

**36. RELATED PARTY TRANSACTIONS (continued)**

The figures for "Other income" from Ultimate Holding Company/Holding Company, Entities under common control and Entities in which the bank holds more than a 10% interest, include an element representing management fees charged to these entities in respect of salaries, notional rental of office space and provision of technical, administrative and other assistance to local Group companies. It also includes an amount of Rs 3.9M, Rs 3.9M and Rs 4.1M respectively for 2016, 2015 and 2014 in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI').

Additionally, the bank has entered into management contracts with its foreign banking related entities (including MCB Moçambique until 30th September 2015) 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 43.8 M
MCB Madagascar	5 % of operating income	Rs 11.4 M
SG Moçambique (ex Subsidiary)	5 % of operating income	Rs 1.0 M
MCB Maldives	5 % of operating income	Rs 18.1 M

IT and Systems support to MCB Madagascar SA was provided by BFCOI during 2015/2016 for a claim of EUR 12,600. This amount has been charged to our related entity's profit or loss and consolidated in Group non-interest expense.

In addition, for the period October 2015 to June 2016, the following subsidiaries of MCB Group Ltd claimed fees from SG Moçambique in respect of IT, Systems and Cards services support: USD91,015 by International Cards Processing Services Ltd, USD785,323 by MCB Consulting Services Ltd and USD112,760 by MCB Ltd. These amounts have been recognised as Income in the related entities' and consolidated Group profit or loss.

During the year, no share options were exercised under the Group Employee Share Option Scheme by key management personnel, including executive directors (FY 2014/2015: 7,588 share options for Rs 1.5M, FY 2013/14: 50,110 share options for Rs 9.7M).

**Key Management Personnel compensation**

Remuneration and other benefits relating to Key Management

Personnel, including Directors, were as follows :

	<b>2016</b>	2015	2014
	<b>RS'000</b>	RS'000	RS'000
Salaries and short term employee benefits	<b>100,061</b>	107,899	131,091
Post employment benefits	<b>10,443</b>	13,010	10,807
	<b>110,504</b>	120,909	141,898



**37. Additional disclosure as required by the Bank of Mauritius**

Under the Guideline on Segmental Reporting under a Single Banking Licence Regime, the Bank of Mauritius requires the bank to disclose its assets and liabilities, income and expenditure 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 associates and overseas correspondents, GBL holders and other non-residents.

However, the liabilities employed to support such assets may come 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 30<sup>th</sup> June 2016**

Note	2016			2015			2014		
	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
<b>ASSETS</b>									
Cash and cash equivalents	31,975,711	3,374,681	28,601,030	22,999,839	4,446,636	18,553,203	17,703,620	4,258,302	13,445,318
Derivative financial instruments	37(a) 175,771	121,419	54,352	268,901	61,873	207,028	126,939	88,987	37,952
Loans to and placements with banks	37(b) 22,485,623	5,987,290	16,498,333	9,486,995	3,226,027	6,260,968	6,558,004	1,288	6,556,716
Loans and advances to customers	37(c) 153,002,181	114,818,437	38,183,744	153,007,990	111,007,660	42,000,330	141,151,333	105,463,758	35,687,575
Investment securities	37(d) 56,241,340	52,444,929	3,796,411	44,995,318	41,788,775	3,206,543	30,837,645	29,768,008	1,069,637
Investments in associates	37(e) 1,161,063	-	1,161,063	-	-	-	-	-	-
Intangible assets	473,162	473,162	-	385,453	385,453	-	523,084	523,084	-
Property, plant and equipment	37(f) 4,952,603	4,952,603	-	5,030,443	5,030,443	-	5,202,509	5,202,509	-
Deferred tax assets	193,960	172,808	21,152	222,519	186,370	36,149	194,292	171,479	22,813
Other assets	37(g) 16,270,104	16,146,779	123,325	14,209,212	14,073,127	136,085	13,003,228	12,332,284	670,944
Non-current assets held for distribution	37(w) 286,931,518	198,492,108	88,439,410	250,806,670	180,206,364	70,400,306	215,300,654	157,809,699	57,490,955
<b>Total assets</b>	<b>286,931,518</b>	<b>198,492,108</b>	<b>88,439,410</b>	<b>251,937,886</b>	<b>180,206,364</b>	<b>71,731,522</b>	<b>216,631,870</b>	<b>157,809,699</b>	<b>58,822,171</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from banks	37(h) 4,712,603	90,983	4,621,620	4,504,425	52,892	4,451,533	3,698,038	35,221	3,662,817
Deposits from customers	37(i) 238,311,493	163,853,411	74,458,082	203,942,576	143,121,410	60,821,166	172,569,469	125,617,120	46,952,349
Derivative financial instruments	37(a) 122,353	36,719	85,634	112,976	21,154	91,822	539,203	31,195	508,008
Other borrowed funds	4,865,908	9,134	4,856,774	6,952,264	11,831	6,940,433	7,602,776	23,424	7,579,352
Subordinated liabilities	37(j) 1,082,289	-	1,082,289	1,055,697	-	1,055,697	5,449,026	4,362,051	1,086,975
Current tax liabilities	578,996	480,352	98,644	448,835	448,835	-	368,440	368,440	-
Other liabilities	37(k) 4,302,453	4,302,027	426	4,632,233	4,553,675	78,558	4,305,852	4,198,678	107,174
<b>Total liabilities</b>	<b>253,976,095</b>	<b>168,772,626</b>	<b>85,203,469</b>	<b>221,649,006</b>	<b>148,209,797</b>	<b>73,439,209</b>	<b>194,532,804</b>	<b>134,636,129</b>	<b>59,886,675</b>
<b>Shareholder's Equity</b>									
Stated capital	6,879,602	6,879,602	-	6,879,602	6,879,602	-	2,379,602	2,379,602	-
Retained earnings	20,435,491	20,435,491	-	18,705,062	18,705,062	-	16,322,961	16,322,961	-
Other components of equity	5,640,330	5,590,012	50,318	4,704,216	4,582,392	121,824	3,396,503	3,331,039	65,464
<b>Equity attributable to the ordinary equity holder of the bank</b>	<b>32,955,423</b>	<b>32,905,105</b>	<b>50,318</b>	<b>30,288,880</b>	<b>30,167,056</b>	<b>121,824</b>	<b>22,099,066</b>	<b>22,033,602</b>	<b>65,464</b>
<b>Total equity and liabilities</b>	<b>286,931,518</b>	<b>201,677,731</b>	<b>85,253,787</b>	<b>251,937,886</b>	<b>178,376,853</b>	<b>73,561,033</b>	<b>216,631,870</b>	<b>156,869,731</b>	<b>59,962,139</b>
<b>CONTINGENT LIABILITIES</b>									
Guarantees, letters of credit, endorsements and other obligations on account of customers	30,129,810	15,376,317	14,753,493	43,322,427	13,798,403	29,524,024	62,112,445	15,164,789	46,947,656
Commitments	2,600,154	1,757,355	842,799	4,380,241	3,737,850	642,391	4,355,291	3,238,122	1,117,169
Tax assessments	836,868	836,868	-	797,225	797,225	-	272,057	272,057	-
Other	1,427,519	627,279	800,240	1,184,265	650,259	534,006	1,504,788	783,738	721,060
37(l)	<b>34,994,351</b>	<b>18,597,819</b>	<b>16,396,532</b>	<b>49,684,158</b>	<b>18,983,737</b>	<b>30,700,421</b>	<b>68,244,581</b>	<b>19,458,706</b>	<b>48,785,875</b>

