Annual Report 2015

MCB GROUP

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

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

Dear Shareholder,

The Directors of MCB Group Limited are pleased
to present its Annual Report for the year ended 30 June 2015.

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

J. Gérard HARDY
Chairperson

Pierre Guy NOEL
Chief Executive

About this Annual Report

Demonstrating our Value Creation

MCB Group Limited (hereinafter referred to as 'MCB Group Ltd' or 'Company') embraces the principles of integrated reporting. Through the latter, the Group (with the term 'Group' signifying the consolidation of all the subsidiaries and associates of MCB Group Ltd) provides a clear and intelligible overview of its commitment to long-term value creation for the benefit of its multiple stakeholders. Besides, by providing transparent, comprehensive and balanced insights on the functioning and performance of our businesses, we ensure that readers of this report readily find the information that they are looking for.

Scope and Materiality

The report covers the period spanning 1 July 2014 to 30 June 2015. Wherever deemed relevant, the report also extends beyond the financial reporting boundary for a better understanding of the Group.

Specifically, the report provides an overview and appraisal of the operating background, governance structure, inherent functioning, strategic and market positioning and achievements, as well as the financial performances and prospects of the subsidiaries and associates held by MCB Group Ltd. The nature and extent of information delivered depend on the significance of each entity to the Group. Thus, banking activities catered for in and from Mauritius and undertaken under the aegis of The Mauritius Commercial Bank Limited – with the appellation being interchanged with 'MCB Ltd', 'MCB' or the 'Bank' designation – are prominently covered throughout the report. Focus is laid, throughout the report, on initiatives and performance outcomes that are deemed to be material enough to notably impact our strategic realisations and stakeholders' assessments of our ability to consistently meet their requirements.

Responsibility and Assurance

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

Contents

Highlights and Corporate Information

Highlights

Group Financial Summary

	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11
Income Statement (Rs m)					
Operating profit	6,526	4,946	5,040	4,885	5,082
Profit attributable to ordinary equity holders of the parent	5,722	4,365	4,345	4,125	4,491
Statements of financial position (Rs m)					
Total assets	280,013	240,886	216,528	191,283	172,689
Total loans (net)	167,181	154,471	150,604	138,125	122,129
Total deposits	219,681	186,088	166,113	150,877	136,210
Subordinated liabilities	5,556	5,409	-	-	1,279
Shareholders' funds	35,933	30,968	28,506	25,315	23,729
Performance ratios (%)					
Return on average total assets	2.2	1.9	2.1	2.3	2.7
Return on average equity	17.1	14.7	16.1	16.8	20.4
Loans to deposits ratio	78.8	86.4	93.2	93.7	92.1
Cost to income ratio	41.8	43.1	44.5	46.0	42.6
Financial soundness ratios (%)					
Capital & reserves / Total assets	12.8	12.9	13.2	13.2	13.7
BIS risk adjusted ratio	17.3	16.3	13.1	12.8	14.5
of which Tier 1	*14.5*	*13.3*	*12.2*	*11.9*	*12.8*
Asset quality (%)					
Non-performing loans (Rs m)	10,755	11,711	7,779	6,277	4,346
NPL ratio	6.2	7.3	5.0	4.4	3.4
Allowance for loan impairment losses (Rs m)	5,900	6,225	4,232	3,272	3,276
Provision coverage ratio	54.9	53.1	54.4	52.1	75.4

Notes:

(i) Proforma figures have been used in respect of the income statement prior to 2015 and the financial positions before 2014 in order to give a proper understanding and comparative view of the Group performance over time.

(ii) Capital adequacy ratios for the last two financial years are based on Basel III with proforma figures used for 2014 for camparative purposes.

During FY 2014/15, the Group posted a strong financial performance, notably linked to its diversified market positioning ...

Earnings

31.1%
ATTRIBUTABLE PROFIT
Rs 5.7 bn

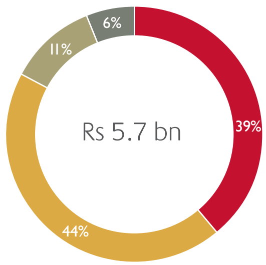
7.7%
OPERATING INCOME
Rs 13.2 bn

Balance Sheet

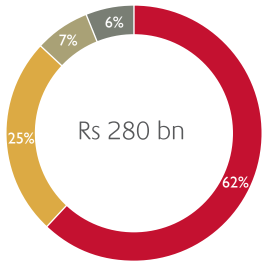
7.7%
GROSS LOANS
Rs 173.1 bn

18.1%
DEPOSITS
Rs 219.7 bn

Contribution to Group profit



Distribution of total assets



- MCB Ltd - Segment A
- MCB Ltd - Segment B
- Foreign banking subsidiaries & associate
- Non-banking financial & Other investments

Note: Segment B refers to the provision of international financial services that give rise to foreign-sourced income while Segment A relates to locally-sourced earnings.

... thus, delivering strong and sustainable returns for its shareholders

Stock profile

2.4%
RETURN ON EQUITY
17.1%

31.1%
EARNINGS PER SHARE
Rs 24.04

24.0%
DIVIDEND PER SHARE
Rs 8.00

Our progress is anchored on ambitious and sensible strategic intents ...

During FY 2014/15, the Group made further headway in sharpening its local market footprint, broadening its international involvement and boosting its non-bank activities. Towards these ends, it further enriched its value proposition, reinforced the quality of its customer relationships, enhanced its risk management proficiencies, bolstered its internal capabilities, and attained higher operational efficiency levels.

Our strategic realisations during FY 2014/15 and till date

Strengthening foundations for market expansion and diversification

- Elaboration, with the assistance of international consultants, of a Medium Term Growth Strategy by the Bank to underpin the materialisation of its business development aspirations
- Consolidation of retail and corporate customer segments; widened base of foreign premium clients
- Provision of the second edition of preferential credit facilities named 'Green Loans', pursuant to the new loan agreement signed with Agence Française de Développement
- Further deployment of the Group's 'Bank of Banks' initiative towards upholding its positioning as a regional platform for providing adapted solutions to banking peers
- Opening of a Representative Office in Kenya by the Bank; increased activity on the African syndicated loan market and secondary market for purchase and sale of risks; enhanced appeal of the Bank as a privileged partner for asset-based structured trade finance
- Reinforced market position of MCB Capital Markets Ltd in respect of corporate finance on the domestic scene and increasing focus being laid on tapping into opportunities in Africa
- Continued build-up of assets under management by MCB Capital Markets Ltd
- Further development of the business network of MCB Consulting Services Ltd
- International Card Processing Services Ltd securing interesting partnerships with new banks in Africa and the Indian Ocean
- Agreement signed with Société Générale for participation by the latter in the equity of MCB Moçambique

Our strategic realisations during FY 2014/15 and till date

Promotion of superior customer relationships and experiences

- Improved specificities/functionalities of MCB's retail offerings; active utilisation of the Net Promoter Score to effectively assess the evolution of customer satisfaction levels
- Reinforced appeal and array of features with respect to our 'Juice' mobile payments platform
- Deployment of Self Service Kiosks and Bunch Note Acceptors in selected branches
- Revamped set-up of lounges meant for premium clients
- Enhanced brand and relationship-building through corporate events, roadshows and sponsorship of international conferences
- Strengthened support to small and medium enterprises (SMEs), notably with the full-fledged operation of a 'Knowledge Centre'
- Launch of new funds by MCB Capital Markets Ltd, e.g. successful structuring and marketing of capital-guaranteed products by the latter

Reinforcement of growth enablers and improved operational excellence

- Capital restructuring leading to an increase in the core capital level of MCB Ltd
- Merger of the Bank's International and Corporate segments initiated to form a new Corporate and Institutional Banking Strategic Business Unit
- Upgrading of the risk management framework, tools and systems across the Group
- Implementation of the new Core Banking System at MCB Madagascar and seamless upgrade of the platform at MCB Ltd, MCB Maldives and MCB Moçambique; revamping of other technological platforms; enhanced display and functionalities of the Group's websites
- Further streamlining of processes for enhanced internal and sales efficiency levels
- Tailored programmes executed to attract, retain and develop human capital; conduct of specialised training at MCB Development Centre; upgrade of the Performance Management System
- Full-fledged execution of the Bank's Business Continuity Management framework
- Strategic partnerships forged by MCB Consulting Services Ltd with leading international solutions providers
- MCB Forward Foundation becoming the first CSR Foundation to be ISO 9001:2008 certified

... thus, making us the recipient of a host of recognitions and accolades

Rankings

The Banker Top 1000 World Banks

(July 2015)

(in terms of Tier 1 capital)

625th Among the Top 1000 Banks

1st In East Africa

18th In Africa

101st in Africa in terms of market capitalisation
(African Business Top 250 Companies, May 2015)

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

LEADING REGIONAL BANK in terms of operating income and profitability
(l'Eco Austral Top 500 de l'Océan Indien, June 2015)

Awards and recognitions
by Group entities

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

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

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

Best Private Bank
(PWM/The Banker Global Private Banking Awards 2014)

Best Private Bank for Mauritius
(Wealth & Money Management Awards 2015)

Best Local Trade Finance Bank in Mauritius
(Global Trade Review 2014)

Overall winner in the SEM-10 category and Best online reporting for MCB Group Ltd;
Overall winner in the financial institutions and Best Risk Management Disclosures for MCB Ltd
(PricewaterhouseCoopers Corporate Reporting Awards 2015)

Performance Excellence Award
attributed by *Citibank, J.P. Morgan Chase and Deutsche Bank*
for MCB's straight-through processing rate for payments and transfers

Banking and Financial Services Award 2014
awarded to MCB Seychelles Ltd
(Seychelles Chamber of Commerce and Industry)

Best Investment Management Company in Mauritius for 2015
attributed to MCB Investment Management Co. Ltd
(World Finance Investment Management Awards 2015 for Mauritius)

Our Vision

Everyday, we will help make

Our Mission

We will keep finding ways to meet the needs of our customers

We will listen to them and help them achieve their goals

We will help people with ideas to be entrepreneurs

We will be worthy of our shareholders' confidence

We will do what we can to make the world a better, greener place

And we will never go away

OUR CORE VALUES

Integrity

Honest and trustworthy at all times

Customer care

Delivering unrivalled service

Teamwork

Working together towards a common goal

Innovation

Proactively seeking out new opportunities

Knowledge

Believing in lifelong learning

Excellence

Being the best we possibly can

something happen

Corporate information

Overview of the Group

Leveraging its 177-year history, MCB Group is an integrated banking and financial services player, with over 3,000 employees. It offers a wide range of tailored and innovative solutions through dedicated local and foreign subsidiaries and associates.

Building on its sound business model, extensive channel capabilities and high service quality, the Group actively assists in the advancement of individuals and corporates. At the domestic level, the Group has cemented its position as the leading banking sector player, thus playing a key role in promoting the socio-economic development of Mauritius over time. Moreover, underpinned by its ambitious, yet sensible, market diversification strategy, the Group has carved out an increasingly prominent position in the region and has expanded beyond, while broadening its footprint in the non-financial field. Additionally, the Group acts as a 'sustainable' organisation, with initiatives adopted for promoting social welfare and natural resource protection.

MCB Group Ltd is listed on the Official Market of the Stock Exchange of Mauritius since its inception in 1989. It has a broad and diversified shareholder base, with more than 18,000 shareholders. It has the largest market capitalisation on the local bourse, with a share of some 23%.

Credit Ratings – MCB Ltd

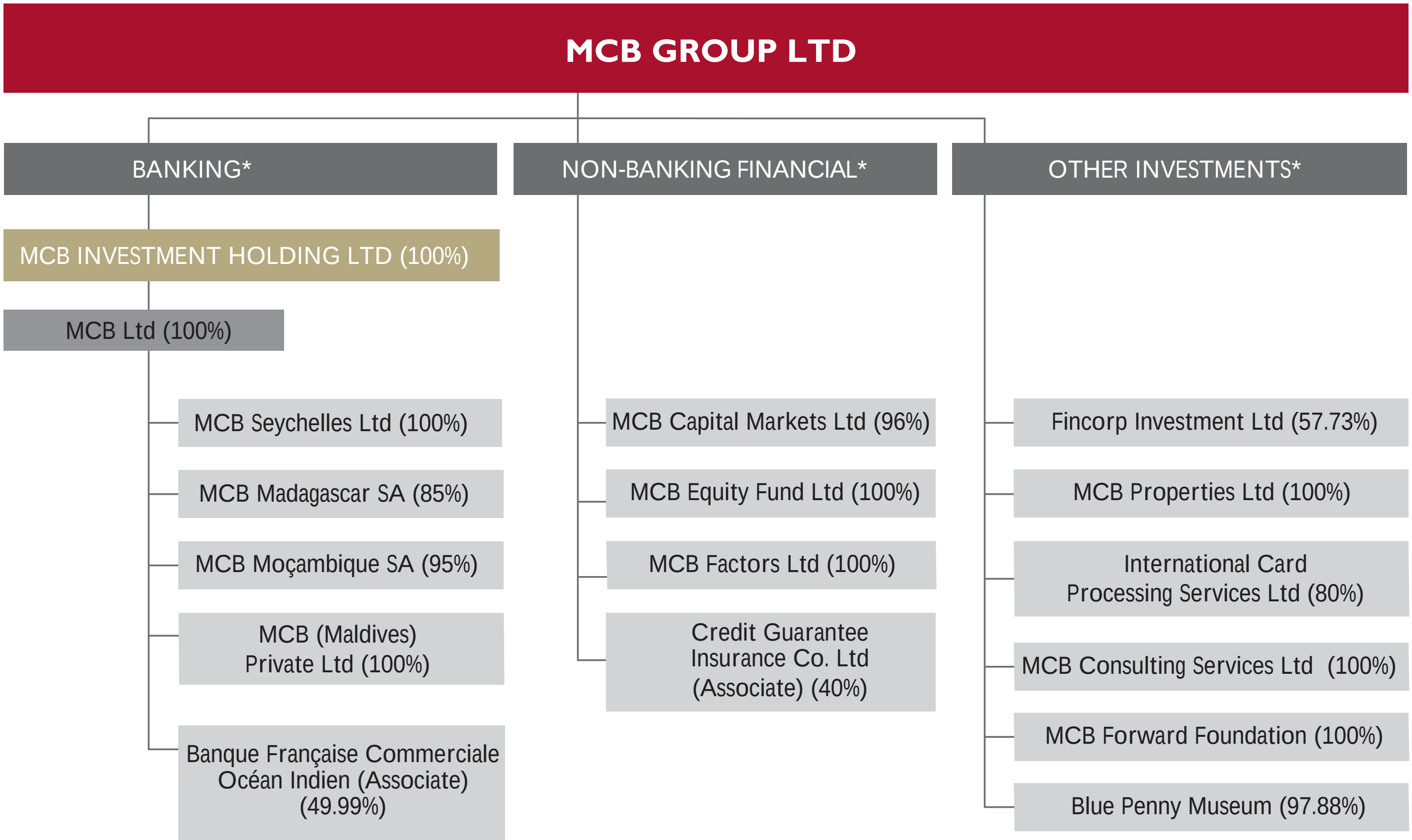
Moody's

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

Fitch Ratings

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

Group Structure



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

** Relate to clusters*

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

Our Business Model

Our Guiding Principles

While adhering to regulatory requirements and international practices, the Group is committed to creating and harnessing the necessary building blocks for achieving sound, diversified and sustained business growth and, thus, creating distinctive long-term value for its stakeholders. To achieve its ambitions, the Group strives to build deep and long-lasting relationships with its customers after taking time to understand their needs and aspirations. To those ends, the Group nurtures cost-efficient systems and processes, alongside leveraging its flexible and productive human capital. In a nutshell, our internal capabilities allow us to operate as a simple and responsive organisation that effectively copes with the exigent operating context and innovates rapidly and frequently enough to meet the fast evolving needs of customers.

Our sound and diversified business model in support of our long-term strategy

Commitment to our core mission, vision and values

Delivering sustainable and superior financial performance

Generating value for providers of capital and for the benefit of our stakeholders

Our strategic orientations

Consolidate our domestic position

Expand our non-bank activities

Grow our international footprint

Enablers for growth

- **Strong brand image and solid franchise**
- **Broad-based and diversified market positioning**
- **Sensible risk management**
- **High quality customer relationships and experiences**

- **Innovative and tailored products and services**
- **Modern and extensive channel capabilities**
- **Judicious business networking and partnerships**
- **Sustained internal capacity building**

Our Value Proposition

The business development of the Group is underpinned by the delivery of dedicated financial solutions by its banking and non-banking entities. Intra-Group synergies are also tapped into to provide clients with adapted solutions, with examples relating to the provision of investor-related services and the pursuance of the 'Bank of Banks' initiative. In reference to the latter, the Group positions itself as a regional hub in handling trade finance, payments and cards operations outsourcing services amongst others, while also offering business solutions to financial service providers in Africa and Asia.

