



**The Mauritius Commercial Bank Limited**  
**Financial Statements**  
30<sup>th</sup> June 2017

## Statement of Management's Responsibility for Financial Reporting

The Financial Statements for the Bank presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied for the year ended 30<sup>th</sup> June 2017 and Management has exercised its judgement and made best estimates where deemed necessary.

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

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

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

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

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

**Alain Law Min**  
Director  
Chief Executive

**Jean-Philippe COULIER**  
Director  
Chairperson

**Gilles GUFFLET**  
Director  
Chairperson Audit Committee



# ***Independent Auditor's Report***

## ***To the Shareholder of The Mauritius Commercial Bank Limited***

### ***Report on the Audit of the Financial Statements of the Bank standing alone***

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#### ***Our Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of The Mauritius Commercial Bank Limited (the "Bank") standing alone as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

#### **What we have audited**

The Mauritius Commercial Bank Limited's accompanying financial statements comprise:

- the statement of financial position as at 30 June 2017;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the risk management report, rather than in the notes to the financial statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

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#### ***Basis for Opinion***

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

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

#### **Independence**

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

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## ***Independent Auditor's Report***

### ***To the Shareholder of The Mauritius Commercial Bank Limited (Continued)***

#### ***Report on the Audit of the Financial Statements of the Bank standing alone (Continued)***

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##### ***Other Information***

The directors are responsible for the other information. The other information comprises the following: navigating this annual report, the highlights, the corporate profile, delivering value to our stakeholders, the board of directors and leadership team, the chairperson's statement, the chief executive's statement, the corporate governance report, the statement of compliance, the company secretary's certificate, the management discussion and analysis, the risk management report and the administrative information but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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##### ***Responsibilities of the Directors for the Financial Statements***

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines issued by 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.

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

The directors are responsible for overseeing the financial reporting process.



## ***Independent Auditor's Report***

### ***To the Shareholder of The Mauritius Commercial Bank Limited (Continued)***

#### ***Report on the Audit of the Financial Statements of the Bank standing alone (Continued)***

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##### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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



## ***Independent Auditor's Report***

### ***To the Shareholder of The Mauritius Commercial Bank Limited (Continued)***

#### ***Report on the Audit of the Financial Statements of the Bank standing alone (Continued)***

##### ***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

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

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#### ***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 or its subsidiary other than in our capacity as auditor and tax advisor of the Bank, and dealings in the ordinary course of business with the Bank;
- (b) we have obtained all the information and explanations we have required; and
- (c) in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

##### **Mauritian Banking Act 2004**

The Mauritian 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 Mauritian Banking Act 2004 and regulations and guidelines issued by 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.

##### **Mauritian 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.



## ***Independent Auditor's Report***

### ***To the Shareholder of The Mauritius Commercial Bank Limited (Continued)***

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#### ***Other Matter***

This report, including the opinion, has been prepared for and only for the Bank's shareholder in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Gilles Beesoo, licensed by FRC

28 September 2017



Statement of financial position as at 30<sup>th</sup> June 2017

	Notes	2017 RS'000	2016 RS'000	2015 RS'000
<b>ASSETS</b>				
Cash and cash equivalents	4	34,033,960	31,975,711	22,999,839
Derivative financial instruments	5	226,731	175,771	268,901
Loans to and placements with banks	6(a)	25,912,459	22,485,623	9,486,995
Loans and advances to customers	6(b)	160,418,113	153,002,181	153,007,990
Investment securities	7	68,890,863	56,241,340	44,995,318
Investment in subsidiary	8(a)	64,322	-	-
Investments in associates	8(b)	1,159,250	1,161,063	-
Intangible assets	9	579,569	473,162	385,453
Property, plant and equipment	10	4,911,082	4,952,603	5,030,443
Deferred tax assets	11	143,667	193,960	222,519
Other assets	12	17,861,716	16,270,104	14,209,212
		<b>314,201,732</b>	<b>286,931,518</b>	<b>250,606,670</b>
Non-current assets held for distribution	34	-	-	1,331,216
<b>Total assets</b>		<b>314,201,732</b>	<b>286,931,518</b>	<b>251,937,886</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
Deposits from banks	13(a)	5,302,566	4,712,603	4,504,425
Deposits from customers	13(b)	258,569,834	238,311,493	203,942,576
Derivative financial instruments	5	97,430	122,353	112,976
Other borrowed funds	14	5,606,935	4,865,908	6,952,264
Subordinated liability	15	1,052,037	1,082,289	1,055,697
Current tax liabilities		778,869	578,996	448,835
Other liabilities	17	5,549,010	4,302,453	4,632,233
<b>Total liabilities</b>		<b>276,956,681</b>	<b>253,976,095</b>	<b>221,649,006</b>
<b>Shareholder's equity</b>				
Stated capital		6,879,602	6,879,602	6,879,602
Retained earnings		23,462,727	20,435,491	18,705,062
Other components of equity		6,902,722	5,640,330	4,704,216
<b>Total equity</b>		<b>37,245,051</b>	<b>32,955,423</b>	<b>30,288,880</b>
<b>Total equity and liabilities</b>		<b>314,201,732</b>	<b>286,931,518</b>	<b>251,937,886</b>
<b>CONTINGENT LIABILITIES</b>				
Guarantees, letters of credit, endorsements and other obligations on account of customers		41,128,382	30,129,810	43,322,427
Commitments		6,714,334	2,600,154	4,380,241
Tax assessments		992,632	836,868	797,225
Other	19	1,353,991	1,427,519	1,184,265
		<b>50,189,339</b>	<b>34,994,351</b>	<b>49,684,158</b>

These financial statements were approved for issue by the Board of Directors on the 28<sup>th</sup> September 2017.

**Alain Law Min**  
Director  
Chief Executive

**Jean-Philippe COULIER**  
Director  
Chairperson

**Gilles GUFFLET**  
Director  
Chairperson Audit Committee

The notes on pages 17 to 86 form part of these financial statements.  
Auditor's report on pages 2 to 6





Statement of profit or loss for the year ended 30<sup>th</sup> June 2017

		Year ended 30 <sup>th</sup> June 2017 RS'000	Year ended 30 <sup>th</sup> June 2016 RS'000	Year ended 30 <sup>th</sup> June 2015 RS'000
<b>Continuing operations</b>				
Interest income	20	12,604,065	12,299,145	11,632,725
Interest expense	21	(3,870,375)	(4,101,325)	(4,284,673)
<b>Net interest income</b>		<b>8,733,690</b>	<b>8,197,820</b>	<b>7,348,052</b>
Fee and commission income	22	3,440,108	3,280,209	3,403,343
Fee and commission expense	23	(687,673)	(628,354)	(586,930)
<b>Net fee and commission income</b>		<b>2,752,435</b>	<b>2,651,855</b>	<b>2,816,413</b>
<b>Other income</b>				
Profit arising from dealing in foreign currencies		1,620,365	1,406,259	779,542
Net gain/(loss) from financial instruments carried at fair value	24	100,208	(88,482)	146,884
Dividend income	25	1,720,573	1,317,777	926,426
Net gain on sale of securities		354,594	251,998	30,863
Other operating income		6,056	1,193	3,667
		32,529	42,455	35,679
<b>Operating income</b>		<b>2,113,752</b>	<b>1,613,423</b>	<b>996,635</b>
<b>Non-interest expense</b>		<b>13,599,877</b>	<b>12,463,098</b>	<b>11,161,100</b>
Salaries and human resource development	26(a)	(2,955,584)	(2,761,898)	(2,582,066)
Depreciation of property, plant and equipment		(367,856)	(358,331)	(358,815)
Amortisation of intangible assets		(188,486)	(139,093)	(178,893)
Other	26(b)	(1,509,897)	(1,380,498)	(1,341,309)
		(5,021,823)	(4,639,820)	(4,461,083)
<b>Operating profit before impairment</b>		<b>8,578,054</b>	<b>7,823,278</b>	<b>6,700,017</b>
Net impairment of financial assets	27	(950,504)	(907,021)	(897,173)
<b>Profit before tax</b>		<b>7,627,550</b>	<b>6,916,257</b>	<b>5,802,844</b>
Income tax expense	28	(1,390,088)	(1,296,094)	(960,290)
<b>Profit for the year from continuing operations</b>		<b>6,237,462</b>	<b>5,620,163</b>	<b>4,842,554</b>
<b>Discontinued operations</b>				
<b>Profit for the year from discontinued operations</b>	34(b)	-	-	161,746
<b>Profit for the year</b>		<b>6,237,462</b>	<b>5,620,163</b>	<b>5,004,300</b>
<b>Earnings per share (Rs):</b>				
Continuing operations	30	9.07	8.17	19.84
Discontinued operations	30	-	-	0.66

The notes on pages 17 to 86 form part of these financial statements.  
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## Statement of comprehensive income for the year ended 30<sup>th</sup> June 2017

<b>Year ended 30<sup>th</sup> June 2017 RS'000</b>	<b>Year ended 30<sup>th</sup> June 2016 RS'000</b>	<b>Year ended 30<sup>th</sup> June 2015 RS'000</b>
<b>Profit for the year</b>	<b>6,237,462</b>	<b>5,004,300</b>
<b>Other comprehensive income/(expense):</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Remeasurement of defined benefit pension plan, net of deferred tax	287,079	(173,765) 95,215
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Reclassification adjustments on disposal of available-for-sale investments	24,257	(60,243) -
Net fair value gain/(loss) on available-for-sale investments	355,079	(46,491) 398,796
<b>Other comprehensive income/(expense) for the year</b>	<b>666,415</b>	<b>(280,499) 494,011</b>
<b>Total comprehensive income for the year</b>	<b>6,903,877</b>	<b>5,339,664 5,498,311</b>
<b>Total comprehensive income for the year:</b>		
Continuing operations	6,903,877	5,339,664 5,336,565
Discontinued operations	-	- 161,746
	<b>6,903,877</b>	<b>5,339,664 5,498,311</b>

The notes on pages 17 to 86 form part of these financial statements.  
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Statement of changes in equity for the year ended 30<sup>th</sup> June 2017

Note	Stated Capital 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 1<sup>st</sup> July 2014</b>	2,379,602	16,322,961	483,321	2,379,602	533,580	22,099,066
Profit for the year	-	5,004,300	-	-	-	5,004,300
Other comprehensive income for the year	-	95,215	398,796	-	-	494,011
Total comprehensive income for the year	-	5,099,515	398,796	-	-	5,498,311
Rights issue	4,500,000	-	-	-	-	4,500,000
Dividends in cash	29	(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>	6,879,602	18,705,062	882,117	3,130,602	691,497	30,288,880
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
Dividends in cash	29	(2,132,676)	-	-	-	(2,132,676)
Dividends in specie	29	(540,445)	-	-	-	(540,445)
Transactions with owner in his capacity as owner	-	(2,673,121)	-	-	-	(2,673,121)
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>	6,879,602	20,435,491	775,383	3,974,602	890,345	32,955,423
Profit for the year	-	6,237,462	-	-	-	6,237,462
Other comprehensive income for the year	-	287,079	379,336	-	-	666,415
Total comprehensive income for the year	-	6,524,541	379,336	-	-	6,903,877
Dividends in cash	29	(2,614,249)	-	-	-	(2,614,249)
Transactions with owner in his capacity as owner	-	(2,614,249)	-	-	-	(2,614,249)
Transfer to statutory reserve	-	(936,000)	-	936,000	-	-
Transfer from general banking reserve	-	52,944	-	-	(52,944)	-
<b>At 30<sup>th</sup> June 2017</b>	6,879,602	23,462,727	1,154,719	4,910,602	837,401	37,245,051

The notes on pages 17 to 86 form part of these financial statements.  
Auditor's report on pages 2 to 6



Statement of cash flows for the year ended 30<sup>th</sup> June 2017

		Year ended 30 <sup>th</sup> June 2017 RS'000	Year ended 30 <sup>th</sup> June 2016 RS'000	Year ended 30 <sup>th</sup> June 2015 RS'000
	Notes			
<b>Operating activities</b>				
<b>Net cash flows from trading activities</b>	32	(175,858)	5,094,908	5,841,493
<b>Net cash flows from other operating activities</b>	33	6,411,810	8,732,789	4,451,672
Dividends paid		(2,304,667)	(2,123,965)	(1,594,333)
Income tax paid		(1,190,595)	(1,107,369)	(921,438)
<b>Net cash flows from operating activities</b>		<b>2,740,690</b>	<b>10,596,363</b>	<b>7,777,394</b>
<b>Investing activities</b>				
Purchase of available-for-sale investments		(872,146)	(442,746)	(2,130,238)
Proceeds from sale of available-for-sale investments		768,911	413,354	415,573
Investment in associate		-	(50,705)	-
Purchase of property, plant and equipment		(347,321)	(285,825)	(191,895)
Purchase of intangible assets		(295,359)	(226,802)	(44,668)
Proceeds from sale of intangible assets		-	-	17,762
Proceeds from sale of property, plant and equipment		33,271	5,886	11,437
<b>Net cash flows from investing activities</b>		<b>(712,644)</b>	<b>(586,838)</b>	<b>(1,922,029)</b>
<b>Net cash flows before financing activities</b>		<b>2,028,046</b>	<b>10,009,525</b>	<b>5,855,365</b>
<b>Financing activities</b>				
Rights issue		-	-	4,500,000
Subordinated liability transferred		-	-	(4,500,000)
Net debt securities matured		-	-	(1,793,050)
Net refund of subordinated loan		-	199,354	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>199,354</b>	<b>(1,793,050)</b>
Increase in cash and cash equivalents		<b>2,028,046</b>	<b>10,208,879</b>	<b>4,062,315</b>
Net cash and cash equivalents at 1 <sup>st</sup> July		<b>31,969,261</b>	<b>21,760,382</b>	<b>17,698,067</b>
<b>Net cash and cash equivalents at 30<sup>th</sup> June</b>	4	<b>33,997,307</b>	<b>31,969,261</b>	<b>21,760,382</b>

The notes on pages 17 to 86 form part of these financial statements.  
Auditor's report on pages 2 to 6

The Mauritius Commercial Bank Limited ("the Bank") is a public company incorporated by Royal Charter in 1838 and registered as limited liability company on 18<sup>th</sup> 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, have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Mauritian Companies Act 2001, the Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

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

The financial statements have been prepared under the historical cost convention except for available-for-sale investment securities, financial assets and liabilities held-for-trading, derivative contracts and the defined benefit plan which are stated at fair value.

### Standards, amendments to published standards and interpretations effective in the reporting period

The following standards, amendments to published standards and interpretations were effective and applicable to the Bank in the reporting period:

#### *Amendments to published standards (effective as from 1<sup>st</sup> January 2016):*

- Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation;
- Annual Improvements 2012 – 2014 Cycle;
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative;
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption; and
- Amendments to IAS 34 Interim Financial Reporting regarding disclosure of information.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

### 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 after 1<sup>st</sup> 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 2 Share-based payment Amendment on clarifying share-based payment transactions – effective 1<sup>st</sup> January 2018;
- IFRS 9 Financial Instruments – effective 1<sup>st</sup> January 2018;
- IFRS 15 Revenue from Contracts with Customers – effective 1<sup>st</sup> January 2018;
- IFRS 16 Leases – effective 1<sup>st</sup> January 2019;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – effective 1<sup>st</sup> January 2018;
- IFRIC 23 Uncertainty over Income Tax Treatments – effective 1<sup>st</sup> January 2019;
- Amendment to IAS 12 on Recognition of deferred tax assets for unrealised losses – effective 1<sup>st</sup> January 2017;
- Amendment to IAS 7 on Disclosure Initiative – effective 1<sup>st</sup> January 2017; and
- Annual Improvements 2014 – 2016 Cycle - effective 1<sup>st</sup> January 2018.

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

#### *IFRS 9 Financial Instruments - effective 1<sup>st</sup> January 2018*

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)****Standards, amendments to published standards and interpretations issued but not yet effective (continued)**

*IFRS 9 Financial Instruments - effective 1<sup>st</sup> January 2018 (continued)*

***Impairment***

The impairment requirements apply to financial assets measured at amortised cost, 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 at the end of 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 new hedge accounting rules will align the accounting for hedging instruments more closely with the Bank's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting as the standard introduces a more principles-based approach.

***Transition***

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening retained earnings 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<sup>st</sup> January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date.

**Investment in subsidiary**

A subsidiary is an entity which the Bank controls. The Bank controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank performs a reassessment of control whenever there is a change in the substance of the relationship between the Bank and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Investment in subsidiary is carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investment. The impairment loss is taken to profit or loss.

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 IFRS 10 Paragraph 4 from the requirement to prepare consolidated financial statements as MCB Group Limited, the ultimate parent, 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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 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 IAS 28 'Investments in Associates' Paragraph 17 and IFRS 10 Paragraph 4 from the requirement to prepare financial statements using equity-accounting as MCB Group Limited, the ultimate parent, 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.

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

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

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

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

### (c) Derivative financial instruments

Derivative financial instruments include mainly foreign exchange contracts and currency swaps. These are initially recognised at fair value on the date 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 prevailing at reporting date. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

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.

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(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 the 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 financial assets are subsequently remeasured at fair value. 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 assets.

**(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 profit or loss for the year.

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Loans and advances**

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.

**(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.

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.

**(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 and provides for the requirements under the Employment Rights Act 2008. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Mauritius Commercial Bank Limited Superannuation Fund.

**(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 entitle 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.

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.

As from 1<sup>st</sup> 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 scheme, 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) scheme for all service.

