



**The Mauritius Commercial Bank Limited
Financial Statements**

30 June 2018

Statement of Management's Responsibility for Financial Reporting

The Financial Statements for the Bank presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied for the year ended 30 June 2018 and Management has exercised its judgement and made best estimates where deemed necessary.

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

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

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

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

The Bank's external 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

Uday GUJADHUR
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

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 2018, 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 2018;
- 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 and capital 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.

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)***

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the 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.

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)***

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.

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)***

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

26 September 2018



Statement of financial position as at 30 June 2018

	Notes	2018 RS'000	2017 RS'000	2016 RS'000
ASSETS				
Cash and cash equivalents	4	34,087,944	34,033,960	31,975,711
Derivative financial instruments	5	95,817	226,731	175,771
Loans to and placements with banks	6(a)	19,265,587	25,912,459	22,485,623
Loans and advances to customers	6(b)	188,569,042	159,973,920	152,623,560
Investment securities	7	81,884,347	68,890,863	56,241,340
Investment in subsidiary	8(a)	117,570	64,322	-
Investments in associates	8(b)	1,362,227	1,159,250	1,161,063
Intangible assets	9	544,602	579,569	473,162
Property, plant and equipment	10	4,841,797	4,911,082	4,952,603
Deferred tax assets	11	104,365	143,667	193,960
Other assets	12	18,886,360	17,838,894	16,231,070
Total assets		349,759,658	313,734,717	286,513,863
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits from banks	13(a)	6,588,686	5,302,566	4,712,603
Deposits from customers	13(b)	278,943,186	258,569,834	238,311,493
Derivative financial instruments	5	407,024	97,430	122,353
Other borrowed funds	14	14,188,543	5,606,935	4,865,908
Subordinated liability	15	1,060,181	1,052,037	1,082,289
Current tax liabilities		872,964	778,869	578,996
Other liabilities	17	6,407,271	5,081,995	3,884,798
Total liabilities		308,467,855	276,489,666	253,558,440
Shareholder's equity				
Stated capital		6,879,602	6,879,602	6,879,602
Retained earnings		25,994,839	23,462,727	20,435,491
Other components of equity		8,417,362	6,902,722	5,640,330
Total equity		41,291,803	37,245,051	32,955,423
Total equity and liabilities		349,759,658	313,734,717	286,513,863
CONTINGENT LIABILITIES				
Guarantees, letters of credit, endorsements and other obligations on account of customers		57,851,972	41,128,382	30,129,810
Commitments		6,077,554	6,714,334	2,600,154
Tax assessments		537,147	992,632	836,868
Other	19	1,396,653	1,353,991	1,427,519
		65,863,326	50,189,339	34,994,351

These financial statements were approved for issue by the Board of Directors on the 26 September 2018.

Alain LAW MIN
Director
Chief Executive

Jean-Philippe COULIER
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee

The notes on pages 17 to 84 form part of these financial statements.
Auditor's report on pages 2 to 6



Statement of profit or loss for the year ended 30 June 2018

	Notes	Year ended 30 June 2018 RS'000	Year ended 30 June 2017 RS'000	Year ended 30 June 2016 RS'000
Interest income	20	13,903,688	12,749,424	12,457,272
Interest expense	21	(3,794,901)	(3,870,375)	(4,101,325)
Net interest income		10,108,787	8,879,049	8,355,947
Fee and commission income	22	3,644,356	3,294,749	3,122,082
Fee and commission expense	23	(867,748)	(687,673)	(628,354)
Net fee and commission income		2,776,608	2,607,076	2,493,728
Other income				
Profit arising from dealing in foreign currencies		2,152,372	1,620,365	1,406,259
Net (loss)/gain from financial instruments carried at fair value	24	(381,569)	100,208	(88,482)
		1,770,803	1,720,573	1,317,777
Dividend income	25	365,621	354,594	251,998
Net gain on sale of available-for-sale securities		17,999	6,056	1,193
Other operating income		18,704	32,529	42,455
		2,173,127	2,113,752	1,613,423
Operating income		15,058,522	13,599,877	12,463,098
Non-interest expense				
Salaries and human resource costs	26(a)	(3,129,179)	(2,955,584)	(2,761,898)
Depreciation of property, plant and equipment		(391,651)	(367,856)	(358,331)
Amortisation of intangible assets		(201,416)	(188,486)	(139,093)
Other	26(b)	(1,733,068)	(1,509,897)	(1,380,498)
		(5,455,314)	(5,021,823)	(4,639,820)
Operating profit before impairment		9,603,208	8,578,054	7,823,278
Net impairment of financial assets	27	(1,228,932)	(950,504)	(907,021)
Profit before tax		8,374,276	7,627,550	6,916,257
Income tax expense	28	(1,611,782)	(1,390,088)	(1,296,094)
Profit for the year		6,762,494	6,237,462	5,620,163
Earnings per share (Rs)	30	9.83	9.07	8.17

The notes on pages 17 to 84 form part of these financial statements.

Auditor's report on pages 2 to 6



Statement of comprehensive income for the year ended 30 June 2018

Note	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	RS'000	RS'000	RS'000
	6,762,494	6,237,462	5,620,163

Profit for the year

Other comprehensive (expense)/income:

Item that will not be reclassified to profit or loss:

Remeasurement of defined benefit pension plan, net of deferred tax

28(b) (235,146) 287,079 (173,765)

Items that may be reclassified subsequently to profit or loss:

Reclassification adjustments on disposal of available-for-sale investments

Net fair value gain/(loss) on available-for-sale investments

(227,304) 24,257 (60,243)

471,373 355,079 (46,491)

244,069 379,336 (106,734)

8,923 666,415 (280,499)

6,771,417 6,903,877 5,339,664

Other comprehensive income/(expense) for the year

Total comprehensive income for the year

The notes on pages 17 to 84 form part of these financial statements.
Auditor's report on pages 2 to 6



Statement of changes in equity for the year ended 30 June 2018

At 1 July 2015

Profit for the year
Other comprehensive expense for the year
Total comprehensive income/(expense) for the year

Dividends in cash
Dividends in specie
Transactions with owner in his capacity as owner

Transfer to statutory reserve
Transfer to general banking reserve

At 30 June 2016

Profit for the year
Other comprehensive income for the year

Total comprehensive income for the year
Dividends in cash

Transactions with owner in his capacity as owner
Transfer to statutory reserve

Transfer from general banking reserve

At 30 June 2017

Profit for the year
Other comprehensive (expense)/income for the year

Total comprehensive income for the year

Dividends in cash

Unclaimed dividends pertaining to previous years

Transactions with owner in his capacity as owner

Transfer to statutory reserve

Transfer to general banking reserve

At 30 June 2018

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
	6,879,602	18,705,062	882,117	3,130,602	691,497	30,288,880
	-	5,620,163	-	-	-	5,620,163
	-	(173,765)	(106,734)	-	-	(280,499)
	-	5,446,398	(106,734)	-	-	5,339,664
29	-	(2,132,676)	-	-	-	(2,132,676)
29	-	(540,445)	-	-	-	(540,445)
	-	(2,673,121)	-	-	-	(2,673,121)
	-	(844,000)	-	844,000	-	-
	-	(198,848)	-	-	198,848	-
	6,879,602	20,435,491	775,383	3,974,602	890,345	32,955,423
	-	6,237,462	-	-	-	6,237,462
	-	287,079	379,336	-	-	666,415
	-	6,524,541	379,336	-	-	6,903,877
29	-	(2,614,249)	-	-	-	(2,614,249)
	-	(2,614,249)	-	-	-	(2,614,249)
	-	(936,000)	-	936,000	-	-
	-	52,944	-	-	(52,944)	-
	6,879,602	23,462,727	1,154,719	4,910,602	837,401	37,245,051
	-	6,762,494	-	-	-	6,762,494
	-	(235,146)	244,069	-	-	8,923
	-	6,527,348	244,069	-	-	6,771,417
29	-	(2,751,841)	-	-	-	(2,751,841)
	-	27,176	-	-	-	27,176
	-	(2,724,665)	-	-	-	(2,724,665)
	-	(1,015,000)	-	1,015,000	-	-
	-	(255,571)	-	-	255,571	-
	6,879,602	25,994,839	1,398,788	5,925,602	1,092,972	41,291,803

The notes on pages 17 to 84 form part of these financial statements.

Auditor's report on pages 2 to 6



Statement of cash flows for the year ended 30 June 2018

	Notes	Year ended 30 June 2018 RS'000	Year ended 30 June 2017 RS'000	Year ended 30 June 2016 RS'000
Operating activities				
Net cash flows from trading activities	32	(4,030,924)	(241,430)	5,094,908
Net cash flows from other operating activities	33	7,202,416	6,374,147	8,703,397
Dividends paid		(2,751,841)	(2,304,667)	(2,123,965)
Income tax paid		(1,430,223)	(1,190,595)	(1,107,369)
Net cash flows from operating activities		(1,010,572)	2,637,455	10,566,971
Investing activities				
Investment in associate		(190,960)	-	(50,705)
Investment in subsidiary		(53,248)	-	-
Purchase of property, plant and equipment		(334,070)	(347,321)	(285,825)
Purchase of intangible assets		(166,449)	(295,359)	(226,802)
Proceeds from sale of property, plant and equipment		12,942	33,271	5,886
Net cash flows from investing activities		(731,785)	(609,409)	(557,446)
Net cash flows before financing activities		(1,742,357)	2,028,046	10,009,525
Financing activities				
Net refund of subordinated loan		-	-	199,354
Net cash flows from financing activities		-	-	199,354
(Decrease)/Increase in cash and cash equivalents		(1,742,357)	2,028,046	10,208,879
Net cash and cash equivalents at 1 July		33,997,307	31,969,261	21,760,382
Net cash and cash equivalents at 30 June	4	32,254,950	33,997,307	31,969,261

The notes on pages 17 to 84 form part of these financial statements.
Auditor's report on pages 2 to 6



General Information

The Mauritius Commercial Bank Limited ("the Bank") is a public company incorporated by Royal Charter in 1838 and registered as limited liability company on 18 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 are effective and applicable to the Bank in the reporting period:

Amendments to published standards (effective as from 1 January 2017):

- Amendments to IAS 12, Recognition of Deferred Tax Assets for unrealised losses;
- Amendments to IAS 7 - Disclosure Initiative; and
- Annual Improvements Cycle 2014 – 2016 - ammendments to IFRS12.

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 July 2017, 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 January 2018;
- IFRS 9 Financial Instruments – effective 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018;
- IFRS 16 Leases – effective 1 January 2019;
- IFRS 17 Insurance Contracts - effective 1 January 2021;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – effective 1 January 2018;
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between investor and its associate or joint venture;
- IFRIC 23 Uncertainty over Income Tax Treatments – effective 1 January 2019; and
- Annual Improvements 2014 – 2016 Cycle - effective 1 January 2018.

Where relevant, the Bank is still evaluating the effect of these standards, amendments to published standards and interpretations on the financial statements.

IFRS 2 Share-based payment Amendment on clarifying share-based payment transactions– effective 1 January 2018

No material impact is expected on the financial statements.

IFRS 9 Financial Instruments - effective 1 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.

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 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.

The adoption of IFRS 9 at 1 July 2018, by applying the accounting policies and ECL measurement methodologies outlined above, is not expected to have a material impact when compared to our existing portfolio provisions and other loan-loss reserves.

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.

IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018

No material impact is expected on the financial statements.

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 rates at the dates 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 forward contracts, currency swaps and interest rate 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 carried at amortised cost 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 classified as available-for-sale 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 historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

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 unrestricted cash and balances with Central Bank, treasury bills 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**Short term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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**Gratuity on retirement**

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Employment Rights Act 2008 (Amended) is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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 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 June 2015 in the DB scheme and join the DCCB scheme as from 1 July 2015.

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

(r) 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.

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

(s) 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.

(t) 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 dividend is declared.

(u) 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.

(v) Stated capital

(i) Ordinary shares are classified as equity.

(ii) Share issue costs are 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.

(w) Borrowing costs

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

Other borrowing costs are expensed.

(x) Impairment of non-financial assets

Assets that 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).

(y) Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

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, the directors consider 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.

Additional disclosures on pension benefits are shown in note 16.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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.

(e) Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives 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, directors consider 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.

(g) Provision for tax assessment

In assessing the provision for tax assessment, directors consider the likelihood of an outflow of resources based on discussions with the Mauritius Revenue Authority (MRA).

3. FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

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

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

(b) Credit risk

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

Credit related commitments

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

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

Credit quality

	2018 RS '000	2017 RS '000	2016 RS '000
Neither past due nor impaired	196,399,312	156,262,327	147,204,941
Past due but not impaired	2,003,711	1,626,920	5,744,304
Impaired	8,508,032	9,698,673	9,515,741
Gross	206,911,055	167,587,920	162,464,986
Less Allowances for credit impairment	(6,060,701)	(5,659,940)	(6,623,444)
Net	200,850,354	161,927,980	155,841,542
Fair Value of collaterals of past due but not impaired loans	3,034,280	1,916,486	7,000,893
Fair Value of collaterals of impaired loans	6,553,385	10,938,817	9,628,873

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 ratings have been aligned to the three quality classifications based upon the mapping of related Customer Risk Rating ("CRR") to external credit ratings. 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 2018 RS '000	Cash and cash equivalents 2017 RS '000	Loans to and placements with banks 2018 RS '000	Loans to and placements with banks 2017 RS '000
Credit rating:				
Aaa to Aa3	2,258,416	11,802,356	-	1,308,917
A1 to A3	6,442,163	10,127,093	780,599	6,070,293
B1 to B3	-	-	1,667,481	689,820
Ba1 to Ba3	1,300,121	1,640,361	1,502,665	-
Baa1 to Baa3	20,225,769	6,874,469	14,562,293	17,040,116
Caa1 to Caa3	-	172,533	-	-
Unrated	3,861,475	876,942	887,574	809,690
Total gross amount	34,087,944	31,493,754	19,400,612	25,918,836
Allowance for impairment (individual and collective)	-	-	(135,025)	(6,377)
Net carrying amount	34,087,944	31,493,754	19,265,587	25,912,459

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

	2018 RS '000	2017 RS '000	2016 RS '000
Up to 3 months	1,938,251	1,472,371	743,202
Over 3 months and up to 6 months	41,792	92,684	2,325,662
Over 6 months and up to 1 year	990	37,460	522,510
Over 1 year	22,678	24,405	2,152,930
	2,003,711	1,626,920	5,744,304

Loans and advances restructured

	2018 RS '000	2017 RS '000	2016 RS '000
Loans and advances restructured	9,786,301	13,279,962	13,021,413
<i>out of which Impaired</i>	1,478,184	1,781,548	995,728

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 :

	2018 RS '000	2017 RS '000	2016 RS '000
Credit risk exposures relating to on-balance sheet assets are as follows :			
Cash and cash equivalents	31,721,573	31,493,754	29,938,462
Derivative financial instruments	95,817	226,731	175,771
Loans to and placements with banks	19,265,587	25,912,459	22,485,623
Loans and advances to customers	188,569,042	159,973,920	152,623,560
Investment securities	79,536,257	66,557,591	54,236,768
Other financial assets	17,948,311	16,695,782	14,539,012
Total	337,136,587	300,860,237	273,999,196
Credit risk exposures relating to off-balance sheet assets are as follows :			
Guarantees, letters of credit, endorsements and other obligations on account of customers	57,851,972	41,128,382	30,129,810
Commitments	6,077,554	6,714,334	2,600,154
Total	63,929,526	47,842,716	32,729,964

(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%.