Our Market Operations by Cluster

Banking

Local

Under the aegis of MCB Ltd, domestic markets are catered for by the following business segments.

Retail

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

Corporate

Through the Corporate and Institutional Banking SBU, MCB Ltd provides companies across established and emerging economic sectors with flexible and innovative financial solutions and dedicated advice to meet their business development ambitions, thus helping to transform opportunities into winning strategies and supporting clients in their growth endeavours.

Cards

By means of its comprehensive offerings, advanced technology, global partnerships and extensive merchant network, MCB Cards acts as a one-stop-shop for meeting all cards-related needs of its clients.

Key facts and figures

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

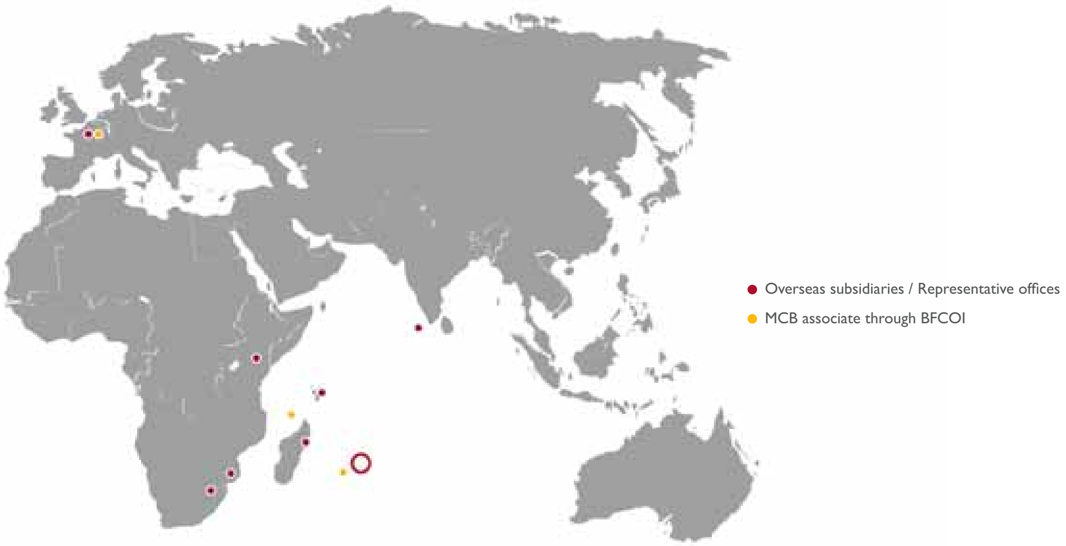
Foreign

Foreign involvement

Via the Corporate and Institutional Banking SBU and assisted by representative offices located in Johannesburg, Paris and Nairobi, MCB Ltd leverages its customised solutions, network of international correspondents and access to global finance to widen its footprint in sub-Saharan Africa and internationally. Notably, it is an active promoter of the 'Bank of Banks' initiative, while coordinating the delivery of services structured by other units of the Group to regional clients. Beyond MCB Ltd, the Group's foreign banking subsidiaries in Madagascar, Maldives, Mozambique and Seychelles as well as its overseas associate, i.e. Banque Française Commerciale Océan Indien (BFCOI - operating in Réunion Island, Mayotte and Paris) provide clients with individual and corporate banking solutions that are adapted to local market realities, while capitalising on the core capabilities and internal synergies within the Group.

Key facts and figures

- Network of over 1,600 correspondent banks globally
- Around 60 clients being serviced by the Bank in the context of the 'Bank of Banks' initiative
- Active participation in loan syndication as well as structured commodities and project financing
- Workforce of some 380 at the level of foreign banking subsidiaries and around 400 at BFCOI



As at 30 June 2015	MCB Seychelles	MCB Madagascar	MCB Moçambique	MCB Maldives
No. of outlets	6	6	2	1
No. of employees	170	109	59	43
Total assets (Rs billion)	8.0	3.5	2.1	4.2

Non-banking financial

The Group has entrenched its participation in the non-banking financial services field. In addition to offering leasing and factoring solutions, the Group, through its investment banking arm i.e. MCB Capital Markets Ltd, provides end-to-end solutions under one roof to clients seeking advice on their strategic and capital market transactions, alongside arranging for a broad range of financing tools as well as structuring and placing equity and debt instruments with investors. In these respects, our business activities, which target both the domestic and regional markets, include corporate finance advisory, asset management, stockbroking, private equity and registry.

Key facts and figures

- Workforce of around 125 employees across entities
- MCB Capital Markets Ltd: (i) total assets under management attaining around Rs 19 billion; and (ii) 17 dedicated funds and structured products being offered

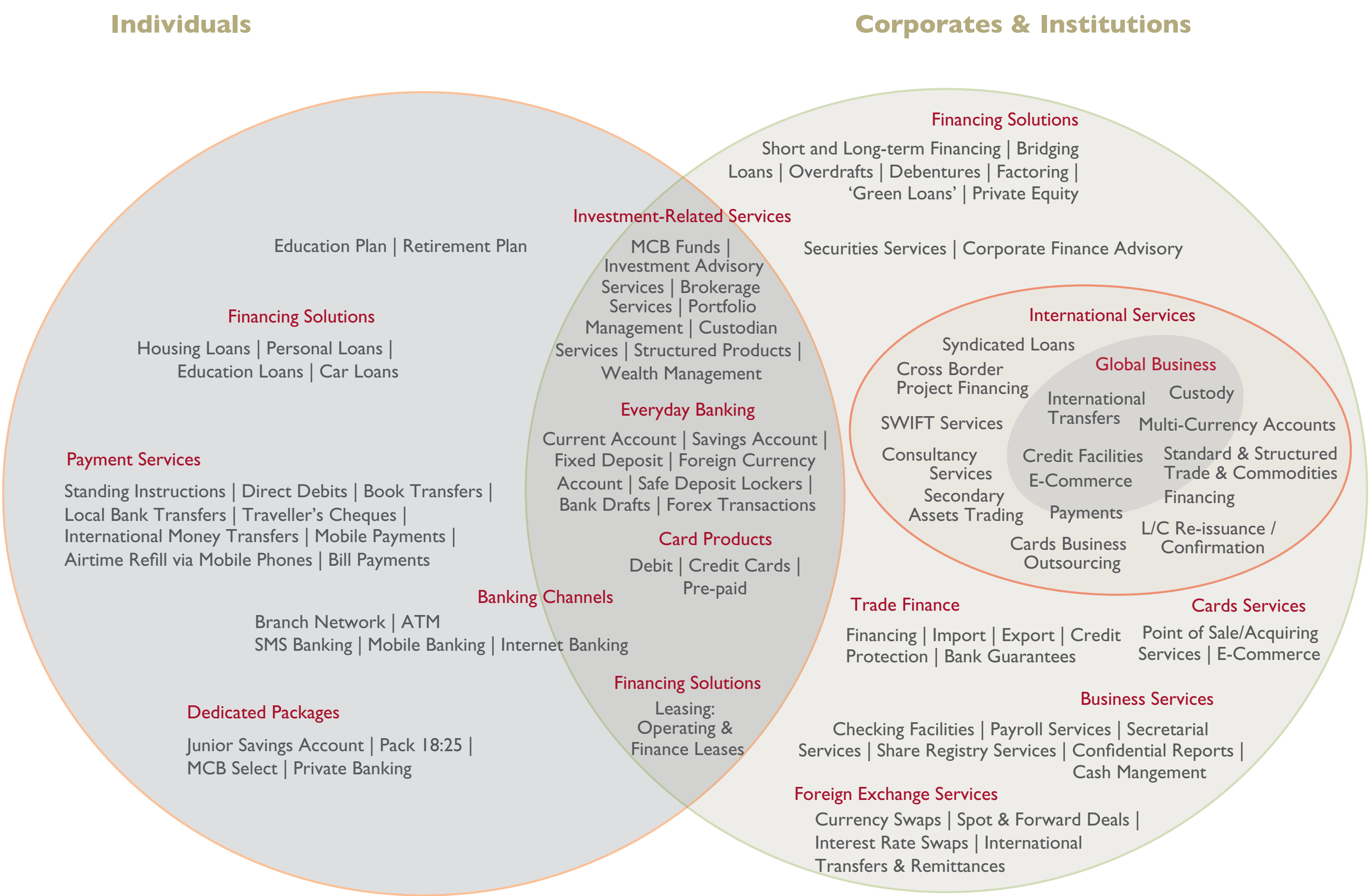
Other investments

Beyond the direct banking and non-banking financial services spheres, the Group is engaged in consulting services, investment and ancillary undertakings, while having appropriate structures to promote its actions in the corporate social responsibility and philanthropic fields.

Key facts and figures

- Workforce of some 140 employees in related subsidiaries
- MCB Consulting Services Ltd providing expert business solutions in 10 countries
- Some 25 regional clients being serviced by International Card Processing Services Ltd in respect of their cards outsourcing needs
- Rs 67 million entrusted to MCB Forward Foundation; some 75 CSR projects undertaken by the latter over FY 2014/15

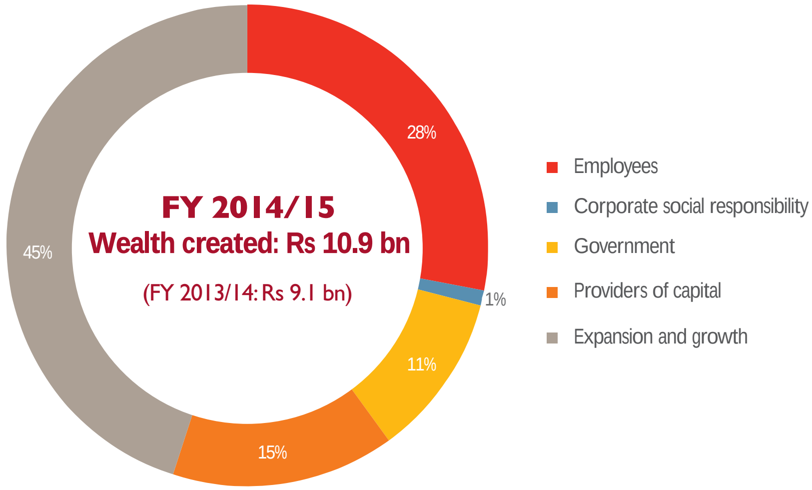
Our Extensive and Customised Financial Solutions



How We Create Value

Our Philosophy

MCB Group is committed to creating sustained long-term wealth for the benefit of all its stakeholders. Thus, using stocks of available capital, the Group facilitates the flow of money from where it is to where it is required in order to satisfy its stakeholder engagement. In this way, the Group remains an active facilitator in promoting the socio-economic welfare of the countries in which it is involved, with particular reference to Mauritius. Reflecting the Group's active stakeholder involvement, wealth created during FY 2014/15 as well as its distribution are set out as follows.

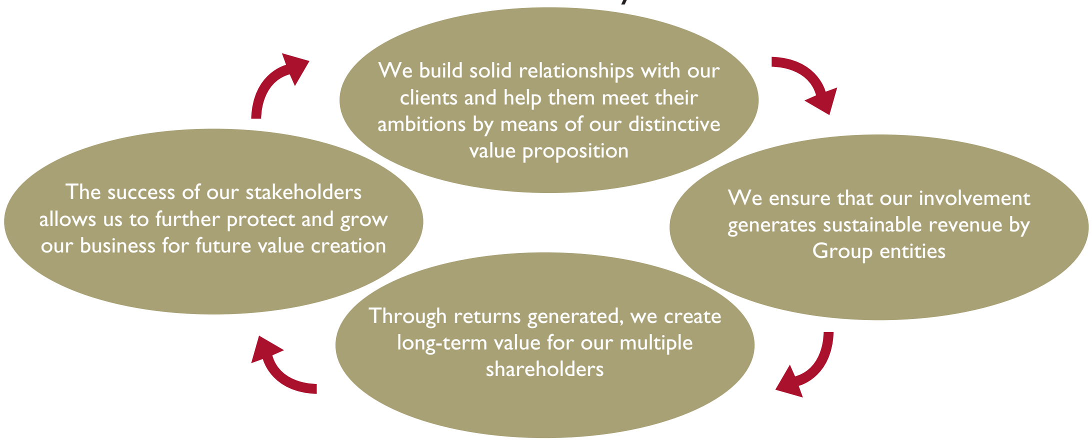


Distribution of wealth				
Employees	Corporate social responsibility	Government	Providers of capital	Expansion and growth
Our value proposition comprises competitive rewards and benefits, with emphasis laid on the personal and career development of our staff.	We promote the welfare of the society and the communities in which we live and work.	Through our tax payments, we assist the Government in funding national projects with positive socio-economic ramifications.	We aim to provide our shareholders with sustainable returns through adequate dividend pay-out.	Wealth is retained to fund our strategy and grow our business.

Our Approach to Value Creation

Our stakeholder engagement

Our value creation cycle



Activities underpinning income generation

Key sources of business activity shaping up our on- and off-balance sheet positions	Income statement impact
Income after credit impairments	
We provide lending/leasing/factoring facilities to our clients, within the limits of regulatory capital and prescribed regulatory requirements and by taking into consideration the customer's credit-worthiness, industry dynamics and the economic climate. Furthermore, investments are made in treasury securities and funds are placed with banks.	Interest income and credit impairment charges
We source funding from deposits placed by individual and corporate customers as well as public sector entities. Besides, we leverage wholesale funding markets when required, including the capital and debt markets as well as international financial organisations.	Interest expense
In addition to retail and corporate loan facilities, we offer a multitude of products and services. In particular, our offerings comprise: transactional, trade-related and risk mitigation facilities, portfolio, wealth and asset management as well as investor-related services, and business/outsourcing solutions. Furthermore, income is derived from profit arising from dealing in foreign currencies and dividend received from investments.	Non-interest income = [Net fee and commission revenue + Trading revenue + Other revenue]
− **Expenses**	
We invest in engaging, developing and retaining our employees to create a solid foundation to execute our strategic thrusts and to foster the attainment of customer service excellence.	Staff costs
We invest in establishing and modernising our functioning and operational set-up so as to underpin the smooth and effective running of our strategic activities, with costs incurred relating notably to information technology systems and physical infrastructures.	Other operating expenses

\+ **Share of profit of associates**

− **Income tax expense**

= **Net profit** − **Dividends to shareholders** = **Retained earnings**

Board of Directors and Committees of the Board

Board of Directors and Committees of the Board

Board of Directors

Non-Executive Independent Directors

J. Gérard HARDY *(Chairperson)*

Sunil BANYMANDHUB

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(as from November 2014)*

Navin HOOLOOMANN, C.S.K.

Jean-Louis MATTEI

Jean-Pierre MONTOCCHIO

Margaret WONG PING LUN

Executive Directors

Pierre Guy NOEL

Gilbert GNANY

Secretary to the Board

MCB Registry & Securities Ltd

Committees of the Board

Risk Monitoring Committee

Jean-Louis MATTEI (Chairperson)

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE

Gilbert GNANY

J. Gérard HARDY

Pierre Guy NOEL

Audit Committee

Sunil BANYMANDHUB (Chairperson)

Margaret WONG PING LUN

Remuneration and Corporate Governance Committee

J. Gérard HARDY (Chairperson)

Navin HOOLOOMANN, C.S.K.

Jean-Pierre MONTOCCHIO

Pierre Guy NOEL

Chairperson’s Statement

The Group has performed remarkably well during FY 2014/15 despite facing a tough environment. Whilst highlighting the commitment and dedication of our people, last year’s achievement validates that our strategy is working and demonstrates that we have the right business model to deliver sustained value for our shareholders as well as other stakeholders.

The year has been marked by further headway made in entrenching our business development agenda across markets, with continued emphasis laid on reinforcing the foundations for ongoing and future growth.