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

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

**(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.

**(i) 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 and includes the Corporate Social Responsibility charge and Bank levy.

**(ii) 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 declared and unpaid**

Dividend declared and unpaid to the Bank's shareholder at reporting date 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 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 the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's 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, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements 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 cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

For the additional disclosure on pension benefits, please refer to note 16.

#### (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.

In March 2017, the Bank was appointed by the Bank of Mauritius (BoM) to act as one of the four primary dealers for the trading of government securities. Per the Guideline on the Operational Framework for Primary Dealers issued by the BoM in the same month, the Bank is required to bid for 30% of the tender amount every time the BoM issues Government Treasury Bills and Bonds. These securities are accounted for as held-for-trading by the Bank. The Bank considers the market for these government securities to be active since the volume and frequency of trading in these securities provides pricing information. As such at reporting date, the held-for-trading securities have been fair valued based on the yield prevailing on the market.

For the additional disclosure on the held-for-trading investments, please refer to notes 3(d) and 7.

## 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 loss on financial assets

#### (i) Specific provisioning

The Bank reviews its loan portfolio 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 based on any observable data which could indicate an impairment followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio.

Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers discounted as per requirements of the Bank of Mauritius Guidelines on Credit Impairment.

#### (ii) Portfolio provisioning

In assessing the portfolio provisioning, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

### 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.

	2017 RS '000	2016 RS '000	2015 RS '000
<b>Credit Quality</b>			
Neither past due nor impaired	156,706,520	147,583,562	148,940,152
Past due but not impaired	1,626,920	5,744,304	6,075,341
Impaired	9,698,673	9,515,741	9,534,646
Gross	168,032,113	162,843,607	164,550,139
Less Allowances for credit impairment	(5,659,940)	(6,623,444)	(7,136,693)
Net	162,372,173	156,220,163	157,413,446
Fair Value of collaterals of past due but not impaired loans	1,916,486	7,000,893	7,270,580
Fair Value of collaterals of impaired loans	10,938,817	9,628,873	6,285,572

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

##### Credit Quality of Neither past due nor impaired

Large corporate clients are assigned a Borrower Risk Rating which is generated by the Moody's Financial Analyst software which evaluates the borrower's financial position and subjective factors such as management quality, company standing and industry risk. Those ratings are used to monitor the credit quality of the Corporate Banking Segment which consumes a sizeable portion of the Bank's capital resources. Internally built scoring models are used to rate individuals based on borrowers' repayment capacity, track record and personal attributes for specialised lending including the Structured Trade and Commodity Finance portfolio, the risk profile is assessed based on the specificities of the financing structures and the type of borrowers.

##### Credit quality

For debt securities and certain other financial instruments, external rating have been aligned to the three quality classifications based upon the mapping of related Customer Risk Rating ("CRR") to external credit rating. The mapping is reviewed on a regular basis.

##### Credit quality of cash and cash equivalents and loans to and placements with banks

For credit quality of cash and cash equivalents and loans to and placements with banks, the Bank uses the following categories to recognise the risk associated with each financial instrument:

"Low risk" exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss. The credit rating as per Moody's would be generally in the range Aaa to A3.

"Medium" exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk. The credit rating as per Moody's would be generally in the range Ba1 to Baa3.

"High" exposures require varying degrees of special attention and default risk is of greater concern. The credit rating as per Moody's would be generally in the range Caa1 to Caa3.

**3. FINANCIAL RISK MANAGEMENT**

For cash and cash equivalents and loans to and placements with banks, the credit rating is as follows:

	Cash and cash equivalents 2017 RS '000	Loans to and placements with banks 2017 RS '000
<b>Credit rating:</b>		
Aaa to Aa3	11,802,356	1,308,917
A1 to A3	10,127,093	6,070,293
B1 to B3	-	689,820
Ba1 to Ba3	1,640,361	-
Baa1 to Baa3	6,874,469	17,040,116
Caa1 to Caa3	172,533	-
Unrated	876,942	809,690
<b>Total gross amount</b>	<b>31,493,754</b>	<b>25,918,836</b>
Allowance for impairment (individual and collective)	-	(6,377)
<b>Net carrying amount</b>	<b>31,493,754</b>	<b>25,912,459</b>

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

	2017 RS '000	2016 RS '000	2015 RS '000
Up to 3 months	1,472,371	743,202	1,346,956
Over 3 months and up to 6 months	92,684	2,325,662	1,853,136
Over 6 months and up to 1 year	37,460	522,510	2,340,249
Over 1 year	24,405	2,152,930	535,000
	<b>1,626,920</b>	<b>5,744,304</b>	<b>6,075,341</b>

**Loans and advances restructured**

	2017 RS '000	2016 RS '000	2015 RS '000
Loans and advances restructured	<b>13,279,962</b>	<b>13,021,413</b>	<b>15,064,254</b>

**Collateral and other credit enhancements**

Credit mitigation instruments are used to reduce the Bank's lending risk, resulting in security against the majority of exposures. In the event of default of counterparty, the Bank has the ability to call on different type of collaterals which in turn are driven by portfolio, product or counterparty type: fixed and floating charges on properties and other assets, pledge on deposits, lien on vehicles, pledge on securities/bonds, pledge on deposits held in other financial institutions, pledge on life insurance policies, bank guarantee/corporate guarantee/personal guarantee, 'nantissement de part sociales', government guarantee and lien/gage on equipment.

**Credit risk on other assets**

The treasury function, as part of the daily management of the Bank's liquidity, places funds with the Bank of Mauritius and other commercial banks and financial institutions. These transactions are mainly money market placements and government securities held-for-trading on the secondary market. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located in the UK, Europe, America and Australia.

**3. FINANCIAL RISK MANAGEMENT(CONTINUED)**
**(b) Maximum exposure to credit risk before collateral and other credit risk enhancements :**

	2017 RS '000	2016 RS '000	2015 RS '000
<b>Credit risk exposures relating to on-balance sheet assets are as follows :</b>			
Cash and cash equivalents	31,493,754	29,938,462	21,103,964
Derivative financial instruments	226,731	175,771	268,901
Loans to and placements with banks	25,912,459	22,485,623	9,486,995
Loans and advances to customers	160,418,113	153,002,181	153,007,990
Investment securities	66,557,591	54,236,768	43,016,761
Other financial assets	16,718,604	14,578,046	12,732,435
<b>Total</b>	<b>301,327,252</b>	<b>274,416,851</b>	<b>239,617,046</b>
<b>Credit risk exposures relating to off-balance sheet assets are as follows :</b>			
Guarantees, letters of credit, endorsements and other obligations on account of customers	41,128,382	30,129,810	43,322,427
Commitments	6,714,334	2,600,154	4,380,241
<b>Total</b>	<b>47,842,716</b>	<b>32,729,964</b>	<b>47,702,668</b>

**(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 Board Risk Monitoring Committee 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%.

	2017 RS '000	2016 RS '000	2015 RS '000
Available-for-sale financial assets	225,879	201,546	202,148

**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 Head of Treasury. Such limits include daily, monthly, half-yearly and yearly stop losses. Exposure resulting from non-trading activities is managed through the Asset and Liability Management framework, with reference to guidelines and policies set and approved by ALCO and the Board Risk Monitoring Committee.

The Bank uses the value-at-risk (VaR) to measure its market price risk. 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
2017 (RS '000)	(29,885)	(15,266)	(29,885)	(5,627)
2016 (RS '000)	(8,422)	(17,843)	(28,164)	(8,341)
2015 (RS '000)	(13,451)	(8,941)	(15,476)	(4,800)

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

At June 30, 2017	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
<b>Financial assets</b>						
Cash and cash equivalents	5,263,990	18,351,597	3,741,059	5,628,458	1,048,856	34,033,960
Derivative financial instruments	28,023	-	7,163	191,545	-	226,731
Loans to and placements with banks	7,740,920	6,512,417	2,518,902	7,750,576	1,396,021	25,918,836
Loans and advances to customers	12,851,050	48,193,096	985,443	103,978,399	59,743	166,067,731
Investment securities	1,494,529	1,650,826	507,398	65,143,609	98,446	68,894,808
Other financial assets	762,832	965,732	455,501	14,419,964	114,575	16,718,604
	28,141,344	75,673,668	8,215,466	197,112,551	2,717,641	311,860,670
Less allowances for credit impairment						(5,659,940)
<b>Total</b>						<b>306,200,730</b>
<b>Financial liabilities</b>						
Deposits from banks	916,650	3,819,037	227,460	266,408	73,011	5,302,566
Deposits from customers	23,837,619	58,761,391	4,182,101	166,273,882	5,514,841	258,569,834
Derivative financial instruments	8,766	5,063	12,156	71,445	-	97,430
Other borrowed funds	3,131,238	2,470,954	-	4,743	-	5,606,935
Subordinated liability	-	1,052,037	-	-	-	1,052,037
Other financial liabilities	247,728	168,789	162,416	994,609	20,794	1,594,336
<b>Total</b>	28,142,001	66,277,271	4,584,133	167,611,087	5,608,646	<b>272,223,138</b>
<b>Net on-balance sheet position</b>	(657)	9,396,397	3,631,333	29,501,464	(2,891,005)	39,637,532
Less allowances for credit impairment						(5,659,940)
						<b>33,977,592</b>
<b>Off balance sheet net notional position</b>	7,976,596	14,504,387	5,197,688	-	958,009	28,636,680
<b>Credit commitments</b>	4,140,515	28,968,650	15,862	14,133,969	583,720	47,842,716

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

At June 30, 2016	EURO	USD	GBP	MUR	OTHER	TOTAL
Financial assets	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
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 liability	-	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**

At June 30, 2015	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	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
	18,621,264	58,871,726	4,625,217	162,203,090	6,306,874	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	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 liability	-	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>	28,310,049	42,963,112	4,709,825	136,292,144	7,696,199	<b>219,971,329</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>23,520,149</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>	4,983,272	32,894,885	243,628	12,136,109	650,025	50,907,919

**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 (IRR) mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown below 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:

	2017 RS '000	2016 RS '000	2015 RS '000
Impact on Earnings	<b>710,740</b>	713,587	482,670

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

At June 30, 2017	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	18,584,377	-	-	-	-	-	15,449,583	34,033,960
Derivative financial instruments	-	-	-	-	-	12,068	214,663	226,731
Loans to and placements with banks	1,991,275	9,746,768	6,989,490	5,861,767	1,000,000	120,718	208,818	25,918,836
Loans and advances to customers	108,345,533	32,434,811	8,350,531	1,132,068	1,804,828	11,006,126	2,993,834	166,067,731
Investment securities	5,818,819	6,393,045	7,548,467	11,239,951	14,219,471	20,376,999	3,298,056	68,894,808
Other financial assets	-	-	-	-	150,620	256,148	16,311,836	16,718,604
	134,740,004	48,574,624	22,888,488	18,233,786	17,174,919	31,772,059	38,476,790	311,860,670
Less allowances for credit impairment								(5,659,940)
<b>Total</b>								<b>306,200,730</b>
<b>Financial liabilities</b>								
Deposits from banks	3,353,158	762,713	734,040	119,487	-	-	333,168	5,302,566
Deposits from customers	229,007,708	2,460,295	1,191,092	1,238,889	1,420,772	1,633,436	21,617,642	258,569,834
Derivative financial instruments	-	-	-	-	-	-	97,430	97,430
Other borrowed funds	3,592,491	-	983,635	4,699	17,007	972,450	36,653	5,606,935
Subordinated liability	1,034,724	-	-	-	-	-	17,313	1,052,037
Other financial liabilities	-	-	-	-	-	255,012	1,339,324	1,594,336
<b>Total</b>	236,988,081	3,223,008	2,908,767	1,363,075	1,437,779	2,860,898	23,441,530	<b>272,223,138</b>
<b>On balance sheet interest sensitivity gap</b>	(102,248,077)	45,351,616	19,979,721	16,870,711	15,737,140	28,911,161	15,035,260	39,637,532
Less allowances for credit impairment								(5,659,940)
								<b>33,977,592</b>

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(iii) Interest rate risk (continued)**
**Interest sensitivity of assets and liabilities- repricing analysis**

<b>At June 30, 2016</b>	<b>Up to</b>	<b>1-3</b>	<b>3-6</b>	<b>6-12</b>	<b>1-3</b>	<b>Over 3</b>	<b>Non-interest</b>	<b>Total</b>
	<b>1 month</b>	<b>months</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>bearing</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>RS '000</b>	<b>RS '000</b>	<b>RS '000</b>
<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
	<u>134,303,687</u>	<u>35,624,052</u>	<u>13,567,845</u>	<u>20,074,061</u>	<u>20,142,397</u>	<u>19,059,480</u>	<u>42,310,594</u>	<u>285,082,116</u>
Less allowances for credit impairment								(6,623,444)
<b>Total</b>								<u><u>278,458,672</u></u>
<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 liability	1,064,361	-	-	-	-	-	17,928	1,082,289
Other financial liabilities	-	-	-	-	-	326,721	1,856,861	2,183,582
<b>Total</b>	<u>217,625,453</u>	<u>3,080,459</u>	<u>3,089,287</u>	<u>1,990,256</u>	<u>889,424</u>	<u>3,736,720</u>	<u>20,866,629</u>	<u><u>251,278,228</u></u>
<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)
								<u><u>27,180,444</u></u>

**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	10,247,910	-	-	-	-	-	12,751,929	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
<b>Less allowances for credit impairment</b>								(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 liability	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)**
**(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. Treasury Strategic Business Unit manages liquidity in accordance with this policy, on a day-to-day basis.

The amounts disclosed in the following table are undiscounted (2016 and 2015: discounted).

**Maturities of assets and liabilities**

At June 30, 2017	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	31,095,535	88,293	66,755	110,392	111,000	-	2,958,373	34,430,348
Derivative financial instruments	67,330	43,070	76,559	4,119	-	12,068	18,622	221,768
Loans to and placements with banks	2,284,636	9,050,762	7,035,679	6,262,551	1,051,501	216,497	175,058	26,076,684
Loans and advances to customers	41,583,457	13,087,373	11,024,140	11,262,040	42,818,920	92,629,035	8,713,669	221,118,634
Investment securities	5,156,606	5,668,028	7,707,836	11,889,368	14,475,562	21,425,266	2,333,747	68,656,413
Other financial assets	-	-	-	-	150,620	256,148	16,311,836	16,718,604
	80,187,564	27,937,526	25,910,969	29,528,470	58,607,603	114,539,014	30,511,305	367,222,451
Less allowances for credit impairment								(5,659,940)
<b>Total</b>								<b>361,562,511</b>
<b>Financial liabilities</b>								
Deposits from banks	3,681,236	767,382	739,188	121,804	-	-	-	5,309,610
Deposits from customers	224,608,852	4,789,785	3,635,273	6,677,544	10,877,279	10,221,806	-	260,810,539
Derivative financial instruments	22,854	15,243	29,995	3,330	-	-	20,431	91,853
Other borrowed funds	-	450,378	205,666	711,882	2,551,091	1,917,107	-	5,836,124
Subordinated liability	-	20,891	-	24,792	403,561	802,018	-	1,251,262
Other financial liabilities	-	-	-	-	-	255,012	1,339,324	1,594,336
<b>Total</b>	228,312,942	6,043,679	4,610,122	7,539,352	13,831,931	13,195,943	1,359,755	<b>274,893,724</b>
<b>Net liquidity gap</b>	(148,125,378)	21,893,847	21,300,847	21,989,118	44,775,672	101,343,071	29,151,550	92,328,727
Less allowances for credit impairment								(5,659,940)
								<b>86,668,787</b>

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(iv) Liquidity risk (continued)**
**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	-	-	-	-	-	247,353	14,330,693	14,578,046
	<u>74,540,813</u>	<u>14,924,372</u>	<u>12,040,578</u>	<u>23,126,920</u>	<u>34,469,463</u>	<u>105,943,366</u>	<u>20,036,604</u>	<u>285,082,116</u>
Less allowances for credit impairment								(6,623,444)
<b>Total</b>								<u><u>278,458,672</u></u>
<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 liability	-	-	-	-	-	1,064,361	17,928	1,082,289
Other financial liabilities	-	-	-	-	-	326,721	1,856,861	2,183,582
<b>Total</b>	<u>206,070,965</u>	<u>4,833,133</u>	<u>4,615,568</u>	<u>7,491,117</u>	<u>9,001,557</u>	<u>16,764,394</u>	<u>2,501,494</u>	<u>251,278,228</u>
<b>Net liquidity gap</b>	(131,530,152)	10,091,239	7,425,010	15,635,803	25,467,906	89,178,972	17,535,110	33,803,888
Less allowances for credit impairment								(6,623,444)
								<u><u>27,180,444</u></u>

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

## (iv) Liquidity risk (continued)

**Maturities of assets and liabilities**

<b>At June 30, 2015</b>	<b>Up to 1 month RS '000</b>	<b>1-3 months RS '000</b>	<b>3-6 months RS '000</b>	<b>6-12 months RS '000</b>	<b>1-3 years RS '000</b>	<b>Over 3 years RS '000</b>	<b>Non-maturity items RS '000</b>	<b>Total RS '000</b>
<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
	<u>61,443,504</u>	<u>14,277,206</u>	<u>9,915,384</u>	<u>13,478,219</u>	<u>32,864,516</u>	<u>99,368,678</u>	<u>19,280,664</u>	<u>250,628,171</u>
Less allowances for credit impairment								(7,136,693)
<b>Total</b>								<u><u>243,491,478</u></u>
<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 liability	-	-	-	-	-	1,055,697	-	1,055,697
Other financial liabilities	-	-	-	112	-	-	3,403,279	3,403,391
<b>Total</b>	<u>178,679,410</u>	<u>4,936,506</u>	<u>4,594,968</u>	<u>6,526,748</u>	<u>7,600,785</u>	<u>13,041,209</u>	<u>4,591,703</u>	<u>219,971,329</u>
<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)
								<u><u>23,520,149</u></u>

Other disclosures on financial risk management 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 and instruments for which a market, which is considered to be the most representative price, is readily available. These financial assets have been classified as held-for-trading and 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 receivables and payables are assumed to approximate their fair values.