	2018 RS '000	2017 RS '000	2016 RS '000
Available-for-sale financial assets	220,918	225,879	201,546

3. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risk(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	
2018 (RS '000)	(36,352)	(37,812)	(59,521)	(15,752)	
2017 (RS '000)	(29,885)	(15,266)	(29,885)	(5,627)	
2016 (RS '000)	(8,422)	(17,843)	(28,164)	(8,341)	

Concentration of assets, liabilities and off-balance sheet items

At 30 June 2018	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS '000					
Financial assets						
Cash and cash equivalents	5,676,105	16,741,989	1,166,230	8,578,312	1,925,308	34,087,944
Derivative financial instruments	25,600	-	-	70,217	-	95,817
Loans to and placements with banks	863,186	5,367,438	-	12,027,372	1,142,616	19,400,612
Loans and advances to customers	22,251,978	64,186,332	893,665	107,006,393	106,438	194,444,806
Investment securities	1,455,976	1,585,355	155,389	78,641,671	95,868	81,934,259
Other financial assets	642,146	1,421,074	200,599	15,553,230	131,262	17,948,311
	30,914,991	89,302,188	2,415,883	221,877,195	3,401,492	347,911,749
Less allowances for credit impairment						(6,060,701)
Total						341,851,048
Financial liabilities						
Deposits from banks	1,551,676	4,295,375	418,730	243,715	79,190	6,588,686
Deposits from customers	26,674,310	60,250,870	5,283,647	182,937,026	3,797,333	278,943,186
Derivative financial instruments	1,639	18	-	405,367	-	407,024
Other borrowed funds	2,917,255	11,268,518	-	2,561	209	14,188,543
Subordinated liability	-	1,060,181	-	-	-	1,060,181
Other financial liabilities	169,179	196,346	37,096	1,379,905	21,265	1,803,791
Total	31,314,059	77,071,308	5,739,473	184,968,574	3,897,997	302,991,411
Net on-balance sheet position						
Less allowances for credit impairment	(399,068)	12,230,880	(3,323,590)	36,908,621	(496,505)	44,920,338
						(6,060,701)
						38,859,637
Off balance sheet net notional position						
Credit commitments	6,701,679	13,718,209	420,004	-	481,963	21,321,855
	3,179,035	44,215,443	45,469	15,742,046	747,533	63,929,526

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

At 30 June 2017	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS '000					
Financial assets						
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	12,849,007	48,180,747	984,858	103,549,192	59,734	165,623,538
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	14,397,142	114,575	16,695,782
	28,139,301	75,661,319	8,214,881	196,660,522	2,717,632	311,393,655
Less allowances for credit impairment						(5,659,940)
Total						305,733,715
Financial liabilities						
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	245,685	156,440	161,831	879,209	20,785	1,463,950
Total	28,139,958	66,264,922	4,583,548	167,495,687	5,608,637	272,092,752
Net on-balance sheet position	(657)	9,396,397	3,631,333	29,164,835	(2,891,005)	39,300,903
Less allowances for credit impairment						(5,659,940)
						33,640,963
Off balance sheet net notional position	7,976,596	14,504,387	5,197,688	-	958,009	28,636,680
Credit commitments	4,140,515	28,968,650	15,862	14,133,969	583,720	47,842,716

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

At 30 June 2016	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Financial assets						
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	14,409,647	41,028,319	792,053	102,853,645	145,395	159,229,059
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	12,423,553	105,093	14,539,012
	29,495,636	66,315,552	4,535,788	177,751,718	6,565,767	284,664,461
Less allowances for credit impairment						(6,623,444)
Total						278,041,017
Financial liabilities						
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	209,155	249,655	231,567	1,321,094	23,747	2,035,218
Total	31,286,309	58,488,550	4,437,980	150,335,941	6,581,084	251,129,864
Net on-balance sheet position	(1,790,673)	7,827,002	97,808	27,415,777	(15,317)	33,534,597
Less allowances for credit impairment						(6,623,444)
						26,911,153
Off balance sheet net notional position	3,257,301	8,283,686	917,542	-	591,929	13,050,458
Credit commitments	3,789,137	15,177,904	30,305	13,407,884	324,734	32,729,964

3. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risk(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:

	2018 RS '000	2017 RS '000	2016 RS '000
Impact on Earnings	1,150,382	710,740	713,587

Interest sensitivity of assets and liabilities- repricing analysis

At 30 June 2018	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
Financial assets								
Cash and cash equivalents	2,260,851	-	-	-	-	-	31,827,093	34,087,944
Derivative financial instruments	-	-	-	-	-	16,872	78,945	95,817
Loans to and placements with banks	1,998,059	2,680,965	1,615,894	11,940,909	799,517	121,666	243,602	19,400,612
Loans and advances to customers	115,333,255	34,230,275	7,235,946	10,625,016	11,632,750	12,191,927	3,195,637	194,444,806
Investment securities	5,259,264	9,852,122	8,877,740	15,006,837	18,663,496	20,885,381	3,389,419	81,934,259
Other financial assets	-	-	-	-	3,523	-	17,944,788	17,948,311
	124,851,429	46,763,362	17,729,580	37,572,762	31,099,286	33,215,846	56,679,484	347,911,749
Less allowances for credit impairment								(6,060,701)
Total								341,851,048
Financial liabilities								
Deposits from banks	4,144,532	909,542	908,844	-	-	-	625,768	6,588,686
Deposits from customers	233,609,985	2,712,636	781,473	1,534,738	1,160,713	3,862,383	35,281,258	278,943,186
Derivative financial instruments	-	-	-	-	-	-	407,024	407,024
Other borrowed funds	3,648,176	8,863,955	722,226	2,538	10,690	855,798	85,160	14,188,543
Subordinated liability	-	1,042,848	-	-	-	-	17,333	1,060,181
Other financial liabilities	-	-	-	-	-	-	1,803,791	1,803,791
Total	241,402,693	13,528,981	2,412,543	1,537,276	1,171,403	4,718,181	38,220,334	302,991,411
On balance sheet interest sensitivity gap	(116,551,264)	33,234,381	15,317,037	36,035,486	29,927,883	28,497,665	18,459,150	44,920,338
Less allowances for credit impairment								(6,060,701)
								38,859,637

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

	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
At 30 June 2017								
Financial assets								
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	2,549,641	165,623,538
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	16,289,014	16,695,782
	134,740,004	48,574,624	22,888,488	18,233,786	17,174,919	31,772,059	38,009,775	311,393,655
Less allowances for credit impairment								(5,659,940)
Total								305,733,715
Financial liabilities								
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	1,208,938	1,463,950
Total	236,988,081	3,223,008	2,908,767	1,363,075	1,437,779	2,860,898	23,311,144	272,092,752
On balance sheet interest sensitivity gap	(102,248,077)	45,351,616	19,979,721	16,870,711	15,737,140	28,911,161	14,698,631	39,300,903
Less allowances for credit impairment								(5,659,940)
								33,640,963

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

	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
At 30 June 2016								
Financial assets								
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	2,302,653	159,229,059
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	14,291,659	14,539,012
	134,303,687	35,624,052	13,567,845	20,074,061	20,142,397	19,059,480	41,892,939	284,664,461
Less allowances for credit impairment								(6,623,444)
Total								278,041,017
Financial liabilities								
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	1,708,497	2,035,218
Total	217,625,453	3,080,459	3,089,287	1,990,256	889,424	3,736,720	20,718,265	251,129,864
On balance sheet interest sensitivity gap	(83,321,766)	32,543,593	10,478,558	18,083,805	19,252,973	15,322,760	21,174,674	33,534,597
Less allowances for credit impairment								(6,623,444)
								26,911,153

3. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risk(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 tables are undiscounted (2016: discounted).

Maturities of assets and liabilities

	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
At 30 June 2018								
Financial assets								
Cash and cash equivalents	14,483,301	-	-	-	-	-	19,183,698	33,666,999
Derivative financial instruments	-	(667)	1,362	(3,344)	(4,252)	1,710	78,945	73,754
Loans to and placements with banks	910,550	2,412,573	2,275,668	12,578,918	1,415,050	211,366	33,179	19,837,304
Loans and advances to customers	32,943,701	18,416,678	7,799,992	15,723,304	51,621,378	103,064,357	18,814,552	248,383,962
Investment securities	3,823,583	10,170,217	9,012,151	15,198,699	22,122,473	30,532,862	2,642,004	93,501,989
Other financial assets	-	-	-	-	-	-	17,948,311	17,948,311
	52,161,135	30,998,801	19,089,173	43,497,577	75,154,649	133,810,295	58,700,689	413,412,319
Less allowances for credit impairment								(6,060,701)
Total								407,351,618
Financial liabilities								
Deposits from banks	4,762,684	917,176	918,164	-	-	-	-	6,598,024
Deposits from customers	245,096,101	5,117,347	3,192,517	7,233,676	12,097,995	7,851,392	-	280,589,028
Derivative financial instruments	-	-	-	-	-	-	407,024	407,024
Other borrowed funds	2,325,725	6,728,355	305,450	999,696	2,550,926	1,174,037	-	14,084,189
Subordinated liability	-	21,055	-	134,949	512,224	569,322	-	1,237,550
Other financial liabilities	-	-	-	-	-	-	1,803,791	1,803,791
Total	252,184,510	12,783,933	4,416,131	8,368,321	15,161,145	9,594,751	2,210,815	304,719,606
Net liquidity gap	(200,023,375)	18,214,868	14,673,042	35,129,256	59,993,504	124,215,544	56,489,874	108,692,713
Less allowances for credit impairment								(6,060,701)
								102,632,012

3. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risk(continued)
(iv) Liquidity risk (continued)
Maturities of assets and liabilities

	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
At 30 June 2017								
Financial assets								
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	8,269,476	220,674,441
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	16,289,014	16,695,782
	80,187,564	27,937,526	25,910,969	29,528,470	58,607,603	114,539,014	30,044,290	366,755,436
Less allowances for credit impairment								(5,659,940)
Total								361,095,496
Financial liabilities								
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	1,208,938	1,463,950
Total		228,312,942	6,043,679	4,610,122	7,539,352	13,831,931	13,195,943	274,763,338
Net liquidity gap		(148,125,378)	21,893,847	21,300,847	21,989,118	44,775,672	101,343,071	91,992,098
Less allowances for credit impairment								(5,659,940)
								86,332,158

3. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risk(continued)
(iv) Liquidity risk (continued)
Maturities of assets and liabilities

	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
At 30 June 2016								
Financial assets								
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	2,434,840	159,229,059
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	14,291,659	14,539,012
	74,540,813	14,924,372	12,040,578	23,126,920	34,469,463	105,943,366	19,618,949	284,664,461
Less allowances for credit impairment								(6,623,444)
Total								278,041,017
Financial liabilities								
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	1,708,497	2,035,218
Total	206,070,965	4,833,133	4,615,568	7,491,117	9,001,557	16,764,394	2,353,130	251,129,864
Net liquidity gap	(131,530,152)	10,091,239	7,425,010	15,635,803	25,467,906	89,178,972	17,265,819	33,534,597
Less allowances for credit impairment								(6,623,444)
								26,911,153

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 an 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 forward 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 and Capital Management Report.



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

At 30 June 2018	Held-to-maturity	Held-for-trading	Loans and receivables	Available-for-sale	Other financial Liabilities at amortised cost	TOTAL
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Cash and cash equivalents	-	-	34,087,944	-	-	34,087,944
Derivative financial instruments	-	95,817	-	-	-	95,817
Loans to and placements with banks	-	-	19,265,587	-	-	19,265,587
Loans and advances to customers	-	-	188,569,042	-	-	188,569,042
Investment securities	53,233,603	24,232,384	-	4,418,360	-	81,884,347
Other financial assets	-	-	17,948,311	-	-	17,948,311
Total	53,233,603	24,328,201	259,870,884	4,418,360	-	341,851,048

Financial liabilities

Deposits from banks	-	-	-	-	6,588,686	6,588,686
Deposits from customers	-	-	-	-	278,943,186	278,943,186
Derivative financial instruments	-	407,024	-	-	-	407,024
Other borrowed funds	-	-	-	-	14,188,543	14,188,543
Subordinated liability	-	-	-	-	1,060,181	1,060,181
Other financial liabilities	-	-	-	-	1,803,791	1,803,791
Total	-	407,024	-	-	302,584,387	302,991,411
Net on-balance sheet position	53,233,603	23,921,177	259,870,884	4,418,360	(302,584,387)	38,859,637

At 30 June 2017

Financial assets	Held-to-maturity	Held-for-trading	Loans and receivables	Available-for-sale	Other financial Liabilities at amortised cost	TOTAL
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
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	-	-	159,973,920	-	-	159,973,920
Investment securities	54,804,703	9,568,590	-	4,517,570	-	68,890,863
Other financial assets	-	-	16,695,782	-	-	16,695,782
Total	54,804,703	9,795,321	236,616,121	4,517,570	-	305,733,715

Financial liabilities

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	-	-	-	-	1,463,950	1,463,950
Total	-	97,430	-	-	271,995,322	272,092,752
Net on-balance sheet position	54,804,703	9,697,891	236,616,121	4,517,570	(271,995,322)	33,640,963

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

At 30 June 2016	Held-to-maturity	Held-for-trading	Loans and receivables	Available-for-sale	Other financial Liabilities at amortised cost	TOTAL
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Financial assets						
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	-	-	152,623,560	-	-	152,623,560
Investment securities	51,487,622	722,789	-	4,030,929	-	56,241,340
Other financial assets	-	-	14,539,012	-	-	14,539,012
Total	51,487,622	898,560	221,623,906	4,030,929	-	278,041,017
Financial liabilities						
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	-	-	-	-	2,035,218	2,035,218
Total	-	122,353	-	-	251,007,511	251,129,864
Net on-balance sheet position	51,487,622	776,207	221,623,906	4,030,929	(251,007,511)	26,911,153

4. CASH AND CASH EQUIVALENTS

	2018 RS'000	2017 RS'000	2016 RS'000
Cash in hand	2,272,454	2,452,676	1,935,304
Foreign currency notes and coins	93,917	87,530	101,945
Unrestricted balances with Central Bank*	19,183,540	2,957,699	599,525
Balances due in clearing	425,401	466,989	447,892
Money market placements	-	18,413,033	9,724,176
Treasury bills held-for-trading	210,851	-	-
Balances with banks abroad	9,851,543	9,483,500	18,876,854
Interbank loans**	2,050,238	172,533	290,015
	34,087,944	34,033,960	31,975,711

* Unrestricted balances with Central Bank represents amounts above the minimum cash reserve requirement.