Strong performance anchored on key foundations

Attributable profits of the Group increased by some 31% to reach Rs 5.7 billion on the back of continued rise in operating income, contained growth in operating costs and a significant drop, as anticipated, in impairment charges. This performance is ever more encouraging considering that entities of the Group were exposed to difficult conditions in their operating context, characterised, *inter alia*, by challenging economic conditions, excess liquidity in the Mauritian banking system and heightened competitive pressures. In fact, the Group maintained its business expansion and diversification drive, contributing to earnings growth being broad-based, with the share of foreign-sourced income in particular increasing to some 55% of Group results.

In our quest to promote balanced and sustained development of our business, we continued to attach foremost importance to the refinement of the key enablers for growth. On the basis of a customer-centric approach, the value proposition has been further upgraded with the objectives of improving service quality and addressing the growing needs of clients in increasingly sophisticated markets. In parallel, the Group maintained its investment in technology and human capital while simplifying processes for enhanced operational efficiency. Moreover, the expansion of our international involvement, a key axis of which remains the ‘Bank of Banks’ initiative, is also being underpinned by strengthened business partnerships and correspondent banking relationships as well as greater market visibility, with a notable achievement during the year being the setting up of the Bank’s Representative Office in Nairobi. Another highlight of the year relates to the signature of an agreement with Société Générale for its participation in the equity of MCB Moçambique, in a bid to bring our operations there to new heights. Besides, adoption of good corporate governance and risk management principles lie at the core of our undertakings. In this context, the restructuring exercise has paved the way for better ring-fencing of activities, whereby the entities operate within an autonomous and flexible structure. We hope to complete the exercise very soon with the transfer of the foreign banking subsidiaries to MCB Investment Holdings Ltd, in respect of which a key development lately has been the appointment of its Chief Executive who will have an important role in enhancing coordination across the Group. As for the risk management framework, it has again been reinforced to ensure that business endeavours being undertaken or contemplated to meet our medium term ambitions remain within the precincts of the appetite set by the Board. In this respect, I am pleased to report that the Group has witnessed an appreciable improvement in its financial soundness metrics, notably in terms of capitalisation and asset quality.

In line with our sound financial health as well as investors’ perceptions, the share price of MCB Group Ltd continued to trade favourably as compared to the all-share index, notwithstanding some volatility in line with market trends. Our share price even reached an all-time high at Rs 225 in July 2015. On the whole, MCB Group Ltd consolidated its leadership position on the Stock Exchange of Mauritius (SEM), as epitomised by its market capitalisation of around Rs 51.7 billion as at 30 June 2015, representing a market share of 23%. Further reflecting our strong credentials, MCB Group is ranked 625^{th} worldwide and is positioned at the 18^{th} spot in Africa while being the top banking institution in East Africa according to the latest Top 1000 World Banks listing of The Banker magazine. The Group has won several other awards and recognitions in relation to the excellent services provided in private banking, investment management, and trade finance as well as its corporate reporting. Interestingly, EMEA Finance recently conferred the'best product launch in Africa' prize to the Juice application.

Promoting corporate responsibility

In addition to sustaining its efforts to promote employee engagement in line with its philosophy to be an employer of choice, the Group has pursued its mission as a caring and responsible corporate citizenship. MCB Forward Foundation, which became the first CSR Foundation to be ISO 9001:2008 certified, was entrusted with a fund of some Rs 67 million during the last financial year. 74 projects were financed in favour of absolute poverty alleviation and community empowerment as well as socio-economic development through support to vulnerable groups alongside promoting education, health and the welfare of children amongst others. The Group also made further inroads in the pursuit of its internally-generated 'Initiative 175' programme aimed at fostering environment-friendly practices. Being embedded in our culture and corporate values, these sustainable orientations have underpinned the Group's selection for the newly launched SEM Sustainability Index (SEMSI), in respect of which it was ranked among the top 3 performers.

Poised for future growth

In spite of indications of a relative improvement in some areas such as the domestic money market, the Group is likely to be confronted with a still delicate operating environment amidst the modest and uneven pace of economic recovery on the global scene and the prevalence of structural weaknesses across geographies where it is involved. Nonetheless, the Group remains well positioned to meet its growth ambitions moving forward. Indeed, whilst adopting a sufficiently prudent stance and ensuring adherence to regulatory norms as well as international codes where applicable, the Group will strive to further entrench the deployment of its multi-pronged strategic intents. We will seek to strengthen our positioning within existing businesses while carving out an increasingly prominent foothold in emerging and niche market segments. In particular, our regional expansion strategy will be actively furthered by leveraging our competencies, business relationships and intra-Group synergies alongside increasing our brand visibility. On the whole, Group results are expected to grow further in FY 2015/16, supported by headway in both banking and non-banking operations.

On a concluding note …

On behalf of the Board, I would like to express my appreciation to our customers and shareholders for their continued trust in our institution. I would also want to thank the management teams and staff of the organisation for their hard work towards achieving this year's excellent results and to my fellow directors for their support and contribution. I am confident that, together, we will uphold the growth momentum of the Group anchored on our quest for excellence, in the process creating long-term wealth for the benefit of all our stakeholders.

Before ending, I would like to join other Board members to put on record our sincere gratitude to the prodigious contribution that Mr Jean-François Desvaux De Marigny provided in fostering the Group's development during the 29 years he spent with MCB Group before retiring this year. At the same time, we would extend our warm welcome to Mr Jean-Jacques Dupont De Rivalz De St Antoine, who recently joined the Board and look forward to benefiting from his wide-ranging experience.

J. Gérard HARDY
Chairperson
MCB Group Limited

Chief Executive's Statement

The last financial year has been encouraging both from a financial perspective and on the operational front. The Group has moved ahead with the execution of its expansion strategy, backed by enhanced growth enablers and the unflinching support of its people. Overall, underlying fundamentals have strengthened despite the difficult operating context.

A key highlight of the year pertains to the improved contribution of the banking cluster's foreign-sourced earnings, whose share in Group results has, for the first time, exceeded the 50% mark in line with our market diversification endeavours.

Reinforced fundamentals despite a delicate environment

The Group achieved a strong performance during the year in spite of being again confronted with challenging market conditions. Indeed, the global economy is yet to resume a firm recovery path whilst being characterised by volatility in the financial and currency markets as well as in commodity prices. Furthermore, activities of the Group's entities were exposed to country-specific difficulties in several markets. In Mauritius, economic growth has been restrained in particular by yet another contraction in private investment, which continued to impact demand for credit in the banking sector. Margins have remained under pressure on account of the excess liquidity situation and heightened competitive pressures especially in the retail segment. At another level, in line with global trends, banks continue to operate within a highly regulated environment.

We have effectively tackled these challenges by pursuing our strategic orientations in a sensible manner, leading to sustained business growth. Attributable profits for the year were up by 31% to reach Rs 5,722 million, with earnings per share rising from Rs 18.34 to Rs 24.04. Operating income sustained a resilient growth, underpinned by an increase of 12.4% in net interest income and a rise of 16.5% in net fees and commissions whilst growth in 'other income', excluding non-recurrent gains on sale of securities at MCB Ltd level in FY 2013/14, remained relatively flat with a slight drop being experienced on the profit on exchange front. With growth in operating expenses being well contained, the cost to income ratio dropped to 41.8%. Operating profits before provisions thus improved by 10.1%, effective growth being of the order of 16.9% when excluding non-recurrent gains on sale of securities. Group results for the year also benefited from a significant drop in impairment charges at the level of the Bank from the peak attained in FY 2013/14. A major source of satisfaction was the foreign-sourced income of the banking cluster of the Group, which now accounts for 55% of Group profits in spite of a decline in the contribution from our overseas associate BFCOI. In the same vein, reflecting business inroads made, the share of non-banking operations stood at an appreciable 6% despite the reduced contribution from our local associated company, PAD Group.

The Group's financial soundness indicators have continued to evolve positively during the year under review. Asset quality improved with the gross non-performing loan ratio falling by nearly 120 basis points at the level of MCB Ltd to reach 5.90%, while at Group level an improvement of 108 basis points was witnessed. Capital adequacy ratios increased further to reach 17.3% at year end, of which 14.5% by way of Tier 1 Capital, while strong funding and liquidity positions were maintained, thus providing the Group with a solid foundation for the achievement of its future growth ambitions.

Fostering broad-based and sound growth

During the last financial year, the entities within the organisation maintained their momentum in implementing their growth initiatives, with intra-Group synergies being duly promoted. In the banking cluster, MCB Ltd has bolstered its leadership position domestically and effectively responded to the needs of its individual and corporate clients on the basis of its continuously enriched offer across segments and upgraded channel capabilities with emphasis being laid on its digital transformation. Furthermore, the Bank has established a widening market position beyond our local shores. In addition to further headway made vis-à-vis international clients in the field of wealth management, the Bank continued to reap the benefits of past and ongoing endeavours aimed at strengthening its credentials as a privileged partner for loan syndication as well as structured commodities and project financing, particularly in sub-Saharan Africa. As for the Group's foreign banking subsidiaries, they have pursued their balance sheet growth through active measures undertaken to widen the range of activities, backed by reinforced risk management. The proposed partnership agreement signed with Société Générale, whereby it will inject new equity and reinforce the management team of MCB Moçambique, should contribute to strengthen the latter's operations while giving it the means to actively participate in the financing of the business avenues linked to the country's appealing economic prospects. In respect of non-banking activities, the Group has further extended its domestic market footprint in areas such as leasing and factoring, while MCB Capital Markets experienced good growth across all its operations while firming up its market visibility, alongside increasing the appeal of its value proposition, as evidenced by the launch of new funds. The company concluded several corporate finance transactions and was able to successfully tap into other investment-related markets in Mauritius and in Africa, with key end-results being the notable increases in the number of clients attended to and assets under management. Spanning the organisation as a whole, further progress has been made in showcasing our 'Bank of Banks' proposal aimed at positioning the Group as a regional hub for handling trade finance, payments and cards operations outsourcing services, alongside offering business solutions to financial service providers in Africa and Asia, in respect mainly of project management, change management and high-end IT services. In this respect, MCB Consulting Services has, during the year, leveraged on its expertise and strategic partnerships with leading international solution providers to broaden its client base and pursue its business development thrust.

While making due allowance for applicable regulatory stipulations, the entities of the Group have moved forward on the back of their robust risk management infrastructure and clearly-defined risk appetite. Towards reinforcing its capitalistic fundamentals, the Group also proceeded with a capital restructuring exercise that led to an increase in the core capital at the level of MCB Ltd in order to support the Bank's medium-term growth ambitions. Furthermore, market initiatives put in place by our entities have been underpinned by an improvement in the agility of their functioning and operations. A prominent accomplishment relates to the seamless upgrade of or the migration to core banking systems across all our banking subsidiaries, which now operate on similar platforms. Alongside enabling them to reinforce their operational efficiency and better manage risks, the technological enhancement, in the process, assisted our banking entities in registering with the US Internal Revenue Service as Participatory Foreign Financial Institutions to the Foreign Account Tax Compliance Act (FATCA), to which the relevant subsidiaries and funds under MCB Capital Markets Ltd are also registered. On another front, the Group sustained its efforts to promote its brand and reinforce its business relationships, notably via the organisation of corporate events and in participating and sponsoring of international roadshows and conferences as well as regional sport events such as the Indian Ocean Games. The Bank has also set up a Representative Office in Kenya that should help boost our market presence in East Africa.

Beyond market-based activities, the Group has further entrenched its stakeholder engagement by deploying wide-ranging initiatives in favour of poverty alleviation, social welfare promotion, natural resource protection and energy preservation as part of its CSR initiatives.

Looking ahead

The operating context is set to stay challenging in the short term at least. Global growth remains moderate and is subject to downside risks whilst activities of the Group across markets are exposed to country-specific difficulties, even though the current initiatives to manage excess liquidity domestically bodes well for the future. Against this backdrop, alongside being watchful to regulatory developments, the Group will maintain its disciplined approach to the execution of its strategic plans. Hence, MCB Group will forge ahead with its business expansion agenda in conformity with its set risk appetite. It will gear up for business opportunities that could arise in the advent of a sustained upturn in economic activity in Mauritius and pursue its regional diversification drive, backed by heightened market visibility, growing business network and adapted financial solutions amongst others. Hence, the 'Bank of Banks' initiative will be actively promoted while efforts will be maintained to consolidate our franchise as a key player for the initiation and materialisation of cross-border deals and transactions. Specifically, the Group will step up its involvement in business areas where it has garnered long-standing expertise, such as international project financing in targeted sectors and energy and commodities financing. In support of its growth ambitions both locally and beyond, the Group is committed to invest in the latest technology, relentlessly aim for operational excellence and be proactive in fostering a optimum work environment which is conducive to attracting and nurturing the best talents. Furthermore, it will strive to judiciously exploit the synergies across the organisation and will seek to optimise capital consumption. Ultimately, we ambition to deliver superior customer service at every touch point within the Group and in every market in which we operate in order to meet our clients' needs in line with their expectations.

Words of appreciation

The achievement of these excellent results would not have been possible without the unwavering support of our stakeholders. I would thus like to extend my gratitude to our customers for partnering with us and to our shareholders for their faith in our ability to create value for them. I would also want to thank the members of the various Boards of the Group for their contribution and direction in meeting set goals. My appreciation goes to all our staff members and management teams for their hard work and dedication to meet set objectives and for their commitment to our shared values.

Pierre Guy NOEL
Chief Executive
MCB Group Limited

Corporate Governance Report

Company secretary's certificate

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

Marivonne OXENHAM
Per MCB Registry & Securities Ltd
Company Secretary

29 September 2015

Statement of compliance

(Section 75(3) of the Financial Reporting Act)

Name of Public Interest Entity ('the PIE'): MCB Group Limited
Reporting Period: 1 July 2014 to 30 June 2015

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

J. Gérard HARDY
Chairperson

Pierre Guy NOEL
Director

29 September 2015

Corporate governance report

Introduction

Good corporate governance practices represent a key pillar of the way in which MCB Group operates and conducts business. Indeed, the Board of MCB Group Ltd is committed to upholding the highest standards of corporate governance, by promoting principles of integrity, accountability and transparency across the organisation, with the aim of maximising the long-term value creation for its stakeholders. Adherence to advocated norms is viewed as being crucial to effectively cope with the challenges posed by the increasingly exigent operating environment.

Our Governance Framework

The Board is responsible for the overall stewardship of the Group. It sets out the strategic directions and establishes the procedures and practices for effective capital and internal controls alongside ensuring adherence of the Company and its subsidiaries to relevant legislations and policies. To help it carry out its duties and responsibilities, the Board has set up three committees and has created a fitting reporting mechanism through which matters affecting the affairs and reputation of the Group are duly escalated by the Chairpersons of these committees and the boards of subsidiaries. In fact, the framework provides for delegation of authority and clear lines of responsibility while enabling the Board to retain adequate control and maintain an effective oversight process. Due emphasis is laid on risk management through the adoption of appropriate practices and structures by Group entities, with respective risk committees playing an active role in ensuring that risk-taking activities remain within the precincts of the appetite approved by the Board, taking into consideration the sector norms and country-specific requirements. Besides, the Group functions within a flexible and autonomous structure that allows for adequate ring-fencing of activities, as gauged by the segregation of banking and non-banking operations.

Clear Allocation of Responsibilities

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

Board Effectiveness

Necessary steps are taken to ensure that the directors execute their duties in the most productive manner. As such, an induction programme is conducted for newly appointed directors by the Board in collaboration with the management. The programme includes discussions with executives and management, reading materials and presentations which cover their roles and responsibilities alongside providing them with an overview of the Group's activities, strategy, structure and major policies. Furthermore, the Board Charter provides for the institution of a mechanism to evaluate the performance of Board members. To this end, assessment of the directors of MCB Group Ltd will be performed by an external independent facilitator in November next on the basis of a detailed questionnaire to be filled followed by individual interviews. Besides, to promote effectiveness of the Board, its structure, size and composition are so established as to achieve an appropriate balance of skills and expertise.

Stakeholder Engagement

By promoting sound principles of corporate governance, MCB Group Ltd wishes to reinforce investor confidence whilst upholding the values, corporate culture and brand image of the organisation. In fact, while seeking to optimise shareholder value, the Board of MCB Group Ltd strives to secure long-term and ethical stakeholder relationships by striking a balance between achieving sustainable business growth for the Group and meeting the expectations of clients, regulators and society as a whole. To this end, the Group has always supported the generally higher risk businesses associated with new economic initiatives and start-ups whilst contributing to the well-being of the community through an extensive involvement in social actions. Moreover, reflecting its aim to foster transparency across the Group, the Board places due emphasis on the provision of timely and accurate information to its stakeholders through adapted communication channels. Of note, the Board has recently ratified the proposal of joint auditing as from FY 2015/16, pending the approval of same at the next Annual Meeting of Shareholders.