#### **(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**

<b>At June 30, 2017</b>	<b>Held-to-maturity</b>	<b>Held-for-trading</b>	<b>Loans and Receivables</b>	<b>Available-for-sale</b>	<b>Other financial Liabilities at amortised cost</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	-	-	34,033,960	-	-	34,033,960
Derivative financial instruments	-	226,731	-	-	-	226,731
Loans to and placements with banks	-	-	25,912,459	-	-	25,912,459
Loans and advances to customers	-	-	160,418,113	-	-	160,418,113
Investment securities	54,804,703	9,568,590	-	4,517,570	-	68,890,863
Other financial assets	-	-	16,718,604	-	-	16,718,604
<b>Total</b>	<b>54,804,703</b>	<b>9,795,321</b>	<b>237,083,136</b>	<b>4,517,570</b>	<b>-</b>	<b>306,200,730</b>
<b>Financial liabilities</b>						
Deposits from banks	-	-	-	-	5,302,566	5,302,566
Deposits from customers	-	-	-	-	258,569,834	258,569,834
Derivative financial instruments	-	97,430	-	-	-	97,430
Other borrowed funds	-	-	-	-	5,606,935	5,606,935
Subordinated liability	-	-	-	-	1,052,037	1,052,037
Other financial liabilities	-	-	-	-	1,594,336	1,594,336
<b>Total</b>	<b>-</b>	<b>97,430</b>	<b>-</b>	<b>-</b>	<b>272,125,708</b>	<b>272,223,138</b>
<b>Net on-balance sheet position</b>	<b>54,804,703</b>	<b>9,697,891</b>	<b>237,083,136</b>	<b>4,517,570</b>	<b>(272,125,708)</b>	<b>33,977,592</b>

<b>At June 30, 2016</b>	<b>Held-to-maturity</b>	<b>Held-for-trading</b>	<b>Loans and Receivables</b>	<b>Available-for-sale</b>	<b>Other financial Liabilities at amortised cost</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	-	-	31,975,711	-	-	31,975,711
Derivative financial instruments	-	175,771	-	-	-	175,771
Loans to and placements with banks	-	-	22,485,623	-	-	22,485,623
Loans and advances to customers	-	-	153,002,181	-	-	153,002,181
Investment securities	51,487,622	722,789	-	4,030,929	-	56,241,340
Other financial assets	-	-	14,578,046	-	-	14,578,046
<b>Total</b>	<b>51,487,622</b>	<b>898,560</b>	<b>222,041,561</b>	<b>4,030,929</b>	<b>-</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 liability	-	-	-	-	1,082,289	1,082,289
Other financial liabilities	-	-	-	-	2,183,582	2,183,582
<b>Total</b>	<b>-</b>	<b>122,353</b>	<b>-</b>	<b>-</b>	<b>251,155,875</b>	<b>251,278,228</b>
<b>Net on-balance sheet position</b>	<b>51,487,622</b>	<b>776,207</b>	<b>222,041,561</b>	<b>4,030,929</b>	<b>(251,155,875)</b>	<b>27,180,444</b>

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(f) Financial instruments by category (continued)**

At June 30, 2015	Held-to- 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	-	-	22,999,839	-	-	22,999,839
Derivative financial instruments	-	268,901	-	-	-	268,901
Loans to and placements with banks	-	-	9,486,995	-	-	9,486,995
Loans and advances to customers	-	-	153,007,990	-	-	153,007,990
Investment securities	40,952,351	-	-	4,042,967	-	44,995,318
Other financial assets	-	-	12,732,435	-	-	12,732,435
<b>Total</b>	40,952,351	268,901	198,227,259	4,042,967	-	<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 liability	-	-	-	-	1,055,697	1,055,697
Other financial liabilities	-	-	-	-	3,403,391	3,403,391
<b>Total</b>	-	112,976	-	-	219,858,353	<b>219,971,329</b>
<b>Net on-balance sheet position</b>	40,952,351	155,925	198,227,259	4,042,967	(219,858,353)	<b>23,520,149</b>

**4. CASH AND CASH EQUIVALENTS**

	2017 RS'000	2016 RS'000	2015 RS'000
Cash in hand	2,452,676	1,935,304	1,834,403
Foreign currency notes and coins	87,530	101,945	61,472
Unrestricted balances with Central Bank <sup>*</sup>	2,957,699	599,525	2,234,995
Balances due in clearing	466,989	447,892	315,767
Money market placements	18,413,033	9,724,176	10,247,910
Balances with banks abroad	9,483,500	18,876,854	8,305,292
Interbank loans <sup>**</sup>	172,533	290,015	-
	<b>34,033,960</b>	<b>31,975,711</b>	<b>22,999,839</b>

<sup>\*</sup> Unrestricted balances with Central Bank represents amounts above the minimum cash reserve requirement.

<sup>\*\*</sup> Interbank loans represent loans with banks having an original maturity of less than three months.

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

	2017 RS'000	2016 RS'000	2015 RS'000
Cash and cash equivalents	34,033,960	31,975,711	22,999,839
Other borrowed funds (see note 14(a))	(36,653)	(6,450)	(1,239,457)
<b>Net cash and cash equivalents</b>	<b>33,997,307</b>	<b>31,969,261</b>	<b>21,760,382</b>
<b>Change in year</b>	<b>2,028,046</b>	<b>10,208,879</b>	<b>4,062,315</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>Derivative held-for-trading - Level 2</b>			
<b>Year ended 30<sup>th</sup> June 2017</b>			
<b>Derivative Instruments</b>			
Currency forwards	5,167,027	71,665	51,677
Interest rate swaps	3,656,970	23,118	26,008
Currency swaps	20,199,124	131,481	19,745
Others	467	467	-
	<b>29,023,588</b>	<b>226,731</b>	<b>97,430</b>
<b>Year ended 30<sup>th</sup> June 2016</b>			
<b>Derivative Instruments</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>Derivative Instruments</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>

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

	2017 RS'000	2016 RS'000	2015 RS'000
<b>(i) Loans to and placements with banks</b>			
in Mauritius	7,923,109	6,277,304	3,226,027
outside Mauritius	<b>46,064,793</b>	45,117,309	24,830,786
	<b>53,987,902</b>	51,394,613	28,056,813
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	<b>(28,069,066)</b>	(28,891,045)	(18,553,202)
	<b>25,918,836</b>	22,503,568	9,503,611
Less:			
Allowances for credit impairment	<b>(6,377)</b>	(17,945)	(16,616)
	<b>25,912,459</b>	22,485,623	9,486,995
<b>(ii) Remaining term to maturity</b>			
Up to 3 months	<b>10,310,019</b>	12,417,250	4,462,999
Over 3 months and up to 6 months	<b>8,204,519</b>	2,703,010	652,588
Over 6 months and up to 1 year	<b>6,239,050</b>	6,377,327	4,034,532
Over 1 year and up to 5 years	<b>1,042,981</b>	1,005,981	175,950
Over 5 years	<b>122,267</b>	-	177,542
	<b>25,918,836</b>	22,503,568	9,503,611

**(iii) Allowances for credit impairment**
**Portfolio provision :**

	RS'000
At 1 <sup>st</sup> July 2014	17,400
Provision released during the year	(784)
At 30 <sup>th</sup> June 2015	16,616
Provision for credit impairment for the year	1,329
At 30 <sup>th</sup> June 2016	<b>17,945</b>
Provision released during the year	<b>(11,568)</b>
<b>At 30<sup>th</sup> June 2017</b>	<b>6,377</b>

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

	2017 RS'000	2016 RS'000	2015 RS'000
<b>(i) Loans and advances to customers</b>			
Retail customers:			
Credit cards	659,962	653,788	632,299
Mortgages	24,817,404	21,969,378	19,079,950
Other retail loans	12,238,768	12,621,653	12,847,745
Corporate customers	94,149,015	97,817,761	98,090,550
Governments	523,147	283,043	308,155
Entities outside Mauritius	33,679,435	26,262,057	29,169,368
	<b>166,067,731</b>	<b>159,607,680</b>	<b>160,128,067</b>
Less:			
Allowances for credit impairment	<b>(5,649,618)</b>	<b>(6,605,499)</b>	<b>(7,120,077)</b>
	<b>160,418,113</b>	<b>153,002,181</b>	<b>153,007,990</b>
<b>(ii) Remaining term to maturity</b>			
Up to 3 months	44,208,300	41,307,782	47,884,696
Over 3 months and up to 6 months	4,402,213	4,612,032	3,046,710
Over 6 months and up to 1 year	3,140,205	4,194,400	3,945,189
Over 1 year and up to 5 years	39,158,470	39,145,416	40,080,619
Over 5 years	75,158,543	70,348,050	65,170,853
	<b>166,067,731</b>	<b>159,607,680</b>	<b>160,128,067</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 2016	2,690,731	1,103,007	3,793,738
Exchange adjustment	(12,712)	-	(12,712)
Provision for credit impairment for the year	1,134,680	48,336	1,183,016
Provision released during the year	(188,539)	-	(188,539)
Amounts written off	(1,620,922)	-	(1,620,922)
<b>At 30<sup>th</sup> June 2017</b>	<b>2,003,238</b>	<b>1,151,343</b>	<b>3,154,581</b>
Interest suspense	2,495,037	-	2,495,037
<b>Provision and interest suspense at 30<sup>th</sup> June 2017</b>	<b>4,498,275</b>	<b>1,151,343</b>	<b>5,649,618</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)
<b>At 30<sup>th</sup> June 2015</b>	<b>3,236,815</b>	<b>1,086,213</b>	<b>4,323,028</b>
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>

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

	2017				2016	2015	
	Gross amount of loans	Non- performing loans	Specific provision and interest subense	Portfolio provision	Total provision	Total provision	
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	
Agriculture and fishing	7,572,451	1,097,418	271,192	5,757	276,949	157,292	41,153
Manufacturing	9,026,061	519,400	145,726	119,936	265,662	456,515	335,013
<i>of which EPZ</i>	2,978,358	38,915	19,591	19,484	39,075	34,806	85,795
Tourism	25,293,172	834,463	494,959	75,960	570,919	455,062	399,346
Transport	4,139,850	1,302,433	562,046	43,542	605,588	161,106	724,050
Construction	14,162,092	1,691,177	876,900	168,243	1,045,143	1,726,628	1,452,839
Financial and business services	23,402,578	285,333	76,084	77,700	153,784	135,805	151,989
Traders	24,530,233	774,288	426,775	208,152	634,927	678,167	772,900
Personal	35,412,059	1,849,506	1,015,851	209,984	1,225,835	1,398,313	1,597,019
<i>of which credit cards</i>	651,341	30,514	25,047	14,370	39,417	69,785	56,200
<i>of which housing</i>	24,817,404	965,112	408,970	115,262	524,232	474,613	394,410
Professional	1,044,842	91,449	48,412	19,781	68,193	80,629	222,614
Foreign governments	523,147	-	-	-	-	-	-
Global Business Licence holders	12,880,934	263,911	315,586	180,888	496,474	1,035,110	1,118,000
Others	8,080,312	989,295	264,744	41,400	306,144	320,872	305,154
	<b>166,067,731</b>	<b>9,698,673</b>	<b>4,498,275</b>	<b>1,151,343</b>	<b>5,649,618</b>	<b>6,605,499</b>	<b>7,120,077</b>

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

Corporate notes and credit facilities 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.

	2017	2016	2015
	RS'000	RS'000	RS'000
Agriculture and fishing	2,004,071	2,088,601	1,272,256
Manufacturing	294,716	2,365,431	2,142,255
<i>of which EPZ</i>	66,337	1,616,803	1,553,253
Tourism	5,934,586	11,705,358	15,418,199
Transport	52,399	39,946	39,511
Construction	4,253,594	4,211,324	2,048,423
Financial and business services	4,185,209	15,081,604	23,187,296
Traders	18,949,275	15,283,922	21,074,963
Global Business Licence holders	20,171,903	21,789,702	14,104,893
Others	45,647	62,992	738,654
	<b>55,891,400</b>	<b>72,628,880</b>	<b>80,026,450</b>

**7. INVESTMENT SECURITIES**

	2017 RS'000	2016 RS'000	2015 RS'000
Held-to-maturity	54,808,648	51,487,622	40,952,351
Held-for-trading	9,568,590	722,789	-
Available-for-sale	4,517,570	4,030,929	4,042,967
	<b>68,894,808</b>	56,241,340	44,995,318
Less:			
Allowance for credit impairment on investment securities	(3,945)	-	-
	<b>68,890,863</b>	56,241,340	44,995,318

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

Government of Mauritius & Bank of Mauritius bonds	41,906,114	35,690,180	26,664,552
Treasury bills	10,680,154	14,635,850	13,527,402
Foreign bonds	1,567,616	879,910	731,007
Notes	654,764	281,682	29,390
	<b>54,808,648</b>	51,487,622	40,952,351

**(ii) Remaining term to maturity**

	2017					
	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000	Total RS'000
Government of Mauritius & Bank of Mauritius bonds	3,380,265	2,865,462	5,216,563	21,027,859	9,415,965	41,906,114
Treasury bills	5,844,659	2,199,712	2,635,783	-	-	10,680,154
Foreign bonds	-	68,982	118,978	1,379,656	-	1,567,616
Notes	-	-	-	252,291	402,473	654,764
	<b>9,224,924</b>	<b>5,134,156</b>	<b>7,971,324</b>	<b>22,659,806</b>	<b>9,818,438</b>	<b>54,808,648</b>

	2016					
	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000	Total RS'000
Government of Mauritius & Bank of Mauritius bonds	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>

	2015					
	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000	Total RS'000
Government of Mauritius & Bank of Mauritius bonds	-	202,253	1,159,889	20,312,773	4,989,637	26,664,552
Treasury bills	4,524,071	4,948,490	4,054,841	-	-	13,527,402
Foreign bonds	356,000	-	177,579	197,428	-	731,007
Notes	-	-	-	29,390	-	29,390
	<b>4,880,071</b>	<b>5,150,743</b>	<b>5,392,309</b>	<b>20,539,591</b>	<b>4,989,637</b>	<b>40,952,351</b>

**(b) (i) Held-for-trading**

	2017 RS'000	2016 RS'000	2015 RS'000
Treasury bills:			
Up to 3 months	2,107,988	-	-
Over 3 months and up to 6 months	1,949,766	-	-
Over 6 months and up to 12 months	3,312,559	57,061	-
Government of Mauritius & Bank of Mauritius bonds	1,689,065	-	-
Foreign bonds	509,212	665,728	-
	<b>9,568,590</b>	722,789	-

**7. INVESTMENT SECURITIES (continued)**
**(b) (ii) Held-for-trading by levels**
**Quoted - Level 1**

Foreign bonds

2017 RS'000	2016 RS'000	2015 RS'000
<b>509,212</b>	665,728	-

**Unquoted - Level 2**

 Government of Mauritius & Bank of Mauritius bonds  
 Treasury bills

<b>1,689,065</b>	-	-
<b>7,370,313</b>	57,061	-
<b>9,059,378</b>	57,061	-
<b>9,568,590</b>	722,789	-

**(c) (i) Available-for-sale**
**Quoted - Level 1**

 Official list : shares  
 Bonds  
 Foreign shares

<b>1,263,593</b>	1,103,635	1,125,581
<b>1,480,819</b>	1,185,342	1,243,909
<b>840,403</b>	671,661	623,697
<b>3,584,815</b>	2,960,638	2,993,187

**Unquoted - Level 2**

Investment fund

<b>494,618</b>	416,227	408,482
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**Unquoted - Level 3**

 Equity shares  
 Investment fund  
 Inflation - indexed Government of Mauritius bonds

<b>229,276</b>	229,276	229,279
-	215,927	203,158
<b>208,861</b>	208,861	208,861
<b>438,137</b>	654,064	641,298
<b>4,517,570</b>	4,030,929	4,042,967

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

	<b>RS'000</b>
At 1 <sup>st</sup> July 2014	659,842
Additions	370,640
Disposals	(25,933)
Fair value	(76,862)
Transfers	(307,473)
Exchange adjustments	21,084
At 30 <sup>th</sup> June 2015	641,298
Disposals	(4)
Fair value	11,102
Exchange adjustments	1,668
<b>At 30<sup>th</sup> June 2016</b>	<b>654,064</b>
<b>Fair value</b>	<b>(4,466)</b>
<b>Transfers</b>	<b>(205,448)</b>
<b>Exchange adjustments</b>	<b>(6,013)</b>
<b>At 30<sup>th</sup> June 2017</b>	<b>438,137</b>

The book value approximates the fair value at the end of the reporting year.