** 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

	2018 RS'000	2017 RS'000	2016 RS'000
Cash and cash equivalents	34,087,944	34,033,960	31,975,711
Other borrowed funds (see note 14(a))	(1,832,994)	(36,653)	(6,450)
Net cash and cash equivalents	32,254,950	33,997,307	31,969,261
Change in year	(1,742,357)	2,028,046	10,208,879

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank utilises the following derivative financial 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 financial instruments held are set out below:

	Contractual/ Nominal Amount RS'000	Fair value assets RS'000	Fair value liabilities RS'000
Derivative held-for-trading - Level 2			
At 30 June 2018			
Derivative Instruments			
Currency forwards	9,160,009	65,067	75,215
Interest rate swaps	52,685	8,727	2,784
Currency swaps	11,731,597	20,896	329,025
Others	329,437	1,127	-
	21,273,728	95,817	407,024
At 30 June 2017			
Derivative Instruments			
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	137,709	467	-
	29,160,830	226,731	97,430
At 30 June 2016			
Derivative Instruments			
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	47,760	50	-
	13,422,303	175,771	122,353

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

	2018 RS'000	2017 RS'000	2016 RS'000
(i) Loans to and placements with banks			
in Mauritius	14,077,611	7,923,109	6,277,304
outside Mauritius	17,224,782	46,064,793	45,117,309
	31,302,393	53,987,902	51,394,613
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	(11,901,781)	(28,069,066)	(28,891,045)
	19,400,612	25,918,836	22,503,568
Less:			
Allowances for credit impairment	(135,025)	(6,377)	(17,945)
	19,265,587	25,912,459	22,485,623
(ii) Remaining term to maturity			
Up to 3 months	3,297,287	10,310,019	12,417,250
Over 3 months and up to 6 months	2,226,314	8,204,519	2,703,010
Over 6 months and up to 1 year	12,095,668	6,239,050	6,377,327
Over 1 year and up to 5 years	1,519,065	1,042,981	1,005,981
Over 5 years	262,278	122,267	-
	19,400,612	25,918,836	22,503,568
(iii) Allowances for credit impairment			
Portfolio provision :			
At 1 July 2015	-	16,616	16,616
Provision for credit impairment for the year	-	1,329	1,329
At 30 June 2016	-	17,945	17,945
Provision released during the year	-	(11,568)	(11,568)
At 30 June 2017	-	6,377	6,377
Provision for credit impairment for the year	205,093	32,218	237,311
Amounts written off	(173,808)	-	(173,808)
At 30 June 2018	31,285	38,595	69,880
Interest in suspense	65,145	-	65,145
Provision and interest in suspense at 30 June 2018	96,430	38,595	135,025

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

Retail customers:

	2018 RS'000	2017 RS'000	2016 RS'000
Credit cards	1,003,083	659,962	653,788
Mortgages	26,896,479	24,817,404	21,969,378
Other retail loans	12,957,067	12,238,768	12,621,653
Corporate customers	102,586,065	93,704,822	97,439,140
Governments	1,323,731	523,147	283,043
Entities outside Mauritius	49,678,381	33,679,435	26,262,057
	194,444,806	165,623,538	159,229,059
Less:			
Allowances for credit impairment	(5,875,764)	(5,649,618)	(6,605,499)
	188,569,042	159,973,920	152,623,560

(ii) Remaining term to maturity

Up to 3 months	50,691,516	43,764,107	40,929,161
Over 3 months and up to 6 months	6,734,022	4,402,213	4,612,032
Over 6 months and up to 1 year	1,970,122	3,140,205	4,194,400
Over 1 year and up to 5 years	57,866,312	39,158,470	39,145,416
Over 5 years	77,182,834	75,158,543	70,348,050
	194,444,806	165,623,538	159,229,059

(iii) Allowances for credit impairment

	Specific RS'000	Portfolio RS'000	Total RS'000
At 1 July 2017	2,003,238	1,151,343	3,154,581
Exchange adjustment	21,008	-	21,008
Provision for credit impairment for the year	786,417	119,739	906,156
Provision released during the year	(11,110)	-	(11,110)
Amounts written off	(453,284)	-	(453,284)
At 30 June 2018	2,346,269	1,271,082	3,617,351
Interest in suspense	2,258,413	-	2,258,413
Provision and interest in suspense at 30 June 2018	4,604,682	1,271,082	5,875,764
At 1 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)
At 30 June 2017	2,003,238	1,151,343	3,154,581
Interest in suspense	2,495,037	-	2,495,037
Provision and interest in suspense at 30 June 2017	4,498,275	1,151,343	5,649,618
At 1 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)
At 30 June 2016	2,690,731	1,103,007	3,793,738
Interest in suspense	2,811,761	-	2,811,761
Provision and interest in suspense at 30 June 2016	5,502,492	1,103,007	6,605,499

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

	2018					2017	2016
	Gross amount of loans	Non- performing loans	Specific provision and interest in suspense RS'000	Portfolio provision	Total provision	Total provision	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Agriculture and fishing	8,006,741	616,458	292,863	51,865	344,728	276,949	157,292
Manufacturing of which EPZ	9,364,011	383,199	123,509	152,658	276,167	265,662	456,515
	3,153,492	56,667	21,193	34,791	55,984	39,075	34,806
Tourism	25,191,420	572,686	442,184	72,194	514,378	570,919	455,062
Transport	5,121,880	1,318,379	846,302	47,060	893,362	605,588	161,106
Construction	15,482,908	1,407,640	892,081	173,143	1,065,224	1,045,143	1,726,628
Financial and business services	31,012,976	233,415	77,889	90,736	168,625	153,784	135,805
Traders	37,305,196	1,569,371	431,242	224,041	655,283	634,927	678,167
Personal	38,910,813	1,446,923	733,053	233,376	966,429	1,225,835	1,398,313
of which credit cards	995,138	22,486	19,946	21,409	41,355	39,417	69,785
of which housing	26,896,479	773,727	311,784	123,009	434,793	524,232	474,613
Professional	1,037,496	296,683	181,519	17,463	198,982	68,193	80,629
Foreign governments	1,323,731	-	-	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761	496,474	1,035,110
Others	5,759,450	234,803	123,909	39,916	163,825	306,144	320,872
	194,444,806	8,508,032	4,604,682	1,271,082	5,875,764	5,649,618	6,605,499

(v) Credit concentration of risk by industry sectors

Corporate notes and credit facilities extended by the Bank to any closely-related customers for amounts aggregating more than 10% of its Tier 1 capital (2017 and 2016: 15% of its capital base), classified by industry sectors.

	2018 RS'000	2017 RS'000	2016 RS'000
Agriculture and fishing	7,367,397	2,004,071	2,088,601
Manufacturing of which EPZ	2,926,040	294,716	2,365,431
	1,298,250	66,337	1,616,803
Tourism	17,100,616	5,934,586	11,705,358
Transport	66,430	52,399	39,946
Construction	10,420,322	4,253,594	4,211,324
Financial and business services	23,140,004	4,185,209	15,081,604
Traders	28,178,790	18,949,275	15,283,922
Global Business Licence holders	17,668,144	20,171,903	21,789,702
Others	3,553,575	45,647	62,992
	110,421,318	55,891,400	72,628,880

7. INVESTMENT SECURITIES

	2018 RS'000	2017 RS'000	2016 RS'000
Held-to-maturity	53,283,515	54,808,648	51,487,622
Held-for-trading	24,232,384	9,568,590	722,789
Available-for-sale	4,418,360	4,517,570	4,030,929
	81,934,259	68,894,808	56,241,340
Less:			
Allowance for credit impairment on investment securities	(49,912)	(3,945)	-
	81,884,347	68,890,863	56,241,340

(a) (i) Held-to-maturity

Government of Mauritius & Bank of Mauritius bonds	42,824,594	41,906,114	35,690,180
Treasury bills	2,000,461	10,680,154	14,635,850
Foreign bonds	1,409,392	1,567,616	879,910
Notes	7,049,068	654,764	281,682
	53,283,515	54,808,648	51,487,622

(ii) Remaining term to maturity

	2018				
	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000
Government of Mauritius & Bank of Mauritius bonds	773,366	1,812,848	6,259,839	24,147,183	9,831,358
Treasury bills	209,387	817,724	973,350	-	2,000,461
Foreign bonds	174,970	406,199	157,767	670,456	-
Notes	-	-	-	2,956,257	4,092,811
	1,157,723	3,036,771	7,390,956	27,773,896	13,924,169
					53,283,515

	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
Government of Mauritius & Bank of Mauritius bonds	3,380,265	2,865,462	5,216,563	21,027,859	9,415,965
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
	9,224,924	5,134,156	7,971,324	22,659,806	9,818,438
					54,808,648

	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
Government of Mauritius & Bank of Mauritius bonds	1,008,915	99,733	7,282,382	21,040,870	6,258,280
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	-
	7,085,807	4,267,887	12,385,586	21,490,062	6,258,280
					51,487,622

(b) (i) Held-for-trading

	2018		
	RS'000	2017 RS'000	2016 RS'000
Treasury bills:			
Up to 3 months	11,633,644	2,107,988	-
Over 3 months and up to 6 months	5,110,295	1,949,766	-
Over 6 months and up to 12 months	6,429,650	3,312,559	57,061
Government of Mauritius & Bank of Mauritius bonds	1,058,795	1,689,065	-
Foreign bonds	-	509,212	665,728
	24,232,384	9,568,590	722,789



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

7. INVESTMENT SECURITIES (continued)

(b) (ii) Held-for-trading by levels

	2018 RS'000	2017 RS'000	2016 RS'000
<u>Quoted - Level 1</u>			
Foreign bonds	-	509,212	665,728
<u>Unquoted - Level 2</u>			
Government of Mauritius & Bank of Mauritius bonds	1,058,795	1,689,065	-
Treasury bills	23,173,589	7,370,313	57,061
	24,232,384	9,059,378	57,061
	24,232,384	9,568,590	722,789

(c) (i) Available-for-sale by levels

	2018	2017	2016
<u>Quoted - Level 1</u>			
Official list : shares	885,660	1,263,593	1,103,635
Bonds	1,354,821	1,480,819	1,185,342
Foreign shares	1,233,154	840,403	671,661
	3,473,635	3,584,815	2,960,638
<u>Unquoted - Level 2</u>			
Inflation - indexed Government of Mauritius bonds	205,709	-	-
Investment fund	509,740	494,618	416,227
	715,449	494,618	416,227
<u>Unquoted - Level 3</u>			
Investment fund	-	-	215,927
Equity shares	229,276	229,276	229,276
Inflation - indexed Government of Mauritius bonds	-	208,861	208,861
	229,276	438,137	654,064
	4,418,360	4,517,570	4,030,929

(ii) Reconciliation of Level 3 fair value measurements

	RS'000
At 1 July 2015	641,298
Disposals	(4)
Fair value	11,102
Exchange adjustments	1,668
At 30 June 2016	654,064
Fair value	(4,466)
Transfer to Level 2	(205,448)
Exchange adjustments	(6,013)
At 30 June 2017	438,137
Fair value	(3,152)
Transfer to Level 2	(205,709)
At 30 June 2018	229,276

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
Year ended 30 June 2018						
MCB Madagascar SA	Madagascar	Banking & Financial Services	4,252,903	3,625,635	80.00	<u>117,570</u>
Year ended 30 June 2017						
	Madagascar	Banking & Financial Services	3,523,754	2,963,273	80.00	<u>64,322</u>
Year ended 30 June 2016						
						<u>-</u>

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

	2018 RS'000	2017 RS'000	2016 RS'000
At 1 July	64,322	-	-
Increase in shareholding during the year	53,248	-	-
Transferred from other assets	-	64,322	-
At 30 June	117,570	64,322	-

(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
At 30 June 2018							
Banque Française Commerciale Océan Indien	France	73,977,358	67,366,892	4,130,602	854,440	49.99	447,489
Société Générale Moçambique	Mozambique	3,371,670	2,744,458	429,013	(244,831)	35.00	<u>501,585</u>
Subordinated loan to associate							<u>949,074</u>
							<u>413,153</u>
							<u>1,362,227</u>
At 30 June 2017							
Banque Française Commerciale Océan Indien	France	70,552,404	64,336,491	4,099,849	706,130	49.99	447,489
Société Générale Moçambique	Mozambique	2,327,929	2,004,454	303,435	(246,064)	35.00	<u>310,625</u>
Subordinated loan to associate							<u>758,114</u>
							<u>401,136</u>
							<u>1,159,250</u>
At 30 June 2016							
Banque Française Commerciale Océan Indien	France	68,961,035	62,672,636	4,169,968	877,613	49.99	447,489
Société Générale Moçambique	Mozambique	1,790,289	1,207,023	234,284	(229,511)	35.00	<u>310,625</u>
Subordinated loan to associate							<u>758,114</u>
							<u>402,949</u>
							<u>1,161,063</u>

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

	2018 RS'000	2017 RS'000	2016 RS'000
At 1 July	1,159,250	1,161,063	-
Increase in shareholding during the year	190,960	-	50,705
Exchange adjustment on subordinated loan	12,017	(1,813)	-
Transferred from non-current assets held for distribution	-	-	707,409
			<u>758,114</u>
Subordinated loan to associate reclassified from loans to banks	-	-	402,949
At 30 June	1,362,227	1,159,250	1,161,063



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

9. INTANGIBLE ASSETS

	Computer software RS'000	Work in progress RS'000	Total RS'000
Cost			
At 1 July 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 June 2016	2,337,148	194,617	2,531,765
Additions	58,471	236,888	295,359
Scrap/Impairment	(602)	-	(602)
Transfer	322,094	(322,094)	-
At 30 June 2017	2,717,111	109,411	2,826,522
Additions	14,148	152,301	166,449
Transfer	103,154	(103,154)	-
At 30 June 2018	2,834,413	158,558	2,992,971
 Accumulated amortisation			
At 30 June 2015	1,970,189	-	1,970,189
Scrap/Impairment	(50,679)	-	(50,679)
Charge for the year	139,093	-	139,093
At 30 June 2016	2,058,603	-	2,058,603
Scrap/Impairment	(136)	-	(136)
Charge for the year	188,486	-	188,486
At 30 June 2017	2,246,953	-	2,246,953
Charge for the year	201,416	-	201,416
At 30 June 2018	2,448,369	-	2,448,369
 Net book values			
At 30 June 2018	386,044	158,558	544,602
At 30 June 2017	470,158	109,411	579,569
At 30 June 2016	278,545	194,617	473,162

The Core Banking System T24 is the only material intangible asset. The remaining useful life of this intangible asset is 2 years.