Compliance with Rules and Legislations

The Board of MCB Group Ltd encourages a culture that promotes business integrity, fair dealing and professionalism throughout the organisation, as testified by the group-wide awareness of its operating ethics and the provision for a corporate code of conduct at the Company level as well as by endeavours of the Group's entities to abide by the highest advocated standards. All subsidiaries comply with the provisions of relevant legislations with entities in Mauritius also subscribing to the Code of Corporate Governance (2003). Moreover, the banking subsidiaries adhere to the underlying Basel principles while a Whistleblowing Policy has been adopted in May 2015 whereby employees can report matters of concern with respect to potential breaches of laws, rules, regulations or compliance in strict confidentiality. With the operating environment remaining challenging from a governance and regulatory perspective, the directors continuously monitor and adapt practices to reflect developments in corporate governance principles and are of the opinion that MCB Group Ltd complies with the requirements of the Code of Corporate Governance for Mauritius in all material aspects.

Constitution of MCB Group Limited

The salient features of the Constitution, adopted on 1 April 2014, are highlighted below:

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

Corporate governance report

Board Governance Structure

Board of Directors

In accordance with the Constitution of MCB Group Ltd, the objective of the Board is to define the Company's purpose, strategy and value and determine all matters relating to the directions, policies, practices, management and operations of the Company and all its subsidiaries locally and abroad. The Board shall thereafter ensure that the Group is being managed in accordance with the directions and delegations of the Board. The Board is ultimately responsible for the affairs of the Company. The Company's Constitution provides that the minimum number of directors shall be five and the maximum number twelve.

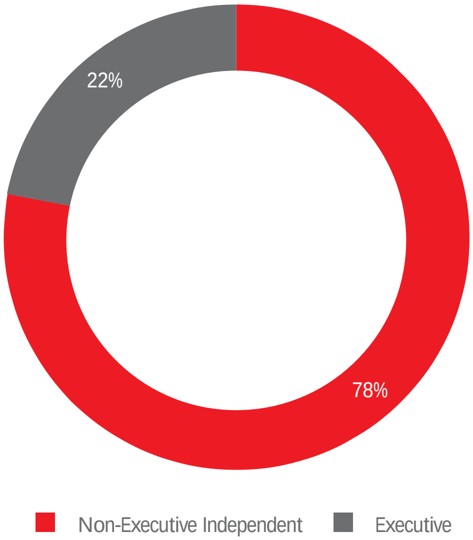
	Risk Monitoring Committee (RMC)	Audit Committee (AC)	Remuneration and Corporate Governance Committee (RCGC)
Mandate	The RMC shall assist the Board in setting up risk strategies and to assess and monitor the risk management process of MCB Group Ltd and all its subsidiaries. The Committee shall also advise the Board on risk issues and shall monitor the risk of the different portfolios against the set risk appetite in the case of banking subsidiaries.	The AC shall assist the Board in the oversight of MCB Group Ltd and its subsidiaries, in matters relating to the safeguarding of assets, the monitoring of control processes and the effectiveness of systems, and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.	The RCGC shall assist the Board in the discharge of its duties relating to all remuneration aspects, corporate governance matters and nomination of directors and senior executives of MCB Group Ltd.
Composition as per Charter	Shall consist of at least three members including the Chief Executive and at least one independent non-executive director. The Chairperson of the Committee should be a non-executive director and shall not be the Chairperson of the Board.	Shall consist of a minimum of two non-executive members, with a majority of independent directors from whom the Chairperson shall be nominated.	Shall comprise between three and four members with a majority of non-executive directors. The Chairperson of the Committee, who shall be an independent non-executive director, shall preferably be the Chairperson of the Board. The Chief Executive Officer may be a member of the Committee.

Board of Directors

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

- the composition of the Board with an appropriate balance of executive, non-executive and independent directors;
- the Chairperson of the Board to be a non-executive or independent non-executive director;
- the creation of Committees;
- a corporate code of conduct addressing, *inter alia*, issues relating to conflicts of interests;
- the approval of strategic objectives, policies and corporate values as well as their communication throughout the organisation;
- the monitoring of management in respect of the implementation of Board plans and strategies, and compliance with set policies;
- the existence of clear lines of responsibility and accountability throughout the organisation and compliance with all relevant laws, regulations and codes of business practice;
- Board performance evaluation;
- a formal and transparent directors' remuneration policy;
- the review of procedures and practices to ensure effectiveness of the Group's internal control systems; and
- the provision of timely and accurate information to shareholders, relevant authorities and the public.

Approval of the Board is specifically required for, amongst other important matters, modifying the Company's Constitution, issuing fresh capital or buying back its own shares, declaring dividends, acquiring or divesting sizeable stakes in subsidiaries or associated companies, making appointments of senior officers, and establishing the remuneration of directors and chief executives. The Board presently comprises 9 directors, namely 2 executives and 7 non-executives, all of whom are independent.



Corporate governance report

Board focus areas in FY 2014/15

The main topics discussed at Board level during the year revolved around, but not limited to, the following:

Strategy and performance	• Reviewed and approved the strategic orientations and budget plans of all the banking and non-banking entities of the Group • Reflected on the Medium Term Growth Strategy of MCB Ltd • Discussed the downgrade of the ratings of MCB Ltd by Moody's • Monitored progress with respect to the unbundling of the overseas banking subsidiaries from MCB Ltd • Considered and signed an agreement with Société Générale for investment by the latter in the share capital of MCB Moçambique
Finance, capital and liquidity	• Reviewed and approved on a quarterly basis the Group's consolidated accounts • Assessed and monitored the Group's financial performance against budgets • Reviewed options to uplift the core capital adequacy ratio of MCB Ltd • Approved the transfer of the Floating Subordinated Notes from MCB Ltd to MCB Group Ltd
Governance and risk	• Approved charters of the Board and its sub-committees • Reviewed reports from the Risk Monitoring and Audit Committees • Discussed the risk appetite for MCB Ltd • Approved, upon the recommendation of the Remuneration and Corporate Governance Committee, the proposed appointment of Mr Dupont de Rivalz de St Antoine as Board member • Directors briefed on the principles and requirements in the dealings of the Company's securities as per the Stock Exchange of Mauritius (SEM) Listing Rules • Assessed the appointment of a joint auditor for the next financial year
Other	• Recommended Board evaluation exercises to be carried out by an independent body • Discussions held on developments in the operating environment including measures contained in the National Budget 2015/16

Committees of the Board

The Board has created three Board Committees to help it in carrying out its oversight function: the Risk Monitoring Committee, the Audit Committee, the Remuneration and Corporate Governance Committee. The composition of the committees appears on Page 27 of the Annual Report.

Each committee has its own charter, approved by the Board, setting out its role, composition, powers, responsibility, structure, resources and any other relevant matters. Through the deliberations and reporting of its various committees, the Board ensures that the Company and its subsidiaries are being managed in line with the Board's objectives.

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

Risk Monitoring Committee	Audit Committee	Remuneration and Corporate Governance Committee
The committee currently consists of five members namely the Chief Executive, the Chief Strategy Officer and three non-executive independent directors, including the Chairperson of the Board. It meets at least quarterly and on an ad hoc basis when required. Its main responsibilities include: • overseeing the development of an effective risk management framework for the Group by implementing rigorous internal processes and controls which identify, monitor, measure and report different types of risks; • reviewing the principal risks, including credit, market, liquidity, operational, compliance and reputational risks as well as the actions taken to mitigate them; • reviewing regular information on risk exposures and risk management activities, and make appropriate recommendations to the Board; • setting risk exposure limits, as well as the delegation and authorisation procedures; • monitoring risk portfolios against set limits with respect to, *inter alia*, risk concentration, asset quality, large and foreign country exposures, in compliance with regulations and internal policies; • ensuring that clear lines of responsibility and accountability exist and are enforced throughout the organisation; • ensuring that the Group complies with all the relevant laws, regulations and codes of business practice; and • reviewing any legal matters that could have a significant impact on the Company's and its subsidiaries' business.	Consisting of two independent non-executive directors, the committee meets at least four times a year corresponding to the Company's quarterly reporting cycle. In particular, it reviews the quarterly results and annual financial statements, prior to submission and approval by the Board. Of note, to effectively carry out its duties, the Committee holds consultations with audit committees of subsidiaries as deemed appropriate. Its main responsibilities, amongst others, include: • reviewing the effectiveness of the Group's internal control and reporting systems; • monitoring the effectiveness of the internal audit function; • assessing audit matters pertaining to the Company and its subsidiaries; • overseeing the financial reporting procedures in accordance with prescribed standards; • making recommendations to the Board on the appointment of external auditors; • monitoring the effectiveness and independence of external auditors and assessing the implications of the supply of non-audit services; • reviewing the overall scope and deliverables of external auditors as well as their remuneration; and • ensuring compliance by the Company and its subsidiaries, with the requirements of relevant constitutions, legislations and regulations.	Presided by the Chairperson of the Board who is an independent non-executive director, the committee currently comprises four members including the Chief Executive. The committee meets at least twice a year and on an ad hoc basis when required. Its main responsibilities include: • identifying and recommending suitable candidates for the boards and committees of the Company and its subsidiaries while ascertaining that potential new directors and senior officers are fit and proper persons; • reviewing the Board structure, size and composition to achieve an appropriate balance of skills and expertise, with a majority of independent non-executive directors; • establishing clear criteria for selecting prospective directors and evaluating the performance of current directors; • setting and developing the Group's general policy concerning the remuneration of directors; • reviewing the remuneration of directors, taking into account their responsibilities and workload; • making recommendations to the Board regarding the use of incentive plans and equity-based remuneration; • reviewing the succession plan of senior executives and the list of talents; • determining and developing the Group's general policy on corporate governance in accordance with the applicable Code of Corporate Governance; and • ensuring that no material conflict of interest exists/arises in conducting business.

Corporate governance report

Directorate

Directors' Profiles

The Board comprises 9 directors who have a proven track record in various fields, with the average age of directors standing at 61 years.

J. Gérard HARDY - Age 71

Non-Executive Independent Director and Chairperson
Qualifications: Certified Accountant (UK) and 'Expert Comptable' (France)

Gérard has experienced an enriching career in France, having spent 8 years with KPMG and 17 years with the IP Group before setting up his own consultancy firm there. He returned to Mauritius in June 2001 and was appointed to the Board of MCB Ltd in 2002, on which he was elected Vice President. In July 2003, at the request of the Board of the Bank, he chaired its Management Committee until its dissolution at the beginning of 2005. He was President of the Board of MCB Ltd until March 2014 when he joined the Board of MCB Group Ltd following the restructuring of the Group.

He is currently Chairperson of the Board of MCB Group Ltd and of the Remuneration and Corporate Governance Committee while being a member of the Risk Monitoring Committee.

Sunil BANYMANDHUB - Age 66

Non-Executive Independent Director
Qualifications: BSc (Honours) in Civil Engineering, Master's degree in Business Studies and Chartered Accountant (UK)

Sunil has occupied senior positions in the private sector in Mauritius prior to launching his own transport company in 1990. In 2001, he joined the CIM Group, a company engaged in financial and international services, from which he retired as Chief Executive Officer in 2008. During his career, he has been involved in various private sector organisations. Amongst others, he was President of the Mauritius Employers' Federation. He was a Member of the Presidential Commission on Judicial Reform, headed by Lord Mackay of Clashfern, previously UK Lord Chancellor. He is currently a director of a number of domestic and offshore entities, acting either as Chairperson or board member, and is also Adjunct Professor at the University of Mauritius.

He was appointed Director of MCB Group Ltd in April 2014. He is also the Chairperson of the Audit Committee.

Directorships in other listed companies
Omnicane Ltd
New Mauritius Hotels Ltd
Fincorp Investment Ltd

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE - Age 64
Non-Executive Independent Director
Qualifications: 'Diplôme de l'Institut d'Etudes Politiques de Paris' (France) and MBA (USA)

Jean-Jacques started his career in 1977 as Financial Adviser at Deep River Beau Champ prior to joining the World Bank Group in 1980 under the Young Professionals Program. He integrated the International Finance Corporation (IFC) where he worked on agro-industrial projects in several countries in West Africa. Since 1987, he acted as Principal Operations Officer within the World Bank successively for Europe, Central Asia, Latin America and the African region, whilst being responsible for the Health, Nutrition and Population (HNP) projects undertaken in various countries therein. Moreover, he was appointed as Cluster Leader of the World Bank's HNP Division for West Africa in 2008 before acting as the Sector Manager for the African region in 2011-2012 when he was also a member of the HNP Sector Board worldwide.

He was appointed Director of MCB Group Ltd in November 2014. He is also a member of the Risk Monitoring Committee.

Gilbert GNANY - Age 53
Executive Director
Qualifications: 'Licence ès Sciences Economiques (Economie Mathématique)', 'Maîtrise en Econométrie' and 'DESS en Méthodes Scientifiques de Gestion et Calcul Economique Approfondi' (France)

Gilbert is currently the Chief Strategy Officer of MCB Group Ltd. Previously, he worked as Senior Advisor on the World Bank Group's Executive Board where he was responsible for issues relating mainly to the International Finance Corporation (IFC) and to the private and financial sectors. Prior to joining the World Bank, he was the MCB Group Chief Economist after having been the Economic Advisor to the Minister of Finance. During his career, he has been involved in various high-profile boards/committees. Amongst others, he chaired the Stock Exchange of Mauritius, the Statistics Advisory Council and the Statistics Board as well as having been a director of the Board of Governors of the Mauritius Offshore Business Activities Authority and of the Board of Investment. He was also a member of the IMF Advisory Group for sub-Saharan Africa (AGSA). Whilst being Chairperson or Board member of several companies of the MCB Group, he is currently a member of the Senate and of the Court of the University of Mauritius.

He was appointed Director of MCB Group Ltd in April 2014. He is also a member of the Risk Monitoring Committee.

Directorships in other listed companies
Caudan Development Ltd
Promotion & Development Ltd

Navin HOOLOOMANN, C.S.K. - Age 56
Non-Executive Independent Director
Qualifications: Chartered Surveyor (UK)

Navin has over 25 years of experience in the construction industry internationally. He is the founder and Managing Director of Hooloomann & Associates Ltd, a construction, project management and cost management consultancy firm operating in Mauritius, Seychelles, Maldives, Sri Lanka, India and West Africa.

He has served on the Board of MCB Ltd for several years since October 2002 and was appointed Director of MCB Group Ltd in April 2014. He is also a member of the Remuneration and Corporate Governance Committee.

Corporate governance report

Directorate

Directors' Profiles (cont'd)

Jean-Louis MATTEI - Age 68
Non-Executive Independent Director
Qualifications: 'Diplôme d'Etudes Supérieures en Droit Privé', 'Diplôme du Centre d'Etudes Supérieures de Banque' and 'Diplôme de l'Institut d'Etudes Politiques de Paris' (France)

Jean-Louis has accumulated wide-ranging experience in the banking sector, having worked for Société Générale Group for some 40 years. Over this period, he has shouldered an array of high-level responsibilities within the group, acting as Chairperson, Director or Chief Executive Officer, in its various offices based worldwide. In 1998, he took charge of Société Générale international retail banking operations and built the group's international network, particularly in northern Africa and in the sub-Saharan region as well as in Eastern Europe. He was also the Chairperson of the Audit Committee of Agence Française de Développement. Prior to his retirement in 2013, he was a member of the Executive Committee of Société Générale Group.

He was appointed Director of MCB Group Ltd in April 2014. He is also the Chairperson of the Risk Monitoring Committee.

Jean-Pierre MONTOCCHIO - Age 52
Non-Executive Independent Director
Qualifications: Notary Public

Jean-Pierre sits on several boards of companies spanning various sectors of the economy and has also participated in the National Committee on Corporate Governance. He has served on the Board of MCB Ltd for several years since 2001 and was a Director thereof until March 2014, after which he was appointed Director of MCB Group Ltd following the Group's restructuring exercise. He is also a member of the Remuneration and Corporate Governance Committee.