**8. INVESTMENTS IN SUBSIDIARY AND ASSOCIATES**
**(a) Investment in subsidiary**
**(i) The Bank's interest in its subsidiary is as follows:**

	Country of incorporation	Nature of Business	Assets RS'000	Liabilities RS'000	Holding %	Cost RS'000
<b>Year ended 30<sup>th</sup> June 2017</b>						
	Madagascar	Banking & Financial Services	326,928,177	274,927,649	80.00	<u>64,322</u>
<b>Year ended 30<sup>th</sup> June 2016 and 30<sup>th</sup> June 2015</b>						
						<u>-</u>

**(ii) Movement in investment in subsidiary is as follows:**

	2017 RS'000	2016 RS'000	2015 RS'000
At 1 <sup>st</sup> July	-	-	-
Transferred from other assets	64,322	-	-
<b>At 30<sup>th</sup> June</b>	<u>64,322</u>	<u>-</u>	<u>-</u>

**(b) Investments in associates**
**(i) The Bank's interest in its 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 2017</b>							
	France	70,552,404	64,336,491	4,099,849	706,130	49.99	447,489
	Mozambique	4,062,817	3,498,273	303,435	(246,064)	35.00	<u>310,625</u>
							758,114
							<u>401,136</u>
							<u>1,159,250</u>
<b>Year ended 30<sup>th</sup> June 2016</b>							
	France	68,961,035	62,672,636	4,169,968	877,613	49.99	447,489
	Mozambique	3,205,028	2,160,847	234,284	(229,511)	35.00	<u>310,625</u>
							758,114
							<u>402,949</u>
							<u>1,161,063</u>
<b>Year ended 30<sup>th</sup> June 2015</b>							
							<u>-</u>

**(ii) Movements in investments in associates are as follows:**

	2017 RS'000	2016 RS'000	2015 RS'000
At 1 <sup>st</sup> July	1,161,063	-	-
Increase in shareholding during the year	-	50,705	-
Exchange adjustment on subordinated loan	(1,813)	-	-
Transferred from non-current assets held for distribution	-	707,409	-
	<u>1,159,250</u>	<u>758,114</u>	<u>-</u>
Subordinated loan to associate reclassified from loans to banks	-	402,949	-
<b>At 30<sup>th</sup> June</b>	<u>1,159,250</u>	<u>1,161,063</u>	<u>-</u>

**9. INTANGIBLE ASSETS**

	<b>Computer software RS'000</b>	<b>Work in progress RS'000</b>	<b>Total RS'000</b>
<b>Cost</b>			
At 1 <sup>st</sup> July 2014	2,377,402	15,388	2,392,790
Additions	10,726	33,942	44,668
Scrap/Impairment	(12,824)	-	(12,824)
Disposal	(68,992)	-	(68,992)
Transfer	35,309	(35,309)	-
At 30 <sup>th</sup> June 2015	2,341,621	14,021	2,355,642
Additions	9,897	216,905	226,802
Scrap/Impairment	(50,679)	-	(50,679)
Transfer	36,309	(36,309)	-
At 30 <sup>th</sup> June 2016	<b>2,337,148</b>	<b>194,617</b>	<b>2,531,765</b>
Additions	<b>58,471</b>	<b>236,888</b>	<b>295,359</b>
Scrap/Impairment	<b>(602)</b>	-	<b>(602)</b>
Transfer	<b>322,094</b>	<b>(322,094)</b>	-
<b>At 30<sup>th</sup> June 2017</b>	<b>2,717,111</b>	<b>109,411</b>	<b>2,826,522</b>
<b>Amortisation</b>			
At 1 <sup>st</sup> July 2014	1,869,706	-	1,869,706
Scrap/Impairment	(12,824)	-	(12,824)
Disposal adjustment	(65,586)	-	(65,586)
Charge for the year	178,893	-	178,893
At 30 <sup>th</sup> June 2015	1,970,189	-	1,970,189
Scrap/Impairment	(50,679)	-	(50,679)
Charge for the year	139,093	-	139,093
At 30 <sup>th</sup> June 2016	<b>2,058,603</b>	-	<b>2,058,603</b>
Scrap/Impairment	<b>(136)</b>	-	<b>(136)</b>
Charge for the year	<b>188,486</b>	-	<b>188,486</b>
<b>At 30<sup>th</sup> June 2017</b>	<b>2,246,953</b>	-	<b>2,246,953</b>
<b>Net book values</b>			
<b>At 30<sup>th</sup> June 2017</b>	<b>470,158</b>	<b>109,411</b>	<b>579,569</b>
At 30 <sup>th</sup> June 2016	278,545	194,617	473,162
At 30 <sup>th</sup> June 2015	371,432	14,021	385,453

The Core Banking System T24 is the only material intangible asset. The remaining useful life of this intangible asset is 3 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 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
Additions	14,777	98,270	26,597	207,677	347,321
Disposals	(23,715)	(42,018)	(7,544)	-	(73,277)
Transfer	82,735	159,660	41,583	(283,978)	-
At 30 <sup>th</sup> June 2017	4,521,988	3,096,825	819,791	58,519	8,497,123
<b>Accumulated depreciation</b>					
At 1 <sup>st</sup> July 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
Charge for the year	73,703	241,837	52,316	-	367,856
Disposal adjustment	(5,431)	(40,829)	(6,031)	-	(52,291)
At 30 <sup>th</sup> June 2017	785,256	2,344,280	456,505	-	3,586,041
<b>Net book values</b>					
At 30 <sup>th</sup> June 2017	3,736,732	752,545	363,286	58,519	4,911,082
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

**11. DEFERRED TAX ASSETS**

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

**2017**

	Balance as at 1 <sup>st</sup> July RS'000	Exchange adjustments RS'000	Recognised in Statement of profit or loss RS'000	Recognised in Statement of comprehensive income RS'000	Balance as at 30 <sup>th</sup> June RS'000
Provisions and post retirement benefits	253,905	-	(16,718)	(50,661)	186,526
Provisions for credit impairment	115,753	(12)	36,837	-	152,578
Accelerated tax depreciation	(175,698)	-	(19,739)	-	(195,437)
<b>At 30<sup>th</sup> June 2017</b>	<b>193,960</b>	<b>(12)</b>	<b>380</b>	<b>(50,661)</b>	<b>143,667</b>

**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>

**12. OTHER ASSETS**

	<b>2017</b>	2016	2015
	<b>RS'000</b>	RS'000	RS'000
Mandatory balances with Central Bank	<b>15,432,134</b>	13,688,608	12,252,565
Prepayments & other receivables	<b>699,238</b>	725,499	741,942
Credit Card Clearing	<b>68,525</b>	68,659	180,193
Non-banking assets acquired in satisfaction of debts <sup>*</sup>	<b>51,802</b>	51,909	57,474
Impersonal & other accounts	<b>1,510,530</b>	1,735,429	952,038
Post employee benefit asset (see note 16)	<b>99,487</b>	-	-
Receivable from Mauritius Union Assurance Co Ltd	<b>-</b>	-	25,000
	<b>17,861,716</b>	16,270,104	14,209,212

<sup>\*</sup> The Bank's policy is to dispose of such assets as soon as the market permits.

**13. DEPOSITS**

	2017	2016	2015
	RS'000	RS'000	RS'000
<b>(a) Deposits from banks</b>			
Demand deposits	2,743,209	2,643,632	3,303,800
Money market deposits with remaining term to maturity:			
Up to 3 months	1,703,673	715,676	513,951
Over 3 months and up to 6 months	670,395	1,045,465	468,681
Over 6 months and up to 1 year	185,289	25,379	151,133
Over 1 year and up to 5 years	-	282,451	66,860
	<b>2,559,357</b>	<b>2,068,971</b>	<b>1,200,625</b>
	<b>5,302,566</b>	<b>4,712,603</b>	<b>4,504,425</b>
<b>(b) Deposits from customers</b>			
<b>(i) Retail customers</b>			
Demand deposits	25,318,439	25,182,505	20,749,512
Savings deposits	109,296,825	96,501,629	86,278,568
Time deposits with remaining term to maturity:			
Up to 3 months	2,807,938	3,304,781	3,551,031
Over 3 months and up to 6 months	1,954,290	1,855,545	1,931,431
Over 6 months and up to 1 year	4,201,169	4,596,129	4,426,212
Over 1 year and up to 5 years	12,645,559	11,663,604	10,388,268
Over 5 years	12,586	5,478	53,665
	<b>21,621,542</b>	<b>21,425,537</b>	<b>20,350,607</b>
	<b>156,236,806</b>	<b>143,109,671</b>	<b>127,378,687</b>
<b>(ii) Corporate customers</b>			
Demand deposits	80,958,642	72,803,936	58,121,151
Savings deposits	5,906,210	5,253,182	5,643,459
Time deposits with remaining term to maturity:			
Up to 3 months	4,799,755	4,937,434	5,048,153
Over 3 months and up to 6 months	1,520,490	1,699,788	1,967,956
Over 6 months and up to 1 year	2,260,756	2,850,519	1,494,043
Over 1 year and up to 5 years	6,810,544	4,803,622	1,468,282
Over 5 years	62	2,791,762	2,781,760
	<b>15,391,607</b>	<b>17,083,125</b>	<b>12,760,194</b>
	<b>102,256,459</b>	<b>95,140,243</b>	<b>76,524,804</b>
<b>(iii) Government</b>			
Demand deposits	15,353	9,411	10,423
Savings deposits	61,216	52,168	28,662
	<b>76,569</b>	<b>61,579</b>	<b>39,085</b>
	<b>258,569,834</b>	<b>238,311,493</b>	<b>203,942,576</b>

The carrying amounts of deposits are not materially different from their fair values.

**14. OTHER BORROWED FUNDS**

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

	<b>2017</b>	2016	2015
	<b>RS'000</b>	RS'000	RS'000
Borrowings from banks:			
in Mauritius	<b>4,743</b>	9,134	11,832
abroad	<b>5,602,192</b>	4,856,774	6,940,432
	<b>5,606,935</b>	4,865,908	6,952,264
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	<b>36,653</b>	6,450	1,239,457

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

**(b) Remaining term to maturity:**

On demand or within a period not exceeding 1 year	<b>41,352</b>	15,584	2,092,663
Within a period of more than 3 years	<b>5,565,583</b>	4,850,324	4,859,601
	<b>5,606,935</b>	4,865,908	6,952,264

**15. SUBORDINATED LIABILITY**

Subordinated liability comprise of the following:

USD 30M subordinated debt maturing in August 2023 at an average interest rate of 4.3% (2016: 3.8% and 2015: 3.5%) (Level 3)

<b>2017</b>	2016	2015
<b>RS'000</b>	RS'000	RS'000
<b>1,052,037</b>	1,082,289	1,055,697

The carrying amount of the subordinated liability is not materially different from its fair value.

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.



**16. POST EMPLOYEE BENEFIT (ASSET)/LIABILITY**

Amounts recognised in the financial statements at end of year

	2017 Rs'000	2016 Rs'000	2015 Rs'000
<b>Reconciliation of net defined benefit (asset)/liability</b>			
Opening balance	249,707	1,034,237	1,151,026
Amount recognised in statement of profit or loss	214,143	267,942	309,534
Amount recognised in statement of comprehensive income	(337,740)	204,430	(112,018)
Less capital injection	-	(1,000,000)	-
Less employer contributions	(225,597)	(256,902)	(314,305)
<b>(Asset)/liability as shown in note 12/17</b>	<b>(99,487)</b>	<b>249,707</b>	<b>1,034,237</b>
<b>Reconciliation of fair value of plan assets</b>			
Opening balance	6,202,697	5,297,925	4,703,279
Interest income	402,455	365,479	379,941
Capital injection	-	1,000,000	-
Employer contributions	225,597	256,902	314,305
Benefits paid	(242,419)	(317,155)	(220,533)
Return on plan assets excluding interest income	208,035	(400,454)	120,933
<b>Closing balance</b>	<b>6,796,365</b>	<b>6,202,697</b>	<b>5,297,925</b>
<b>Reconciliation of present value of defined benefit obligation</b>			
Opening balance	6,452,404	6,332,162	5,854,305
Current service cost	205,129	201,604	229,782
Interest expense	411,469	431,817	459,693
Other benefits paid	(242,419)	(317,155)	(220,533)
Liability experience (gain)/loss	-	(2,726)	20,774
Liability gain due to change in financial assumptions	(129,705)	(193,298)	(11,859)
<b>Closing balance</b>	<b>6,696,878</b>	<b>6,452,404</b>	<b>6,332,162</b>
<b>Components of amount recognised in statement of profit or loss</b>			
Current service cost	205,129	201,604	229,782
Net interest on net defined benefit liability	9,014	66,338	79,752
<b>Total</b>	<b>214,143</b>	<b>267,942</b>	<b>309,534</b>
Analysed as follows:			
The Mauritius Commercial Bank Limited	197,708	238,205	271,530
Other members of The MCB Group Limited	16,435	29,737	38,004
	<b>214,143</b>	<b>267,942</b>	<b>309,534</b>
<b>Components of amount recognised in other statement of comprehensive income</b>			
Return on plan assets (above)/below interest income	(208,035)	400,454	(120,933)
Liability experience (gain)/loss	-	(2,726)	20,774
Liability gain due to change in financial assumptions	(129,705)	(193,298)	(11,859)
<b>Total</b>	<b>(337,740)</b>	<b>204,430</b>	<b>(112,018)</b>

**16. POST EMPLOYEE BENEFIT (ASSET)/LIABILITY (continued)**

	2017	2016	2015
<b>Allocation of plan assets at end of year</b>	%	%	%
Equity - Local quoted	28	21	22
Equity - Local unquoted	1	1	2
Debt - Overseas quoted	6	9	9
Debt - Local quoted	8	6	4
Debt - Local unquoted	4	1	3
Property - Local	3	3	4
Investment funds	32	31	39
Cash and other	18	28	17
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

<b>Allocation of plan assets at end of year</b>	%	%	%
Reporting entity's own transferable financial instruments	7	6	6
Property occupied by reporting entity	1	1	2
Other assets used by reporting entity	13	25	11

<b>Principal assumptions used at end of year</b>			
Discount rate	6.5%	6.5%	7.0%
Rate of salary increases	4.5%	4.5%	5.0%
Rate of pension increases	3.5%	3.7%	4.5%
Average retirement age (ARA)	62	62	62

Average life expectancy for:			
Male at ARA	18.0 years	18.0 years	18.0 years
Female at ARA	22.5 years	22.5 years	22.5 years

	2017 Rs'000	2016 Rs'000	2015 Rs'000
<b>Sensitivity analysis on defined benefit obligation at end of year</b>			
Increase due to 1% decrease in discount rate	1,192,044	1,221,952	1,219,187
Decrease due to 1% increase in discount rate	944,260	947,166	942,666

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 recognised a net defined benefit asset of Rs 99,487,000 as at 30<sup>th</sup> June 2017 for the plan (net defined benefit liability - 2016 : Rs 249,707,000, 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 BENEFIT (ASSET)/LIABILITY (continued)****Future cash flows**

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

Expected employer contribution for the next year (Rs'000)	<b>249,077</b>
Weighted average duration of the defined benefit obligation	<b>16 years</b>

**Defined Contribution Scheme**

As from 1<sup>st</sup> July 2015, the Bank has introduced a Defined Contribution Cash Balanced Scheme "DCCBS" 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.



Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2017

	2017 RS'000	2016 RS'000	2015 RS'000
<b>17. OTHER LIABILITIES</b>			
Post employee benefit liability (see note 16)	-	249,707	1,034,237
Proposed dividend (see note 29)	1,341,522	1,031,940	1,023,229
Impersonal & other accounts	4,207,488	3,020,806	2,574,767
	<b>5,549,010</b>	<b>4,302,453</b>	<b>4,632,233</b>

**18. STATED CAPITAL AND RESERVES**

(a) **Stated capital**

	Number of shares
	<b>Share capital</b>
At 1 <sup>st</sup> July 2014	237,960,247
Rights issue	450,000,000
<b>At 30<sup>th</sup> June 2015, 30<sup>th</sup> June 2016 and 30<sup>th</sup> June 2017</b>	<b>687,960,247</b>

Fully paid ordinary shares carry one vote per share and the right to dividend.

At a special meeting of the shareholder of the Bank held on 25<sup>th</sup> 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 Bank.

(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**

	2017 RS'000	2016 RS'000	2015 RS'000
<b>(a) Instruments</b>			
Guarantees on account of customers	19,186,056	18,330,563	15,686,218
Letters of credit and other obligations on account of customers	20,444,660	8,273,242	15,781,597
Other contingent items	1,497,666	3,526,005	11,854,612
	<b>41,128,382</b>	<b>30,129,810</b>	<b>43,322,427</b>
<b>(b) Commitments</b>			
Loans and other facilities, including undrawn credit facilities	6,714,334	2,600,154	4,380,241
<b>(c) Tax assessments *</b>	<b>992,632</b>	<b>836,868</b>	<b>797,225</b>
<b>(d) Other</b>			
Inward bills held for collection	350,954	423,796	380,692
Outward bills sent for collection	1,003,037	1,003,723	803,573
	<b>1,353,991</b>	<b>1,427,519</b>	<b>1,184,265</b>
	<b>50,189,339</b>	<b>34,994,351</b>	<b>49,684,158</b>

\*During the period December 2011 to June 2017, the Bank received income tax assessments relating to seven consecutive years starting with financial year ended 30<sup>th</sup> June 2007 to 30<sup>th</sup> June 2013 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 992.6 million, including penalties and interests.