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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
Cost					
At 1 July 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 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 June 2017	4,521,988	3,096,825	819,791	58,519	8,497,123
Additions	30,441	176,734	20,180	106,715	334,070
Disposals	-	(75,975)	(44,059)	-	(120,034)
Transfer	-	116,693	34,650	(151,343)	-
At 30 June 2018	4,552,429	3,314,277	830,562	13,891	8,711,159
Accumulated depreciation					
At 1 July 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 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 June 2017	785,256	2,344,280	456,505	-	3,586,041
Charge for the year	73,700	263,260	54,691	-	391,651
Disposal adjustment	-	(73,810)	(34,520)	-	(108,330)
At 30 June 2018	858,956	2,533,730	476,676	-	3,869,362
Net book values					
At 30 June 2018	3,693,473	780,547	353,886	13,891	4,841,797
At 30 June 2017	3,736,732	752,545	363,286	58,519	4,911,082
At 30 June 2016	3,731,207	737,641	348,935	134,820	4,952,603

11. DEFERRED TAX ASSETS

	Balance as at 1 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 June RS'000
2018					
Provisions and post retirement benefits	186,526	-	11,142	48,162	245,830
Provisions for credit impairment	152,578	-	(47,456)	-	105,122
Accelerated tax depreciation	(195,437)	-	(51,150)	-	(246,587)
At 30 June 2018	143,667	-	(87,464)	48,162	104,365
2017					
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)
At 30 June 2017	193,960	(12)	380	(50,661)	143,667
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)
At 30 June 2016	222,519	(660)	(58,564)	30,665	193,960



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

12. OTHER ASSETS

	2018 RS'000	2017 RS'000	2016 RS'000
Mandatory balances with Central Bank	17,196,714	15,432,134	13,688,608
Prepayments & other receivables	469,478	699,238	725,499
Credit Card Clearing	89,854	68,525	68,659
Non-banking assets acquired in satisfaction of debts*	48,699	51,802	51,909
Impersonal & other accounts	1,081,615	1,487,708	1,696,395
Post employee benefit asset (see note 16)	-	99,487	-
	18,886,360	17,838,894	16,231,070

* The Bank's policy is to dispose of such assets as soon as the market permits.

13. DEPOSITS

	2018 RS'000	2017 RS'000	2016 RS'000
(a) Deposits from banks			
Demand deposits	3,815,235	2,743,209	2,643,632
Money market deposits with remaining term to maturity:			
Up to 3 months	1,861,440	1,703,673	715,676
Over 3 months and up to 6 months	912,011	670,395	1,045,465
Over 6 months and up to 1 year	-	185,289	25,379
Over 1 year and up to 5 years	-	-	282,451
	2,773,451	2,559,357	2,068,971
	6,588,686	5,302,566	4,712,603
(b) Deposits from customers			
(i) Retail customers			
Demand deposits	27,312,248	25,318,439	25,182,505
Savings deposits	121,345,043	109,296,825	96,501,629
Time deposits with remaining term to maturity:			
Up to 3 months	3,862,278	2,807,938	3,304,781
Over 3 months and up to 6 months	1,858,647	1,954,290	1,855,545
Over 6 months and up to 1 year	4,478,033	4,201,169	4,596,129
Over 1 year and up to 5 years	12,405,134	12,645,559	11,663,604
Over 5 years	4,105	12,586	5,478
	22,608,197	21,621,542	21,425,537
	171,265,488	156,236,806	143,109,671
(ii) Corporate customers			
Demand deposits	86,750,375	80,958,642	72,803,936
Savings deposits	4,964,468	5,906,210	5,253,182
Time deposits with remaining term to maturity:			
Up to 3 months	5,711,297	4,799,755	4,937,434
Over 3 months and up to 6 months	1,274,641	1,520,490	1,699,788
Over 6 months and up to 1 year	2,528,487	2,260,756	2,850,519
Over 1 year and up to 5 years	6,312,278	6,810,544	4,803,622
Over 5 years	100	62	2,791,762
	15,826,803	15,391,607	17,083,125
	107,541,646	102,256,459	95,140,243
(iii) Government			
Demand deposits	25,328	15,353	9,411
Savings deposits	110,724	61,216	52,168
	136,052	76,569	61,579
	278,943,186	258,569,834	238,311,493

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

14. OTHER BORROWED FUNDS
(a) Other borrowed funds comprise the following:

Borrowings from banks:

	2018 RS'000	2017 RS'000	2016 RS'000
in Mauritius	4,386,247	4,743	9,134
abroad	9,802,296	5,602,192	4,856,774
	14,188,543	5,606,935	4,865,908

Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4

1,832,994	36,653	6,450
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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	8,363,531	41,352	15,584
Within a period of more than 1 year but not exceeding 3 years	3,517,597	-	-
Within a period of more than 3 years	2,307,415	5,565,583	4,850,324
	14,188,543	5,606,935	4,865,908



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

15. SUBORDINATED LIABILITY

Subordinated liability comprise of the following:

	2018 RS'000	2017 RS'000	2016 RS'000
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 4.8% (2017: 4.3% and 2016: 3.8%) (Level 3)	1,060,181	1,052,037	1,082,289

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 LIABILITY/(ASSET)
(a) STAFF SUPERANNUATION FUND (DEFINED BENEFIT SECTION)

	2018 Rs'000	2017 Rs'000	2016 Rs'000
Reconciliation of net defined benefit liability/(asset)			
Opening balance	(99,487)	249,707	1,034,237
Amount recognised in statement of profit or loss	197,012	214,143	267,942
Amount recognised in statement of comprehensive income	283,308	(337,740)	204,430
Less capital injection	-	-	(1,000,000)
Less employer contributions	(228,798)	(225,597)	(256,902)
Liability/(asset) as shown in note 17 and 12	152,035	(99,487)	249,707
Reconciliation of fair value of plan assets			
Opening balance	6,796,365	6,202,697	5,297,925
Interest income	440,005	402,455	365,479
Capital injection	-	-	1,000,000
Employer contributions	228,798	225,597	256,902
Benefits paid	(283,792)	(242,419)	(317,155)
Return on plan assets excluding interest income	11,902	208,035	(400,454)
Closing balance	7,193,278	6,796,365	6,202,697
Reconciliation of present value of defined benefit obligation			
Opening balance	6,696,878	6,452,404	6,332,162
Current service cost	210,798	205,129	201,604
Interest expense	426,219	411,469	431,817
Other benefits paid	(283,792)	(242,419)	(317,155)
Liability experience loss/(gain)	369,496	-	(2,726)
Liability gain due to change in demographic assumptions	(223,193)	-	-
Liability loss/(gain) due to change in financial assumptions	148,907	(129,705)	(193,298)
Closing balance	7,345,313	6,696,878	6,452,404
Components of amount recognised in statement of profit or loss			
Current service cost	210,798	205,129	201,604
Net interest on net defined benefit (asset)/liability	(13,786)	9,014	66,338
Total	197,012	214,143	267,942
Analysed as follows:			
The Mauritius Commercial Bank Limited	172,431	197,708	238,205
Other members of The MCB Group Limited	24,581	16,435	29,737
Total	197,012	214,143	267,942
Components of amount recognised in other statement of comprehensive income			
Return on plan assets (above)/below interest income	(11,902)	(208,035)	400,454
Liability experience loss/(gain)	369,496	-	(2,726)
Liability gain due to change in demographic assumptions	(223,193)	-	-
Liability loss/(gain) due to change in financial assumptions	148,907	(129,705)	(193,298)
Total	283,308	(337,740)	204,430

16 POST EMPLOYEE BENEFIT LIABILITY/(ASSET)
(a) STAFF SUPERANNUATION FUND (DEFINED BENEFIT SECTION) (continued)

	2018	2017	2016
	%	%	%
Allocation of plan assets at end of year			
Equity - Local quoted	31	28	21
Equity - Local unquoted	1	1	1
Debt - Overseas quoted	3	6	9
Debt - Local quoted	12	8	6
Debt - Local unquoted	5	4	1
Property - Local	3	3	3
Investment funds	32	32	31
Cash and other	13	18	28
Total	100	100	100
Allocation of plan assets at end of year			
Reporting entity's own transferable financial instruments	9	7	6
Property occupied by reporting entity	2	1	1
Other assets used by reporting entity	5	13	25
Principal assumptions used at end of year			
Discount rate	6.3%	6.5%	6.5%
Rate of salary increases	3.8%	4.5%	4.5%
Rate of pension increases	3.3%	3.5%	3.7%
Average retirement age (ARA)	63	62	62
Average life expectancy for:			
Male at ARA	17.3 years	18.0 years	18.0 years
Female at ARA	21.7 years	22.5 years	22.5 years
	2018 Rs'000	2017 Rs'000	2016 Rs'000
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	1,311,293	1,192,044	1,221,952
Decrease due to 1% increase in discount rate	1,027,086	944,260	947,166

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the 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 liability of Rs 152,035,000 as at 30 June 2018 for the plan (net defined benefit asset - 2017 : Rs 99,487,000 and net defined benefit liability 2016: Rs 249,707,000).

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.

16 POST EMPLOYEE BENEFIT LIABILITY/(ASSET)**(a) STAFF SUPERANNUATION FUND (DEFINED BENEFIT SECTION) (continued)**

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

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

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

Future cash flows

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

Expected employer contribution for the next year (Rs'000)	233,835
Weighted average duration of the defined benefit obligation	16 years

Defined Contribution Scheme

As from 1 July 2015, the Bank has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees.

Consequently, all employees joining the Bank as from that date are automatically enrolled in the new scheme. Existing employees had 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.

16 POST EMPLOYEE BENEFIT LIABILITY/(ASSET)
(b). RESIDUAL RETIREMENT GRATUITIES
Amounts recognised in the financial statements at end of year

	2018 Rs'000
Reconciliation of net defined benefit liability	
Amount recognised in statement of profit or loss	51,033
Liability as shown in note 17	51,033

Present value of defined benefit obligation **51,033**

Principal assumptions used at end of year

	2018 Rs'000
Discount rate	6.3%
Rate of salary increases	3.8%
Rate of pension increases	3.3%
Average retirement age (ARA)	63

Sensitivity analysis on defined benefit obligation at end of year

Increase due to 1% decrease in discount rate	21,745
Decrease due to 1% increase in discount rate	16,062

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged.

Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cashflow as and when due

Expected employer contribution for the next year (Rs'000) Nil

Weighted average duration of the defined benefit obligation 22 years

	2018 RS'000	2017 RS'000	2016 RS'000
17. OTHER LIABILITIES			
Post employee benefit liability			
(a) Staff Superannuation Fund (Defined Benefit Section - see note 16 a)	152,035	-	249,707
(b) Residual Retirement Gratuities (see note 16 b)	51,033	-	-
Proposed dividend (see note 29)	1,341,522	1,341,522	1,031,940
Impersonal & other accounts	4,862,681	3,740,473	2,603,151
	6,407,271	5,081,995	3,884,798

18. STATED CAPITAL AND RESERVES
(a) Stated capital

	Number of shares
At 30 June 2016, 30 June 2017 and 30 June 2018	Share capital
	687,960,247

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

(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

	2018 RS'000	2017 RS'000	2016 RS'000
(a) Instruments			
Guarantees on account of customers	22,168,213	19,186,056	18,330,563
Letters of credit and other obligations on account of customers	32,684,338	20,444,660	8,273,242
Other contingent items	2,999,421	1,497,666	3,526,005
	57,851,972	41,128,382	30,129,810
(b) Commitments			
Loans and other facilities, including undrawn credit facilities	6,077,554	6,714,334	2,600,154
(c) Tax assessments *	537,147	992,632	836,868
(d) Other			
Inward bills held for collection	404,983	350,954	423,796
Outward bills sent for collection	991,670	1,003,037	1,003,723
	1,396,653	1,353,991	1,427,519
	65,863,326	50,189,339	34,994,351

*The Mauritius Commercial Bank Limited received income tax assessments relating to financial year ended 30 June 2007 to 30 June 2014 against which the Bank has initially objected.

The basis of the assessment raised by the Mauritius Revenue Authority ("MRA") were around a number of areas and during the year, there have been advanced discussions between the Bank and the MRA in relation to some areas. On the basis of agreement reached for year of assessment 2014, an additional provision of Rs 258.3 million has been made at 30 June 2018 for all the years up to 30 June 2017.

In addition, the Bank received several assessments in the previous 5 years under the Value Added Tax Act for the periods beginning April 2006 to June 2015 against which the Bank has also objected.

The Bank is of the opinion that the likelihood of incurring additional payment to the MRA is not probable on the remaining areas where no agreement has yet been reached under Income Tax and Valued Added Tax Acts which the Bank has objected. The maximum liability that could arise from these amounted to Rs 537.1 million.

The assessments are still pending in front of the Assessment Review Committee.