Directorships in other listed companies
Caudan Development Ltd
Fincorp Investment Ltd
Promotion & Development Ltd
New Mauritius Hotels Ltd
Rogers & Co. Ltd
ENL Land Ltd
Les Moulins de la Concorde Ltée

Pierre Guy NOEL - Age 59
Executive Director
Qualifications: BSc (Honours) in Economics and Chartered Accountant (UK)

From 1981 to 1991, Pierre Guy worked at De Chazal Du Mée & Co. where he became a partner in financial consultancy. He joined MCB in 1992 as Planning and Development Consultant before being appointed General Manager of the Bank in 1996. Following the organisation's restructuring, he became the Chief Executive of MCB Group Ltd in April 2014. He is a board member of several companies within the Group, namely Banque Française Commerciale Océan Indien, MCB Moçambique, MCB Madagascar, MCB Seychelles, MCB Maldives, MCB Investment Holding Ltd and MCB Capital Markets Ltd amongst others, acting either as Chairperson or Director.

He was appointed to the Board of MCB Ltd in 2005 and was a director thereof until March 2014 when he joined the Board of MCB Group Ltd following the Group's restructuring exercise. He is also a member of the Risk Monitoring Committee and of the Remuneration and Corporate Governance Committee of MCB Group Ltd.

Margaret WONG PING LUN - Age 61
Non-Executive Independent Director
Qualifications: BA (Honours) in Business Studies and Chartered Accountant (UK)

Prior to joining the University of Mauritius in 1991 where she is a lecturer in Accounting and Finance, Margaret was a Senior Manager at De Chazal Du Mée's Consultancy Department. She was formerly a member of the Listing Executive Committee of the Stock Exchange of Mauritius Ltd.

She was appointed to the Board of MCB Ltd in 2004 and was a director thereof until March 2014, after which she joined the Board of MCB Group Ltd following the restructuring of the Group. She is also a member of the Audit Committee.

Directorship in other listed companies
Terra Mauricia Ltd

Corporate governance report

Board and Committee Attendance

	MCB Group Ltd	Board of Directors	Board Committees: Audit	Board Committees: Risk Monitoring	Board Committees: Remuneration and Corporate Governance
	Number of meetings held during FY 2014/15	**8**	5	5	4
	Meetings attended				
Executive	Pierre Guy NOEL	**8**	-	5	4
Executive	Gilbert GNANY	**8**	-	5	-
Independent	J. Gérard HARDY	**8**	-	5	4
Independent	Sunil BANYMANDHUB	**8**	5	-	-
Independent	Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE*	**4**	-	1	-
Independent	Navin HOOLOOMANN, C.S.K.	**6**	-	-	4
Independent	Jean-Louis MATTEI	**5**	-	5	-
Independent	Jean-Pierre MONTOCCHIO	**6**	-	-	4
Independent	Margaret WONG PING LUN	**8**	5	-	-

**Appointed to the Board of Directors in November 2014 and to the risk Monitoring Committee as from February 2015*

Directors' Interests and Dealings in Securities

With regard to directors' dealings in the Group's securities, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests which is updated with every transaction entered into by directors and their closely related parties. Such transactions, which have to take place exclusively outside the close periods prescribed by the Stock Exchange Regulations, require the written authorisation of the Board of Directors.

All new directors are required to notify in writing to the Company Secretary their holdings in the Group's securities. This is entered in the Register of Interests, which is subsequently updated with all relevant movements.

The following tables give the interests of the directors in the Group's listed securities as at 30 June 2015 as well as related transactions effected by the directors during the year. None of the directors had any interest in the securities of the subsidiaries of MCB Group Ltd other than in the equity of Fincorp Investment Ltd.

Interests in MCB Group Ltd shares as at 30 June 2015	Number of shares	
	Direct	Indirect
J. Gérard HARDY	5,000	-
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	88	-
Gilbert GNANY	142,432	-
Navin HOOLOOMANN, C.S.K.	55,910	974,029
Jean-Pierre MONTOCCHIO	1,000	74,533
Pierre Guy NOEL	1,127,395	28,302
Margaret WONG PING LUN	500	21,900

Transactions during the year	Number of shares	
	Purchased	Sold
Gilbert GNANY	37,000	-
Pierre Guy NOEL	25,000	-

Interests in MCB Group Ltd Subordinated Notes as at 30 June 2015	Number of notes	
	Direct	Indirect
J. Gérard HARDY	-	100
Gilbert GNANY	-	200
Navin HOOLOOMANN, C.S.K.	-	2,500
Jean-Pierre MONTOCCHIO	-	2,195

Interests in Fincorp Investment Ltd as at 30 June 2015	Number of shares	
	Direct	Indirect
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	550	-
Gilbert GNANY	25,000	-
Navin HOOLOOMANN, C.S.K.	-	362,200
Jean-Pierre MONTOCCHIO	-	12,493
Pierre Guy NOEL	750,166	32,250
Margaret WONG PING LUN	-	10,000

Directors' Remuneration

The following table highlights the remuneration and benefits received by the directors during the financial year.

Remuneration and benefits received (Rs '000)	From the holding company	From subsidiaries	Total
J. Gérard HARDY	1,620	-	1,620
Sunil BANYMANDHUB	660	19	679
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(as from November 2014)*	210	-	210
Navin HOOLOOMANN, C.S.K.	420	-	420
Jean-Louis MATTEI	825	-	825
Jean-Pierre MONTOCCHIO	420	110	530
Margaret WONG PING LUN	540	40	580
Total Non-Executive	***4,695***	***169***	***4,864***
Pierre Guy NOEL	21,908	-	21,908
Gilbert GNANY	11,654	-	11,654
Total Executive	***33,562***	***-***	***33,562***
Total (Non-Executive and Executive)	38,257	169	38,426

Additionally, the directors of subsidiaries, who did not sit on the Board of MCB Group Ltd during the year, received the following remuneration and benefits.

Remuneration and benefits received (Rs '000)	2015	2014
Executive (Full-time)	112,267	106,293
Non-Executive	9,158	7,880
	121,425	114,173

Directors' Service Contracts

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

Related Party Transactions

For related party transactions, please refer to Note 36 of the Financial Statements.

Directors of MCB Group Ltd Subsidiaries

The current board composition of the subsidiaries is given hereafter, with the corresponding chairpersons and chief executives or managing directors (where applicable) sitting on the board being mentioned. Changes in the board composition during the last financial year and to date are also highlighted.

MCB Investment Holding Ltd

Pierre Guy NOEL ***(Chairperson)***
Jean-François DESVAUX DE MARIGNY

The Mauritius Commercial Bank Ltd

Jean-Philippe COULIER ***(Chairperson)***
Priscilla BALGOBIN-BHOYRUL
Jonathan CRICHTON
Jean-François DESVAUX DE MARIGNY *(Deputy Chief Executive)(until June 2015)*
Gilles GUFFLET
Raoul GUFFLET *(Deputy Chief Executive)(as from August 2015)*
Alain LAW MIN *(Deputy Chief Executive)(as from August 2015)*
Jean-Michel NG TSEUNG *(as from August 2015)*
Iqbal RAJAHBALEE
Simon Pierre REY
Antony R. WITHERS *(Chief Executive)*

Corporate governance report

MCB Madagascar SA

Jean-François DESVAUX DE MARIGNY ***(Chairperson)***
Marc DE BOLLIVIER *(Managing Director)*
Raoul GUFFLET
E. Jean MAMET
Pierre Guy NOEL
Michel PICHON *(Deputy Managing Director)*
Patrick RAZAFINDRAFITO

MCB (Maldives) Private Ltd

Pierre Guy NOEL ***(Chairperson)***
Jean-François DESVAUX DE MARIGNY
Gilbert GNANY
Raoul GUFFLET
E. Jean MAMET
Laila MANIK
Gilles MARIE JEANNE *(Managing Director)*

MCB Moçambique SA

Pierre Guy NOEL ***(Chairperson)***
Jorge FERRAZ
Raoul GUFFLET
Peter HIGGINS *(Managing Director)*

MCB Seychelles Ltd

Pierre Guy NOEL ***(Chairperson)***
Jocelyn AH-YU (Managing Director)(until December 2014)
Regis BISTOQUET *(Deputy Managing Director)(as from January 2015)*
Jean-François DESVAUX DE MARIGNY
Gilbert GNANY
Raoul GUFFLET
Bernard JACKSON *(Managing Director)(as from January 2015)*
E. Jean MAMET

MCB International Services Ltd[1]

Jean-François DESVAUX DE MARIGNY ***(Chairperson)***
Jocelyn AH-YU *(until December 2014)*
Regis BISTOQUET *(as from January 2015)*
Bernard JACKSON *(as from January 2015)*

Mascareignes Properties Ltd[1]

Pierre Guy NOEL ***(Chairperson)***
Jocelyn AH-YU *(until December 2014)*
Regis BISTOQUET *(as from January 2015)*
Jean-François DESVAUX DE MARIGNY
Raoul GUFFLET
Bernard JACKSON *(as from January 2015)*
E. Jean MAMET

MCB Capital Markets Ltd

Pierre Guy NOEL ***(Chairperson)***
Bertrand DE CHAZAL
Gilbert GNANY
Rony LAM YAN FOON *(Chief Executive Officer)*
E. Jean MAMET
Jeremy PAULSON-ELLIS

MCB Investment Services Ltd[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Akesh UMANEE

MCB Registry & Securities Ltd[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Marivonne OXENHAM *(Managing Director)*

MCB Stockbrokers Ltd[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Jeremy PAULSON-ELLIS
Shivraj RANGASAMI *(Managing Director)*

MCB Capital Partners Ltd[2]

Gilbert GNANY ***(Chairperson)***
Raoul GUFFLET *(until August 2015)*
Rony LAM YAN FOON
Bernard YEN

MCB Investment Management Co. Ltd[2]

Gilbert GNANY ***(Chairperson)***
Dean D'SA *(Co-Managing Director)(until June 2015)*
Ameenah IBRAHIM *(Managing Director)*
Rony LAM YAN FOON
Michaël NAAMEH
Jeremy PAULSON-ELLIS

[1] *Incorporated in Seychelles*
[2] *A subsidiary of MCB Capital Markets Ltd*

MCB Structured Solutions Ltd[2]

Gilbert GNANY ***(Chairperson)***
Rony LAM YAN FOON
Joel LAMBERT *(as from August 2015)*
Vimal ORI *(as from August 2015)*

MCB Equity Fund Ltd

Bertrand DE CHAZAL ***(Chairperson)***
Jocelyn DE CHASTEAUNEUF *(until September 2014)*
F. Jacques HAREL *(until September 2014)*
E. Jean MAMET
Pierre Guy NOEL *(as from September 2014)*

MCB Factors Ltd

E. Jean MAMET ***(Chairperson)***
Koomaren CUNNOOSAMY *(as from September 2015)*
Jean-Mée ERNEST *(as from September 2015)*
Alain LAW MIN *(until August 2015)*
Jean-Michel NG TSEUNG *(until August 2015)*
Pierre Guy NOEL *(as from September 2015)*
Margaret WONG PING LUN

MCB Properties Ltd

Pierre Guy NOEL ***(Chairperson)***
Jean-François DESVAUX DE MARIGNY *(until August 2015)*
Gilbert GNANY *(as from August 2015)*

Fincorp Investment Ltd

Jean Pierre MONTOCCHIO ***(Chairperson)***
Sunil BANYMANDHUB *(as from December 2014)*
Herbert COUACAUD, *C.M.G.*
Bashirali Abdulla CURRIMJEE, *G.O.S.K.*
Jocelyn DE CHASTEAUNEUF *(until December 2014)*
Michel DOGER DE SPEVILLE, *C.B.E.*

Finlease Co. Ltd[3]

Bernard D'HOTMAN DE VILLIERS ***(Chairperson as from October 2014)***

Jocelyn DE CHASTEAUNEUF *(Chairperson)(until October 2014)*
Sow Man (Claude) AH YUK SHING *(as from October 2014)*
Alain CHAMARY *(Managing Director)(as from October 2014)*

Jean-François DESVAUX DE MARIGNY *(until October 2014)*
Thierry KOENIG *(until October 2014)*
Alain LAW MIN *(as from October 2014)*
E. Jean MAMET
François MONTOCCHIO *(as from October 2014)*
Jean-Michel NG TSEUNG
Louis Eric Wilson RIBOT *(until October 2014)*

International Card Processing Services Ltd

Pierre Guy NOEL ***(Chairperson)***
Jean Michel FELIX *(as from September 2014)*
Mohamed HORANI
Samir KHLLOUQUI *(as from September 2014)*
Angelo LETIMIER

MCB Consulting Services Ltd

Pierre Guy NOEL ***(Chairperson)***
Gilbert GNANY
Angelo LETIMIER *(as from August 2015)*

Blue Penny Museum

Philippe A. FORGET ***(Chairperson)***
Jean-François DESVAUX DE MARIGNY
Raoul GUFFLET *(as from September 2015)*
J. Gérard HARDY
Damien MAMET
Pierre Guy NOEL

MCB Forward Foundation

J. Gérard HARDY ***(Chairperson)***
Jean-Philippe COULIER *(as from September 2015)*
Jean-François DESVAUX DE MARIGNY *(until June 2015)*
Philippe A. FORGET *(until September 2015)*
Gilbert GNANY
Madeleine de MARASSE ENOUF
Pierre Guy NOEL
Antony R. WITHERS *(as from September 2015)*

[2] *A subsidiary of MCB Capital Markets Ltd*
[3] *A subsidiary of Fincorp Investment Ltd*

Corporate governance report

Shareholder Relations and Information

The Board of MCB Group Ltd is committed to promoting an open and constructive dialogue with its shareholders while ensuring that their information needs are promptly attended to. In this respect, shareholders as well as other stakeholders are kept abreast of developments at the level of MCB Group Ltd through appropriate communication channels. In addition to official press communiqués, occasional letters to shareholders where appropriate, the Group's website, hosted at www.mcbgroup.com, provides for an adapted and comprehensive self-service interface. Through the latter, shareholders have the possibility to post their queries while having access to relevant information such as updated MCB Group Ltd share price as well as interim and audited financial statements. In order to better meet the needs of various stakeholders, ongoing enhancements are being brought to the website, with the latest add-ons being an investor 'Frequently Asked Questions' and 'Email alerts' service. Of note, MCB Group Ltd offers to its shareholders the possibility of receiving its corporate communications electronically. Besides, MCB Group Ltd encourages shareholders to attend the Annual Meeting which provides them with a forum to express their views and to receive direct feedback from Board members.

With a view to upholding relationships with the investment community, MCB Group has a dedicated Investor Relations (IR) team which acts as a point of contact and manages day-to-day communication with existing and potential investors. An insight into the Group's IR activities is set out below:

Activity	Description
Results release	Following earnings releases, a document titled 'Group Management Statement' highlighting the key features of the Group's financial performance, including the Group CEO's comments thereon, is made available on the website and sent to a broad mailing list of investors and analysts. Moreover, earnings calls are organised on an occasional basis.
Roadshows	International roadshows/conferences, principally in the United Kingdom and South Africa, are usually attended by Group executives to update existing and potential investors on the financial performance and key strategic objectives of the Group.
Conference calls	Foreign investors are given the opportunity to interact and ask questions to executives of the Group regarding the latter's performance, strategic orientations as well as major developments impacting the environment in which the Group operates.
Local meetings	Analyst meetings are organised, as deemed appropriate, to create an avenue for analysts locally to discuss with Group executives to obtain answers to their queries pertaining to the Group's performance and progress on strategic objectives. Furthermore, individual meetings with local brokers and fund managers are held to gather their feedback on the Group's investor engagement.

Shareholders Agreements

There is currently no shareholders agreement affecting the governance of the Company by the Board.

Shareholding Profile

As at June 2015, outstanding ordinary issued share capital of MCB Group Ltd amounted to Rs 2.4 billion comprising 238.0 million ordinary shares, with foreign shareholding accounting for 18% of the total.

The following tables set out the ten largest shareholders, ownership of ordinary share capital by size and type as at 30 June 2015.