**20. INTEREST INCOME**

	Year ended 30 <sup>th</sup> June 2017 RS'000	Year ended 30 <sup>th</sup> June 2016 RS'000	Year ended 30 <sup>th</sup> June 2015 RS'000
Loans to and placements with banks	577,309	367,076	202,394
Loans and advances to customers	9,768,906	10,196,930	10,105,092
Held-to-maturity investments	2,129,450	1,676,321	1,278,776
Available-for-sale investments	60,596	44,754	35,254
Held-for-trading investments	54,031	6,594	2,506
Other	13,773	7,470	8,703
	<b>12,604,065</b>	<b>12,299,145</b>	<b>11,632,725</b>

**21. INTEREST EXPENSE**

Deposits from banks	22,038	15,623	16,335
Deposits from customers	3,668,925	3,949,990	3,856,580
Subordinated liability	44,522	41,006	300,459
Other borrowed funds	134,890	94,706	111,299
	<b>3,870,375</b>	<b>4,101,325</b>	<b>4,284,673</b>

**22. FEE AND COMMISSION INCOME**

Retail banking fees	754,754	755,429	763,574
Corporate banking fees	565,567	433,541	430,487
Guarantee fees	221,386	212,579	204,688
Interbank transaction fees	57,237	49,809	43,092
Cards and other related fees	1,458,173	1,315,704	1,221,028
Trade finance fees	296,915	432,867	647,999
Others	86,076	80,280	92,475
	<b>3,440,108</b>	<b>3,280,209</b>	<b>3,403,343</b>

**23. FEE AND COMMISSION EXPENSE**

Interbank transaction fees	13,206	20,589	16,553
Cards and other related fees	653,578	582,843	539,423
Others	20,889	24,922	30,954
	<b>687,673</b>	<b>628,354</b>	<b>586,930</b>

**24. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS**

**CARRIED AT FAIR VALUE**

Net gain/(loss) from derivative financial instruments	88,017	(108,131)	157,552
Investment securities held-for-trading	12,191	19,649	(10,668)
	<b>100,208</b>	<b>(88,482)</b>	<b>146,884</b>

**25. DIVIDEND INCOME**

Income from subsidiary	63,506	-	-
Income from associate	246,305	210,830	-
Income from quoted investments	38,805	33,720	26,166
Income from unquoted investments	5,978	7,448	4,697
	<b>354,594</b>	<b>251,998</b>	<b>30,863</b>

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

	Year ended 30 <sup>th</sup> June 2017 RS'000	Year ended 30 <sup>th</sup> June 2016 RS'000	Year ended 30 <sup>th</sup> June 2015 RS'000
Wages and salaries	2,039,545	1,857,907	1,766,201
Defined benefit plan	197,708	238,205	271,530
Defined contribution plan	66,041	36,046	-
Compulsory social security obligations	61,166	56,856	54,079
Equity settled share-based payments	3,024	1,558	1,488
Other personnel expenses	588,100	571,326	488,768
	<b>2,955,584</b>	<b>2,761,898</b>	<b>2,582,066</b>
Number of employees at the end of the year	<b>2,682</b>	<b>2,598</b>	<b>2,522</b>

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

Software licensing and other information technology cost	242,892	215,071	208,519
Others	1,267,005	1,165,427	1,132,790
	<b>1,509,897</b>	<b>1,380,498</b>	<b>1,341,309</b>

**27. NET IMPAIRMENT OF FINANCIAL ASSETS**

Allowance for credit impairment:			
Loans and advances (Note a)	946,559	907,021	860,840
Investment securities	3,945	-	-
Impairment of available-for-sale investment securities	-	-	36,333
	<b>950,504</b>	<b>907,021</b>	<b>897,173</b>

**(a) Allowance for credit impairment on loans and advances**

Provision for bad and doubtful debts:			
Loans to and placements with banks	-	1,329	-
Loans and advances to customers	1,183,016	1,544,417	869,266
Bad debts written off for which no provisions were made	13,173	34,776	48,960
Provision released during the year:			
Loans to and placements with banks	(11,568)	-	(784)
Loans and advances to customers	(188,539)	(648,211)	(29,350)
Recoveries of advances written off	(49,523)	(25,290)	(27,252)
	<b>946,559</b>	<b>907,021</b>	<b>860,840</b>

**28. INCOME TAX EXPENSE**

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

	Year ended 30 <sup>th</sup> June 2017 RS'000	Year ended 30 <sup>th</sup> June 2016 RS'000	Year ended 30 <sup>th</sup> June 2015 RS'000
Income tax based on the adjusted profit	807,776	664,577	588,653
Deferred tax	(380)	58,564	(41,544)
Special levy on banks	511,704	428,271	362,494
Corporate Social Responsibility contribution	96,955	147,733	62,749
Over provision in previous years	(25,967)	(3,051)	(12,062)
<b>Charge for the year</b>	<b>1,390,088</b>	<b>1,296,094</b>	<b>960,290</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	7,627,550	6,916,257	5,802,844
Discontinued operations	-	-	161,746
	<b>7,627,550</b>	<b>6,916,257</b>	<b>5,964,590</b>
Tax calculated at a rate of 15%	1,144,133	1,037,439	894,689
Impact of:			
Income not subject to tax	(73,095)	(126,464)	(119,631)
Expenses not deductible for tax purposes	98,547	79,259	117,934
Tax credits	(362,189)	(267,093)	(345,883)
Special levy on banks	511,704	428,271	362,494
Corporate Social Responsibility contribution	96,955	147,733	62,749
Over provision in previous years	(25,967)	(3,051)	(12,062)
<b>Tax charge</b>	<b>1,390,088</b>	<b>1,296,094</b>	<b>960,290</b>

**Corporate Social Responsibility (CSR) tax**

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Bank is required to allocate a percentage of its chargeable income of the preceding year to government approved CSR Non Governmental Organisations.

**Bank Levy**

The Bank is liable to pay a special levy as a percentage of its chargeable income.

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

Remeasurement of defined benefit pension plan	(337,740)	204,430	(112,018)
Deferred tax charge/(credit)	50,661	(30,665)	16,803
<b>Remeasurement of defined benefit pension plan, net of deferred tax</b>	<b>(287,079)</b>	<b>173,765</b>	<b>(95,215)</b>

**29. DIVIDENDS**
**Dividends in cash**

Paid on 15 <sup>th</sup> December 2016 at Rs 1.85 per share (F/Y 2016: Rs 1.60; F/Y 2015: Rs 3.30)	1,272,727	1,100,736	785,268
Paid on 27 <sup>th</sup> July 2017 at Rs 1.95 per share (F/Y 2016: Rs 1.50; F/Y 2015: Rs 4.30)	1,341,522	1,031,940	1,023,229
	<b>2,614,249</b>	<b>2,132,676</b>	<b>1,808,497</b>

**Dividends in specie\***

Dividends in specie	-	540,445	-
	<b>2,614,249</b>	<b>2,673,121</b>	<b>1,808,497</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.

	2017	2016	2015
	RS'000	RS'000	RS'000
<b>Profit from continuing operations</b>	<b>6,237,462</b>	5,620,163	4,842,554
<b>Profit from discontinued operations</b>	-	-	161,746
<b>Weighted average number of ordinary shares (thousands)</b>	<b>687,960</b>	687,960	244,124
<b>Earnings per share (Rs)</b>			
Continuing operations	<b>9.07</b>	8.17	19.84
Discontinued operations	-	-	0.66



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

	2017	2016	2015
	RS'000	RS'000	RS'000
Expenditure contracted for but not incurred	119,233	217,793	117,600
Expenditure approved by the Board but not contracted for	211,719	348,114	304,371

**(b) Securities pledged**

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

	2017	2016	2015
	RS'000	RS'000	RS'000
Government of Mauritius bonds	3,828,888	3,041,047	2,941,320

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

	2017	2016	2015
	RS'000	RS'000	RS'000
<b>Continuing operations</b>			
Profit before tax	7,627,550	6,916,257	5,802,844
Increase in other assets	(1,554,461)	(2,000,439)	(1,291,386)
Increase in other liabilities	1,186,682	446,039	229,006
Net (increase)/decrease in derivative financial instruments	(75,883)	102,507	(568,189)
Increase in investment securities held-for-trading	(8,845,801)	(722,789)	-
Capital injection in Superannuation Fund	-	(1,000,000)	-
(Release of)/additional provision for employee benefits	(11,454)	11,040	(4,771)
Charge for credit impairment	1,186,961	1,545,746	869,266
Release of provision for credit impairment	(200,107)	(648,211)	(30,134)
Exchange (profit)/loss	(27,812)	(50,921)	89,252
Depreciation of property, plant and equipment	367,856	358,331	358,815
Amortisation of intangible assets	188,486	139,093	178,893
Profit on disposal of property, plant and equipment	(12,285)	(552)	(6,291)
Loss/(profit) on disposal of intangible assets	466	-	(14,356)
Impairment of available-for-sale investments	-	-	36,333
Profit on disposal of available-for-sale investments	(6,056)	(1,193)	(3,667)
	(175,858)	5,094,908	5,645,615
<b>Discontinued operations</b>			
Net cash flows from trading activities (see note 34(b))	-	-	195,878
	(175,858)	5,094,908	5,841,493

**33. NET CASH FLOWS FROM OTHER OPERATING ACTIVITIES**

	<b>2017</b>	2016	2015
	<b>RS'000</b>	RS'000	RS'000
Net increase in deposits	<b>20,848,304</b>	34,577,095	32,179,494
Net increase in loans and advances	<b>(11,825,677)</b>	(14,473,617)	(15,624,780)
Increase in held-to-maturity investment securities	<b>(3,321,026)</b>	(10,535,271)	(12,072,892)
Net increase/(decrease) in other borrowed funds	<b>710,209</b>	(835,418)	(30,150)
	<b>6,411,810</b>	8,732,789	4,451,672

**34. NON-CURRENT ASSETS HELD FOR DISTRIBUTION**

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

	Principal activities	Effective Holding %	Value Rs'000
<b>Year ended 30<sup>th</sup> June 2017 and 30<sup>th</sup> June 2016</b>			
<b>Banking subsidiaries and associate</b>	<b>Banking &amp; Financial services</b>	<b>N/A</b>	<b>-</b>
<b>Year ended 30<sup>th</sup> June 2015</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	<u>64,322</u>
			883,847
<b>Banking associate</b>			
Banque Française Commerciale Océan Indien	Banking & Financial services	49.99	<u>447,369</u>
<b>Total</b>			<u><u>1,331,216</u></u>

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

	2017 Rs'000	2016 Rs'000	2015 Rs'000
<b>Income recognised in profit or loss is as follows:</b>			
Dividend income	-	-	<u>161,746</u>
<b>Cash flow information from discontinued operations is as follows:</b>			
Dividend received during the year	-	-	<u>195,878</u>

**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.

All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

**(a) Year ended 30<sup>th</sup> June 2017**

	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	13,599,877	8,733,690	2,752,435	354,594	1,759,158
Non-interest expense	(5,021,823)				
Net impairment of financial assets	(950,504)				
Income tax expense	(1,390,088)				
<b>Profit for the year</b>	<b>6,237,462</b>				
<b>Segment assets</b>	<b>273,948,642</b>	<b>271,615,370</b>	<b>-</b>	<b>2,333,272</b>	<b>-</b>
Intangible assets	579,569				
Deferred tax assets	143,667				
Unallocated assets	39,529,854				
<b>Total assets</b>	<b>314,201,732</b>				
<b>Segment liabilities</b>	<b>270,628,802</b>	<b>270,628,802</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unallocated liabilities	6,327,879				
<b>Total liabilities</b>	<b>276,956,681</b>				

**(b) 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	8,197,820	2,651,855	251,998	1,361,425
Non-interest expense	(4,639,820)				
Net impairment of financial assets	(907,021)				
Income tax expense	(1,296,094)				
<b>Profit for the year</b>	<b>5,620,163</b>				
<b>Segment assets</b>	<b>260,073,171</b>	<b>258,068,599</b>	<b>-</b>	<b>2,004,572</b>	<b>-</b>
Intangible assets	473,162				
Deferred tax assets	193,960				
Unallocated assets	26,191,225				
<b>Total assets</b>	<b>286,931,518</b>				
<b>Segment liabilities</b>	<b>249,094,646</b>	<b>249,094,646</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unallocated liabilities	4,881,449				
<b>Total liabilities</b>	<b>253,976,095</b>				

**(c) 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	7,348,052	2,816,413	30,863	965,772
Non-interest expense	(4,461,083)				
Net impairment of financial assets	(897,173)				
Income tax expense	(960,290)				
Profit from discontinued operations	161,746				
<b>Profit for the year</b>	<b>5,004,300</b>				
<b>Segment assets</b>	<b>226,312,406</b>	<b>224,333,849</b>	<b>-</b>	<b>1,978,557</b>	<b>-</b>
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>	<b>216,567,938</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unallocated liabilities	5,081,068				
<b>Total liabilities</b>	<b>221,649,006</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>Cash equivalents, Loans and Advances</b>						
Balances at 1st July 2014	-	-	2,090,941	1,578,298	70,366	614,542
Net movements during the year	16	-	248,383	182,079	3,355	1,968
Balances at 30 <sup>th</sup> June 2015	16	-	2,339,324	1,760,377	73,721	616,510
Net movements during the year	314	-	(381,415)	1,007,552	105,203	27,463
Balances at 30 <sup>th</sup> June 2016	330	-	1,957,909	2,767,929	178,924	643,973
Net movements during the year	242,492	297	224,547	(911,095)	542	156,591
<b>Balances at 30<sup>th</sup> June 2017</b>	<b>242,822</b>	<b>297</b>	<b>2,182,456</b>	<b>1,856,834</b>	<b>179,466</b>	<b>800,564</b>
<b>Leases receivable</b>						
Balance at year end:						
30 <sup>th</sup> June 2015	-	-	-	-	-	643
30 <sup>th</sup> June 2016	-	-	-	-	-	497
<b>30<sup>th</sup> June 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,176</b>
<b>Deposits</b>						
Balance at year end:						
30 <sup>th</sup> June 2015	51,828	2,060	3,800,818	168,075	241,313	41,600
30 <sup>th</sup> June 2016	50,361	79,361	5,486,329	57,485	304,548	106,069
<b>30<sup>th</sup> June 2017</b>	<b>-</b>	<b>32,221</b>	<b>5,276,410</b>	<b>504,391</b>	<b>312,033</b>	<b>94,361</b>
<b>Amounts due from/(to)</b>						
Balance at year end:						
30 <sup>th</sup> June 2015	10,164	(1,023,229)	613,448	405,030	-	-
30 <sup>th</sup> June 2016	4,918	(1,018,762)	357,448	405,899	-	-
<b>30<sup>th</sup> June 2017</b>	<b>2,060</b>	<b>(1,341,522)</b>	<b>444,088</b>	<b>453,517</b>	<b>-</b>	<b>-</b>
<b>Off Balance sheet items</b>						
Balance at year end:						
30 <sup>th</sup> June 2015	-	-	1,486,755	-	-	5,394
30 <sup>th</sup> June 2016	-	-	709,839	487,814	-	-
<b>30<sup>th</sup> June 2017</b>	<b>-</b>	<b>-</b>	<b>856,872</b>	<b>1,587</b>	<b>-</b>	<b>4,088</b>
<b>Interest income</b>						
For the year ended:						
30 <sup>th</sup> June 2015	-	-	113,089	27,380	2,552	10,229
30 <sup>th</sup> June 2016	-	-	108,999	30,256	5,567	11,002
<b>30<sup>th</sup> June 2017</b>	<b>4,472</b>	<b>-</b>	<b>110,851</b>	<b>15,084</b>	<b>4,217</b>	<b>38,429</b>
<b>Interest expense</b>						
For the year ended:						
30 <sup>th</sup> June 2015	-	-	51,672	3,953	2,823	356
30 <sup>th</sup> June 2016	-	-	51,443	2,671	3,567	108
<b>30<sup>th</sup> June 2017</b>	<b>-</b>	<b>-</b>	<b>64,271</b>	<b>8,863</b>	<b>5,727</b>	<b>383</b>
<b>Other income</b>						
For the year ended:						
30 <sup>th</sup> June 2015	6,701	-	172,271	99,936	531	468
30 <sup>th</sup> June 2016	5,100	1,598	92,680	215,172	801	452
<b>30<sup>th</sup> June 2017</b>	<b>1,359</b>	<b>1</b>	<b>144,900</b>	<b>242,293</b>	<b>951</b>	<b>3,849</b>
<b>Non interest expense</b>						
For the year ended:						
30 <sup>th</sup> June 2015	-	-	83,491	-	-	-
30 <sup>th</sup> June 2016	-	-	70,074	-	-	-
<b>30<sup>th</sup> June 2017</b>	<b>-</b>	<b>-</b>	<b>71,734</b>	<b>-</b>	<b>-</b>	<b>-</b>

All the above related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff. Credit facilities granted to related parties are secured except for credit cards, money market lines and facilities provided to related financial institution counterparties in accordance with our policy and are settled from the underlying obligor's operating cash flows.

\* 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 Rs 1,341.5M for 2016/2017, Rs 1,031.9M for 2015/2016 and Rs 1,023.2M for 2014/2015.



**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 dividends income as well as management fees charged to these entities in respect of salaries, notional rental of office space and provision of technical, administrative and other assistance. It also includes an amount of Rs 3.9M annually 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 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 Bank. Gross amounts claimed, net of withholding tax in the local jurisdiction, were as follows :

MCB Seychelles	5 % of Gross operating income	Rs 46.2M
MCB Madagascar	5 % of Operating income	Rs 8.4M
MCB Maldives	5 % of Operating income	Rs 20.2M

The Bank also claimed fees from SG Moçambique in respect of IT, Systems and Cards services support for an amount of USD 183,235 (FY 2015/2016: USD 112,760). These amounts have been recognised as income in the related entity statement of profit or loss.