37. Additional disclosure as required by the Bank of Mauritius (continued)

Statement of profit or loss for the year ended 30<sup>th</sup> June 2016

	Note	2016			2015			2014		
		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
<b>Continuing operations</b>										
Interest income	37(m)	12,299,102	9,679,464	2,619,638	11,632,970	9,285,110	2,347,860	10,865,841	8,891,324	2,174,517
Interest expense	37(n)	(4,101,325)	(3,419,133)	(682,192)	(4,284,673)	(3,632,492)	(652,181)	(4,319,193)	(3,609,592)	(709,601)
<b>Net interest income</b>		<b>8,197,777</b>	<b>6,260,331</b>	<b>1,937,446</b>	<b>7,348,297</b>	<b>5,652,618</b>	<b>1,695,679</b>	<b>6,546,648</b>	<b>5,081,732</b>	<b>1,464,916</b>
Fee and commission income	37(o)	3,280,209	1,947,655	1,332,554	3,403,343	1,910,305	1,493,038	2,949,355	1,943,667	1,005,688
Fee and commission expense	37(p)	(628,354)	(513,445)	(114,909)	(586,930)	(539,148)	(47,782)	(550,459)	(490,602)	(59,857)
<b>Net fee and commission income</b>		<b>2,651,855</b>	<b>1,434,210</b>	<b>1,217,645</b>	<b>2,816,413</b>	<b>1,371,157</b>	<b>1,445,256</b>	<b>2,398,896</b>	<b>1,453,065</b>	<b>945,831</b>
<b>Other income</b>										
Profit arising from dealing in foreign currencies		1,406,259	1,123,279	282,980	779,542	447,619	331,923	974,196	788,016	186,180
Net (loss)/gain from financial instruments carried at fair value	37(q)	(106,784)	(92,500)	(14,284)	158,123	150,807	7,316	46,446	28,101	18,345
Dividend income	37(r)	251,998	36,703	215,295	30,863	27,994	2,869	13,520	10,335	3,185
Net gain/(loss) on sale of securities		19,538	-	19,538	(7,817)	-	(7,817)	422,237	14,651	407,586
Other operating income		42,455	37,915	4,540	35,679	35,679	-	46,686	46,686	-
		1,613,466	1,105,397	508,069	996,390	662,099	334,291	1,503,085	887,789	615,296
<b>Operating income</b>		<b>12,463,098</b>	<b>8,799,938</b>	<b>3,663,160</b>	<b>11,161,100</b>	<b>7,685,874</b>	<b>3,475,226</b>	<b>10,448,629</b>	<b>7,422,586</b>	<b>3,026,043</b>
<b>Non-interest expense</b>										
Salaries and human resource development	37(s)	(2,761,898)	(2,486,647)	(275,251)	(2,582,066)	(2,335,324)	(246,742)	(2,405,637)	(2,222,944)	(182,693)
Depreciation		(358,331)	(348,073)	(10,258)	(358,815)	(345,338)	(13,477)	(410,318)	(397,229)	(13,089)
Amortisation of intangible assets		(139,093)	(133,173)	(5,920)	(178,893)	(171,773)	(7,120)	(215,688)	(207,833)	(7,855)
Other	37(t)	(1,380,498)	(1,238,448)	(142,050)	(1,341,309)	(1,210,427)	(130,882)	(1,361,415)	(1,258,663)	(102,752)
		(4,639,820)	(4,206,341)	(433,479)	(4,461,083)	(4,062,862)	(398,221)	(4,393,058)	(4,086,669)	(306,389)
<b>Operating profit before impairment</b>		<b>7,823,278</b>	<b>4,593,597</b>	<b>3,229,681</b>	<b>6,700,017</b>	<b>3,623,012</b>	<b>3,077,005</b>	<b>6,055,571</b>	<b>3,335,917</b>	<b>2,719,654</b>
Net impairment of financial assets	37(u)	(907,021)	(401,131)	(505,890)	(897,173)	(454,378)	(442,795)	(1,843,056)	(376,031)	(1,467,025)
<b>Profit before tax</b>		<b>6,916,257</b>	<b>4,192,466</b>	<b>2,723,791</b>	<b>5,802,844</b>	<b>3,168,634</b>	<b>2,634,210</b>	<b>4,212,515</b>	<b>2,959,886</b>	<b>1,252,629</b>
Income tax expense	37(v)	(1,296,094)	(1,197,450)	(98,644)	(960,290)	(871,255)	(89,035)	(871,418)	(813,013)	(58,405)
<b>Profit for the year from continuing operations</b>		<b>5,620,163</b>	<b>2,995,016</b>	<b>2,625,147</b>	<b>4,842,554</b>	<b>2,297,379</b>	<b>2,545,175</b>	<b>3,341,097</b>	<b>2,146,873</b>	<b>1,194,224</b>
<b>Discontinuing operations</b>										
Profit for the year from discontinuing operations	37(w)	-	-	-	161,746	-	161,746	345,484	164,000	181,484
<b>Profit for the year attributable to the owners of the bank</b>		<b>5,620,163</b>	<b>2,995,016</b>	<b>2,625,147</b>	<b>5,004,300</b>	<b>2,297,379</b>	<b>2,706,921</b>	<b>3,686,581</b>	<b>2,310,873</b>	<b>1,375,708</b>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**Statement of comprehensive income for the year ended 30<sup>th</sup> June 2016**

	2016			2015			2014		
	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
<b>Profit for the year</b>	<b>5,620,163</b>	<b>2,995,016</b>	<b>2,625,147</b>	5,004,300	2,297,379	2,706,921	3,686,581	2,310,873	1,375,708
<b>Other comprehensive (expense)/income:</b>									
<b>Item that will not be reclassified to profit or loss:</b>									
Remeasurement of defined benefit pension plan, net of deferred tax	(173,765)	(173,765)	-	95,215	95,215	-	(229,412)	(229,412)	-
<b>Items that may be reclassified subsequently to profit or loss:</b>									
Reclassification adjustments on disposal of available-for-sale investments	(60,243)	(60,243)	-	-	-	-	(320,766)	-	(320,766)
Net fair value (loss)/gain on available-for-sale investments	(46,491)	(96,809)	50,318	398,796	276,972	121,824	101,416	35,952	65,464
	(106,734)	(157,052)	50,318	398,796	276,972	121,824	(219,350)	35,952	(255,302)
<b>Other comprehensive (expense)/income for the year</b>	<b>(280,499)</b>	<b>(330,817)</b>	<b>50,318</b>	494,011	372,187	121,824	(448,762)	(193,460)	(255,302)
<b>Total comprehensive income for the year</b>	<b>5,339,664</b>	<b>2,664,199</b>	<b>2,675,465</b>	5,498,311	2,669,566	2,828,745	3,237,819	2,117,413	1,120,406
<b>Total comprehensive income attributable to the owners of the bank:</b>									
Continuing operations	5,339,664	2,664,199	2,675,465	5,336,565	2,669,566	2,666,999	2,892,335	1,953,413	938,922
Discontinuing operations	-	-	-	161,746	-	161,746	345,484	164,000	181,484
	<b>5,339,664</b>	<b>2,664,199</b>	<b>2,675,465</b>	5,498,311	2,669,566	2,828,745	3,237,819	2,117,413	1,120,406