Largest shareholders	Number of shares owned	% Holding
NATIONAL PENSIONS FUND	15,174,920	6.4
SWAN LIFE	7,447,690	3.1
PROMOTION AND DEVELOPMENT LTD	6,952,200	2.9
STATE INSURANCE COMPANY OF MAURITIUS LTD	3,561,289	1.5
LA PRUDENCE (MAURICIENNE) ASSURANCES LIMITEE	3,540,923	1.5
POLICY LTD	2,996,035	1.3
MELLON OMNIBUS	2,923,816	1.2
SOCIETE LES CAMPHRIERS	2,744,009	1.2
SSB A/C EATON VANCE PARAMETRIC STRUCTURED EMERGING MARKETS FUND	2,508,989	1.1
PICTET EUROPE A/C BLAKENEY L.P.	2,368,764	1.0

Size of shareholding	Number of shareholders	% Holding	Number of shares owned	% Holding
1-500 shares	12,038	65.2	1,362,584	0.6
501-1,000 shares	1,423	7.7	1,054,067	0.4
1,001-5,000 shares	2,343	12.7	5,682,837	2.4
5,001-10,000 shares	791	4.3	5,670,179	2.4
10,001-50,000 shares	1,212	6.5	27,426,203	11.5
50,001-100,000 shares	280	1.5	20,137,170	8.5
Above 100,000 shares	387	2.1	176,713,039	74.2
Total	18,474	**100.0**	238,046,079	**100.0**

Category	Number of shareholders	% Holding	Number of shares owned	% Holding
Individuals	17,551	95.0	101,011,975	42.4
Pension funds & Insurance companies	87	0.5	41,381,267	17.4
Corporates	329	1.8	35,149,869	14.8
Investment companies	124	0.7	33,137,019	13.9
Others	383	2.0	27,365,949	11.5
Total	18,474	**100.0**	238,046,079	**100.0**

Corporate governance report

Share Price Statistics and Performance

Share price statistics	2015	2014	2013	2012	2011
Investor data					
Earnings per share* (Rs)	24.04	18.34	18.28	17.36	18.91
Earnings yield (%)	11.1	8.5	9.8	10.3	10.1
Price earnings ratio (times)	9.0	11.7	10.2	9.7	9.9
Net asset value per share (Rs)	151.0	130.13	119.87	106.52	99.89
Market data					
Market price per share (Rs):					
High	218.00	223.00	196.25	189.00	191.00
Low	195.00	179.50	160.00	162.00	137.00
Average	205.00	205.03	175.76	168.17	161.81
Closing (Year end)	217.00	215.00	186.00	169.00	188.00
Value of shares traded (Rs m)	6,244	3,575	3,620	2,938	3,357
Market capitalisation as at 30 June (Rs m)	51,656	51,165	46,570	42,313	47,071
Market capitalisation as a % of total market	23.5	22.3	23.9	25.2	24.8

** Net results used for the calculation of EPS include non-recurrent items*

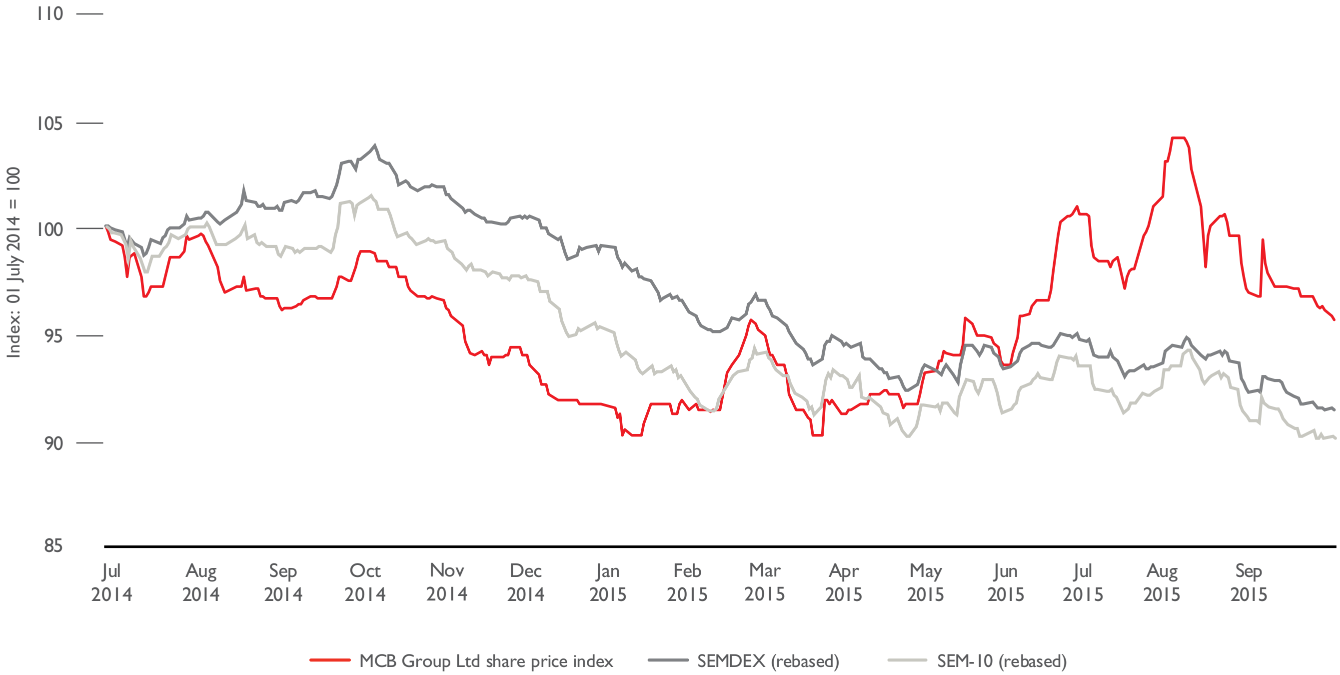
Note:
As part of the restructuring exercise, the last trading date of MCB Ltd ordinary shares was on 24 March 2014, with the cancellation of the listing thereof on 2 April 2014 and the start of trading of MCB Group Ltd shares on the Official Market as from 3 April 2014, following an exchange of shares on a 1:1 ratio. As such, figures in the above table prior to April 2014 relate to MCB Ltd.

Amidst the low interest rate environment, indices of developed markets generally went up over the past financial year, albeit remaining volatile owing to investor risk aversion notably linked to the timing of the US monetary policy shift and continued fragile economic conditions in Europe as well as the Greek debt crisis. Against this background and compounded by the fall in commodity prices, indices of emerging markets generally declined over the corresponding period. Lately, market attention was drawn to the turbulences in the Chinese stock market, which spilled over to regional and global equities. In fact, in spite of significant government intervention, the Shanghai Composite Index fell sharply as from June 2015, following a significant market correction after a strong rally until then, reflecting concerns about the Chinese economy.

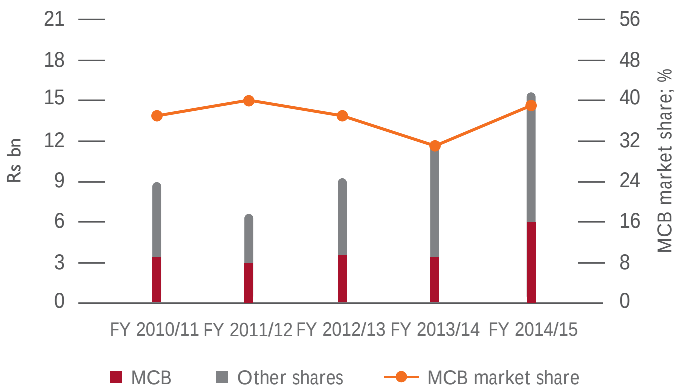
With respect to the local bourse, the SEMDEX over the last financial year, has been somewhat weighed down by investor cautiousness in the context of the country's general elections as well as some adverse developments in the financial sector. On the whole, the SEMDEX fell by 5.0% over the period under review, resulting in a fall of 2.3% in the total return index, SEMTRI. Conversely, underpinned by its sound fundamentals, MCB Group Ltd share price went up slightly by 0.9% over the corresponding period to reach Rs 217 at the end of the financial year. It subsequently rallied to a historical peak of Rs 225 on 31 July 2015 on the back of renewed interest of foreign investors, before losing some grounds thereafter to stand at Rs 206.50 as at 29 September 2015. As such, MCB Group Ltd consolidated its leadership position on the local bourse as testified by a market capitalisation of Rs 51.7 billion as at 30 June 2015, representing a market share of around 23%. On a different note, MCB Group Ltd has been selected by SEM as one of the constituents of the new SEM Sustainability Index (SEMSI) launched in August 2015, whose philosophy is founded on the pillars of the triple bottom line principle, namely economic, environmental and social sustainability, with good corporate governance underpinning each pillar.

Looking ahead, in addition to being influenced by the growth pattern of the Mauritian economy, the performance of the local stock market should remain subject to developments on the international scene, with economic data releases and policy manoeuvres in key economies likely to have a notable bearing on investor sentiment.

Performance of MCB Group Ltd share price vis-à-vis the market



Value of shares traded



Notes:
(i) In the context of the restructuring exercise, MCB shares were not traded from 25 March to 2 April 2014
(ii) Value of shares traded excludes one-off transactions

Dividend Policy

MCB Group Ltd aims to supply its shareholders with ongoing returns in the form of a stable and relatively predictable dividend path. An interim dividend of Rs 3.75 was paid in July 2015, while a final dividend of Rs 4.25 per share was declared in September 2015 and will be paid in December 2015. Thus, dividend per share for the year under review stood at Rs 8.00, representing a rise of 24.0% as compared to FY 2013/14. As such, dividend yield stood at 3.7% while dividend cover was 3.0 times for the period ending 30 June 2015.

Corporate governance report

Shareholders' Diary

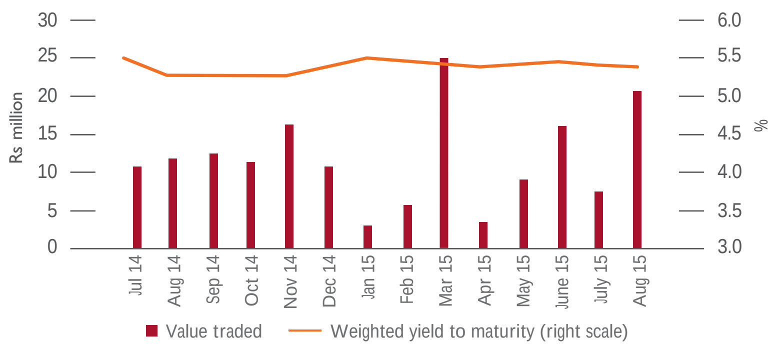
Mid-November 2015	Release of first quarter results to 30 September 2015
November 2015	Annual Meeting of Shareholders
December 2015	Payment of final dividend
Mid-February 2016	Release of half-year results
Mid-May 2016	Release of results for the 9-month period to 31 March 2016
June 2016	Declaration of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

MCB Group Ltd Floating Rate Subordinated Notes

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

For FY 2014/15, the total value traded of the Notes amounted to Rs 140 million. The Notes were traded at Rs 1,041.74 on 29 September 2015 with an effective yield to maturity of 5.34%.

Value of Floating Rate Subordinated Notes traded and weighted yield to maturity



Statement of Remuneration Philosophy

With human capital viewed as critical to the sustainability of the business, the Group lays significant emphasis on employing the right people with the right skills and behaviours whilst rewarding them properly.

The Group's remuneration philosophy concerning directors provides that:

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

The remuneration philosophy for employees of the Group is based on meritocracy and ensures that:

- full protection is provided, at the lower end of the income ladder, against cost of living increases;
- fairness and equity are promoted throughout the organisation; and
- opportunity is given to employees to benefit from the financial results and development of the Group. Indeed, staff members of the Group receive an annual bonus based on the performance of the Group as well as an assessment of their contribution thereto. Furthermore, most staff members have the added possibility to be incentivised further through a share option scheme.

Generally, the finalisation of remuneration packages is anchored on a range of factors including qualifications, skills scarcity, past performance, personal potential, market norms, responsibilities shouldered and experience.

With a view to attaining appropriate remuneration levels, the Group is guided by the following considerations:

- general market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive;
- superior team and Group performance is stimulated and rewarded with strong incentives; and
- remuneration practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals' contribution to Group performance.

Group Employee Share Option Scheme (GESOS)

MCB Group has an employee share option scheme in place, which provides eligible employees with the opportunity to partake in the growth and prosperity of the Group through the acquisition of shares in the Company, thereby acting as an additional lever to promote a performance culture alongside upholding motivation and commitment across the organisation. Under the scheme, employees are granted non-transferable options to buy MCB Group Ltd shares with up to a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through four specific windows, carry a retention period of three years. The option price is based on the average of the share price over the quarter prior to the date on which the options are granted, to which a discount of 10% is applied. Members of Management are, however, not entitled to such discount. Once issued, the shares rank *pari passu* as to dividend, capital, voting rights and in all other respects with the existing shares of MCB Group Ltd.

Corporate governance report

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

	Management	Other employees	TOTAL
Number of options granted in October 2014	99,051	408,172	507,223
Initial option price (Rs)	210.75	189.75	-
Number of options exercised to date	23,112	56,300	79,412
Value (Rs '000)*	4,871	10,683	15,554
Percentage exercised	23.3	13.8	15.7
Number of employees	3	227	230
Available for the 4th window and expiring in mid-October 2015	75,939	351,872	427,811

**Based on initial option price*

Auditors' Fees and Fees for Other Services

	2015		2014	
	The Group	The Company	The Group	The Company
	Rs '000	Rs '000	Rs '000	Rs '000
Audit fees paid to:				
BDO & Co	19,726	412	18,710	403
Other firms	4,753	-	5,233	-
Fees for other services provided by:				
BDO & Co	2,691	-	3,899	-

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

Sustainability Reporting

Overview

The aim of sustainable development is to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. In alignment with regulatory requirements, MCB Group duly adheres to sustainability principles towards making a sound and sustained contribution to the economies, environments and communities in which it operates. Backed by proper enforcement mechanisms, the philosophy guiding the Group's conduct of affairs is entrenched in an appropriate operational and governance framework. In this respect, the Group has set up the MCB Forward Foundation as the dedicated vehicle responsible to execute its social engagement, while promoting practices to foster corporate responsibility across the organisation. At the level of MCB Ltd, employees abide by the Bank's Code of Conduct and the national Code of Banking Practice. The Bank, also, adheres to the United Nations Global Compact, the world's largest voluntary corporate responsibility initiative for businesses which are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Besides, MCB Ltd adopts the Equator Principles, which stand as the governing foundation of its Environmental and Social Policy in support of its 'responsible financing' of projects. Moreover, MCB Group Ltd has been selected as one of the constituents of the Stock Exchange of Mauritius Sustainability Index (SEMSI), in respect of which it was, lately, ranked among the top 3 performers. Of note, the SEMSI provides a measure of listed companies against a set of internationally aligned and locally relevant environmental, social and governance criteria.

Our Stakeholder Engagement

Our engagement paradigm

Our strategic philosophy and business practices	Our operational and governance framework	Regulatory framework and good international practices

Our holistic stakeholder engagement

Investors and shareholders	Customers	Regulators	Employees	Economic agents	Communities

Our guiding principles and orientations

- To ensure that our stakeholder involvement is consistent with the nature of our operations; to integrate and align stakeholder management efforts and activities
- To ensure that our engagement efforts are underpinned by adequate human, technical and financial resourcing as well as transparent control and reporting processes
- To properly institutionalise our accountabilities for ensuring that the efficiency and effectiveness of our interactions and activities are duly preserved and enhanced
- To maintain on-going dialogue with stakeholders through multiple engagement mechanisms and clear and consistent communication channels
- To draw upon the feedback and comments of stakeholders so as to ensure that their issues and requirements are identified and resolved in a timely and gratifying manner

In addition to policies and systems which have been established over time, the Group has adopted various initiatives during FY 2014/15 with a view to adequately endorsing its corporate responsibility.