During the year, 96,880 share options were exercised under the Group Employee Share Option scheme by key management personnel, including executive directors amounting to Rs 20.4M (FY2015/2016: None, FY 2014/2015: 7,588 share options for Rs 1.5M ).

**Key Management Personnel compensation**

Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :

	<b>2017</b>	2016	2015
	<b>RS'000</b>	RS'000	RS'000
Salaries and short term employee benefits	<b>133,737</b>	145,518	108,707
Post employment benefits	<b>8,253</b>	11,539	13,010
	<b>141,990</b>	157,057	121,717

**37. Additional disclosures 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 gives 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, GBL holders 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 2017**

Note	2017			2016			2015		
	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	34,033,960	6,137,427	27,896,533	31,975,711	3,374,681	28,601,030	22,999,839	4,446,636	18,553,203
Derivative financial instruments	37(a) 226,731	94,309	132,422	175,771	121,419	54,352	268,901	61,873	207,028
Loans to and placements with banks	37(b) 25,912,459	7,750,576	18,161,883	22,485,623	5,987,290	16,498,333	9,486,995	3,226,027	6,260,968
Loans and advances to customers	37(c) 160,418,113	115,189,801	45,228,312	153,002,181	114,818,437	38,183,744	153,007,990	111,007,660	42,000,330
Investment securities	37(d) 68,890,863	64,485,319	4,405,544	56,241,340	52,444,929	3,796,411	44,995,318	41,788,775	3,206,543
Investment in subsidiary	37(e) 64,322	-	64,322	-	-	-	-	-	-
Investments in associates	37(e) 1,159,250	-	1,159,250	1,161,063	-	1,161,063	-	-	-
Intangible assets	37(f) 579,569	579,569	-	473,162	473,162	-	385,453	385,453	-
Property, plant and equipment	37(g) 4,911,082	4,911,082	-	4,952,603	4,952,603	-	5,030,443	5,030,443	-
Deferred tax assets	143,667	127,335	16,332	193,960	172,808	21,152	222,519	186,370	36,149
Other assets	37(h) 17,861,716	17,435,454	426,262	16,270,104	16,146,779	123,325	14,209,212	14,073,127	136,085
	<b>314,201,732</b>	<b>216,710,872</b>	<b>97,490,860</b>	<b>286,931,518</b>	<b>198,492,108</b>	<b>88,439,410</b>	<b>250,606,670</b>	<b>180,206,364</b>	<b>70,400,306</b>
Non-current assets held for distribution	37(y) -	-	-	-	-	-	1,331,216	-	1,331,216
<b>Total assets</b>	<b>314,201,732</b>	<b>216,710,872</b>	<b>97,490,860</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>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from banks	37(i) 5,302,566	222,663	5,079,903	4,712,603	90,983	4,621,620	4,504,425	52,892	4,451,533
Deposits from customers	37(j) 258,569,834	184,060,612	74,509,222	238,311,493	163,853,411	74,458,082	203,942,576	143,121,410	60,821,166
Derivative financial instruments	37(a) 97,430	22,445	74,985	122,353	36,719	85,634	112,976	21,154	91,822
Other borrowed funds	37(k) 5,606,935	4,743	5,602,192	4,865,908	9,134	4,856,774	6,952,264	11,832	6,940,432
Subordinated liability	37(l) 1,052,037	-	1,052,037	1,082,289	-	1,082,289	1,055,697	-	1,055,697
Current tax liabilities	778,869	670,881	107,988	578,996	480,352	98,644	448,835	448,835	-
Other liabilities	37(m) 5,549,010	5,501,737	47,273	4,302,453	4,302,027	426	4,632,233	4,553,675	78,558
<b>Total liabilities</b>	<b>276,956,681</b>	<b>190,483,081</b>	<b>86,473,600</b>	<b>253,976,095</b>	<b>168,772,626</b>	<b>85,203,469</b>	<b>221,649,006</b>	<b>148,209,798</b>	<b>73,439,208</b>
<b>Shareholder's equity</b>									
Stated capital	6,879,602	6,879,602	-	6,879,602	6,879,602	-	6,879,602	6,879,602	-
Retained earnings	23,462,727	23,462,727	-	20,435,491	20,435,491	-	18,705,062	18,705,062	-
Other components of equity	6,902,722	6,659,672	243,050	5,640,330	5,590,012	50,318	4,704,216	4,582,392	121,824
<b>Total equity</b>	<b>37,245,051</b>	<b>37,002,001</b>	<b>243,050</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>Total equity and liabilities</b>	<b>314,201,732</b>	<b>227,485,082</b>	<b>86,716,650</b>	<b>286,931,518</b>	<b>201,677,731</b>	<b>85,253,787</b>	<b>251,937,886</b>	<b>178,376,854</b>	<b>73,561,032</b>
<b>CONTINGENT LIABILITIES</b>									
Guarantees, letters of credit, endorsements and other obligations on account of customers	41,128,382	15,891,901	25,236,481	30,129,810	15,376,317	14,753,493	43,322,427	13,798,403	29,524,024
Commitments	6,714,334	3,316,186	3,398,148	2,600,154	1,757,355	842,799	4,380,241	3,737,850	642,391
Tax assessments	992,632	992,632	-	836,868	836,868	-	797,225	797,225	-
Other	1,353,991	508,450	845,541	1,427,519	627,279	800,240	1,184,265	650,259	534,006
37(n)	<b>50,189,339</b>	<b>20,709,169</b>	<b>29,480,170</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>

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

 Statement of profit or loss for the year ended 30<sup>th</sup> June 2017

	Note	2017			2016			2015		
		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(o)	12,604,065	9,765,425	2,838,640	12,299,145	9,679,507	2,619,638	11,632,725	9,284,865	2,347,860
Interest expense	37(p)	(3,870,375)	(3,225,767)	(644,608)	(4,101,325)	(3,419,133)	(682,192)	(4,284,673)	(3,632,492)	(652,181)
<b>Net interest income</b>		<b>8,733,690</b>	<b>6,539,658</b>	<b>2,194,032</b>	<b>8,197,820</b>	<b>6,260,374</b>	<b>1,937,446</b>	<b>7,348,052</b>	<b>5,652,373</b>	<b>1,695,679</b>
Fee and commission income	37(q)	3,440,108	2,114,635	1,325,473	3,280,209	1,947,655	1,332,554	3,403,343	1,910,305	1,493,038
Fee and commission expense	37(r)	(687,673)	(572,993)	(114,680)	(628,354)	(513,445)	(114,909)	(586,930)	(539,148)	(47,782)
<b>Net fee and commission income</b>		<b>2,752,435</b>	<b>1,541,642</b>	<b>1,210,793</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>Other income</b>										
Profit arising from dealing in foreign currencies		1,620,365	1,265,348	355,017	1,406,259	1,123,279	282,980	779,542	447,619	331,923
Net gain/(loss) from financial instruments carried at fair value	37(s)	100,208	65,906	34,302	(88,482)	(92,543)	4,061	146,884	151,052	(4,168)
		1,720,573	1,331,254	389,319	1,317,777	1,030,736	287,041	926,426	598,671	327,755
Dividend income	37(t)	354,594	39,469	315,125	251,998	36,703	215,295	30,863	27,994	2,869
Net gain/(loss) on sale of securities		6,056	7,096	(1,040)	1,193	-	1,193	3,667	-	3,667
Other operating income		32,529	35,991	(3,462)	42,455	37,915	4,540	35,679	35,679	-
		2,113,752	1,413,810	699,942	1,613,423	1,105,354	508,069	996,635	662,344	334,291
<b>Operating income</b>		<b>13,599,877</b>	<b>9,495,110</b>	<b>4,104,767</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>Non-interest expense</b>										
Salaries and human resource development	37(u)	(2,955,584)	(2,550,333)	(405,251)	(2,761,898)	(2,486,647)	(275,251)	(2,582,066)	(2,335,324)	(246,742)
Depreciation of property, plant and equipment		(367,856)	(354,146)	(13,710)	(358,331)	(348,073)	(10,258)	(358,815)	(345,338)	(13,477)
Amortisation of intangible assets		(188,486)	(178,886)	(9,600)	(139,093)	(133,173)	(5,920)	(178,893)	(171,773)	(7,120)
Other	37(v)	(1,509,897)	(1,365,618)	(144,279)	(1,380,498)	(1,238,448)	(142,050)	(1,341,309)	(1,210,427)	(130,882)
		(5,021,823)	(4,448,983)	(572,840)	(4,639,820)	(4,206,341)	(433,479)	(4,461,083)	(4,062,862)	(398,221)
<b>Operating profit before impairment</b>		<b>8,578,054</b>	<b>5,046,127</b>	<b>3,531,927</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>
Net impairment of financial assets	37(w)	(950,504)	(184,671)	(765,833)	(907,021)	(401,131)	(505,890)	(897,173)	(454,378)	(442,795)
<b>Profit before tax</b>		<b>7,627,550</b>	<b>4,861,456</b>	<b>2,766,094</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>
Income tax expense	37(x)	(1,390,088)	(1,282,100)	(107,988)	(1,296,094)	(1,197,450)	(98,644)	(960,290)	(871,255)	(89,035)
<b>Profit for the year from continuing operations</b>		<b>6,237,462</b>	<b>3,579,356</b>	<b>2,658,106</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>Discontinued operations</b>										
<b>Profit for the year from discontinued operations</b>	37(y)	-	-	-	-	-	-	161,746	-	161,746
<b>Profit for the year</b>		<b>6,237,462</b>	<b>3,579,356</b>	<b>2,658,106</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>





Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2017 (continued)

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

Statement of comprehensive income for the year ended 30<sup>th</sup> June 2017

	2017			2016			2015		
	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>6,237,462</b>	<b>3,579,356</b>	<b>2,658,106</b>	5,620,163	2,995,016	2,625,147	5,004,300	2,297,379	2,706,921
<b>Other comprehensive income/(expense):</b>									
<b>Item that will not be reclassified to profit or loss:</b>									
Remeasurement of defined benefit pension plan, net of deferred tax	287,079	287,079	-	(173,765)	(173,765)	-	95,215	95,215	-
<b>Items that may be reclassified subsequently to profit or loss:</b>									
Reclassification adjustments on disposal of available-for-sale investments	24,257	24,257	-	(60,243)	(60,243)	-	-	-	-
Net fair value gain/(loss) on available-for-sale investments	355,079	112,029	243,050	(46,491)	(96,809)	50,318	398,796	276,972	121,824
	<b>379,336</b>	<b>136,286</b>	<b>243,050</b>	<b>(106,734)</b>	<b>(157,052)</b>	<b>50,318</b>	<b>398,796</b>	<b>276,972</b>	<b>121,824</b>
<b>Other comprehensive income/(expense) for the year</b>	<b>666,415</b>	<b>423,365</b>	<b>243,050</b>	<b>(280,499)</b>	<b>(330,817)</b>	<b>50,318</b>	<b>494,011</b>	<b>372,187</b>	<b>121,824</b>
<b>Total comprehensive income for the year</b>	<b>6,903,877</b>	<b>4,002,721</b>	<b>2,901,156</b>	5,339,664	2,664,199	2,675,465	5,498,311	2,669,566	2,828,745
<b>Total comprehensive income for the year</b>									
Continuing operations	6,903,877	4,002,721	2,901,156	5,339,664	2,664,199	2,675,465	5,336,565	2,669,566	2,666,999
Discontinued operations	-	-	-	-	-	-	161,746	-	161,746
	<b>6,903,877</b>	<b>4,002,721</b>	<b>2,901,156</b>	5,339,664	2,664,199	2,675,465	5,498,311	2,669,566	2,828,745

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

## (a) Derivative financial instruments

	2017			2016			2015		
	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	71,665	48,500	23,165	70,977	29,231	41,746	49,480	31,926	17,554
Interest rate swaps	23,118	4,514	18,604	11,903	10,891	1,012	17,859	17,859	-
Currency swaps	131,481	41,295	90,186	92,841	81,297	11,544	201,562	12,088	189,474
Others	467	-	467	50	-	50	-	-	-
	<b>226,731</b>	<b>94,309</b>	<b>132,422</b>	<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>(ii) Fair value liabilities</b>									
Currency forwards	51,677	5,692	45,985	75,943	32,246	43,697	35,862	13,169	22,693
Interest rate swaps	26,008	-	26,008	22,174	-	22,174	18,796	-	18,796
Currency swaps	19,745	16,753	2,992	24,236	4,473	19,763	58,318	7,985	50,333
	<b>97,430</b>	<b>22,445</b>	<b>74,985</b>	<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) Loans to and placements with banks

<b>(i) Loans to and placements with banks</b>									
in Mauritius	7,923,109	7,923,109	-	6,277,304	6,277,304	-	3,226,027	3,226,027	-
outside Mauritius	46,064,793	-	46,064,793	45,117,309	-	45,117,309	24,830,786	-	24,830,786
	<b>53,987,902</b>	<b>7,923,109</b>	<b>46,064,793</b>	<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>
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	(28,069,066)	(172,533)	(27,896,533)	(28,891,045)	(290,014)	(28,601,031)	(18,553,202)	-	(18,553,202)
	<b>25,918,836</b>	<b>7,750,576</b>	<b>18,168,260</b>	<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>
Less allowances for credit impairment	(6,377)	-	(6,377)	(17,945)	-	(17,945)	(16,616)	-	(16,616)
	<b>25,912,459</b>	<b>7,750,576</b>	<b>18,161,883</b>	<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>(ii) Remaining term to maturity</b>									
Up to 3 months	10,310,019	1,446,416	8,863,603	12,417,250	885,880	11,531,370	4,462,999	-	4,462,999
Over 3 months and up to 6 months	8,204,519	917,913	7,286,606	2,703,010	817,451	1,885,559	652,588	-	652,588
Over 6 months and up to 1 year	6,239,050	4,343,266	1,895,784	6,377,327	3,277,978	3,099,349	4,034,532	3,226,027	808,505
Over 1 year and up to 5 years	1,042,981	1,042,981	-	1,005,981	1,005,981	-	175,950	-	175,950
Over 5 years	122,267	-	122,267	-	-	-	177,542	-	177,542
	<b>25,918,836</b>	<b>7,750,576</b>	<b>18,168,260</b>	<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>

## (iii) Allowances for credit impairment

	TOTAL RS'000	Segment B RS'000
<b>Portfolio provision</b>		
At 1st July 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	17,945	17,945
Provision released during the year	(11,568)	(11,568)
At 30 <sup>th</sup> June 2017	<b>6,377</b>	<b>6,377</b>



Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2017 (continued)

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

(c) Loans and advances to customers

	2017			2016			2015		
	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	659,962	649,264	10,698	653,788	635,868	17,920	632,299	617,957	14,342
Mortgages	24,817,404	23,594,364	1,223,040	21,969,378	20,764,866	1,204,512	19,079,950	17,896,781	1,183,169
Other retail loans	12,238,768	11,994,464	244,304	12,621,653	12,260,191	361,462	12,847,745	12,485,027	362,718
Corporate customers	94,149,015	82,914,210	11,234,805	97,817,761	85,992,753	11,825,008	98,090,550	84,986,509	13,104,041
Governments	523,147	-	523,147	283,043	-	283,043	308,155	-	308,155
Entities outside Mauritius	33,679,435	-	33,679,435	26,262,057	-	26,262,057	29,169,368	-	29,169,368
	<b>166,067,731</b>	<b>119,152,302</b>	<b>46,915,429</b>	<b>159,607,680</b>	<b>119,653,678</b>	<b>39,954,002</b>	<b>160,128,067</b>	<b>115,986,274</b>	<b>44,141,793</b>
Less:									
Allowances for credit impairment	(5,649,618)	(3,962,501)	(1,687,117)	(6,605,499)	(4,835,241)	(1,770,258)	(7,120,077)	(4,978,614)	(2,141,463)
	<b>160,418,113</b>	<b>115,189,801</b>	<b>45,228,312</b>	<b>153,002,181</b>	<b>114,818,437</b>	<b>38,183,744</b>	<b>153,007,990</b>	<b>111,007,660</b>	<b>42,000,330</b>

(i) Remaining term to maturity

Up to 3 months	44,208,300	32,320,989	11,887,311	41,307,782	31,800,811	9,506,971	47,884,696	31,729,569	16,155,127
Over 3 months and up to 6 months	4,402,213	2,127,850	2,274,363	4,612,032	2,891,769	1,720,263	3,046,710	1,483,107	1,563,603
Over 6 months and up to 1 year	3,140,205	2,039,228	1,100,977	4,194,400	1,660,033	2,534,367	3,945,189	3,431,042	514,147
Over 1 year and up to 5 years	39,158,470	20,427,820	18,730,650	39,145,416	22,895,153	16,250,263	40,080,619	22,060,272	18,020,347
Over 5 years	75,158,543	62,236,415	12,922,128	70,348,050	60,405,912	9,942,138	65,170,853	57,282,284	7,888,569
	<b>166,067,731</b>	<b>119,152,302</b>	<b>46,915,429</b>	<b>159,607,680</b>	<b>119,653,678</b>	<b>39,954,002</b>	<b>160,128,067</b>	<b>115,986,274</b>	<b>44,141,793</b>