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(a) Derivative financial instruments**

	2016			2015			2014		
	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
<b>(i) Fair value assets</b>									
Currency forwards	70,977	29,231	41,746	49,480	31,926	17,554	59,688	53,642	6,046
Interest rate swaps	11,903	10,891	1,012	17,859	17,859	-	26,696	26,696	-
Currency swaps	92,841	81,297	11,544	201,562	12,088	189,474	40,255	8,649	31,606
Others	50	-	50	-	-	-	300	-	300
	<b>175,771</b>	<b>121,419</b>	<b>54,352</b>	<b>268,901</b>	<b>61,873</b>	<b>207,028</b>	<b>126,939</b>	<b>88,987</b>	<b>37,952</b>
<b>(ii) Fair value liabilities</b>									
Currency forwards	75,943	32,246	43,697	35,862	13,169	22,693	58,725	4,338	54,387
Cross currency interest rate swaps	-	-	-	-	-	-	413,472	-	413,472
Interest rate swaps	22,174	-	22,174	18,796	-	18,796	32,029	5,738	26,291
Currency swaps	24,236	4,473	19,763	58,318	7,985	50,333	34,977	21,119	13,858
	<b>122,353</b>	<b>36,719</b>	<b>85,634</b>	<b>112,976</b>	<b>21,154</b>	<b>91,822</b>	<b>539,203</b>	<b>31,195</b>	<b>508,008</b>

**(b) Loans to and placements with banks**

<b>(i) Loans to and placements with banks</b>									
in Mauritius	6,277,304	6,277,304	-	3,226,027	3,226,027	-	93,418	93,418	-
outside Mauritius	45,117,309	-	45,117,309	24,830,786	-	24,830,786	20,019,435	-	20,019,435
	<b>51,394,613</b>	<b>6,277,304</b>	<b>45,117,309</b>	<b>28,056,813</b>	<b>3,226,027</b>	<b>24,830,786</b>	<b>20,112,853</b>	<b>93,418</b>	<b>20,019,435</b>
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	(28,891,045)	(290,014)	(28,601,031)	(18,553,202)	-	(18,553,202)	(13,537,449)	(92,130)	(13,445,319)
	<b>22,503,568</b>	<b>5,987,290</b>	<b>16,516,278</b>	<b>9,503,611</b>	<b>3,226,027</b>	<b>6,277,584</b>	<b>6,575,404</b>	<b>1,288</b>	<b>6,574,116</b>
Less allowances for credit impairment	(17,945)	-	(17,945)	(16,616)	-	(16,616)	(17,400)	-	(17,400)
	<b>22,485,623</b>	<b>5,987,290</b>	<b>16,498,333</b>	<b>9,486,995</b>	<b>3,226,027</b>	<b>6,260,968</b>	<b>6,558,004</b>	<b>1,288</b>	<b>6,556,716</b>
<b>(ii) Remaining term to maturity</b>									
Up to 3 months	12,417,250	885,880	11,531,370	4,462,999	-	4,462,999	4,384,230	1,288	4,382,942
Over 3 months and up to 6 months	2,703,010	817,451	1,885,559	652,588	-	652,588	1,026,562	-	1,026,562
Over 6 months and up to 1 year	6,377,327	3,277,978	3,099,349	4,034,532	3,226,027	808,505	589,820	-	589,820
Over 1 year and up to 5 years	1,005,981	1,005,981	-	175,950	-	175,950	421,915	-	421,915
Over 5 years	-	-	-	177,542	-	177,542	152,877	-	152,877
	<b>22,503,568</b>	<b>5,987,290</b>	<b>16,516,278</b>	<b>9,503,611</b>	<b>3,226,027</b>	<b>6,277,584</b>	<b>6,575,404</b>	<b>1,288</b>	<b>6,574,116</b>

**(iii) Allowances for credit impairment**

	TOTAL RS'000	Segment B RS'000
<b>Portfolio provision</b>		
At 30 <sup>th</sup> June 2013	10,000	10,000
Provision for credit impairment for the year	7,400	7,400
At 30 <sup>th</sup> June 2014	17,400	17,400
Provision released during the year	(784)	(784)
At 30 <sup>th</sup> June 2015	16,616	16,616
Provision for credit impairment for the year	1,329	1,329
At 30 <sup>th</sup> June 2016	<b>17,945</b>	<b>17,945</b>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(c) Loans and advances to customers**

	2016			2015			2014		
	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	653,788	635,868	17,920	632,299	617,957	14,342	619,236	607,046	12,190
Mortgages	21,969,378	20,764,866	1,204,512	19,079,950	17,896,781	1,183,169	16,935,623	15,860,714	1,074,909
Other retail loans	12,621,653	12,260,191	361,462	12,847,745	12,485,027	362,718	12,257,844	11,919,027	338,817
Corporate customers	97,817,761	85,992,753	11,825,008	98,090,550	84,986,509	13,104,041	92,849,447	81,802,698	11,046,749
Governments	283,043	-	283,043	308,155	-	308,155	428,745	-	428,745
Entities outside Mauritius	26,262,057	-	26,262,057	29,169,368	-	29,169,368	25,400,310	-	25,400,310
	159,607,680	119,653,678	39,954,002	160,128,067	115,986,274	44,141,793	148,491,205	110,189,485	38,301,720
Less:									
Allowances for credit impairment	(6,605,499)	(4,835,241)	(1,770,258)	(7,120,077)	(4,978,614)	(2,141,463)	(7,339,872)	(4,725,727)	(2,614,145)
	153,002,181	114,818,437	38,183,744	153,007,990	111,007,660	42,000,330	141,151,333	105,463,758	35,687,575

**(i) Remaining term to maturity**

Up to 3 months	41,307,782	31,800,811	9,506,971	47,884,696	31,729,569	16,155,127	46,454,090	32,247,531	14,206,559
Over 3 months and up to 6 months	4,612,032	2,891,769	1,720,263	3,046,710	1,483,107	1,563,603	3,295,535	1,889,235	1,406,300
Over 6 months and up to 1 year	4,194,400	1,660,033	2,534,367	3,945,189	3,431,042	514,147	4,739,625	1,497,669	3,241,956
Over 1 year and up to 5 years	39,145,416	22,895,153	16,250,263	40,080,619	22,060,272	18,020,347	27,527,934	16,816,537	10,711,397
Over 5 years	70,348,050	60,405,912	9,942,138	65,170,853	57,282,284	7,888,569	66,474,021	57,738,513	8,735,508
	159,607,680	119,653,678	39,954,002	160,128,067	115,986,274	44,141,793	148,491,205	110,189,485	38,301,720