Corporate governance report

	Investors and shareholders: Maximising shareholder value	Customers: Deepening client relationships and experiences	Regulators: Ensuring strict compliance with mandatory stipulations
Why it is important for us to engage	• To preserve the image and reputation of the Group as a strategically important industry player and as an institution being bestowed with a wide and diversified ownership base • To uphold shareholder confidence in our ability to create meaningful value over time and preserve our stock profile • To harness an enabling environment that will underpin moves to raise fund and bolster capital resources, thus creating conducive conditions for fostering sustained business growth	• To build life-long relationships with clients, thus accompanying them in good and bad times, upholding their trust in the organisation and helping them achieve their goals • To foster continuous improvements in the quality of customer service and effectively responding to complaints	• To safeguard the perennity and soundness of our operations • To diligently respond and adapt to the evolving operating context and effectively gear up our operations for attaining sustained business growth after fully understanding and coping with the specificities and implications of regulatory provisions
What matters most to them	• Protection and growth of wealth and investment • A stable and relatively predictable dividend path as well as reasonably attractive returns on investment • Availability of timely, concise and detailed information relating to the strategic positioning as well as the financial performance and prospects of the Group as a whole	• Availability of flexible and innovative financial solutions, as well as rapid and simple access thereto • Security and privacy of transactions • Transparent and timely advice and information on offerings in support of informed decision-making • Effective processes for enabling complaints sharing and resolution	• Preserving the soundness and efficiency of the banking system • Strict adherence by operators to relevant laws, codes and guidelines; proper licensing of operations and activities • Forging of meaningful interactions with banking players to cater for the proper reporting and monitoring of activities
Ways in which we intervened in FY 2014/15	• Enhancing the Group's revenue generating capacity through the adoption of ambitious, yet sensible, strategic orientations in Mauritius and abroad, backed by improved physical capabilities and operational set-ups, better customer service and adequate recourse to funding resources • Maintaining open lines of communication to provide coherent, pertinent and updated information on the Group's strategies, corporate accomplishments and financial performance by means of carefully-selected channels, platforms and reports	• Anchoring a customer-centric business development approach by enhancing the quality of the value proposition via the (i) widening of financial solutions; (ii) refining and customisation of the products and services offered, in line with market specificities; and (iii) bolstering of the reach and convenience of modern delivery channels in order to provide an increasingly personalised and simplified customer experience • Upholding and strengthening client relationships and market visibility, notably through the continuous showcasing of the image and value proposition of business lines via (i) MCB's appealing websites and social media presence; and (ii) the organisation of and participation in various promotional and commercial initiatives, business meetings as well as international seminars, conferences and road shows • Adoption of clear communication and reporting channels vis-à-vis customers to provide them with detailed information about our offerings and effectively deal with their complaints	• Strict compliance catered for with respect to regulatory limits and stipulations relating to product development, market development, risk management, etc. • Timely submission of reports to regulatory bodies and forging of transparent and open relationships with the latter to promote adequate monitoring of our activities and pave the way for informed discussions about relevant issues and matter • Sensible management of risks faced in various business fields towards fostering the soundness of our activities

	Employees: Upholding human resource development and staff welfare	Economic agents: Fostering economic growth and prosperity	Communities: Supporting social progress and environment protection
Why it is important for us to engage	• To retain/uphold the Group's status as an employer of choice • To instil a high performance culture amongst the staff for improved operational effectiveness and efficiency across the organisation and attainment of customer service excellence • To foster general staff welfare, health and safety	• To assist in the advancement of individuals and businesses in the countries in which the Group operates • To help promote the socio-economic development and modernisation of presence countries, while contributing to gear up trade and investment activities on the regional front	• To uphold the Group's social and environmental commitment through the development of and support to initiatives for the benefit of the community in which we live and work • To foster appropriate environmental stewardship by endorsing environmentally-conscious practices in respect of the operation and activities of the Group
What matters most to them	• Continuous reinforcement of employability and work efficiency • Reasonable reward and career advancement structures • Fair treatment and strict adherence to meritocracy principles • Safe, positive and inspiring working conditions and operations	• Provision of tailored support for the initiation and development of businesses, including the availability of relevant solutions to innovate and manage risks • Contribution to the sound, balanced and sustained economic growth of presence countries and provision of assistance to stimulate job creation, broaden the scope for wealth creation and enhance the material well-being of the populations	• Proper understanding of the aspirations, challenges faced and on-the-ground activities of Government organisations and NGOs • Availing Government organisations and NGOs with human, technical and financial resources to assist in the taking-off and the spearheading of dedicated social/environmental projects • Promoting environmental protection awareness amongst staff and adopting environment-friendly business practices
Ways in which we intervened in FY 2014/15	• Roll-out of the Bank's redesigned performance management process in line with the Balanced Scorecard framework • Conduct of dedicated programmes to strengthen human capital, notably via training courses deployed and lectures held by international experts at the MCB Development Centre • Execution of initiatives in favour of talent management and career development; as a first in the Mauritian banking sector, our 'DUO' programme is a joint public-private sector partnership that allows secondary school leavers to obtain a full sponsorship for a 'BTS Banque' at the Business School of the Mauritius Chamber of Commerce and Industry (MCCI) and to, simultaneously, gather work experience at MCB; furthermore, 'Go Beyond' acts as a challenging opportunity aimed at recruiting and developing future business leaders for an international career within MCB Group • Promotion of staff welfare and work-life balance being further fostered, notably via an increase in the medical coverage limits for all employees and the conduct of the Health Week 2015, comprising free health tests and lectures • Review of the pension scheme, with a more robust and flexible formula for its employees via the introduction of the Defined Contribution Cash Back	• Dedicated financial solutions offered to individual, corporate and institutional clients across countries where the Group is involved • Financing key projects shaping the economic landscape of Mauritius and assisting corporates in their development domestically and beyond, thus furthering inclusive growth of the country, upholding its regional agenda and positioning as an international financial centre of substance and good repute • Assisting SMEs in Mauritius in their pursuit of growth and business development endeavours; MCB was ranked 1st amongst the 14 banks operating in the country in respect of credit facilities approved under the Government–backed SME Financing Scheme, with a corresponding market share of around 50% posted during the December 2011 – August 2015 period	• Fulfilling our Corporate Social Responsibility (CSR) via the implementation of initiatives by the MCB Forward Foundation • Extending additional support to promote the welfare of the society and protect the environment by means *inter alia* of: (i) the pursuit of its internally-generated 'Initiative 175' programme; and (ii) the undertaking of sponsorship activities in relation to education and sports

Corporate governance report

Involvement of the Group vis-à-vis the Society and the Environment

In line with one of its missions, which is 'We will do what we can to make the world a better, greener place', the Group has further entrenched its social and environmental engagement over time.

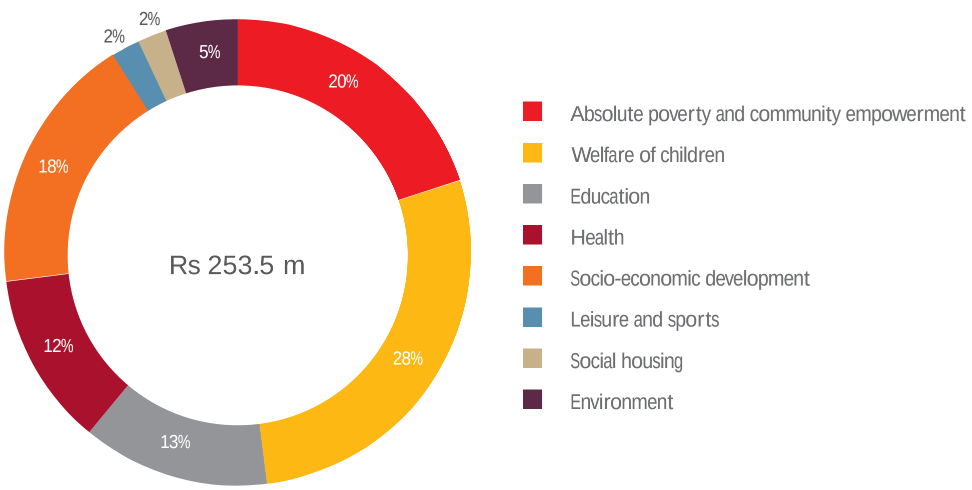
Support through MCB Forward Foundation

Background and realisations

Our CSR activities are channeled through the MCB Forward Foundation. The latter is a dedicated vehicle responsible for the efficient and effective design, implementation and management of initiatives which contribute to embed the Group's engagement with the communities in which it operates.

Launched in September 2010, MCB Forward Foundation has, over the past five years, made appreciable progress in increasingly entrenching its commitment vis-à-vis the society and its people by means of dedicated programmes and wide-ranging stakeholder interactions. Overall, driven by the needs of communities, the entity has, through the sustained provision of human, logistical and financial resources, collaborated in more than 450 initiatives designed to contribute to the welfare of society at large. The distribution of aggregate funding as per different fields is illustrated below.

Total funding
FY 2010/11 to FY 2014/15



Key achievements posted by MCB Forward Foundation in FY 2014/15

During the last financial year, MCB Forward Foundation was entrusted with a fund of Rs 66.8 million, representing the relevant contribution by the Group's local entities, consistent with the Government's policy measure requiring companies to set up an annual CSR Fund representing 2% of their chargeable income derived during the preceding year. An amount of Rs 55 million was spent on a total of 74 projects, after allowing for the Foundation's administrative costs. Of these, 49 projects are ongoing. While the nature of projects financed are in line with guidelines set by the authorities, the Group, as it is the case for every other company, can, henceforth implement its CSR programme in accordance with its own framework in the wake of the announcement made in the context of the last National Budget.

To underpin its social commitments, MCB Forward Foundation has, during the period under review, established a Quality Management System to ensure a consistent quality of service. This contributed to the entity becoming the first CSR Foundation to be ISO 9001:2008 certified. Overall, such an accreditation affirms the commitment of MCB Forward Foundation to provide human, logistical and financial resources in support of earmarked initiatives and to develop effective strategic partnerships with stakeholders with a view to fostering the social, environmental and economic well-being of the community, whilst ensuring that interactions forged with the relevant stakeholders meet the highest standards of service and ethics.

The following table provides a breakdown of expenditure by activity incurred by the Foundation during FY 2014/15. It is also worth noting that no political donations were made during the year.

Breakdown of expenditure	Rs '000
Absolute poverty and community empowerment	17,751
Welfare of children	16,083
Education	3,344
Health	2,230
Socio-economic development	11,091
Leisure and sports	240
Social housing	4,125
Total	54,864

Specific projects funded by MCB Forward Foundation

Absolute poverty and community empowerment

- *Curepipe Starlight*: Love Bridge Project – Support and empowerment programme that enables families in distress to enhance their quality of life and help them to foster their autonomy
- *Black River Dance Academy*: Empowerment of vulnerable children through dance and music
- *MCB Football Academy*:
  - A second MCB Football Academy (MCBFA) was officially launched in Rodrigues, thus, taking to six the number of football academies operated by MCB Forward Foundation over the Republic of Mauritius. The aim is to foster the social integration of some 100 children aged between 6-10 years from Petite Butte and six neighbouring villages.
  - The MCB Camp FCBEscola Club was set up at the MCB Club in Curepipe. It is a training camp that saw the participation of 60 football players under 16 years old from the MCBFA and Football First. Facilitated by 2 coaches of the academy of FC Barcelona, the objective of this training camp was to inculcate new techniques to young Mauritian footballers. It was also an opportunity for the Barcelona Club to instill values such as tolerance, respect, solidarity, friendship, fair play, integration, effort and enthusiasm, to Mauritian footballers.
  - David Ginola, the former European football star, led a technical workshop with 60 children who are members of the MCBFA of Poste-de-Flacq.

Welfare of children

- *Autisme Maurice*: Delivery of psychological screening services in Rodrigues
- *École Familiale de l'Ouest*: Pedagogical support offered to children out of the mainstream education system
- *Étoile Du Berger*: Provision of accommodation to girls in distress
- *Special Education Needs Society*: Therapeutic and pedagogical support to children with learning difficulties

Education

- *Vent D'un Rêve*: Setting up of a music school for vulnerable children
- *Institut Cardinal Jean Margéot*: Counselling services offered to children, parents and teachers of 46 primary schools
- *MCB Rodrigues Scholarship*: Award of scholarship to 1 student to enable the latter to pursue tertiary studies at the University of Mauritius

Health

- *St John Ambulance*: Provision of equipment to the first aid charity
- *Multi-sectorial platform on substance abuse*: Write up of a document entitled "Collective Proposal in View of a National Drug Control Master Plan"

Socio-economic development

- *Pédostop*: Provision of legal services to victims of sexual abuse
- *Association Des Parents D'enfants Inadaptés De L'Ile Maurice-APEIM*: Provision of vocational rehabilitation to intellectually-disabled young adults
- *Magic Fingers*: Provision of specialised equipment for the empowerment of unemployed women and youth
- *Open Mind*: Provision of ecotherapy programme for the wellbeing, skills development and social inclusion of people suffering from psychological disorders
- *Rêve et Espoir*: Financing of a speech therapist and enhancement of the current transportation system for children
- *Association Anou Grandi*: Therapeutic and rehabilitation programme for disabled children
- *Association Des Parents De Déficients Auditifs*: Provision of educational support to children with cochlear implants

- *Lizié Dan La Main/Union des Aveugles de L'Ile Maurice*: Delivery of equipment for visually impaired children
- *Fondation Georges Charles*: Financing of occupational therapy and psychological interventions for children with disabilities

Social housing

- *Integrated Social Housing Project at Cité Tole, Mahebourg*: 15 vulnerable families benefiting from psychological, psychosocial and educational support

Leisure and sports

- *Trust Fund for Excellence in Sports:* Award of scholarships to 2 sportsmen at national level

In respect of the aforementioned initiatives, the five largest projects financed by the Foundation during the financial year are set out in the table below.

Projects	Rs '000
MCB Football Academy	10,720
Integrated Housing Project (Social Housing Cité Tole)	2,818
Service d'écoute et de soutien psychologique dans les écoles primaires (Institut Cardinal Jean Margéot)	2,620
Facilitation of multi-sectorial platform for the development of a National Drug Response Strategy (Drug Platform)	2,130
Diagnostic Centre for Autism (Autisme Maurice)	1,875

Overview of other initiatives

In line with MCB Group's commitment to promote sustainable development, progress was furthered with regard to the execution of the internally-generated 'Initiative 175'. Of note, this programme was launched in 2009 with a view to fostering environment-friendly and energy saving practices through a series of micro-level initiatives unleashed at the organisational and national levels. The main actions undertaken under the umbrella of 'Initiative 175' during FY 2014/15 are as follows:

Encouraging environment-friendly investments

- *'Green Loans'*: During FY 2014/15, the Bank widened its involvement in respect of the provision of 'Green loans'. Of note, after being the prime provider of loans in the context of the 1st edition, the Bank had, back in March 2014, renewed its partnership with Agence Française de Développement (AFD) through the signature of a new EUR 60 million loan agreement and launched the 2nd edition of preferential credit facilities named as 'Green Loans', to support initiatives in favour of energy saving and the reduction of carbon emissions. In respect of this financing product, an investment grant of 8% of the loan amount is offered to the client for investments in 'green' projects that can be 100% financed by the Bank.

- *BioPark Mauritius*: MCB is partnering with the project, which is viewed as being the first hub of its kind in the Indian Ocean. BioPark Mauritius aspires to be a dedicated space encouraging the use of biotechnologies for research and development by innovative companies and professionals.

Fostering energy-efficient buildings

- Following the initial Blue Carbon Footprint certification received by all its branches and sites during the previous financial year, the Bank has, during FY 2014/15, successfully renewed such certification, while achieving progress made towards further compliance.

Paving the way for reduced paper utilisation

- Active promotion of e-statements, with the total number of customers subscribing thereto more than doubling to reach some 123,000, as compared to about 55,000 as at June 2014

Promoting the eco-friendly awareness of the general public

- Launch of the 4th edition of the 'Make a Wish' competition involving primary schools, in partnership with the Ministry of Education and Human Resources, Tertiary Education and Scientific Research, with the objective being to improve the environment and quality of life at school.

Sensitisation of staff and business units

- Recycling of MCB's used tubes and bulbs containing mercury;
- Employees invited to a conference by Tony Lee, the Director of the Green Building Council of Mauritius, on 'Ecological Homes' at the MCB St Jean auditorium; and
- Waste recycling container placed in the parking area of MCB St Jean by 'Mission Verte' to encourage staff to segregate and recycle their waste at home and in the office.