(ii) Credit concentration of risk by industry sectors

Agriculture and fishing	2,004,071	2,004,071	-	2,088,601	2,088,601	-	1,272,256	1,272,256	-
Manufacturing	294,716	294,716	-	2,365,431	2,365,431	-	2,142,255	2,142,255	-
of which EPZ	66,337	66,337	-	1,616,803	1,616,803	-	1,553,253	1,553,253	-
Tourism	5,934,586	5,838,189	96,397	11,705,358	11,226,012	479,346	15,418,199	14,348,693	1,069,506
Transport	52,399	52,399	-	39,946	39,944	2	39,511	39,511	-
Construction	4,253,594	4,253,594	-	4,211,324	4,211,324	-	2,048,423	2,048,423	-
Financial and business services	4,185,209	4,161,770	23,439	15,081,604	3,736,683	11,344,921	23,187,296	4,019,725	19,167,571
Traders	18,949,275	1,881,672	17,067,603	15,283,922	1,418,246	13,865,676	21,074,963	793,626	20,281,337
Global Business Licence holders	20,171,903	-	20,171,903	21,789,702	-	21,789,702	14,104,893	-	14,104,893
Others	45,647	45,647	-	62,992	62,992	-	738,654	175,616	563,038
	<b>55,891,400</b>	<b>18,532,058</b>	<b>37,359,342</b>	<b>72,628,880</b>	<b>25,149,233</b>	<b>47,479,647</b>	<b>80,026,450</b>	<b>24,840,105</b>	<b>55,186,345</b>



Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2017 (continued)

37. Additional disclosures 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 2016	2,690,731	1,103,007	3,793,738	1,849,673	779,104	2,628,777	841,058	323,903	1,164,961
Exchange adjustment	(12,712)	-	(12,712)	-	-	-	(12,712)	-	(12,712)
Provision for credit impairment for the year	1,134,680	48,336	1,183,016	377,814	(10,985)	366,829	756,866	59,321	816,187
Provision released during the year	(188,539)	-	(188,539)	(156,839)	-	(156,839)	(31,700)	-	(31,700)
Amounts written off	(1,620,922)	-	(1,620,922)	(865,152)	-	(865,152)	(755,770)	-	(755,770)
<b>At 30<sup>th</sup> June 2017</b>	<b>2,003,238</b>	<b>1,151,343</b>	<b>3,154,581</b>	<b>1,205,496</b>	<b>768,119</b>	<b>1,973,615</b>	<b>797,742</b>	<b>383,224</b>	<b>1,180,966</b>
Interest suspense	2,495,037	-	2,495,037	1,988,886	-	1,988,886	506,151	-	506,151
<b>Provision and interest suspense at 30<sup>th</sup> June 2017</b>	<b>4,498,275</b>	<b>1,151,343</b>	<b>5,649,618</b>	<b>3,194,382</b>	<b>768,119</b>	<b>3,962,501</b>	<b>1,303,893</b>	<b>383,224</b>	<b>1,687,117</b>
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	16,794	1,544,417	414,495	40,536	455,031	1,113,128	(23,742)	1,089,386
Provision released during the year	(648,211)	-	(648,211)	(63,441)	-	(63,441)	(584,770)	-	(584,770)
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>

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

## (c) Loans and advances to customers (continued)

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

	2017				2016	2015	
	Gross amount of loans	Non performing loans	Specific provision and interest 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	7,572,451	1,097,418	271,192	5,757	276,949	157,292	41,153
Manufacturing	9,026,061	519,400	145,726	119,936	265,662	456,515	335,013
<i>of which EPZ</i>	2,978,358	38,915	19,591	19,484	39,075	34,806	85,795
Tourism	25,293,172	834,463	494,959	75,960	570,919	455,062	399,346
Transport	4,139,850	1,302,433	562,046	43,542	605,588	161,106	724,050
Construction	14,162,092	1,691,177	876,900	168,243	1,045,143	1,726,628	1,452,839
Financial and business services	23,402,578	285,333	76,084	77,700	153,784	135,805	151,989
Traders	24,530,233	774,288	426,775	208,152	634,927	678,167	772,900
Personal	35,412,059	1,849,506	1,015,851	209,984	1,225,835	1,398,313	1,597,019
<i>of which credit cards</i>	651,341	30,514	25,047	14,370	39,417	69,785	56,200
<i>of which housing</i>	24,817,404	965,112	408,970	115,262	524,232	474,613	394,410
Professional	1,044,842	91,449	48,412	19,781	68,193	80,629	222,614
Foreign governments	523,147	-	-	-	-	-	-
Global Business Licence holders	12,880,934	263,911	315,586	180,888	496,474	1,035,110	1,118,000
Others	8,080,312	989,295	264,744	41,400	306,144	320,872	305,154
	<b>166,067,731</b>	<b>9,698,673</b>	<b>4,498,275</b>	<b>1,151,343</b>	<b>5,649,618</b>	<b>6,605,499</b>	<b>7,120,077</b>
<b>Segment A</b>							
Agriculture and fishing	7,472,171	1,097,354	271,128	5,668	276,796	157,139	40,962
Manufacturing	9,025,388	518,950	145,299	119,933	265,232	361,238	326,630
<i>of which EPZ</i>	2,978,358	38,915	19,591	19,484	39,075	34,806	85,795
Tourism	16,616,165	308,911	129,063	50,598	179,661	165,546	284,207
Transport	1,544,502	174,229	25,433	20,796	46,229	33,265	134,596
Construction	14,089,113	1,691,050	876,784	167,257	1,044,041	1,725,484	1,452,254
Financial and business services	17,830,222	106,187	67,013	59,377	126,390	122,701	134,443
Traders	12,300,635	763,890	424,867	99,051	523,918	561,671	686,713
Personal	33,943,612	1,754,089	979,658	200,973	1,180,631	1,355,101	1,562,336
<i>of which credit cards</i>	641,162	30,231	24,803	14,141	38,944	66,395	56,200
<i>of which housing</i>	23,594,364	888,493	383,007	109,603	492,610	452,229	388,159
Professional	779,098	90,129	47,134	13,722	60,856	71,790	85,896
Others	5,551,396	268,639	228,003	30,744	258,747	281,306	270,577
	<b>119,152,302</b>	<b>6,773,428</b>	<b>3,194,382</b>	<b>768,119</b>	<b>3,962,501</b>	<b>4,835,241</b>	<b>4,978,614</b>
<b>Segment B</b>							
Agriculture and fishing	100,280	64	64	89	153	153	191
Manufacturing	673	450	427	3	430	95,277	8,383
Tourism	8,677,007	525,552	365,896	25,362	391,258	289,516	115,139
Transport	2,595,348	1,128,204	536,613	22,746	559,359	127,841	589,454
Construction	72,979	127	116	986	1,102	1,144	585
Financial and business services	5,572,356	179,146	9,071	18,323	27,394	13,104	17,546
Traders	12,229,598	10,398	1,908	109,101	111,009	116,496	86,187
Personal	1,468,447	95,417	36,193	9,011	45,204	43,212	34,683
Professional	265,744	1,320	1,278	6,059	7,337	8,839	136,718
Foreign governments	523,147	-	-	-	-	-	-
Global Business Licence holders	12,880,934	263,911	315,586	180,888	496,474	1,035,110	1,118,000
Others	2,528,916	720,656	36,741	10,656	47,397	39,566	34,577
	<b>46,915,429</b>	<b>2,925,245</b>	<b>1,303,893</b>	<b>383,224</b>	<b>1,687,117</b>	<b>1,770,258</b>	<b>2,141,463</b>

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

## (d) Investment securities

	2017			2016			2015		
	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	54,808,648	53,241,032	1,567,616	51,487,622	50,607,712	879,910	40,952,351	40,221,344	731,007
Held-for-trading	9,568,590	9,059,378	509,212	722,789	57,061	665,728	-	-	-
Available-for-sale	4,517,570	2,188,854	2,328,716	4,030,929	1,780,156	2,250,773	4,042,967	1,567,431	2,475,536
	<b>68,894,808</b>	<b>64,489,264</b>	<b>4,405,544</b>	56,241,340	52,444,929	3,796,411	44,995,318	41,788,775	3,206,543
Less:									
Allowances for credit impairment on investment securities	(3,945)	(3,945)	-	-	-	-	-	-	-
	<b>68,890,863</b>	<b>64,485,319</b>	<b>4,405,544</b>	56,241,340	52,444,929	3,796,411	44,995,318	41,788,775	3,206,543

## (i) Held-to-maturity

Government of Mauritius & Bank of Mauritius bonds	41,906,114	41,906,114	-	35,690,180	35,690,180	-	26,664,552	26,664,552	-
Treasury bills	10,680,154	10,680,154	-	14,635,850	14,635,850	-	13,527,402	13,527,402	-
Foreign bonds	1,567,616	-	1,567,616	879,910	-	879,910	731,007	-	731,007
Notes	654,764	654,764	-	281,682	281,682	-	29,390	29,390	-
	<b>54,808,648</b>	<b>53,241,032</b>	<b>1,567,616</b>	51,487,622	50,607,712	879,910	40,952,351	40,221,344	731,007

## (ii) Held-for-trading

<b>Quoted - Level 1</b>									
Foreign bonds	509,212	-	509,212	665,728	-	665,728	-	-	-
<b>Unquoted - Level 2</b>									
Government of Mauritius & Bank of Mauritius bonds	1,689,065	1,689,065	-	-	-	-	-	-	-
Treasury bills	7,370,313	7,370,313	-	57,061	57,061	-	-	-	-
	9,059,378	9,059,378	-	57,061	57,061	-	-	-	-
	<b>9,568,590</b>	<b>9,059,378</b>	<b>509,212</b>	722,789	57,061	665,728	-	-	-

## (iii) Available-for-sale

<b>Quoted - Level 1</b>									
Official list: shares	1,263,593	1,263,593	-	1,103,635	1,103,635	-	1,125,581	1,125,581	-
Bonds	1,480,819	499,173	981,646	1,185,342	250,433	934,909	1,243,909	15,762	1,228,147
Foreign shares	840,403	-	840,403	671,661	-	671,661	623,697	-	623,697
	<b>3,584,815</b>	<b>1,762,766</b>	<b>1,822,049</b>	2,960,638	1,354,068	1,606,570	2,993,187	1,141,343	1,851,844
<b>Unquoted - Level 2</b>									
Investment fund	494,618	-	494,618	416,227	-	416,227	408,482	-	408,482
<b>Unquoted - Level 3</b>									
Investment fund	-	-	-	215,927	-	215,927	203,158	-	203,158
Equity shares	229,276	217,227	12,049	229,276	217,227	12,049	229,279	217,227	12,052
Inflation - indexed Government of Mauritius bonds	208,861	208,861	-	208,861	208,861	-	208,861	208,861	-
	<b>438,137</b>	<b>426,088</b>	<b>12,049</b>	654,064	426,088	227,976	641,298	426,088	215,210
	<b>4,517,570</b>	<b>2,188,854</b>	<b>2,328,716</b>	4,030,929	1,780,156	2,250,773	4,042,967	1,567,431	2,475,536

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

## (e) Investments in subsidiary and associates

## (i) Investment in subsidiary

The Bank's interest in its subsidiary is as follows:

	Country of incorporation	Holding %	2017			2016			2015		
			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
MCB Madagascar SA	Madagascar	80.00	64,322	-	64,322	-	-	-	-	-	-

## Movement in investment in subsidiary

	2017			2016			2015		
	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	-	-	-	-	-	-	-	-	-
Transferred from other assets	64,322	-	64,322	-	-	-	-	-	-
At 30 <sup>th</sup> June	64,322	-	64,322	-	-	-	-	-	-

## (ii) Investment in associates

The Bank's interest in its associates is as follows:

	Country of incorporation	Holding %	2017			2016			2015		
			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
Banque Française											
Commerciale Ocean Indien	France	49.99	447,489	-	447,489	447,489	-	447,489	-	-	
Société Générale Moçambique	Moçambique	35.00	310,625	-	310,625	310,625	-	310,625	-	-	
			758,114	-	758,114	758,114	-	758,114	-	-	
Subordinated loan to associate			401,136	-	401,136	402,949	-	402,949	-	-	
			1,159,250	-	1,159,250	1,161,063	-	1,161,063	-	-	

## Movements in investments in associates

	2017			2016			2015		
	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	1,161,063	-	1,161,063	-	-	-	-	-	-
Increase in shareholding during the year	-	-	-	50,705	-	50,705	-	-	-
Exchange adjustment on subordinated loan	(1,813)	-	(1,813)	-	-	-	-	-	-
Transferred from non-current assets held for distribution	-	-	-	707,409	-	707,409	-	-	-
	1,159,250	-	1,159,250	758,114	-	758,114	-	-	-
Subordinated loan to associate reclassified from loans to banks	-	-	-	402,949	-	402,949	-	-	-
At 30 <sup>th</sup> June	1,159,250	-	1,159,250	1,161,063	-	1,161,063	-	-	-

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

## (f) Intangible assets

	Computer Software RS'000	Work in progress RS'000	Total RS'000
<b>Computer Software Cost</b>			
At 1 <sup>st</sup> July 2014	2,377,402	15,388	2,392,790
Additions	10,726	33,942	44,668
Scrap/Impairment	(12,824)	-	(12,824)
Disposal	(68,992)	-	(68,992)
Transfer	35,309	(35,309)	-
At 30 <sup>th</sup> June 2015	2,341,621	14,021	2,355,642
Additions	9,897	216,905	226,802
Scrap/Impairment	(50,679)	-	(50,679)
Transfer	36,309	(36,309)	-
At 30 <sup>th</sup> June 2016	<b>2,337,148</b>	<b>194,617</b>	<b>2,531,765</b>
Additions	<b>58,471</b>	<b>236,888</b>	<b>295,359</b>
Scrap/Impairment	<b>(602)</b>	-	<b>(602)</b>
Transfer	<b>322,094</b>	<b>(322,094)</b>	-
<b>At 30<sup>th</sup> June 2017</b>	<b>2,717,111</b>	<b>109,411</b>	<b>2,826,522</b>
<b>Amortisation</b>			
At 1 <sup>st</sup> July 2014	1,869,706	-	1,869,706
Scrap/Impairment	(12,824)	-	(12,824)
Disposal adjustment	(65,586)	-	(65,586)
Charge for the year	178,893	-	178,893
At 30 <sup>th</sup> June 2015	1,970,189	-	1,970,189
Scrap/Impairment	(50,679)	-	(50,679)
Charge for the year	139,093	-	139,093
At 30 <sup>th</sup> June 2016	<b>2,058,603</b>	-	<b>2,058,603</b>
Scrap/Impairment	<b>(136)</b>	-	<b>(136)</b>
Charge for the year	<b>188,486</b>	-	<b>188,486</b>
<b>At 30<sup>th</sup> June 2017</b>	<b>2,246,953</b>	-	<b>2,246,953</b>
<b>Net book values - Segment A</b>			
<b>At 30<sup>th</sup> June 2017</b>	<b>470,158</b>	<b>109,411</b>	<b>579,569</b>
At 30 <sup>th</sup> June 2016	278,545	194,617	473,162
At 30 <sup>th</sup> June 2015	371,432	14,021	385,453

The Core Banking System T24 is the only material intangible asset. The remaining useful life of this intangible asset is 3 years.