**(ii) Credit concentration of risk by industry sectors**

Agriculture and fishing	2,088,601	2,088,601	-	1,272,256	1,272,256	-	2,390,858	2,390,858	-
Manufacturing	2,365,431	2,365,431	-	2,142,255	2,142,255	-	3,225,296	3,225,266	30
of which EPZ	1,616,803	1,616,803	-	1,553,253	1,553,253	-	1,652,056	1,652,056	-
Tourism	11,705,358	11,226,012	479,346	15,418,199	14,348,693	1,069,506	17,662,724	16,188,075	1,474,649
Transport	39,944	39,944	2	39,511	39,511	-	53,889	53,889	-
Construction	4,211,324	4,211,324	-	2,048,423	2,048,423	-	1,813,951	1,813,951	-
Financial and business services	15,081,604	3,736,683	11,344,921	23,187,296	4,019,725	19,167,571	19,966,767	4,554,717	15,412,050
Traders	15,283,922	1,418,246	13,865,676	21,074,963	793,626	20,281,337	14,101,600	1,546,019	12,555,581
Global Business Licence holders	21,789,702	-	21,789,702	14,104,893	-	14,104,893	7,243,028	-	7,243,028
Others	62,992	62,992	-	738,654	175,616	563,038	2,960,333	2,477,054	483,279
	72,628,880	25,149,233	47,479,647	80,026,450	24,840,105	55,186,345	69,418,446	32,249,829	37,168,617

37. Additional disclosure as required by the Bank of Mauritius (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 1 <sup>st</sup> July 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
Exchange adjustment	10,400	-	10,400	-	-	-	10,400	-	10,400
Provision for credit impairment for the year	1,527,623	40,536	1,568,159	414,495	40,536	455,031	1,113,128	-	1,113,128
Provision released during the year	(648,211)	(23,742)	(671,953)	(63,441)	-	(63,441)	(584,770)	(23,742)	(608,512)
Amounts written off	(1,435,896)	-	(1,435,896)	(246,779)	-	(246,779)	(1,189,117)	-	(1,189,117)
<b>At 30<sup>th</sup> June 2016</b>	<b>2,690,731</b>	<b>1,103,007</b>	<b>3,793,738</b>	<b>1,849,673</b>	<b>779,104</b>	<b>2,628,777</b>	<b>841,058</b>	<b>323,903</b>	<b>1,164,961</b>
Interest suspense	2,811,761	-	2,811,761	2,206,464	-	2,206,464	605,297	-	605,297
<b>Provision and interest suspense at 30<sup>th</sup> June 2016</b>	<b>5,502,492</b>	<b>1,103,007</b>	<b>6,605,499</b>	<b>4,056,137</b>	<b>779,104</b>	<b>4,835,241</b>	<b>1,446,355</b>	<b>323,903</b>	<b>1,770,258</b>
At 1 <sup>st</sup> 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)
<b>At 30<sup>th</sup> June 2015</b>	<b>3,236,815</b>	<b>1,086,213</b>	<b>4,323,028</b>	<b>1,745,398</b>	<b>738,568</b>	<b>2,483,966</b>	<b>1,491,417</b>	<b>347,645</b>	<b>1,839,062</b>
Interest suspense	2,797,049	-	2,797,049	2,494,648	-	2,494,648	302,401	-	302,401
<b>Provision and interest suspense at 30<sup>th</sup> June 2015</b>	<b>6,033,864</b>	<b>1,086,213</b>	<b>7,120,077</b>	<b>4,240,046</b>	<b>738,568</b>	<b>4,978,614</b>	<b>1,793,818</b>	<b>347,645</b>	<b>2,141,463</b>
At 1 <sup>st</sup> 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)
<b>At 30<sup>th</sup> June 2014</b>	<b>3,843,616</b>	<b>1,023,900</b>	<b>4,867,516</b>	<b>1,701,127</b>	<b>692,623</b>	<b>2,393,750</b>	<b>2,142,489</b>	<b>331,277</b>	<b>2,473,766</b>
Interest suspense	2,472,356	-	2,472,356	2,331,977	-	2,331,977	140,379	-	140,379
<b>Provision and interest suspense at 30<sup>th</sup> June 2014</b>	<b>6,315,972</b>	<b>1,023,900</b>	<b>7,339,872</b>	<b>4,033,104</b>	<b>692,623</b>	<b>4,725,727</b>	<b>2,282,868</b>	<b>331,277</b>	<b>2,614,145</b>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(c) Loans and advances to customers (continued)**
**(iv) Allowances for credit impairment by industry sectors**

	2016				2015	2014
	Gross amount of loans	Non performing loans	Specific provision and interest in suspense	Portfolio provision	Total provision	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
<b>TOTAL</b>						
Agriculture and fishing	7,052,382	1,079,055	151,788	5,504	157,292	29,829
Manufacturing	10,101,676	706,745	336,057	120,458	456,515	512,849
<i>of which EPZ</i>	3,164,207	30,759	13,115	21,691	34,806	106,660
Tourism	29,580,226	709,444	387,442	67,620	455,062	365,398
Transport	3,839,873	916,091	134,060	27,046	161,106	430,090
Construction	16,542,714	2,069,944	1,520,802	205,826	1,726,628	1,081,431
Financial and business services	18,045,489	119,680	87,075	48,730	135,805	142,582
Traders	15,740,041	792,418	540,640	137,527	678,167	1,185,299
Personal	32,761,273	2,045,023	1,198,073	200,240	1,398,313	1,706,740
<i>of which credit cards</i>	645,495	59,940	56,175	13,610	69,785	68,976
<i>of which housing</i>	21,969,378	960,292	372,166	102,447	474,613	375,995
Professional	1,046,945	125,388	60,706	19,923	80,629	75,675
Foreign governments	283,043	-	-	-	-	1,500
Global Business Licence holders	15,947,815	666,212	833,928	201,182	1,035,110	1,504,126
Others	8,666,203	285,741	251,921	68,951	320,872	304,353
	<b>159,607,680</b>	<b>9,515,741</b>	<b>5,502,492</b>	<b>1,103,007</b>	<b>6,605,499</b>	<b>7,339,872</b>
<b>Segment A</b>						
Agriculture and fishing	6,920,137	1,079,024	151,760	5,379	157,139	29,612
Manufacturing	9,666,842	444,810	241,880	119,358	361,238	506,466
<i>of which EPZ</i>	3,164,207	30,759	13,115	21,691	34,806	106,660
Tourism	21,085,291	169,126	116,240	49,306	165,546	265,411
Transport	1,894,767	26,703	16,015	17,250	33,265	88,863
Construction	16,467,121	2,069,912	1,520,770	204,714	1,725,484	1,081,426
Financial and business services	14,810,778	90,383	82,729	39,972	122,701	126,206
Traders	12,057,560	661,697	457,392	104,279	561,671	600,456
Personal	31,189,672	1,968,874	1,165,172	189,929	1,355,101	1,672,955
<i>of which credit cards</i>	627,623	56,675	53,124	13,271	66,395	68,976
<i>of which housing</i>	20,764,866	909,040	355,519	96,710	452,229	368,271
Professional	767,688	122,639	58,745	13,045	71,790	72,560
Others	4,793,821	283,771	245,434	35,872	281,306	281,772
	<b>119,653,677</b>	<b>6,916,939</b>	<b>4,056,137</b>	<b>779,104</b>	<b>4,835,241</b>	<b>4,978,614</b>
<b>Segment B</b>						
Agriculture and fishing	132,245	31	28	125	153	217
Manufacturing	434,834	261,935	94,177	1,100	95,277	6,383
Tourism	8,494,935	540,318	271,202	18,314	289,516	99,987
Transport	1,945,106	889,388	118,045	9,796	127,841	341,227
Construction	75,593	32	32	1,112	1,144	5
Financial and business services	3,234,711	29,297	4,346	8,758	13,104	16,376
Traders	3,682,481	130,721	83,248	33,248	116,496	584,843
Personal	1,571,601	76,149	32,901	10,311	43,212	33,785
Professional	279,257	2,749	1,961	6,878	8,839	3,115
Foreign governments	283,043	-	-	-	-	1,500
Global Business Licence holders	15,947,815	666,212	833,928	201,182	1,035,110	1,504,126
Others	3,872,382	1,970	6,487	33,079	39,566	22,581
	<b>39,954,003</b>	<b>2,598,802</b>	<b>1,446,355</b>	<b>323,903</b>	<b>1,770,258</b>	<b>2,614,145</b>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(d) Investment securities**