20. INTEREST INCOME

	Year ended 30 June 2018 RS'000	Year ended 30 June 2017 RS'000	Year ended 30 June 2016 RS'000
Loans to and placements with banks	668,016	577,309	367,076
Loans and advances to customers	10,454,505	9,914,265	10,355,057
Held-to-maturity investments	2,122,591	2,129,450	1,676,321
Available-for-sale investments	114,816	60,596	44,754
Held-for-trading investments	511,164	54,031	6,594
Other	32,596	13,773	7,470
	13,903,688	12,749,424	12,457,272

21. INTEREST EXPENSE

Deposits from banks	48,168	22,038	15,623
Deposits from customers	3,474,471	3,668,925	3,949,990
Subordinated liability	46,507	44,522	41,006
Other borrowed funds	225,755	134,890	94,706
	3,794,901	3,870,375	4,101,325

22. FEE AND COMMISSION INCOME

Retail banking fees	748,684	754,754	755,429
Corporate banking fees	522,642	420,208	275,414
Guarantee fees	235,715	221,386	212,579
Interbank transaction fees	63,216	57,237	49,809
Cards and other related fees	1,577,784	1,458,173	1,315,704
Trade finance fees	376,296	296,915	432,867
Others	120,019	86,076	80,280
	3,644,356	3,294,749	3,122,082

23. FEE AND COMMISSION EXPENSE

Interbank transaction fees	17,624	13,206	20,589
Cards and other related fees	722,430	653,578	582,843
Corporate banking and trade finance fees	113,338	-	-
Others	14,356	20,889	24,922
	867,748	687,673	628,354

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

Net (loss)/gain from derivative financial instruments	(420,408)	88,017	(108,131)
Investment securities held-for-trading	38,839	12,191	19,649
	(381,569)	100,208	(88,482)

25. DIVIDEND INCOME

Income from subsidiary	26,937	63,506	-
Income from associate	302,503	246,305	210,830
Income from quoted investments	26,762	38,805	33,720
Income from unquoted investments	9,419	5,978	7,448
	365,621	354,594	251,998

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

	Year ended 30 June 2018 RS'000	Year ended 30 June 2017 RS'000	Year ended 30 June 2016 RS'000
Wages and salaries	2,123,234	2,039,545	1,857,907
Defined benefit plan	172,431	197,708	238,205
Defined contribution plan	84,740	66,041	36,046
Residual Retirement Gratuities	51,033	-	-
Compulsory social security obligations	65,073	61,166	56,856
Equity settled share-based payments	10,915	3,024	1,558
Other personnel expenses	621,753	588,100	571,326
	3,129,179	2,955,584	2,761,898
Number of employees at the end of the year	2,696	2,682	2,598

(b) Other

Legal & professional fees	406,192	258,475	235,863
Rent, repairs, maintenance and security costs	293,353	301,758	269,026
Software licensing and other information technology costs	255,029	242,892	215,071
Electricity water & telephone charges	219,416	213,745	193,186
Advertising, marketing costs and sponsoring	156,276	150,610	132,656
Postage, courier & stationery costs	135,301	140,088	128,334
Insurance costs	95,090	102,660	83,773
Others	172,411	99,669	122,589
	1,733,068	1,509,897	1,380,498

27. NET IMPAIRMENT OF FINANCIAL ASSETS

Allowance for credit impairment:

Loans and advances (Note a)	1,182,965	946,559	907,021
Investment securities	45,967	3,945	-
	1,228,932	950,504	907,021

(a) Allowance for credit impairment on loans and advances

Provision for bad and doubtful debts:

Loans to and placements with banks	237,311	-	1,329
Loans and advances to customers	906,156	1,183,016	1,544,417
Bad debts written off for which no provisions were made	100,117	13,173	34,776
Provision released during the year:			
Loans to and placements with banks	-	(11,568)	-
Loans and advances to customers	(11,110)	(188,539)	(648,211)
Recoveries of advances written off	(49,509)	(49,523)	(25,290)
	1,182,965	946,559	907,021

28. INCOME TAX EXPENSE

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

	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
	RS'000	RS'000	RS'000
Income tax based on the adjusted profit	760,596	807,776	664,577
Deferred tax	87,464	(380)	58,564
Special levy on banks	493,820	511,704	428,271
Corporate Social Responsibility contribution	92,170	96,955	147,733
Over provision in previous years	(80,540)	(25,967)	(3,051)
Provision for tax assessment	258,272	-	-
Charge for the year	1,611,782	1,390,088	1,296,094

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

Profit before tax	<u>8,374,276</u>	<u>7,627,550</u>	<u>6,916,257</u>
Tax calculated at a rate of 15%	1,256,141	1,144,133	1,037,439
Impact of:			
Income not subject to tax	(142,783)	(73,095)	(126,464)
Expenses not deductible for tax purposes	222,341	98,547	79,259
Tax credits	(487,639)	(362,189)	(267,093)
Special levy on banks	493,820	511,704	428,271
Corporate Social Responsibility contribution	92,170	96,955	147,733
Over provision in previous years	(80,540)	(25,967)	(3,051)
Provision for tax assessment	258,272	-	-
Tax charge	1,611,782	1,390,088	1,296,094

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Bank is entitled to allocate a percentage of its chargeable income of the preceding year to a CSR programme approved by the National CSR Foundation and the remaining to the Mauritius Revenue Authority.

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	283,308	(337,740)	204,430
Deferred tax (credit)/charge	(48,162)	50,661	(30,665)
Remeasurement of defined benefit pension plan, net of deferred tax	235,146	(287,079)	173,765

29. DIVIDENDS
Dividends in cash

Paid on 12 December 2017 at Rs 2.05 per share (F/Y 2017: Rs 1.85; F/Y 2016: Rs 1.60)	1,410,319	1,272,727	1,100,736
Paid on 27 July 2018 at Rs 1.95 per share (F/Y 2017: Rs 1.95; F/Y 2016: Rs 1.50)	1,341,522	1,341,522	1,031,940
	2,751,841	2,614,249	2,132,676

Dividends in specie

Dividends in specie	-	-	540,445
	2,751,841	2,614,249	2,673,121

30. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to the ordinary equity holder of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2018 RS'000	2017 RS'000	2016 RS'000
Profit for the year	6,762,494	6,237,462	5,620,163
Weighted average number of ordinary shares (thousands)	687,960	687,960	687,960
Earnings per share (Rs)	9.83	9.07	8.17

31. COMMITMENTS
(a) Capital commitments

	2018 RS'000	2017 RS'000	2016 RS'000
Expenditure contracted for but not incurred	95,075	119,233	217,793
Expenditure approved by the Board but not contracted for	232,282	211,719	348,114

(b) Securities pledged

The Bank has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius and for repurchase agreement with other financial institutions.

	2018 RS'000	2017 RS'000	2016 RS'000
Government of Mauritius bonds with Bank of Mauritius	4,528,877	3,828,888	3,041,047
Government of Mauritius bonds with other financial institutions	1,800,000	-	-
	6,328,877	3,828,888	3,041,047

32. NET CASH FLOWS FROM TRADING ACTIVITIES

	2018 RS'000	2017 RS'000	2016 RS'000
Continuing operations			
Profit before tax	8,374,276	7,627,550	6,916,257
Increase in other assets	(1,045,943)	(1,570,673)	(2,000,439)
Increase in other liabilities	1,049,897	1,137,322	446,039
Net decrease/(increase) in derivative financial instruments	440,508	(75,883)	102,507
Net increase in investment securities held-for-trading	(14,663,794)	(8,845,801)	(722,789)
Capital injection in Superannuation Fund	-	-	(1,000,000)
(Release of)/additional provision for employee benefits	(31,786)	(11,454)	11,040
Additional Provision for residual retirement gratuities	51,033	-	-
Charge for credit impairment - loans and advances	1,143,467	1,183,016	1,545,746
Charge for credit impairment - investment securities	45,967	3,945	-
Release of provision for credit impairment	(11,110)	(200,107)	(648,211)
Exchange loss/(profit)	42,731	(27,812)	(50,921)
Depreciation of property, plant and equipment	391,651	367,856	358,331
Amortisation of intangible assets	201,416	188,486	139,093
Profit on disposal of property, plant and equipment	(1,238)	(12,285)	(552)
Loss on disposal of intangible assets	-	466	-
Profit on disposal of available-for-sale investments	(17,999)	(6,056)	(1,193)
	(4,030,924)	(241,430)	5,094,908

33. NET CASH FLOWS FROM OTHER OPERATING ACTIVITIES

	2018 RS'000	2017 RS'000	2016 RS'000
Net increase in deposits	21,659,472	20,848,304	34,577,095
Net increase in loans and advances	(23,301,635)	(11,760,105)	(14,473,617)
Purchase of available-for-sale investments	(11,413,222)	(872,146)	(442,746)
Proceeds from sale of available-for-sale investments	11,947,380	768,911	413,354
Decrease/(Increase) in held-to-maturity investment securities	1,525,133	(3,321,026)	(10,535,271)
Net increase/(decrease) in other borrowed funds	6,785,288	710,209	(835,418)
	7,202,416	6,374,147	8,703,397

34. 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
Cash equivalents, Loans and Advances						
Balances at 1 July 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 June 2016	330	-	1,957,909	2,767,929	178,924	643,973
Net movements during the year	242,492	297	224,550	(911,095)	542	156,591
Balances at 30 June 2017	242,822	297	2,182,459	1,856,834	179,466	800,564
Net movements during the year	(241,714)	66	1,818,960	(463,006)	70,474	(146,315)
Balances at 30 June 2018	1,108	363	4,001,419	1,393,828	249,940	654,249
Leases receivable (included above as from 1st July 2017)						
Balance at year end:						
30 June 2016	-	-	-	-	-	497
30 June 2017	-	-	-	-	-	5,176
Deposits						
Balance at year end:						
30 June 2016	50,361	79,361	5,486,329	57,485	304,548	106,069
30 June 2017	-	32,221	5,276,410	504,391	312,033	94,361
30 June 2018	522,807	76,863	5,710,560	163,046	243,523	100,193
Amounts due from/(to)						
Balance at year end:						
30 June 2016	4,918	(1,018,762)	357,448	405,899	-	-
30 June 2017	2,060	(1,341,522)	444,088	453,517	-	-
30 June 2018	1,544	(1,341,522)	382,695	415,179	-	-
Off Balance sheet items						
Balance at year end:						
30 June 2016	-	-	709,839	487,814	-	-
30 June 2017	-	-	856,872	1,587	-	4,088
30 June 2018	-	-	949,193	-	-	2,715
Interest income						
For the year ended:						
30 June 2016	-	-	108,999	30,256	5,567	11,002
30 June 2017	4,472	-	110,851	15,084	4,217	38,429
30 June 2018	15,760	-	135,985	15,564	5,171	32,400
Interest expense						
For the year ended:						
30 June 2016	-	-	51,443	2,671	3,567	108
30 June 2017	-	-	64,271	8,863	5,727	383
30 June 2018	-	-	53,741	5,051	5,792	87
Other income						
For the year ended:						
30 June 2016	5,100	1,598	99,123	215,172	801	452
30 June 2017	1,359	1	165,716	248,780	951	3,849
30 June 2018	1,268	1	163,598	300,399	2,865	2,976
Non interest expense						
For the year ended:						
30 June 2016	-	-	70,074	-	-	-
30 June 2017	-	-	71,734	-	-	-
30 June 2018	-	-	107,436	-	-	-

The 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 2017/2018, Rs 1,341.5M for 2016/2017 and Rs 1,031.9M for 2015/2016.



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

34. RELATED PARTY TRANSACTIONS (continued)

The figures for "Fees and Commissions and Other income" from Ultimate Holding Company/Holding Company and Entities under common control, include dividend income and reimbursable expenses charged to these entities in respect of salaries, notional rental of office space and provision of technical, administrative and other assistance. The figure for "Entities in which the bank holds more than 10% interest" also includes dividend income, an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI') and fees charged to SG Moçambique in respect of cards services support.

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 "Fees and Commissions and 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 46.8M
MCB Madagascar	5 % of Operating income	Rs 10.8M
MCB Maldives	5 % of Operating income	Rs 13.5M

During the year, 42,657 share options were exercised under the Group Employee Share Option scheme by key management personnel, including executive directors amounting to Rs 9.4M (FY 2016/2017: 96,880 share options for Rs 20.4M; FY 2015/2016: None).

Key Management Personnel compensation

	2018 RS'000	2017 RS'000	2016 RS'000
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :			
Salaries and short term employee benefits	104,103	133,737	145,518
Post employment benefits	7,186	8,253	11,539
	111,289	141,990	157,057

35. 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 June 2018

Note	2018			2017			2016		
	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
ASSETS									
Cash and cash equivalents	34,087,944	24,236,401	9,851,543	34,033,960	6,137,427	27,896,533	31,975,711	3,374,681	28,601,030
Derivative financial instruments	95,817	8,290	87,527	226,731	94,309	132,422	175,771	121,419	54,352
Loans to and placements with banks	19,265,587	12,027,373	7,238,214	25,912,459	7,750,576	18,161,883	22,485,623	5,987,290	16,498,333
Loans and advances to customers	188,569,042	123,525,034	65,044,008	159,973,920	114,756,516	45,217,404	152,623,560	114,439,816	38,183,744
Investment securities	81,884,347	77,957,492	3,926,855	68,890,863	64,485,319	4,405,544	56,241,340	52,444,929	3,796,411
Investment in subsidiary	117,570	-	117,570	64,322	-	64,322	-	-	-
Investments in associates	1,362,227	-	1,362,227	1,159,250	-	1,159,250	1,161,063	-	1,161,063
Intangible assets	544,602	544,602	-	579,569	579,569	-	473,162	473,162	-
Property, plant and equipment	4,841,797	4,841,797	-	4,911,082	4,911,082	-	4,952,603	4,952,603	-
Deferred tax assets	104,365	97,789	6,576	143,667	127,335	16,332	193,960	172,808	21,152
Other assets	18,886,360	18,772,720	113,640	17,838,894	17,412,632	426,262	16,231,070	16,107,745	123,325
Total assets	349,759,658	262,011,498	87,748,160	313,734,717	216,254,765	97,479,952	286,513,863	198,074,453	88,439,410
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from banks	6,588,686	86,016	6,502,670	5,302,566	222,663	5,079,903	4,712,603	90,983	4,621,620
Deposits from customers	278,943,186	203,769,469	75,173,717	258,569,834	184,060,612	74,509,222	238,311,493	163,853,411	74,458,082
Derivative financial instruments	407,024	57,179	349,845	97,430	22,445	74,985	122,353	36,719	85,634
Other borrowed funds	14,188,543	4,386,247	9,802,296	5,606,935	4,743	5,602,192	4,865,908	9,134	4,856,774
Subordinated liability	1,060,181	-	1,060,181	1,052,037	-	1,052,037	1,082,289	-	1,082,289
Current tax liabilities	872,964	824,280	48,684	778,869	670,881	107,988	578,996	480,352	98,644
Other liabilities	6,407,271	6,104,342	302,929	5,081,995	5,045,630	36,365	3,884,798	3,884,372	426
Total liabilities	308,467,855	215,227,533	93,240,322	276,489,666	190,026,974	86,462,692	253,558,440	168,354,971	85,203,469
Shareholder's equity									
Stated capital	6,879,602	6,879,602	-	6,879,602	6,879,602	-	6,879,602	6,879,602	-
Retained earnings	25,994,839	25,994,839	-	23,462,727	23,462,727	-	20,435,491	20,435,491	-
Other components of equity	8,417,362	8,081,419	335,943	6,902,722	6,659,672	243,050	5,640,330	5,590,012	50,318
Total equity	41,291,803	40,955,860	335,943	37,245,051	37,002,001	243,050	32,955,423	32,905,105	50,318
Total equity and liabilities	349,759,658	256,183,393	93,576,265	313,734,717	227,028,975	86,705,742	286,513,863	201,260,076	85,253,787
CONTINGENT LIABILITIES									
Guarantees, letters of credit, endorsements and other obligations on account of customers	57,851,972	16,873,754	40,978,218	41,128,382	15,891,901	25,236,481	30,129,810	15,376,317	14,753,493
Commitments	6,077,554	4,719,360	1,358,194	6,714,334	3,316,186	3,398,148	2,600,154	1,757,355	842,799
Tax assessments	537,147	537,147	-	992,632	992,632	-	836,868	836,868	-
Other	1,396,653	551,689	844,964	1,353,991	508,450	845,541	1,427,519	627,279	800,240
35(n)	65,863,326	22,681,950	43,181,376	50,189,339	20,709,169	29,480,170	34,994,351	18,597,819	16,396,532