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

## (g) Property, plant and equipment

	Land and buildings RS'000	Computer and other equipment RS'000	Furniture, fittings and vehicles RS'000	Work in progress RS'000	Total RS'000
<b>Cost</b>					
At 1 <sup>st</sup> July 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	<b>4,448,191</b>	<b>2,880,913</b>	<b>759,155</b>	<b>134,820</b>	<b>8,223,079</b>
Additions	14,777	98,270	26,597	207,677	347,321
Disposals	(23,715)	(42,018)	(7,544)	-	(73,277)
Transfer	82,735	159,660	41,583	(283,978)	-
<b>At 30<sup>th</sup> June 2017</b>	<b>4,521,988</b>	<b>3,096,825</b>	<b>819,791</b>	<b>58,519</b>	<b>8,497,123</b>
<b>Accumulated depreciation</b>					
At 1 <sup>st</sup> July 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	<b>716,984</b>	<b>2,143,272</b>	<b>410,220</b>	-	<b>3,270,476</b>
Charge for the year	73,703	241,837	52,316	-	367,856
Disposal adjustment	(5,431)	(40,829)	(6,031)	-	(52,291)
<b>At 30<sup>th</sup> June 2017</b>	<b>785,256</b>	<b>2,344,280</b>	<b>456,505</b>	-	<b>3,586,041</b>
<b>Net book values - Segment A</b>					
<b>At 30<sup>th</sup> June 2017</b>	<b>3,736,732</b>	<b>752,545</b>	<b>363,286</b>	<b>58,519</b>	<b>4,911,082</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

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

(h) Other assets

	2017			2016			2015		
	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	15,432,134	15,432,134	-	13,688,608	13,688,608	-	12,252,565	12,252,565	-
Prepayments and other receivables	699,238	528,861	170,377	725,499	693,529	31,970	741,942	688,486	53,456
Credit Card Clearing	68,525	68,525	-	68,659	68,659	-	180,193	164,291	15,902
Non-banking assets acquired in satisfaction of debts	51,802	51,802	-	51,909	51,909	-	57,474	57,474	-
Impersonal & other accounts	1,510,530	1,254,645	255,885	1,735,429	1,644,074	91,355	952,038	885,311	66,727
Post employee benefits asset	99,487	99,487	-	-	-	-	-	-	-
Receivable from Mauritius Union Assurance Co Ltd	-	-	-	-	-	-	25,000	25,000	-
	<b>17,861,716</b>	<b>17,435,454</b>	<b>426,262</b>	<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>

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

	2017			2016			2015		
	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	2,743,209	222,663	2,520,546	2,643,632	90,983	2,552,649	3,303,800	52,892	3,250,908
Money market deposits with remaining term to maturity:									
Up to 3 months	1,703,673	-	1,703,673	715,676	-	715,676	513,951	-	513,951
Over 3 months and up to 6 months	670,395	-	670,395	1,045,465	-	1,045,465	468,681	-	468,681
Over 6 months and up to 1 year	185,289	-	185,289	25,379	-	25,379	151,133	-	151,133
Over 1 year and up to 5 years	-	-	-	282,451	-	282,451	66,860	-	66,860
	2,559,357	-	2,559,357	2,068,971	-	2,068,971	1,200,625	-	1,200,625
	5,302,566	222,663	5,079,903	4,712,603	90,983	4,621,620	4,504,425	52,892	4,451,533

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

Demand deposits	25,318,439	15,771,178	9,547,261	25,182,505	12,965,061	12,217,444	20,749,512	10,628,272	10,121,240
Savings deposits	109,296,825	102,336,118	6,960,707	96,501,629	89,747,661	6,753,968	86,278,568	79,501,616	6,776,952
Time deposits with remaining term to maturity:									
Up to 3 months	2,807,938	2,135,636	672,302	3,304,781	2,295,161	1,009,620	3,551,031	2,499,326	1,051,705
Over 3 months and up to 6 months	1,954,290	1,658,863	295,427	1,855,545	1,410,603	444,942	1,931,431	1,276,450	654,981
Over 6 months and up to 1 year	4,201,169	3,459,730	741,439	4,596,129	3,311,467	1,284,662	4,426,212	3,234,232	1,191,980
Over 1 year and up to 5 years	12,645,559	11,244,637	1,400,922	11,663,604	9,753,802	1,909,802	10,388,268	8,208,247	2,180,021
Over 5 years	12,586	11,313	1,273	5,478	5,038	440	53,665	48,778	4,887
	21,621,542	18,510,179	3,111,363	21,425,537	16,776,071	4,649,466	20,350,607	15,267,033	5,083,574
	156,236,806	136,617,475	19,619,331	143,109,671	119,488,793	23,620,878	127,378,687	105,396,921	21,981,766

**(ii) Corporate customers**

Demand deposits	80,958,642	34,884,801	46,073,841	72,803,936	32,938,713	39,865,223	58,121,151	27,735,491	30,385,660
Savings deposits	5,906,210	5,902,307	3,903	5,253,182	5,206,014	47,168	5,643,459	5,562,870	80,589
Time deposits with remaining term to maturity:									
Up to 3 months	4,799,755	662,853	4,136,902	4,937,434	835,615	4,101,819	5,048,153	1,281,421	3,766,732
Over 3 months and up to 6 months	1,520,490	1,057,779	462,711	1,699,788	609,155	1,090,633	1,967,956	898,364	1,069,592
Over 6 months and up to 1 year	2,260,756	897,906	1,362,850	2,850,519	601,978	2,248,541	1,494,043	1,048,423	445,620
Over 1 year and up to 5 years	6,810,544	3,960,860	2,849,684	4,803,622	4,111,564	692,058	1,468,282	1,158,835	309,447
Over 5 years	62	62	-	2,791,762	-	2,791,762	2,781,760	-	2,781,760
	15,391,607	6,579,460	8,812,147	17,083,125	6,158,312	10,924,813	12,760,194	4,387,043	8,373,151
	102,256,459	47,366,568	54,889,891	95,140,243	44,303,039	50,837,204	76,524,804	37,685,404	38,839,400

**(iii) Government**

Demand deposits	15,353	15,353	-	9,411	9,411	-	10,423	10,423	-
Savings deposits	61,216	61,216	-	52,168	52,168	-	28,662	28,662	-
	76,569	76,569	-	61,579	61,579	-	39,085	39,085	-
	258,569,834	184,060,612	74,509,222	238,311,493	163,853,411	74,458,082	203,942,576	143,121,410	60,821,166

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

(k) Other borrowed funds

(i) Other borrowed funds comprise the following:

	2017			2016			2015		
	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
Borrowings from banks:									
in Mauritius	4,743	4,743	-	9,134	9,134	-	11,832	11,832	-
abroad	5,602,192	-	5,602,192	4,856,774	-	4,856,774	6,940,432	-	6,940,432
	<b>5,606,935</b>	<b>4,743</b>	<b>5,602,192</b>	<b>4,865,908</b>	<b>9,134</b>	<b>4,856,774</b>	<b>6,952,264</b>	<b>11,832</b>	<b>6,940,432</b>

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

(ii) Remaining term to maturity:

On demand or within a period not exceeding 1 year	41,352	4,743	36,609	15,584	9,134	6,450	2,092,663	11,832	2,080,831
Within a period of more than 3 years	5,565,583	-	5,565,583	4,850,324	-	4,850,324	4,859,601	-	4,859,601
	<b>5,606,935</b>	<b>4,743</b>	<b>5,602,192</b>	<b>4,865,908</b>	<b>9,134</b>	<b>4,856,774</b>	<b>6,952,264</b>	<b>11,832</b>	<b>6,940,432</b>

(l) Subordinated liability

USD30M subordinated debt maturing in August 2023 at an average interest rate of 4.3% (2016: 3.8% and 2015: 3.5%) (Level 3)

	<b>1,052,037</b>	-	<b>1,052,037</b>	1,082,289	-	1,082,289	1,055,697	-	1,055,697
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(m) Other liabilities

Post employee benefit liability	-	-	-	249,707	249,707	-	1,034,237	1,034,237	-
Proposed dividend	1,341,522	1,341,522	-	1,031,940	1,031,940	-	1,023,229	1,023,229	-
Impersonal & other accounts	4,207,488	4,160,215	47,273	3,020,806	3,020,380	426	2,574,767	2,496,209	78,558
	<b>5,549,010</b>	<b>5,501,737</b>	<b>47,273</b>	<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>

(n) Contingent liabilities

(i) Instruments

Guarantees on account of customers	19,186,056	12,944,650	6,241,406	18,330,563	13,076,101	5,254,462	15,686,218	10,608,174	5,078,044
Letters of credit and other obligations on account of customers	20,444,660	2,947,251	17,497,409	8,273,242	2,293,314	5,979,928	15,781,597	2,856,450	12,925,147
Other contingent items	1,497,666	-	1,497,666	3,526,005	6,902	3,519,103	11,854,612	333,779	11,520,833
	<b>41,128,382</b>	<b>15,891,901</b>	<b>25,236,481</b>	<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>

(ii) Commitments

Loans and other facilities, including undrawn credit facilities	6,714,334	3,316,186	3,398,148	2,600,154	1,757,355	842,799	4,380,241	3,737,850	642,391
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(iii) Tax assessments

	<b>992,632</b>	<b>992,632</b>	-	836,868	836,868	-	797,225	797,225	-
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(iv) Other

Inward bills held for collection	350,954	280,744	70,210	423,796	321,213	102,583	380,692	328,127	52,565
Outward bills sent for collection	1,003,037	227,706	775,331	1,003,723	306,066	697,657	803,573	322,132	481,441
	<b>1,353,991</b>	<b>508,450</b>	<b>845,541</b>	<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>50,189,339</b>	<b>20,709,169</b>	<b>29,480,170</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>

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

(o) Interest income

	2017			2016			2015		
	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	577,309	192,559	384,750	367,076	116,476	250,600	202,394	6,258	196,136
Loans and advances to customers	9,768,906	7,402,402	2,366,504	10,196,930	7,899,300	2,297,630	10,105,092	8,008,423	2,096,669
Held-to-maturity investments	2,129,450	2,101,426	28,024	1,676,321	1,650,749	25,572	1,278,776	1,258,975	19,801
Available-for-sale investments	60,596	16,675	43,921	44,754	3,633	41,121	35,254	-	35,254
Held-for-trading investments	54,031	46,898	7,133	6,594	1,980	4,614	2,506	2,506	-
Other	13,773	5,465	8,308	7,470	7,369	101	8,703	8,703	-
	<b>12,604,065</b>	<b>9,765,425</b>	<b>2,838,640</b>	<b>12,299,145</b>	<b>9,679,507</b>	<b>2,619,638</b>	<b>11,632,725</b>	<b>9,284,865</b>	<b>2,347,860</b>

(p) Interest expense

Deposits from banks	22,038	-	22,038	15,623	-	15,623	16,335	2	16,333
Deposits from customers	3,668,925	3,223,618	445,307	3,949,990	3,418,863	531,127	3,856,580	3,376,990	479,590
Subordinated liabilities	44,522	-	44,522	41,006	-	41,006	300,459	255,044	45,415
Other borrowed funds	134,890	2,149	132,741	94,706	270	94,436	111,299	456	110,843
	<b>3,870,375</b>	<b>3,225,767</b>	<b>644,608</b>	<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>

(q) Fee and commission income

Retail banking fees	754,754	333,320	421,434	755,429	329,617	425,812	763,574	390,919	372,655
Corporate banking fees	565,567	383,842	181,725	433,541	308,313	125,228	430,487	320,675	109,812
Guarantee fees	221,386	144,358	77,028	212,579	155,208	57,371	204,688	142,804	61,884
Interbank transaction fees	57,237	-	57,237	49,809	-	49,809	43,092	-	43,092
Cards and other related fees	1,458,173	1,131,655	326,518	1,315,704	1,038,060	277,644	1,221,028	982,407	238,621
Trade finance fees	296,915	103,339	193,576	432,867	100,550	332,317	647,999	48,971	599,028
Others	86,076	18,121	67,955	80,280	15,907	64,373	92,475	24,529	67,946
	<b>3,440,108</b>	<b>2,114,635</b>	<b>1,325,473</b>	<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>

(r) Fee and commission expense

Interbank transaction fees	13,206	-	13,206	20,589	-	20,589	16,553	-	16,553
Cards and other related fees	653,578	572,993	80,585	582,843	513,445	69,398	539,423	539,148	275
Others	20,889	-	20,889	24,922	-	24,922	30,954	-	30,954
	<b>687,673</b>	<b>572,993</b>	<b>114,680</b>	<b>628,354</b>	<b>513,445</b>	<b>114,909</b>	<b>586,930</b>	<b>539,148</b>	<b>47,782</b>

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

Net gain/(loss) from derivative financial instruments	88,017	45,082	42,935	(108,131)	(93,827)	(14,304)	157,552	150,255	7,297
Investment securities held-for-trading	12,191	20,824	(8,633)	19,649	1,284	18,365	(10,668)	797	(11,465)
	<b>100,208</b>	<b>65,906</b>	<b>34,302</b>	<b>(88,482)</b>	<b>(92,543)</b>	<b>4,061</b>	<b>146,884</b>	<b>151,052</b>	<b>(4,168)</b>

(t) Dividend income

Income from subsidiary	63,506	-	63,506	-	-	-	-	-	-
Income from associate	246,305	-	246,305	210,830	-	210,830	-	-	-
Income from quoted investments	38,805	34,743	4,062	33,720	30,241	3,479	26,166	23,479	2,687
Income from unquoted investments	5,978	4,726	1,252	7,448	6,462	986	4,697	4,515	182
	<b>354,594</b>	<b>39,469</b>	<b>315,125</b>	<b>251,998</b>	<b>36,703</b>	<b>215,295</b>	<b>30,863</b>	<b>27,994</b>	<b>2,869</b>

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

(u) Salaries and human resource development

	2017			2016			2015		
	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	2,039,545	1,737,941	301,604	1,857,907	1,660,389	197,518	1,766,201	1,596,954	169,247
Defined benefit plan	197,708	169,503	28,205	238,205	214,495	23,710	271,530	248,662	22,868
Defined contribution plan	66,041	62,200	3,841	36,046	32,890	3,156	-	-	-
Compulsory social security obligations	61,166	55,041	6,125	56,856	51,743	5,113	54,079	49,476	4,603
Equity settled share-based payments	3,024	2,933	91	1,558	1,509	49	1,488	1,442	46
Other personnel expenses	588,100	522,715	65,385	571,326	525,621	45,705	488,768	438,790	49,978
	<b>2,955,584</b>	<b>2,550,333</b>	<b>405,251</b>	<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>

(v) Other non-interest expense

Software licensing and other information technology cost	242,892	230,150	12,742	215,071	204,069	11,002	208,519	194,648	13,871
Others	1,267,005	1,135,468	131,537	1,165,427	1,034,379	131,048	1,132,790	1,015,779	117,011
	<b>1,509,897</b>	<b>1,365,618</b>	<b>144,279</b>	<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>

(w) Net impairment of financial assets

The impairment charge related to the Statement of Profit or Loss:

Allowance for credit impairment:									
Loans and advances	946,559	180,726	765,833	907,021	401,131	505,890	860,840	418,045	442,795
Investment securities	3,945	3,945	-	-	-	-	-	-	-
Impairment of available-for-sale investment securities	-	-	-	-	-	-	36,333	36,333	-
	<b>950,504</b>	<b>184,671</b>	<b>765,833</b>	<b>907,021</b>	<b>401,131</b>	<b>505,890</b>	<b>897,173</b>	<b>454,378</b>	<b>442,795</b>

(i) Allowance for credit impairment

Loans and advances to customers	958,127	180,726	777,401	905,692	401,131	504,561	861,624	418,045	443,579
Loans to and placements with banks	(11,568)	-	(11,568)	1,329	-	1,329	(784)	-	(784)
Investment securities	3,945	3,945	-	-	-	-	-	-	-
	<b>950,504</b>	<b>184,671</b>	<b>765,833</b>	<b>907,021</b>	<b>401,131</b>	<b>505,890</b>	<b>860,840</b>	<b>418,045</b>	<b>442,795</b>

(x) Income tax expense

<b>Current tax expense</b>									
Current year	1,416,435	1,308,895	107,540	1,240,581	1,153,720	86,861	1,013,896	903,228	110,668
(Over)/under provision in previous years	(25,967)	(21,595)	(4,372)	(3,051)	163	(3,214)	(12,062)	(279)	(11,783)
	<b>1,390,468</b>	<b>1,287,300</b>	<b>103,168</b>	<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>
Deferred tax	(380)	(5,200)	4,820	58,564	43,567	14,997	(41,544)	(31,694)	(9,850)
<b>Charge for the year</b>	<b>1,390,088</b>	<b>1,282,100</b>	<b>107,988</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>

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	7,627,550	4,861,456	2,766,094	6,916,257	4,192,466	2,723,791	5,802,844	3,168,634	2,634,210
Discontinued operations	-	-	-	-	-	-	161,746	-	161,746
	<b>7,627,550</b>	<b>4,861,456</b>	<b>2,766,094</b>	<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>
Tax calculated at a rate of 15%	1,144,133	729,219	414,914	1,037,439	628,870	408,569	894,689	475,295	419,394
Impact of:									
Income not subject to tax	(73,095)	(74,486)	1,391	(126,464)	(21,162)	(105,302)	(119,631)	(46,316)	(73,315)
Expenses not deductible for tax purposes	98,547	67,231	31,316	79,259	39,451	39,808	117,934	43,614	74,320
Tax credits	(362,189)	-	(362,189)	(267,093)	-	(267,093)	(345,883)	-	(345,883)
Special levy on banks	511,704	484,776	26,928	428,271	402,395	25,876	362,494	336,192	26,302
Corporate Social Responsibility Contribution	96,955	96,955	-	147,733	147,733	-	62,749	62,749	-
(Over)/under provision in previous years	(25,967)	(21,595)	(4,372)	(3,051)	163	(3,214)	(12,062)	(279)	(11,783)
<b>Tax charge</b>	<b>1,390,088</b>	<b>1,282,100</b>	<b>107,988</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>

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

Remeasurement of defined benefit pension plan	(337,740)	(337,740)	-	204,430	204,430	-	(112,018)	(112,018)	-
Deferred tax charge/(credit)	50,661	50,661	-	(30,665)	(30,665)	-	16,803	16,803	-
<b>Remeasurement of defined benefit pension plan, net of deferred tax</b>	<b>(287,079)</b>	<b>(287,079)</b>	<b>-</b>	<b>173,765</b>	<b>173,765</b>	<b>-</b>	<b>(95,215)</b>	<b>(95,215)</b>	<b>-</b>

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

(y) Non-current assets held for distribution

(i) Non-current assets held for distribution

	Principal activities	Effective Holding %	TOTAL RS'000	Segment A RS'000	Segment B RS'000
<b>Year ended 30<sup>th</sup> June 2017 &amp; 2016</b>					
<b>Banking subsidiaries and associate</b>	<b>Banking &amp; Financial services</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Year ended 30<sup>th</sup> June 2015</b>					
<b>Banking subsidiaries</b>					
MCB (Maldives) Private Ltd	Banking & Financial services	100.00	347,963	-	347,963
MCB Moçambique SA	Banking & Financial services	95.00	260,040	-	260,040
MCB Seychelles Ltd	Banking & Financial services	100.00	211,522	-	211,522
MCB Madagascar SA	Banking & Financial services	85.00	64,322	-	64,322
			<u>883,847</u>	<u>-</u>	<u>883,847</u>
<b>Banking associate</b>					
Banque Française Commerciale Ocean Indien	Banking & Financial services	49.99	447,369	-	447,369
<b>Total</b>			<u>1,331,216</u>	<u>-</u>	<u>1,331,216</u>

(ii) Discontinued operations following unbundling of investments

Income recognised in profit or loss is as follows:

	2017			2016			2015		
	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