	2016			2015			2014		
	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	51,487,622	50,607,712	879,910	40,952,351	40,221,344	731,007	28,879,459	28,550,780	328,679
Available-for-sale	4,030,929	1,780,156	2,250,773	4,042,967	1,567,431	2,475,536	1,958,186	1,217,228	740,958
Held-for-trading	722,789	57,061	665,728	-	-	-	-	-	-
	<b>56,241,340</b>	<b>52,444,929</b>	<b>3,796,411</b>	<b>44,995,318</b>	<b>41,788,775</b>	<b>3,206,543</b>	<b>30,837,645</b>	<b>29,768,008</b>	<b>1,069,637</b>
<b>(i) Held-to-maturity</b>									
Government of Mauritius & Bank of Mauritius bonds	35,690,180	35,690,180	-	26,664,552	26,664,552	-	15,329,616	15,329,616	-
Treasury bills	14,635,850	14,635,850	-	13,527,402	13,527,402	-	13,191,774	13,191,774	-
Foreign bonds	879,910	-	879,910	731,007	-	731,007	328,679	-	328,679
Notes	281,682	281,682	-	29,390	29,390	-	29,390	29,390	-
	<b>51,487,622</b>	<b>50,607,712</b>	<b>879,910</b>	<b>40,952,351</b>	<b>40,221,344</b>	<b>731,007</b>	<b>28,879,459</b>	<b>28,550,780</b>	<b>328,679</b>
<b>(ii) Available-for-sale</b>									
<b>Quoted - Level 1</b>									
Official list: shares	1,103,635	1,103,635	-	1,125,581	1,125,581	-	754,514	754,514	-
Bonds	1,185,342	250,433	934,909	1,243,909	15,762	1,228,147	30,266	292	29,974
Foreign shares	671,661	-	671,661	623,697	-	623,697	421,501	-	421,501
	<b>2,960,638</b>	<b>1,354,068</b>	<b>1,606,570</b>	<b>2,993,187</b>	<b>1,141,343</b>	<b>1,851,844</b>	<b>1,206,281</b>	<b>754,806</b>	<b>451,475</b>
<b>Unquoted - Level 2</b>									
Investment fund	416,227	-	416,227	408,482	-	408,482	92,063	-	92,063
<b>Unquoted - Level 3</b>									
Investment fund	215,927	-	215,927	203,158	-	203,158	187,369	-	187,369
Shares	229,276	217,227	12,049	229,279	217,227	12,052	263,612	253,561	10,051
Inflation - indexed Government of Mauritius bonds	208,861	208,861	-	208,861	208,861	-	208,861	208,861	-
	<b>654,064</b>	<b>426,088</b>	<b>227,976</b>	<b>641,298</b>	<b>426,088</b>	<b>215,210</b>	<b>659,842</b>	<b>462,422</b>	<b>197,420</b>
	<b>4,030,929</b>	<b>1,780,156</b>	<b>2,250,773</b>	<b>4,042,967</b>	<b>1,567,431</b>	<b>2,475,536</b>	<b>1,958,186</b>	<b>1,217,228</b>	<b>740,958</b>



37. Additional disclosure as required by the Bank of Mauritius (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
<b>Year ended 30<sup>th</sup> June 2016</b>					
Banque Française					
Commerciale Ocean Indien	France	49.99	447,489	-	447,489
Société Générale Moçambique	Moçambique	35.00	310,625	-	310,625
			<u>758,114</u>	<u>-</u>	<u>758,114</u>
Subordinated loans to associates			402,949	-	402,949
			<u>1,161,063</u>	<u>-</u>	<u>1,161,063</u>
<b>Year ended 30<sup>th</sup> June 2015 &amp; 2014</b>					
			-	-	-

(ii) Movements in investment in associates

	2016			2015			2014		
	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 1 <sup>st</sup> July	-	-	-	-	-	-	876,156	15,620	860,536
Increase in shareholding during the year	50,705	-	50,705	-	-	-	185	-	185
Exchange adjustment on subordinated loan	-	-	-	-	-	-	8,528	-	8,528
Subordinated loan converted into shares and disposed thereafter	-	-	-	-	-	-	(3,600)	(3,600)	-
Distributed by way of dividend in specie	-	-	-	-	-	-	(12,000)	(12,000)	-
Transferred from/(to) non-current assets held for distribution	-	-	-	-	-	-	(447,369)	-	(447,369)
	<u>707,409</u>	<u>-</u>	<u>707,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(421,900)</u>	<u>20</u>	<u>(421,880)</u>
Subordinated loans to associates reclassified from/(to) loans to banks/customers where applicable	402,949	-	402,949	-	-	-	(421,900)	(20)	(421,880)
At 30 <sup>th</sup> June	<u>1,161,063</u>	<u>-</u>	<u>1,161,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(f) 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
<b>Cost</b>					
At 1 <sup>st</sup> July 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 30 <sup>th</sup> 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 30 <sup>th</sup> June 2015	4,448,191	2,888,827	763,102	25,460	8,125,580
Additions	-	93,962	18,595	173,268	285,825
Disposals	-	(162,079)	(26,247)	-	(188,326)
Transfer	-	60,203	3,705	(63,908)	-
At 30 <sup>th</sup> June 2016	4,448,191	2,880,913	759,155	134,820	8,223,079
<b>Accumulated depreciation</b>					
At 1 <sup>st</sup> July 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 30 <sup>th</sup> 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 30 <sup>th</sup> June 2015	645,724	2,066,499	382,914	-	3,095,137
Charge for the year	71,260	237,601	49,470	-	358,331
Disposal adjustment	-	(160,828)	(22,164)	-	(182,992)
At 30 <sup>th</sup> June 2016	716,984	2,143,272	410,220	-	3,270,476
<b>Net book values - Segment A</b>					
At 30 <sup>th</sup> June 2016	<b>3,731,207</b>	<b>737,641</b>	<b>348,935</b>	<b>134,820</b>	<b>4,952,603</b>
At 30 <sup>th</sup> June 2015	3,802,467	822,328	380,188	25,460	5,030,443
At 30 <sup>th</sup> June 2014	3,863,145	861,174	413,160	65,030	5,202,509