35. Additional disclosures as required by the Bank of Mauritius (continued)
Statement of profit or loss for the year ended 30 June 2018

	2018			2017			2016		
Note	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Interest income									
35(o)	13,903,688	10,227,030	3,676,658	12,749,424	9,907,583	2,841,841	12,457,272	9,837,634	2,619,638
Interest expense									
35(p)	(3,794,901)	(2,991,944)	(802,957)	(3,870,375)	(3,225,767)	(644,608)	(4,101,325)	(3,419,133)	(682,192)
Net interest income	10,108,787	7,235,086	2,873,701	8,879,049	6,681,816	2,197,233	8,355,947	6,418,501	1,937,446
Fee and commission income									
35(q)	3,644,356	2,143,068	1,501,288	3,294,749	1,972,477	1,322,272	3,122,082	1,789,528	1,332,554
Fee and commission expense									
35(r)	(867,748)	(603,085)	(264,663)	(687,673)	(572,993)	(114,680)	(628,354)	(513,445)	(114,909)
Net fee and commission income	2,776,608	1,539,983	1,236,625	2,607,076	1,399,484	1,207,592	2,493,728	1,276,083	1,217,645
Other income									
Profit arising from dealing in foreign currencies									
Net (loss)/gain from financial instruments carried at fair value									
35(s)	2,152,372	1,679,486	472,886	1,620,365	1,265,348	355,017	1,406,259	1,123,279	282,980
(381,569)	(416,341)	34,772	100,208	65,906	34,302	(88,482)	(92,543)	4,061	
Dividend income									
35(t)	1,770,803	1,263,145	507,658	1,720,573	1,331,254	389,319	1,317,777	1,030,736	287,041
Net gain/(loss) on sale of securities									
Other operating income									
35(t)	365,621	31,256	334,365	354,594	39,469	315,125	251,998	36,703	215,295
17,999	13,254	4,745	6,056	7,096	(1,040)	1,193	-	1,193	
18,704	15,239	3,465	32,529	35,991	(3,462)	42,455	37,915	4,540	
Operating income	2,173,127	1,322,894	850,233	2,113,752	1,413,810	699,942	1,613,423	1,105,354	508,069
Non-interest expense	15,058,522	10,097,963	4,960,559	13,599,877	9,495,110	4,104,767	12,463,098	8,799,938	3,663,160
Salaries and human resource costs									
Depreciation of property, plant and equipment									
Amortisation of intangible assets									
Other									
35(u)	(3,129,179)	(2,671,411)	(457,768)	(2,955,584)	(2,550,333)	(405,251)	(2,761,898)	(2,486,647)	(275,251)
(391,651)	(373,204)	(18,447)	(367,856)	(354,146)	(13,710)	(358,331)	(348,073)	(10,258)	
(201,416)	(187,808)	(13,608)	(188,486)	(178,886)	(9,600)	(139,093)	(133,173)	(5,920)	
(1,733,068)	(1,554,413)	(178,655)	(1,509,897)	(1,365,618)	(144,279)	(1,380,498)	(1,238,448)	(142,050)	
(5,455,314)	(4,786,836)	(668,478)	(5,021,823)	(4,448,983)	(572,840)	(4,639,820)	(4,206,341)	(433,479)	
Operating profit before impairment	9,603,208	5,311,127	4,292,081	8,578,054	5,046,127	3,531,927	7,823,278	4,593,597	3,229,681
Net impairment of financial assets									
Profit before tax	(1,228,932)	(326,567)	(902,365)	(950,504)	(184,671)	(765,833)	(907,021)	(401,131)	(505,890)
Income tax expense									
35(w)	8,374,276	4,984,560	3,389,716	7,627,550	4,861,456	2,766,094	6,916,257	4,192,466	2,723,791
(1,611,782)	(1,563,098)	(48,684)	(1,390,088)	(1,282,100)	(107,988)	(1,296,094)	(1,197,450)	(98,644)	
Profit for the year	6,762,494	3,421,462	3,341,032	6,237,462	3,579,356	2,658,106	5,620,163	2,995,016	2,625,147

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

Statement of comprehensive income for the year ended 30 June 2018

	2018			2017			2016		
	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
Profit for the year	6,762,494	3,421,462	3,341,032	6,237,462	3,579,356	2,658,106	5,620,163	2,995,016	2,625,147
Other comprehensive (expense)/income:									
Item that will not be reclassified to profit or loss:									
Remeasurement of defined benefit pension plan, net of deferred tax	(235,146)	(235,146)	-	287,079	287,079	-	(173,765)	(173,765)	-
Items that may be reclassified subsequently to profit or loss:									
Reclassification adjustments on disposal of available-for-sale investments	(227,304)	(227,304)	-	24,257	24,257	-	(60,243)	(60,243)	-
Net fair value gain/(loss) on available-for-sale investments	471,373	135,430	335,943	355,079	112,029	243,050	(46,491)	(96,809)	50,318
Other comprehensive income/(expense) for the year	244,069	(91,874)	335,943	379,336	136,286	243,050	(106,734)	(157,052)	50,318
Total comprehensive income for the year	8,923	(327,020)	335,943	666,415	423,365	243,050	(280,499)	(330,817)	50,318
Total comprehensive income for the year	6,771,417	3,094,442	3,676,975	6,903,877	4,002,721	2,901,156	5,339,664	2,664,199	2,675,465

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

(a) Derivative financial instruments

	2018			2017			2016		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
(i) Fair value assets									
Currency forwards	65,067	5,495	59,572	71,665	48,500	23,165	70,977	29,231	41,746
Interest rate swaps	8,727	-	8,727	23,118	4,514	18,604	11,903	10,891	1,012
Currency swaps	20,896	2,795	18,101	131,481	41,295	90,186	92,841	81,297	11,544
Others	1,127	-	1,127	467	-	467	50	-	50
	95,817	8,290	87,527	226,731	94,309	132,422	175,771	121,419	54,352

(ii) Fair value liabilities

Currency forwards	75,215	42,756	32,459	51,677	5,692	45,985	75,943	32,246	43,697
Interest rate swaps	2,784	-	2,784	26,008	-	26,008	22,174	-	22,174
Currency swaps	329,025	14,423	314,602	19,745	16,753	2,992	24,236	4,473	19,763
	407,024	57,179	349,845	97,430	22,445	74,985	122,353	36,719	85,634

(b) Loans to and placements with banks

(i) Loans to and placements with banks

in Mauritius	14,077,611	14,077,611	-	7,923,109	7,923,109	-	6,277,304	6,277,304	-
outside Mauritius	17,224,782	-	17,224,782	46,064,793	-	46,064,793	45,117,309	-	45,117,309
	31,302,393	14,077,611	17,224,782	53,987,902	7,923,109	46,064,793	51,394,613	6,277,304	45,117,309

Less:

Loans and placements with original maturity less than 3 months and included in cash and cash equivalents

(11,901,781)	(2,050,238)	(9,851,543)	(28,069,066)	(172,533)	(27,896,533)	(28,891,045)	(290,014)	(28,601,031)
19,400,612	12,027,373	7,373,239	25,918,836	7,750,576	18,168,260	22,503,568	5,987,290	16,516,278
(135,025)	-	(135,025)	(6,377)	-	(6,377)	(17,945)	-	(17,945)
19,265,587	12,027,373	7,238,214	25,912,459	7,750,576	18,161,883	22,485,623	5,987,290	16,498,333

(ii) Remaining term to maturity

Up to 3 months	3,297,287	1,522,100	1,775,187	10,310,019	1,446,416	8,863,603	12,417,250	885,880	11,531,370
Over 3 months and up to 6 months	2,226,314	699,844	1,526,470	8,204,519	917,913	7,286,606	2,703,010	817,451	1,885,559
Over 6 months and up to 1 year	12,095,668	9,805,429	2,290,239	6,239,050	4,343,266	1,895,784	6,377,327	3,277,978	3,099,349
Over 1 year and up to 5 years	1,519,065	-	1,519,065	1,042,981	1,042,981	-	1,005,981	1,005,981	-
Over 5 years	262,278	-	262,278	122,267	-	122,267	-	-	-
	19,400,612	12,027,373	7,373,239	25,918,836	7,750,576	18,168,260	22,503,568	5,987,290	16,516,278

(iii) Allowances for credit impairment

	Segment B		
	TOTAL RS'000	Specific RS'000	Portfolio RS'000
At 01 July 2015	16,616	-	16,616
Provision for credit impairment for the year	1,329	-	1,329
At 30 June 2016	17,945	-	17,945
Provision released during the year	(11,568)	-	(11,568)
At 30 June 2017	6,377	-	6,377
Provision for credit impairment for the year	237,311	205,093	32,218
Amounts written off	(173,808)	(173,808)	-
At 30 June 2018	69,880	31,285	38,595
Interest in suspense	65,145	65,145	-
Provision and interest in suspense at 30 June 2018	135,025	96,430	38,595

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

(c) Loans and advances to customers

	2018			2017			2016		
	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	1,003,083	979,147	23,936	659,962	649,264	10,698	653,788	635,868	17,920
Mortgages	26,896,479	25,713,443	1,183,036	24,817,404	23,594,364	1,223,040	21,969,378	20,764,866	1,204,512
Other retail loans	12,957,067	11,846,900	1,110,167	12,238,768	11,994,464	244,304	12,621,653	12,260,191	361,462
Corporate customers	102,586,065	88,518,515	14,067,550	93,704,822	82,480,925	11,223,897	97,439,140	85,614,132	11,825,008
Governments	1,323,731	-	1,323,731	523,147	-	523,147	283,043	-	283,043
Entities outside Mauritius	49,678,381	-	49,678,381	33,679,435	-	33,679,435	26,262,057	-	26,262,057
	194,444,806	127,058,005	67,386,801	165,623,538	118,719,017	46,904,521	159,229,059	119,275,057	39,954,002
Less:									
Allowances for credit impairment	(5,875,764)	(3,532,971)	(2,342,793)	(5,649,618)	(3,962,501)	(1,687,117)	(6,605,499)	(4,835,241)	(1,770,258)
	188,569,042	123,525,034	65,044,008	159,973,920	114,756,516	45,217,404	152,623,560	114,439,816	38,183,744

(i) Remaining term to maturity

Up to 3 months	50,691,516	32,535,408	18,156,108	43,764,107	31,887,704	11,876,403	40,929,161	31,422,190	9,506,971
Over 3 months and up to 6 months	6,734,022	3,150,561	3,583,461	4,402,213	2,127,850	2,274,363	4,612,032	2,891,769	1,720,263
Over 6 months and up to 1 year	1,970,122	1,239,665	730,457	3,140,205	2,039,228	1,100,977	4,194,400	1,660,033	2,534,367
Over 1 year and up to 5 years	57,866,312	26,592,921	31,273,391	39,158,470	20,427,820	18,730,650	39,145,416	22,895,153	16,250,263
Over 5 years	77,182,834	63,539,450	13,643,384	75,158,543	62,236,415	12,922,128	70,348,050	60,405,912	9,942,138
	194,444,806	127,058,005	67,386,801	165,623,538	118,719,017	46,904,521	159,229,059	119,275,057	39,954,002

(ii) Credit concentration of risk by industry sectors

Agriculture and fishing	7,367,397	7,367,397	-	2,004,071	2,004,071	-	2,088,601	2,088,601	-
Manufacturing	2,926,040	2,925,991	49	294,716	294,716	-	2,365,431	2,365,431	-
of which EPZ	1,298,250	1,298,250	-	66,337	66,337	-	1,616,803	1,616,803	-
Tourism	17,100,616	13,819,715	3,280,901	5,934,586	5,838,189	96,397	11,705,358	11,226,012	479,346
Transport	66,430	66,430	-	52,399	52,399	-	39,946	39,944	2
Construction	10,420,322	10,420,322	-	4,253,594	4,253,594	-	4,211,324	4,211,324	-
Financial and business services	23,140,004	10,492,425	12,647,579	4,185,209	4,161,770	23,439	15,081,604	3,736,683	11,344,921
Traders	28,178,790	3,131,638	25,047,152	18,949,275	1,881,672	17,067,603	15,283,922	1,418,246	13,865,676
Global Business Licence holders	17,668,144	-	17,668,144	20,171,903	-	20,171,903	21,789,702	-	21,789,702
Others	3,553,575	3,553,575	-	45,647	45,647	-	62,992	62,992	-
	110,421,318	51,777,493	58,643,825	55,891,400	18,532,058	37,359,342	72,628,880	25,149,233	47,479,647

35. 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 01 July 2017	2,003,238	1,151,343	3,154,581	1,205,496	768,119	1,973,615	797,742	383,224	1,180,966
Exchange adjustment	21,008	-	21,008	-	-	-	21,008	-	21,008
Provision for credit impairment for the year	786,417	119,739	906,156	254,945	81,123	336,068	531,472	38,616	570,088
Provision released during the year	(11,110)	-	(11,110)	(9,237)	-	(9,237)	(1,873)	-	(1,873)
Amounts written off	(453,284)	-	(453,284)	(432,683)	-	(432,683)	(20,601)	-	(20,601)
At 30 June 2018	2,346,269	1,271,082	3,617,351	1,018,521	849,242	1,867,763	1,327,748	421,840	1,749,588
Interest in suspense	2,258,413	-	2,258,413	1,665,208	-	1,665,208	593,205	-	593,205
Provision and interest in suspense at 30 June 2018	4,604,682	1,271,082	5,875,764	2,683,729	849,242	3,532,971	1,920,953	421,840	2,342,793
At 01 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)
At 30 June 2017	2,003,238	1,151,343	3,154,581	1,205,496	768,119	1,973,615	797,742	383,224	1,180,966
Interest in suspense	2,495,037	-	2,495,037	1,988,886	-	1,988,886	506,151	-	506,151
Provision and interest in suspense at 30 June 2017	4,498,275	1,151,343	5,649,618	3,194,382	768,119	3,962,501	1,303,893	383,224	1,687,117
At 01 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)
At 30 June 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
Interest in suspense	2,811,761	-	2,811,761	2,206,464	-	2,206,464	605,297	-	605,297
Provision and interest in suspense at 30 June 2016	5,502,492	1,103,007	6,605,499	4,056,137	779,104	4,835,241	1,446,355	323,903	1,770,258

35. 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

	2018			2017		2016
	Gross amount of loans	Non performing loans	Specific provision and interest in suspense	Portfolio provision	Total provision	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
TOTAL						
Agriculture and fishing	8,006,741	616,458	292,863	51,865	344,728	276,949
Manufacturing of which EPZ	9,364,011	383,199	123,509	152,658	276,167	265,662
Tourism	3,153,492	56,667	21,193	34,791	55,984	39,075
Transport	25,191,420	572,686	442,184	72,194	514,378	570,919
Construction	5,121,880	1,318,379	846,302	47,060	893,362	605,588
Financial and business services	15,482,908	1,407,640	892,081	173,143	1,065,224	1,045,143
Traders	31,012,976	233,415	77,889	90,736	168,625	153,784
Personal of which credit cards	37,305,196	1,569,371	431,242	224,041	655,283	634,927
of which housing	38,910,813	1,446,923	733,053	233,376	966,429	1,225,835
Professional	995,138	22,486	19,946	21,409	41,355	39,417
Foreign governments	26,896,479	773,727	311,784	123,009	434,793	524,232
Global Business Licence holders	1,037,496	296,683	181,519	17,463	198,982	68,193
Others	1,323,731	-	-	-	-	-
	15,928,184	428,475	460,131	168,630	628,761	496,474
	5,759,450	234,803	123,909	39,916	163,825	306,144
	194,444,806	8,508,032	4,604,682	1,271,082	5,875,764	5,649,618
						6,605,499
Segment A						
Agriculture and fishing	7,963,205	616,390	292,795	51,559	344,354	276,796
Manufacturing of which EPZ	9,362,309	382,840	123,158	152,635	275,793	265,232
Tourism	3,153,492	56,667	21,193	34,791	55,984	39,075
Transport	16,912,053	42,743	38,159	49,451	87,610	179,661
Construction	1,487,014	176,654	25,159	15,935	41,094	46,229
Financial and business services	15,413,607	1,407,627	892,068	172,286	1,064,354	1,044,041
Traders	20,312,802	111,006	73,391	59,854	133,245	126,390
Personal of which credit cards	13,264,850	595,614	293,627	78,555	372,182	523,918
of which housing	36,601,018	1,324,778	688,548	219,543	908,091	1,180,631
Professional	972,383	21,327	19,166	118,416	137,582	38,944
Foreign governments	25,713,443	690,930	285,253	118,416	403,669	492,610
Others	894,613	204,300	133,453	16,177	149,630	60,856
	4,846,534	234,253	123,371	33,247	156,618	258,747
	127,058,005	5,096,205	2,683,729	849,242	3,532,971	3,962,501
						4,835,241
Segment B						
Agriculture and fishing	43,536	68	68	306	374	153
Manufacturing	1,702	359	351	23	374	430
Tourism	8,279,367	529,943	404,025	22,743	426,768	391,258
Transport	3,634,866	1,141,725	821,143	31,125	852,268	559,359
Construction	69,301	13	13	857	870	1,102
Financial and business services	10,700,174	122,409	4,498	30,882	35,380	27,394
Traders	24,040,346	973,757	137,615	145,486	283,101	111,009
Personal	2,309,795	122,145	44,505	13,833	58,338	45,204
Professional	142,883	92,383	48,066	1,286	49,352	7,337
Foreign governments	1,323,731	-	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761	496,474
Others	912,916	550	538	6,669	7,207	47,397
	67,386,801	3,411,827	1,920,953	421,840	2,342,793	1,687,117
						1,770,258

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

(d) Investment securities

	2018		2017		2016				
	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	53,283,515	51,874,123	1,409,392	54,808,648	53,241,032	1,567,616	51,487,622	50,607,712	879,910
Held-for-trading	24,232,384	24,232,384	-	9,568,590	9,059,378	509,212	722,789	57,061	665,728
Available-for-sale	4,418,360	1,900,897	2,517,463	4,517,570	2,188,854	2,328,716	4,030,929	1,780,156	2,250,773
	81,934,259	78,007,404	3,926,855	68,894,808	64,489,264	4,405,544	56,241,340	52,444,929	3,796,411
Less:									
Allowances for credit impairment on investment securities	(49,912)	(49,912)	-	(3,945)	(3,945)	-	-	-	-
	81,884,347	77,957,492	3,926,855	68,890,863	64,485,319	4,405,544	56,241,340	52,444,929	3,796,411

(i) Held-to-maturity

Government of Mauritius & Bank of Mauritius bonds	42,824,594	42,824,594	-	41,906,114	41,906,114	-	35,690,180	35,690,180	-
Treasury bills	2,000,461	2,000,461	-	10,680,154	10,680,154	-	14,635,850	14,635,850	-
Foreign bonds	1,409,392	-	1,409,392	1,567,616	-	1,567,616	879,910	-	879,910
Notes	7,049,068	7,049,068	-	654,764	654,764	-	281,682	281,682	-
	53,283,515	51,874,123	1,409,392	54,808,648	53,241,032	1,567,616	51,487,622	50,607,712	879,910

(ii) Held-for-trading by levels

Quoted- Level 1									
Foreign bonds	-	-	-	509,212	-	509,212	665,728	-	665,728
Unquoted - Level 2									
Government of Mauritius & Bank of Mauritius bonds									
1,058,795 23,173,589									
1,058,795 23,173,589									
23,173,589 23,173,589									
Treasury bills									
24,232,384 24,232,384									
24,232,384 24,232,384									
24,232,384 24,232,384									

(iii) Available-for-sale by levels

Quoted - Level 1									
Official list: shares	885,660	885,660	-	1,263,593	1,263,593	-	1,103,635	1,103,635	-
Bonds	1,354,821	592,301	762,520	1,480,819	499,173	981,646	1,185,342	250,433	934,909
Foreign shares	1,233,154	-	1,233,154	840,403	-	840,403	671,661	-	671,661
	3,473,635	1,477,961	1,995,674	3,584,815	1,762,766	1,822,049	2,960,638	1,354,068	1,606,570

Unquoted - Level 2									
Inflation - indexed Government of Mauritius bonds	205,709	205,709	-	-	-	-	-	-	-
Investment fund	509,740	-	509,740	494,618	-	494,618	416,227	-	416,227
	715,449	205,709	509,740	494,618	-	494,618	416,227	-	416,227

Unquoted - Level 3									
Investment fund	-	-	-	-	-	-	215,927	-	215,927
Equity shares	229,276	217,227	12,049	229,276	217,227	12,049	229,276	217,227	12,049
Inflation - indexed Government of Mauritius bonds	-	-	-	208,861	208,861	-	208,861	208,861	-
	229,276	217,227	12,049	438,137	426,088	12,049	654,064	426,088	227,976
	4,418,360	1,900,897	2,517,463	4,517,570	2,188,854	2,328,716	4,030,929	1,780,156	2,250,773

35. 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 %	2018			2017			2016		
		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	117,570	-	117,570	64,322	-	64,322	-	-

Movement in investment in subsidiary

	2018			2017			2016		
	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 01 July	64,322	-	64,322	-	-	-	-	-	-
Additions	53,248	-	53,248	-	-	-	-	-	-
Transferred from other assets	-	-	-	64,322	-	64,322	-	-	-
At 30 June	117,570	-	117,570	64,322	-	64,322	-	-	-

(ii) Investment in associates

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

Country of incorporation	Holding %	2018			2017			2016		
		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	447,489	-	447,489	447,489	-	447,489	447,489	-	447,489
Société Générale Moçambique	Moçambique	501,585	-	501,585	310,625	-	310,625	310,625	-	310,625
Subordinated loan to associate		949,074	-	949,074	758,114	-	758,114	758,114	-	758,114
		413,153	-	413,153	401,136	-	401,136	402,949	-	402,949
		1,362,227	-	1,362,227	1,159,250	-	1,159,250	1,161,063	-	1,161,063

Movements in investments in associates

	2018			2017			2016		
	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 01 July	1,159,250	-	1,159,250	1,161,063	-	1,161,063	-	-	-
Increase in shareholding during the year	190,960	-	190,960	-	-	-	50,705	-	50,705
Exchange adjustment on subordinated loan	12,017	-	12,017	(1,813)	-	(1,813)	-	-	-
Transferred from non-current assets held for distribution	-	-	-	-	-	-	707,409	-	707,409
Subordinated loan to associate reclassified from loans to banks	-	-	-	-	-	-	402,949	-	402,949
At 30 June	1,362,227	-	1,362,227	1,159,250	-	1,159,250	1,161,063	-	1,161,063

35. 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
Cost			
At 01 July 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 June 2016	2,337,148	194,617	2,531,765
Additions	58,471	236,888	295,359
Scrap/Impairment	(602)	-	(602)
Transfer	322,094	(322,094)	-
At 30 June 2017	2,717,111	109,411	2,826,522
Additions	14,148	152,301	166,449
Transfer	103,154	(103,154)	-
At 30 June 2018	2,834,413	158,558	2,992,971
Amortisation			
At 01 July 2015	1,970,189	-	1,970,189
Scrap/Impairment	(50,679)	-	(50,679)
Charge for the year	139,093	-	139,093
At 30 June 2016	2,058,603	-	2,058,603
Scrap/Impairment	(136)	-	(136)
Charge for the year	188,486	-	188,486
At 30 June 2017	2,246,953	-	2,246,953
Charge for the year	201,416	-	201,416
At 30 June 2018	2,448,369	-	2,448,369
Net book values - Segment A			
At 30 June 2018	386,044	158,558	544,602
At 30 June 2017	470,158	109,411	579,569
At 30 June 2016	278,545	194,617	473,162

The Core Banking System T24 is the only material intangible asset. The remaining useful life of this intangible asset is 2 years.

35. 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
Cost					
At 01 July 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 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 June 2017	4,521,988	3,096,825	819,791	58,519	8,497,123
Additions	30,441	176,734	20,180	106,715	334,070
Disposals	-	(75,975)	(44,059)	-	(120,034)
Transfer	-	116,693	34,650	(151,343)	-
At 30 June 2018	4,552,429	3,314,277	830,562	13,891	8,711,159
Accumulated depreciation					
At 01 July 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 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 June 2017	785,256	2,344,280	456,505	-	3,586,041
Charge for the year	73,700	263,260	54,691	-	391,651
Disposal adjustment	-	(73,810)	(34,520)	-	(108,330)
At 30 June 2018	858,956	2,533,730	476,676	-	3,869,362
Net book values - Segment A					
At 30 June 2018	3,693,473	780,547	353,886	13,891	4,841,797
At 30 June 2017	3,736,732	752,545	363,286	58,519	4,911,082
At 30 June 2016	3,731,207	737,641	348,935	134,820	4,952,603



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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

(h) Other assets

	2018			2017			2016		
	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	17,196,714	17,196,714	-	15,432,134	15,432,134	-	13,688,608	13,688,608	-
Prepayments and other receivables	469,478	355,838	113,640	699,238	528,861	170,377	725,499	693,529	31,970
Credit Card Clearing	89,854	89,854	-	68,525	68,525	-	68,659	68,659	-
Non-banking assets acquired in satisfaction of debts	48,699	48,699	-	51,802	51,802	-	51,909	51,909	-
Impersonal & other accounts	1,081,615	1,081,615	-	1,487,708	1,231,823	255,885	1,696,395	1,605,040	91,355
Post employee benefits asset	-	-	-	99,487	99,487	-	-	-	-
	18,886,360	18,772,720	113,640	17,838,894	17,412,632	426,262	16,231,070	16,107,745	123,325

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

(i) Deposits from banks

	2018			2017			2016		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Demand deposits	3,815,235	86,016	3,729,219	2,743,209	222,663	2,520,546	2,643,632	90,983	2,552,649
Money market deposits with remaining term to maturity:									
Up to 3 months	1,861,440	-	1,861,440	1,703,673	-	1,703,673	715,676	-	715,676
Over 3 months and up to 6 months	912,011	-	912,011	670,395	-	670,395	1,045,465	-	1,045,465
Over 6 months and up to 1 year	-	-	-	185,289	-	185,289	25,379	-	25,379
Over 1 year and up to 5 years	-	-	-	-	-	-	282,451	-	282,451
	2,773,451	-	2,773,451	2,559,357	-	2,559,357	2,068,971	-	2,068,971
	6,588,686	86,016	6,502,670	5,302,566	222,663	5,079,903	4,712,603	90,983	4,621,620