37. Additional disclosure as required by the Bank of Mauritius (continued)

(g) Other assets

	2016			2015			2014		
	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	13,688,608	13,688,608	-	12,252,565	12,252,565	-	10,646,314	10,646,314	-
Prepayments and other receivables	725,499	693,529	31,970	741,942	688,486	53,456	910,276	762,965	147,311
Credit Card Clearing	68,659	68,659	-	180,193	164,291	15,902	238,605	168,220	70,385
Non-banking assets acquired in satisfaction of debts	51,909	51,909	-	57,474	57,474	-	55,792	55,792	-
Margin deposit under Credit Support Annex	10,178	-	10,178	-	-	-	431,521	-	431,521
Impersonal & other accounts	1,725,251	1,644,074	81,177	952,038	885,311	66,727	670,720	648,993	21,727
Receivable from Mauritius Union Assurance Co Ltd	-	-	-	25,000	25,000	-	50,000	50,000	-
	<b>16,270,104</b>	<b>16,146,779</b>	<b>123,325</b>	<b>14,209,212</b>	<b>14,073,127</b>	<b>136,085</b>	<b>13,003,228</b>	<b>12,332,284</b>	<b>670,944</b>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(h) Deposits from banks**

	2016			2015			2014		
	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	2,643,632	90,983	2,552,649	3,303,800	52,892	3,250,908	2,415,169	31,433	2,383,736
Money market deposits with remaining term to maturity:									
Up to 3 months	715,676	-	715,676	513,951	-	513,951	754,245	3,788	750,457
Over 3 months and up to 6 months	1,045,465	-	1,045,465	468,681	-	468,681	243,275	-	243,275
Over 6 months and up to 1 year	25,379	-	25,379	151,133	-	151,133	285,349	-	285,349
Over 1 year and up to 5 years	282,451	-	282,451	66,860	-	66,860	-	-	-
	2,068,971	-	2,068,971	1,200,625	-	1,200,625	1,282,869	3,788	1,279,081
	4,712,603	90,983	4,621,620	4,504,425	52,892	4,451,533	3,698,038	35,221	3,662,817

**(i) Deposits from customers**
**(i) Retail customers**

Demand deposits	25,182,505	12,965,061	12,217,444	20,749,512	10,628,272	10,121,240	15,508,233	8,386,164	7,122,069
Savings deposits	96,501,629	89,747,661	6,753,968	86,278,568	79,501,616	6,776,952	74,282,426	68,596,297	5,686,129
Time deposits with remaining term to maturity:									
Up to 3 months	3,304,781	2,295,161	1,009,620	3,551,031	2,499,326	1,051,705	3,401,560	2,221,802	1,179,758
Over 3 months and up to 6 months	1,855,545	1,410,603	444,942	1,931,431	1,276,450	654,981	2,759,831	1,578,686	1,181,145
Over 6 months and up to 1 year	4,596,129	3,311,467	1,284,662	4,426,212	3,234,232	1,191,980	4,314,523	3,148,881	1,165,642
Over 1 year and up to 5 years	11,663,604	9,753,802	1,909,802	10,388,268	8,208,247	2,180,021	9,404,831	7,727,996	1,676,835
Over 5 years	5,478	5,038	440	53,665	48,778	4,887	32,002	32,002	-
	21,425,537	16,776,071	4,649,466	20,350,607	15,267,033	5,083,574	19,912,747	14,709,367	5,203,380
	143,109,671	119,488,793	23,620,878	127,378,687	105,396,921	21,981,766	109,703,406	91,691,828	18,011,578

**(ii) Corporate customers**

Demand deposits	72,803,936	32,938,713	39,865,223	58,121,151	27,735,491	30,385,660	44,337,589	22,265,008	22,072,581
Savings deposits	5,253,182	5,206,014	47,168	5,643,459	5,562,870	80,589	5,591,302	5,511,891	79,411
Time deposits with remaining term to maturity:									
Up to 3 months	4,937,434	835,615	4,101,819	5,048,153	1,281,421	3,766,732	4,435,602	2,239,690	2,195,912
Over 3 months and up to 6 months	1,699,788	609,155	1,090,633	1,967,956	898,364	1,069,592	1,980,528	929,693	1,050,835
Over 6 months and up to 1 year	2,850,519	601,978	2,248,541	1,494,043	1,048,423	445,620	1,774,371	1,355,645	418,726
Over 1 year and up to 5 years	4,803,622	4,111,564	692,058	1,468,282	1,158,835	309,447	1,795,147	1,600,747	194,400
Over 5 years	2,791,762	-	2,791,762	2,781,760	-	2,781,760	2,928,906	-	2,928,906
	17,083,125	6,158,312	10,924,813	12,760,194	4,387,043	8,373,151	12,914,554	6,125,775	6,788,779
	95,140,243	44,303,039	50,837,204	76,524,804	37,685,404	38,839,400	62,843,445	33,902,674	28,940,771

**(iii) Government**

Demand deposits	9,411	9,411	-	10,423	10,423	-	3,715	3,715	-
Savings deposits	52,168	52,168	-	28,662	28,662	-	18,903	18,903	-
	61,579	61,579	-	39,085	39,085	-	22,618	22,618	-
	238,311,493	163,853,411	74,458,082	203,942,576	143,121,410	60,821,166	172,569,469	125,617,120	46,952,349

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(j) Subordinated liabilities**

	2016			2015			2014		
	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
USD30M subordinated debt maturing in August 2023 at an average interest rate of 3.8% (2015:3.5%) (Level 3)	1,082,289	-	1,082,289	1,055,697	-	1,055,697	909,081	-	909,081
Rs 4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 6% (Level 1)	-	-	-	-	-	-	4,539,945	4,362,051	177,894
	<b>1,082,289</b>	<b>-</b>	<b>1,082,289</b>	<b>1,055,697</b>	<b>-</b>	<b>1,055,697</b>	<b>5,449,026</b>	<b>4,362,051</b>	<b>1,086,975</b>

**(k) Other liabilities**

Margin deposit under Credit Support Annex	-	-	-	21,818	-	21,818	-	-	-
Post employee benefit liability	249,707	249,707	-	1,034,237	1,034,237	-	1,151,026	1,151,026	-
Proposed dividend	1,031,940	1,031,940	-	1,023,229	1,023,229	-	809,065	809,065	-
Impersonal & other accounts	3,020,806	3,020,380	426	2,552,949	2,496,209	56,740	2,345,761	2,238,587	107,174
	<b>4,302,453</b>	<b>4,302,027</b>	<b>426</b>	<b>4,632,233</b>	<b>4,553,675</b>	<b>78,558</b>	<b>4,305,852</b>	<b>4,198,678</b>	<b>107,174</b>

**(l) Contingent liabilities**
**(i) Instruments**

Guarantees on account of customers	18,330,563	13,076,101	5,254,462	15,686,218	10,608,174	5,078,044	15,931,937	11,325,367	4,606,570
Letters of credit and other obligations on account of customers	8,273,242	2,293,314	5,979,928	15,781,597	2,856,450	12,925,147	29,632,253	2,956,933	26,675,320
Other contingent items	3,526,005	6,902	3,519,103	11,854,612	333,779	11,520,833	16,548,255	882,489	15,665,766
	<b>30,129,810</b>	<b>15,376,317</b>	<b>14,753,493</b>	<b>43,322,427</b>	<b>13,798,403</b>	<b>29,524,024</b>	<b>62,112,445</b>	<b>15,164,789</b>	<b>46,947,656</b>

**(ii) Commitments**

Loans and other facilities, including undrawn credit facilities	2,600,154	1,757,355	842,799	4,380,241	3,737,850	642,391	4,355,291	3,238,122	1,117,169
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**(iii) Tax assessments**

	836,868	836,868	-	797,225	797,225	-	272,057	272,057	-
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**(iv) Other**

Inward bills held for collection	423,796	321,213	102,583	380,692	328,127	52,565	461,794	319,826	141,968
Outward bills sent for collection	1,003,723	306,066	697,657	803,573	322,132	481,441	1,042,994	463,912	579,082
	<b>1,427,519</b>	<b>627,279</b>	<b>800,240</b>	<b>1,184,265</b>	<b>650,259</b>	<b>534,006</b>	<b>1,504,788</b>	<b>783,738</b>	<b>721,050</b>
	<b>34,994,351</b>	<b>18,597,819</b>	<b>16,396,532</b>	<b>49,684,158</b>	<b>18,983,737</b>	<b>30,700,421</b>	<b>68,244,581</b>	<b>19,458,706</b>	<b>48,785,875</b>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(m) Interest income**

	2016			2015			2014		
	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	367,076	116,476	250,600	202,394	6,258	196,136	186,503	14,282	172,221
Loans and advances to customers	10,196,930	7,899,300	2,297,630	10,105,092	8,008,423	2,096,669	9,747,799	7,749,074	1,998,725
Held-to-maturity investments	1,680,892	1,650,706	30,186	1,280,581	1,260,780	19,801	919,662	916,437	3,225
Available-for-sale investments	44,754	3,633	41,121	35,254	-	35,254	159	-	159
Other	9,450	9,349	101	9,649	9,649	-	11,718	11,531	187
	<b>12,299,102</b>	<b>9,679,464</b>	<b>2,619,638</b>	<b>11,632,970</b>	<b>9,285,110</b>	<b>2,347,860</b>	<b>10,865,841</b>	<b>8,691,324</b>	<b>2,174,517</b>

**(n) Interest expense**

Deposits from banks	15,623	-	15,623	16,335	2	16,333	32,200	4	32,196
Deposits from customers	3,949,990	3,418,863	531,127	3,856,580	3,376,990	479,590	3,836,096	3,364,421	471,675
Subordinated liabilities	41,006	-	41,006	300,459	255,044	45,415	262,671	241,890	20,781
Other borrowed funds	94,706	270	94,436	111,299	456	110,843	188,226	3,277	184,949
	<b>4,101,325</b>	<b>3,419,133</b>	<b>682,192</b>	<b>4,284,673</b>	<b>3,632,492</b>	<b>652,181</b>	<b>4,319,193</b>	<b>3,609,592</b>	<b>709,601</b>

**(o) Fee and commission income**

Retail banking fees	618,982	282,319	336,663	653,258	355,491	297,767	433,631	427,949	5,682
Corporate banking fees	433,541	308,313	125,228	430,487	320,675	109,812	386,329	285,453	100,876
Guarantee fees	212,579	155,208	57,371	204,688	142,804	61,884	217,778	157,771	60,007
Interbank transaction fees	49,809	-	49,809	43,092	-	43,092	46,398	-	46,398
Cards and other related fees	1,315,704	1,038,060	277,644	1,221,028	982,407	238,621	1,107,863	902,770	205,093
Trade finance fees	432,867	100,550	332,317	647,999	48,971	599,028	637,558	128,064	509,494
Others	216,727	63,205	153,522	202,791	59,957	142,834	119,798	41,660	78,138
	<b>3,280,209</b>	<b>1,947,655</b>	<b>1,332,554</b>	<b>3,403,343</b>	<b>1,910,305</b>	<b>1,493,038</b>	<b>2,949,355</b>	<b>1,943,667</b>	<b>1,005,688</b>

**(p) Fee and commission expense**

Interbank transaction fees	20,589	-	20,589	16,553	-	16,553	8,374	-	8,374
Cards and other related fees	582,843	513,445	69,398	539,423	539,148	275	490,788	490,602	186
Others	24,922	-	24,922	30,954	-	30,954	51,297	-	51,297
	<b>628,354</b>	<b>513,445</b>	<b>114,909</b>	<b>586,930</b>	<b>539,148</b>	<b>47,782</b>	<b>550,459</b>	<b>490,602</b>	<b>59,857</b>

**(q) Net (loss)/gain from financial instruments carried at fair value**

Net (loss)/gain from derivative financial instruments	(108,131)	(93,827)	(14,304)	157,552	150,255	7,297	46,291	27,946	18,345
Investment securities held-for-trading	1,347	1,327	20	571	552	19	155	155	-
	<b>(106,784)</b>	<b>(92,500)</b>	<b>(14,284)</b>	<b>158,123</b>	<b>150,807</b>	<b>7,316</b>	<b>46,446</b>	<b>28,101</b>	<b>18,345</b>

**(r) Dividend income**

Income from associate	210,830	-	210,830	-	-	-	-	-	-
Income from quoted investments	33,720	30,241	3,479	26,166	23,479	2,687	10,182	6,997	3,185
Income from unquoted investments	7,448	6,462	986	4,697	4,515	182	3,338	3,338	-
	<b>251,998</b>	<b>36,703</b>	<b>215,295</b>	<b>30,863</b>	<b>27,994</b>	<b>2,869</b>	<b>13,520</b>	<b>10,335</b>	<b>3,185</b>