(j) Deposits from customers

(i) Retail customers

Demand deposits	27,312,248	17,442,949	9,869,299	25,318,439	15,771,178	9,547,261	25,182,505	12,965,061	12,217,444
Savings deposits	121,345,043	113,889,747	7,455,296	109,296,825	102,336,118	6,960,707	96,501,629	89,747,661	6,753,968
Time deposits with remaining term to maturity:									
Up to 3 months	3,862,278	3,152,113	710,165	2,807,938	2,135,636	672,302	3,304,781	2,295,161	1,009,620
Over 3 months and up to 6 months	1,858,647	1,481,802	376,845	1,954,290	1,658,863	295,427	1,855,545	1,410,603	444,942
Over 6 months and up to 1 year	4,478,033	3,653,383	824,650	4,201,169	3,459,730	741,439	4,596,129	3,311,467	1,284,662
Over 1 year and up to 5 years	12,405,134	11,107,591	1,297,543	12,645,559	11,244,637	1,400,922	11,663,604	9,753,802	1,909,802
Over 5 years	4,105	3,805	300	12,586	11,313	1,273	5,478	5,038	440
	22,608,197	19,398,694	3,209,503	21,621,542	18,510,179	3,111,363	21,425,537	16,776,071	4,649,466
	171,265,488	150,731,390	20,534,098	156,236,806	136,617,475	19,619,331	143,109,671	119,488,793	23,620,878

(ii) Corporate customers

Demand deposits	86,750,375	41,342,463	45,407,912	80,958,642	34,884,801	46,073,841	72,803,936	32,938,713	39,865,223
Savings deposits	4,964,468	4,961,626	2,842	5,906,210	5,902,307	3,903	5,253,182	5,206,014	47,168
Time deposits with remaining term to maturity:									
Up to 3 months	5,711,297	1,306,090	4,405,207	4,799,755	662,853	4,136,902	4,937,434	835,615	4,101,819
Over 3 months and up to 6 months	1,274,641	752,977	521,664	1,520,490	1,057,779	462,711	1,699,788	609,155	1,090,633
Over 6 months and up to 1 year	2,528,487	1,148,377	1,380,110	2,260,756	897,906	1,362,850	2,850,519	601,978	2,248,541
Over 1 year and up to 5 years	6,312,278	3,390,394	2,921,884	6,810,544	3,960,860	2,849,684	4,803,622	4,111,564	692,058
Over 5 years	100	100	-	62	62	-	2,791,762	-	2,791,762
	15,826,803	6,597,938	9,228,865	15,391,607	6,579,460	8,812,147	17,083,125	6,158,312	10,924,813
	107,541,646	52,902,027	54,639,619	102,256,459	47,366,568	54,889,891	95,140,243	44,303,039	50,837,204

(iii) Government

Demand deposits	25,328	25,328	-	15,353	15,353	-	9,411	9,411	-
Savings deposits	110,724	110,724	-	61,216	61,216	-	52,168	52,168	-
	136,052	136,052	-	76,569	76,569	-	61,579	61,579	-
	278,943,186	203,769,469	75,173,717	258,569,834	184,060,612	74,509,222	238,311,493	163,853,411	74,458,082

35. Additional disclosures as required by the Bank of Mauritius (continued)
(k) Other borrowed funds
(i) Other borrowed funds comprise the following:

	2018			2017			2016		
	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 abroad	4,386,247 9,802,296 14,188,543	4,386,247 - 4,386,247	- 9,802,296 9,802,296	4,743 5,602,192 5,606,935	4,743 - 4,743	- 5,602,192 5,602,192	9,134 4,856,774 4,865,908	9,134 - 9,134	- 4,856,774 4,856,774

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	8,363,531	4,386,247	3,977,284	41,352	4,743	36,609	15,584	9,134	6,450
Within a period of more than 1 year but not exceeding 3 years	3,517,597	-	3,517,597	-	-	-	-	-	-
Within a period of more than 3 years	2,307,415	-	2,307,415	5,565,583	-	5,565,583	4,850,324	-	4,850,324

(l) Subordinated liability

USD30M subordinated debt maturing in August 2023 at an average interest rate of 4.8% (2017: 4.3% and 2016: 3.8%) (Level 3)	1,060,181	-	1,060,181	1,052,037	-	1,052,037	1,082,289	-	1,082,289
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(m) Other liabilities

Post employee benefit liability	152,035	152,035	-	-	-	-	249,707	249,707	-
Residual retirement gratuities	51,033	51,033	-	-	-	-	-	-	-
Proposed dividend	1,341,522	1,341,522	-	1,341,522	1,341,522	-	1,031,940	1,031,940	-
Impersonal & other accounts	4,862,681	4,559,752	302,929	3,740,473	3,704,108	36,365	2,603,151	2,602,725	426
	6,407,271	6,104,342	302,929	5,081,995	5,045,630	36,365	3,884,798	3,884,372	426

(n) Contingent liabilities
(i) Instruments

Guarantees on account of customers	22,168,213	13,291,328	8,876,885	19,186,056	12,944,650	6,241,406	18,330,563	13,076,101	5,254,462
Letters of credit and other obligations on account of customers	32,684,338	3,582,426	29,101,912	20,444,660	2,947,251	17,497,409	8,273,242	2,293,314	5,979,928
Other contingent items	2,999,421	-	2,999,421	1,497,666	-	1,497,666	3,526,005	6,902	3,519,103

(ii) Commitments

Loans and other facilities, including undrawn credit facilities	6,077,554	4,719,360	1,358,194	6,714,334	3,316,186	3,398,148	2,600,154	1,757,355	842,799
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(iii) Tax assessments

	537,147	537,147	-	992,632	992,632	-	836,868	836,868	-
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(iv) Other

Inward bills held for collection	404,983	298,092	106,891	350,954	280,744	70,210	423,796	321,213	102,583
Outward bills sent for collection	991,670	253,597	738,073	1,003,037	227,706	775,331	1,003,723	306,066	697,657
	1,396,653	551,689	844,964	1,353,991	508,450	845,541	1,427,519	627,279	800,240
	65,863,326	22,681,950	43,181,376	50,189,339	20,709,169	29,480,170	34,994,351	18,597,819	16,396,532

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

(o) Interest income

	2018			2017			2016		
	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	668,016	266,148	401,868	577,309	192,559	384,750	367,076	116,476	250,600
Loans and advances to customers	10,454,505	7,330,178	3,124,327	9,914,265	7,544,560	2,369,705	10,355,057	8,057,427	2,297,630
Held-to-maturity investments	2,122,591	2,096,876	25,715	2,129,450	2,101,426	28,024	1,676,321	1,650,749	25,572
Available-for-sale investments	114,816	29,188	85,628	60,596	16,675	43,921	44,754	3,633	41,121
Held-for-trading investments	511,164	502,618	8,546	54,031	46,898	7,133	6,594	1,980	4,614
Other	32,596	2,022	30,574	13,773	5,465	8,308	7,470	7,369	101
	13,903,688	10,227,030	3,676,658	12,749,424	9,907,583	2,841,841	12,457,272	9,837,634	2,619,638

(p) Interest expense

Deposits from banks	48,168	-	48,168	22,038	-	22,038	15,623	-	15,623
Deposits from customers	3,474,471	2,960,888	513,583	3,668,925	3,223,618	445,307	3,949,990	3,418,863	531,127
Subordinated liability	46,507	-	46,507	44,522	-	44,522	41,006	-	41,006
Other borrowed funds	225,755	31,056	194,699	134,890	2,149	132,741	94,706	270	94,436
	3,794,901	2,991,944	802,957	3,870,375	3,225,767	644,608	4,101,325	3,419,133	682,192

(q) Fee and commission income

Retail banking fees	748,684	360,088	388,596	754,754	333,320	421,434	755,429	329,617	425,812
Corporate banking fees	522,642	234,015	288,627	420,208	241,684	178,524	275,414	150,186	125,228
Guarantee fees	235,715	150,204	85,511	221,386	144,358	77,028	212,579	155,208	57,371
Interbank transaction fees	63,216	-	63,216	57,237	-	57,237	49,809	-	49,809
Cards and other related fees	1,577,784	1,268,461	309,323	1,458,173	1,131,655	326,518	1,315,704	1,038,060	277,644
Trade finance fees	376,296	95,391	280,905	296,915	103,339	193,576	432,867	100,550	332,317
Others	120,019	34,909	85,110	86,076	18,121	67,955	80,280	15,907	64,373
	3,644,356	2,143,068	1,501,288	3,294,749	1,972,477	1,322,272	3,122,082	1,789,528	1,332,554

(r) Fee and commission expense

Interbank transaction fees	17,624	-	17,624	13,206	-	13,206	20,589	-	20,589
Cards and other related fees	722,430	603,085	119,345	653,578	572,993	80,585	582,843	513,445	69,398
Corporate banking and trade finance fees	113,338	-	113,338	-	-	-	-	-	-
Others	14,356	-	14,356	20,889	-	20,889	24,922	-	24,922
	867,748	603,085	264,663	687,673	572,993	114,680	628,354	513,445	114,909

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

Net (loss)/gain from derivative financial instruments	(420,408)	(456,860)	36,452	88,017	45,082	42,935	(108,131)	(93,827)	(14,304)
Investment securities held-for-trading	38,839	40,519	(1,680)	12,191	20,824	(8,633)	19,649	1,284	18,365
	(381,569)	(416,341)	34,772	100,208	65,906	34,302	(88,482)	(92,543)	4,061

(t) Dividend income

Income from subsidiary	26,937	-	26,937	63,506	-	63,506	-	-	-
Income from associate	302,503	-	302,503	246,305	-	246,305	210,830	-	210,830
Income from quoted investments	26,762	22,098	4,664	38,805	34,743	4,062	33,720	30,241	3,479
Income from unquoted investments	9,419	9,158	261	5,978	4,726	1,252	7,448	6,462	986
	365,621	31,256	334,365	354,594	39,469	315,125	251,998	36,703	215,295



Notes to the Financial Statements for the year ended 30 June 2018 (continued)

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

(u) Salaries and human resource costs

	2018			2017			2016		
	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	2,123,234	1,800,078	323,156	2,039,545	1,737,941	301,604	1,857,907	1,660,389	197,518
Defined benefit plan	172,431	136,830	35,601	197,708	169,503	28,205	238,205	214,495	23,710
Defined contribution plan	84,740	77,861	6,879	66,041	62,200	3,841	36,046	32,890	3,156
Residual retiring gratuities	51,033	49,502	1,531	-	-	-	-	-	-
Compulsory social security obligations	65,073	56,778	8,295	61,166	55,041	6,125	56,856	51,743	5,113
Equity settled share-based payments	10,915	10,588	327	3,024	2,933	91	1,558	1,509	49
Other personnel expenses	621,753	539,774	81,979	588,100	522,715	65,385	571,326	525,621	45,705
	3,129,179	2,671,411	457,768	2,955,584	2,550,333	405,251	2,761,898	2,486,647	275,251

(v) Other non-interest expense

Legal & professional fees	406,192	312,115	94,077	258,475	194,516	63,959	235,863	180,169	55,694
Rent,repairs,maintenance and security costs	293,353	280,768	12,585	301,758	289,066	12,692	269,026	259,050	9,976
Software licensing and other information technology costs	255,029	240,150	14,879	242,892	230,150	12,742	215,071	204,069	11,002
Electricity,water and telephone charges	219,416	209,739	9,677	213,745	208,381	5,364	193,186	180,547	12,639
Advertising & marketing costs	156,276	136,599	19,677	150,610	129,755	20,855	132,656	90,274	42,382
Postage,courier & stationery costs	135,301	125,841	9,460	140,088	130,595	9,493	128,334	120,545	7,789
Insurance costs	95,090	81,533	13,557	102,660	80,707	21,953	83,773	77,239	6,534
Others	172,411	167,668	4,743	99,669	102,448	(2,779)	122,589	126,555	(3,966)
	1,733,068	1,554,413	178,655	1,509,897	1,365,618	144,279	1,380,498	1,238,448	142,050

(w) Net impairment of financial assets

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

Allowance for credit impairment:									
Loans and advances	1,182,965	280,600	902,365	946,559	180,726	765,833	907,021	401,131	505,890
Investment securities	45,967	45,967	-	3,945	3,945	-	-	-	-
	1,228,932	326,567	902,365	950,504	184,671	765,833	907,021	401,131	505,890

(i) Allowance for credit impairment

Loans and advances to customers	945,654	280,600	665,054	958,127	180,726	777,401	905,692	401,131	504,561
Loans to and placements with banks	237,311	-	237,311	(11,568)	-	(11,568)	1,329	-	1,329
Investment securities	45,967	45,967	-	3,945	3,945	-	-	-	-

(x) Income tax expense

Current tax expense									
Current year	1,346,586	1,244,291	102,295	1,416,435	1,308,895	107,540	1,240,581	1,153,720	86,861
(Over)/under provision in previous years	(80,540)	(80,387)	(153)	(25,967)	(21,595)	(4,372)	(3,051)	163	(3,214)
Provision for tax assessment	258,272	301,974	(43,702)	-	-	-	-	-	-
	1,524,318	1,465,878	58,440	1,390,468	1,287,300	103,168	1,237,530	1,153,883	83,647
Deferred tax	87,464	97,220	(9,756)	(380)	(5,200)	4,820	58,564	43,567	14,997
Charge for the year	1,611,782	1,563,098	48,684	1,390,088	1,282,100	107,988	1,296,094	1,197,450	98,644

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

Profit before tax:	8,374,276	4,984,560	3,389,716	7,627,550	4,861,456	2,766,094	6,916,257	4,192,466	2,723,791
Tax calculated at a rate of 15%	1,256,141	747,684	508,457	1,144,133	729,219	414,914	1,037,439	628,870	408,569
Impact of:									
Income not subject to tax	(142,783)	(100,016)	(42,767)	(73,095)	(74,486)	1,391	(126,464)	(21,162)	(105,302)
Expenses not deductible for tax purposes	222,341	140,824	81,517	98,547	67,231	31,316	79,259	39,451	39,808
Tax credits	(487,639)	-	(487,639)	(362,189)	-	(362,189)	(267,093)	-	(267,093)
Special levy on banks	493,820	460,849	32,971	511,704	484,776	26,928	428,271	402,395	25,876
Corporate Social Responsibility Contribution	92,170	92,170	-	96,955	96,955	-	147,733	147,733	-
(Over)/under provision in previous years	(80,540)	(80,387)	(153)	(25,967)	(21,595)	(4,372)	(3,051)	163	(3,214)
Provision for tax assessment	258,272	301,974	(43,702)	-	-	-	-	-	-
Tax charge	1,611,782	1,563,098	48,684	1,390,088	1,282,100	107,988	1,296,094	1,197,450	98,644

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

Remeasurement of defined benefit pension plan	283,308	283,308	-	(337,740)	(337,740)	-	204,430	204,430	-
Deferred tax (credit)/charge	(48,162)	(48,162)	-	50,661	50,661	-	(30,665)	(30,665)	-
Remeasurement of defined benefit pension plan, net of deferred tax	235,146	235,146	-	(287,079)	(287,079)	-	173,765	173,765	-