**37. Additional disclosure as required by the Bank of Mauritius (continued)**
**(s) Salaries and human resource development**

	2016			2015			2014		
	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	1,857,907	1,660,389	197,518	1,766,201	1,596,954	169,247	1,607,208	1,484,667	122,541
Defined benefit plan	238,205	214,495	23,710	271,530	248,662	22,868	246,158	230,371	15,787
Defined contribution plan	36,046	32,890	3,156	-	-	-	-	-	-
Compulsory social security obligations	56,856	51,743	5,113	54,079	49,476	4,603	50,646	47,121	3,525
Equity settled share-based payments	1,558	1,509	49	1,488	1,442	46	4,192	4,067	125
Other personnel expenses	571,326	525,621	45,705	488,768	438,790	49,978	497,433	456,718	40,715
	<b>2,761,898</b>	<b>2,486,647</b>	<b>275,251</b>	<b>2,582,066</b>	<b>2,335,324</b>	<b>246,742</b>	<b>2,405,637</b>	<b>2,222,944</b>	<b>182,693</b>

**(t) Other non-interest expense**

Software licensing and other information technology cost	215,071	204,069	11,002	208,519	194,648	13,871	179,326	170,296	9,030
Others	1,165,427	1,034,379	131,048	1,132,790	1,015,779	117,011	1,182,089	1,088,367	93,722
	<b>1,380,498</b>	<b>1,238,448</b>	<b>142,050</b>	<b>1,341,309</b>	<b>1,210,427</b>	<b>130,882</b>	<b>1,361,415</b>	<b>1,258,663</b>	<b>102,752</b>

**(u) Net impairment of financial assets**
**The impairment charge related to the Statement of Profit or Loss:**

Allowance for credit impairment	907,021	401,131	505,890	860,840	418,045	442,795	1,843,056	376,031	1,467,025
Impairment of available-for-sale investment securities	-	-	-	36,333	36,333	-	-	-	-
	<b>907,021</b>	<b>401,131</b>	<b>505,890</b>	<b>897,173</b>	<b>454,378</b>	<b>442,795</b>	<b>1,843,056</b>	<b>376,031</b>	<b>1,467,025</b>

**(i) Allowance for credit impairment**

Loans to and placements with banks	1,329	-	1,329	(784)	-	(784)	7,400	-	7,400
Loans and advances to customers	905,692	401,131	504,561	861,624	418,045	443,579	1,835,656	376,031	1,459,625
	<b>907,021</b>	<b>401,131</b>	<b>505,890</b>	<b>860,840</b>	<b>418,045</b>	<b>442,795</b>	<b>1,843,056</b>	<b>376,031</b>	<b>1,467,025</b>

**(v) Income tax expense**

<b>Current tax expense</b>									
Current year	1,240,581	1,153,720	86,861	1,013,896	903,228	110,668	918,468	845,121	73,347
(Over)/Under provision in previous years	(3,051)	163	(3,214)	(12,062)	(279)	(11,783)	(7,028)	(7,236)	208
	<b>1,237,530</b>	<b>1,153,883</b>	<b>83,647</b>	<b>1,001,834</b>	<b>902,949</b>	<b>98,885</b>	<b>911,440</b>	<b>837,885</b>	<b>73,555</b>
Deferred tax	58,564	43,567	14,997	(41,544)	(31,694)	(9,850)	(40,022)	(24,872)	(15,150)
<b>Charge for the year</b>	<b>1,296,094</b>	<b>1,197,450</b>	<b>98,644</b>	<b>960,290</b>	<b>871,255</b>	<b>89,035</b>	<b>871,418</b>	<b>813,013</b>	<b>58,405</b>

**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	6,916,257	4,192,466	2,723,791	5,802,844	3,168,634	2,634,210	4,212,515	2,959,886	1,252,629
Discontinuing operations	-	-	-	161,746	-	161,746	345,484	164,000	181,484
	<b>6,916,257</b>	<b>4,192,466</b>	<b>2,723,791</b>	<b>5,964,590</b>	<b>3,168,634</b>	<b>2,795,956</b>	<b>4,557,999</b>	<b>3,123,886</b>	<b>1,434,113</b>
Tax calculated at a rate of 15%	1,037,439	628,870	408,569	894,689	475,295	419,394	683,700	468,583	215,117
Impact of:									
Income not subject to tax	(126,464)	(21,162)	(105,302)	(119,631)	(46,316)	(73,315)	(69,039)	(46,275)	(22,764)
Expenses not deductible for tax purposes	79,259	39,451	39,808	117,934	43,614	74,320	125,023	22,005	103,018
Tax credits	(267,093)	-	(267,093)	(345,883)	-	(345,883)	(253,341)	-	(253,341)
Special levy on banks	428,271	402,395	25,876	362,494	336,192	26,302	332,456	316,289	16,167
Corporate Social Responsibility Contribution	147,733	147,733	-	62,749	62,749	-	59,647	59,647	-
(Over)/Under provision in previous years	(3,051)	163	(3,214)	(12,062)	(279)	(11,783)	(7,028)	(7,236)	208
<b>Tax charge</b>	<b>1,296,094</b>	<b>1,197,450</b>	<b>98,644</b>	<b>960,290</b>	<b>871,255</b>	<b>89,035</b>	<b>871,418</b>	<b>813,013</b>	<b>58,405</b>

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

Remeasurement of defined benefit pension plan	204,430	204,430	-	(112,018)	(112,018)	-	269,896	269,896	-
Deferred tax	(30,665)	(30,665)	-	16,803	16,803	-	(40,484)	(40,484)	-
	<b>173,765</b>	<b>173,765</b>	<b>-</b>	<b>(95,215)</b>	<b>(95,215)</b>	<b>-</b>	<b>229,412</b>	<b>229,412</b>	<b>-</b>

37. Additional disclosure as required by the Bank of Mauritius (continued)

(w) Non-current assets held for distribution

(i) Non-current assets held for distribution

As at 30<sup>th</sup> June 2016, all the subsidiaries classified as non-current assets held for distribution, with the exception of MCB Moçambique SA, have been unbundled. Both Banque Française Commerciale Ocean Indien and Société Générale Moçambique (formerly called MCB Moçambique SA) have been transferred to investments in associates.

Principal activities	Effective Holding %	TOTAL RS'000	Segment A RS'000	Segment B RS'000
<b>Year ended 30<sup>th</sup> June 2016</b>				
<b>Banking subsidiaries and associate</b>	<b>Banking &amp; Financial services</b>	-	-	-
<b>Year ended 30<sup>th</sup> June 2015 and 2014</b>				
<b>Banking subsidiaries</b>				
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	65.00	64,322	-
			883,847	-
<b>Banking associate</b>				
Banque Française Commerciale Ocean Indien	Banking & Financial services	49.99	447,369	-
<b>Total</b>			<b>1,331,216</b>	<b>-</b>

(ii) Discontinuing operations following unbundling of investments

Income recognised in profit or loss is as follows:

	2016			2015			2014		
	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