Besides, the Group continued to provide wide-ranging support for the promotion of education, empowerment of women, youth and sports in the country through the sponsorship of the following:

- *MCB Foundation Scholarship*: It is awarded to the student ranked next in line to those eligible for the State of Mauritius scholarships on the Economics side upon the announcement of the national Higher School Certificate examination results
- *Stock Exchange of Mauritius Young Investor Award 2014*: The competition, which aims at inculcating an investment culture amongst college students by giving them a hands-on experience of real time market prices in real share-market conditions, attracted 1,090 students across 218 teams and coming from 109 colleges
- *National Spelling Bee Competition 2015*: The 14th edition targeted more than 600 secondary school students from 147 colleges with a view to promoting the utilisation of the English language
- *InnovEd*: Organised by the National Productivity and Competitiveness Council, the competition aimed at promoting innovation at the secondary education level, with the participation of some 450 students from 52 colleges being registered
- Competitions organised by the Rajiv Gandhi Science Centre:
  - *Science Quest 2015* and *Young Scientists in Action 2015*: Attracted 360 college students and 100 primary school students respectively, who were tasked with applying science to devise novel solutions for daily life problems
  - *Rodrigues Science Challenge 2015*: Aimed at deepening the scientific curiosity of primary and secondary students in Rodrigues and disseminating an innovative culture amongst young people towards finding actionable solutions to raise awareness about sustainable development
  - *Rodrigues Story Telling Competition*: Targeted Standard V pupils and encouraged the latter to use imagination and creativity, as well as master confidence in speaking English from an early age
- Sport competitions
  - *9th edition of the Indian Ocean Island Games*:
    - MCB Group acting as Top Sponsor of the games held in Réunion Island, with total funding offered amounting to EUR 100,000
    - As the 'Official Bank' of the teams from Mauritius, Seychelles and Maldives, the Group reiterated its commitment to the development of sports and youth advancement
  - *Dodo Trail*: MCB Group acting as the principal partner of the 5th edition of the international event held in Mauritius
  - *Golf competitions:* (i) MCB Tour Championship 2014, the most prestigious golf contest held in Mauritius; (ii) MCB Pro-Am: Event giving the opportunity to both customers and employees to play with professionals; (iii) MCB Invitational: Tournament targeted exclusively at MCB customers; (iv) Ladies Golf Union Championships 2015; and (v) MCB Indian Ocean Amateur Golf Open: for its 2nd edition, the event attracted 58 participants

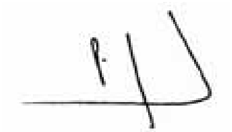
Statement of Directors' Responsibilities

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

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

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

On behalf of the Board.



J. Gérard HARDY
Chairperson
Renumeration and Corporate Governance

Pierre Guy NOEL
Chief Executive

Business and Financial Review

Business and financial review

Review of the Operating Environment

Macroeconomic Landscape

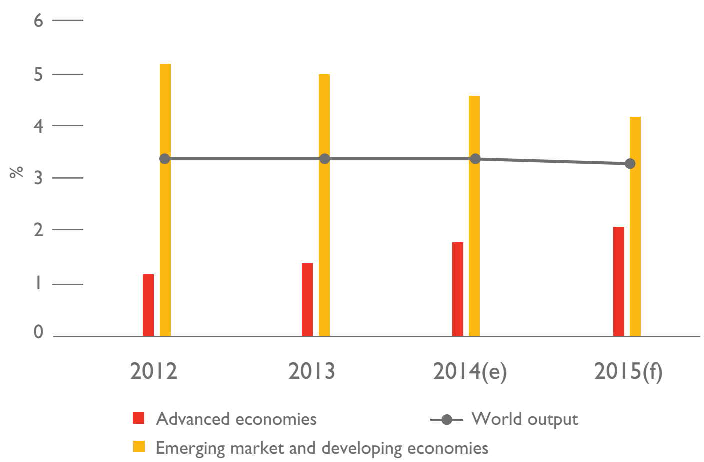
Overview

In general, the Group's entities have faced up to challenging economic conditions during the last financial year. These were linked to inherent country-specific difficulties as well as developments besetting the socio-economic environments across geographies. On a positive note however, it is worth highlighting that broadly conducive dynamics at play in selected niche markets and on the regional scene have underpinned appreciable inroads made by entities in terms of business development and revenue generation.

The international context

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

Real GDP growth



(e) estimates (f) forecasts

Source: IMF World Economic Outlook Update - July 2015

The Mauritian economy

Introduction

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

Economic growth

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

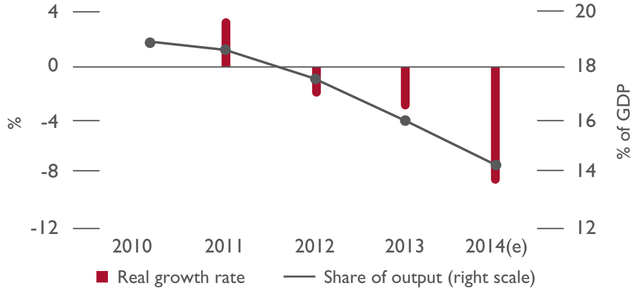
Business and financial review

Economic dashboard

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

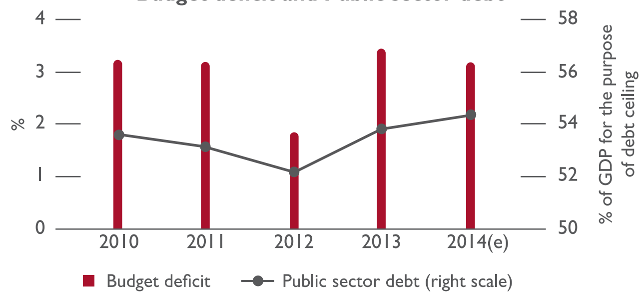
Real growth rate and Unemployment

Private investment

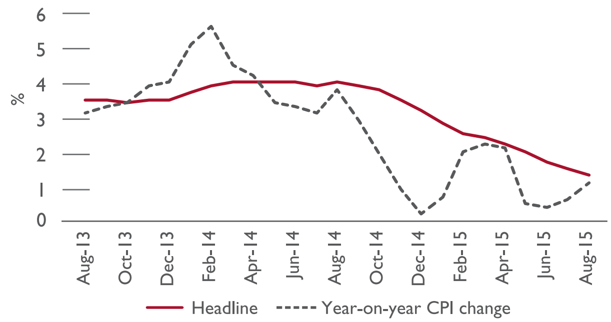


Bearing in mind the ramifications of the challenging economic context, the budget deficit stayed elevated in 2014, thus causing the public debt ratio to remain quite high in 2014. The latter situation warrants close attention, especially in light of recent estimates pointing towards the ratio rising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

Budget deficit and Public sector debt



Inflation rate

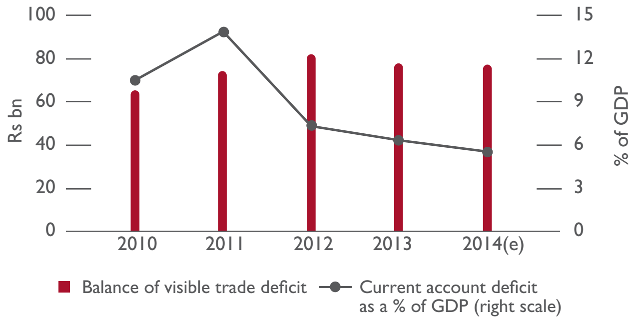


On the heels of the marked strengthening of the US dollar on international markets, the rupee has weakened against the latter currency, while firming up in relation to the euro. On such grounds and after factoring in the testing economic conditions characterising our main trading partners, the country's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

Foreign exchange rate

Selling rates of main currencies vis-à-vis the rupee				
	Value as at		Annual average	
	30-Jun-14	30-Jun-15	FY 2013/14	FY 2014/15
USD	30.7	35.8	30.9	33.2
GBP	52.1	56.2	49.9	52.3
EUR	41.8	40.0	41.6	39.8

External front



(e) estimates

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

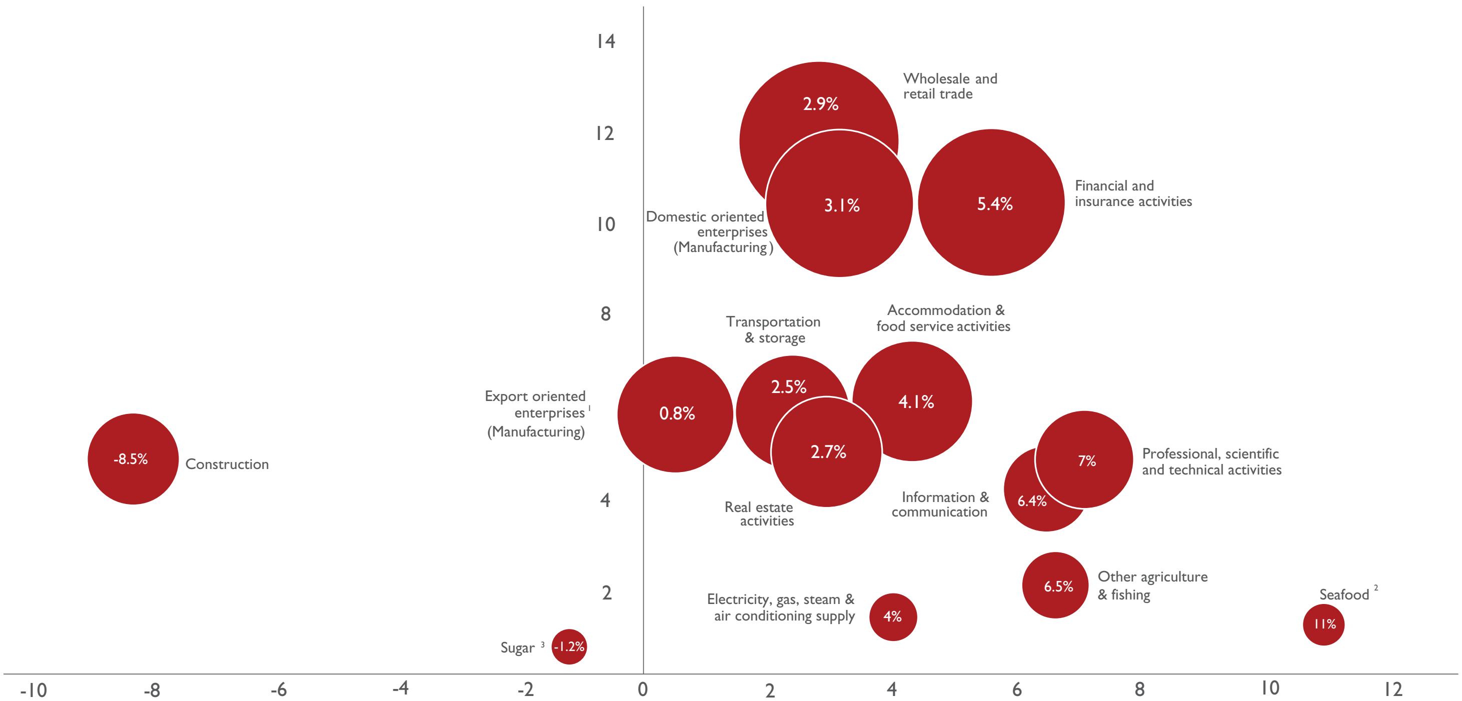
Of particular pertinence to the portfolio growth of MCB Ltd, the sub-optimal economic growth pattern reflects, to a large extent, a still subdued national investment climate, which continued to exert pressures on the nationwide demand for credit. Conspicuously, private sector investment contracted in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

Sectorial outcomes

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

Recent sectorial performances

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



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

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

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

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

Source: Statistics Mauritius

Performance of sub-Saharan Africa

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

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

(e) estimates (f) forecasts

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

Outcomes posted by our foreign presence countries

In 2014, Madagascar witnessed a defining moment as the country exited a five-year political crisis. However, the economic situation remained delicate, mainly due to energy shortages and tepid private investment. Against this backdrop, a modest recovery was observed in 2014, with growth standing at 3.0%, driven mainly by the extractive industries, banks, agro-industry, transport, livestock and fisheries. For 2015, growth is expected to improve marginally to attain 3.2% as per latest indications, with the country still facing notable challenges, including the sharp decline in commodity prices which is exerting a drag on mining revenue and the prevalence of deep-rooted structural weaknesses. Concerning Seychelles, it is worthwhile to note that the country's economic progress over time has been recently recognised by its graduation to high-income status, as per the World Bank country classification. That said, Seychelles suffered a deceleration in the pace of output expansion in 2014, on account of difficulties in its main trading partners, namely the euro area, which dampened the country's major export sectors, notably tourism and canned tuna. For 2015, a relative upturn is anticipated, with real GDP growth forecast at 3.5%, driven by the positive ramifications of lower world oil prices, increased public investment, a recovering tourism sector as well as improving conditions in the financial market and private sector. For its part, Maldives registered a pick-up in economic activity in 2014 as gauged by growth edging up to an estimated 5.0%, largely on account of an expansion in tourism, and a revival in the construction sector, especially spurred by the unfolding of property development projects. Looking ahead, barring major external macroeconomic shocks, real GDP growth is expected to stay appreciable, averaging 4.5% over the 2015-2020 period, buttressed by positive prospects for the tourism, transport and communication sectors, the implementation of infrastructure ventures, and the promotion of Special Economic Zones. As for Mozambique, it continued to perform strongly in 2014, with real GDP expanding by 7.4%, propped up mainly by public expenditure as well as strong outcomes in the financial services, extractive industries, construction and agricultural sectors, amidst a return to relative political stability. Medium-term growth is likely to hover within the 7.5-8.0% range, supported by mega-projects spanning oil and gas exploration, as well as infrastructure development. However, the country should continue to be faced with structural challenges relating to social inclusion, fiscal and debt sustainability, as well as still under-developed financial markets.

Real GDP growth (%)	2012	2013	2014(e)	2015(f)
Maldives	1.3	4.7	5.0	5.0
Seychelles	6.6	6.0	3.3	3.5
Mozambique	7.1	7.4	7.4	7.0
Madagascar	3.0	2.4	3.0	3.2

(e) estimates (f) forecasts

Sources: IMF Country reports and IMF Regional Economic Outlook: Sub-Saharan Africa - April 2015 & Asia and Pacific - May 2015

Business and financial review

Market Environment

In FY 2014/15, entities of the Group have been subject to diverse market conditions across the countries where they are present. Generally speaking, while avenues for sustained business development have remained on the agenda, the challenging economic climate has called for close monitoring and, in some instances, financial sectors were pressurised by inherent pockets of vulnerability. In particular, Mauritius was confronted by alleged financial irregularities in respect of the banking and non-banking financial entities of an important conglomerate. However, while relevant deliberations subsist at various levels, corrective actions have been taken by the authorities to tackle the matter. As the situation stands, though there are signs that related developments have exerted adverse spillover ramifications on specific banking sector players, the aggregate impact on the financial services industry is deemed to be quite contained.

Local banking sector

Overview

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

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

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

Business and financial review

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

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

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

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

Main banking sector metrics

Loans and deposits

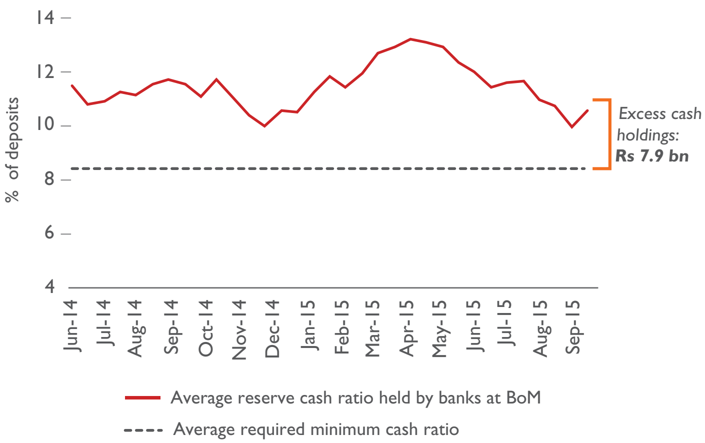
Loans (June 2015)			
By segment	Rs m	Mix (%)	**Y.o.y. change (%)**
Segment A	273,445	44.6	2.6
Segment B	339,871	55.4	8.4
Total	613,316	100.0	5.7

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

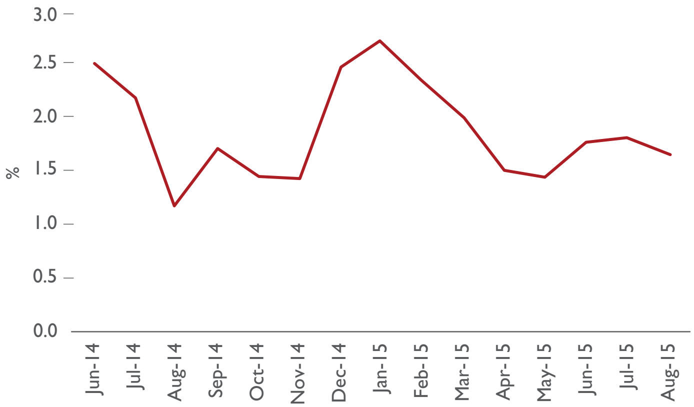
Credit to the economy (June 2015)			
Sectors	Rs m	Mix (%)	**Y.o.y. change (%)**
Agriculture and fishing	17,667	5.6	(3.7)
Export oriented industry	5,819	1.8	(2.1)
Domestic oriented industry	14,133	4.5	16.2
Tourism	47,536	15.0	(1.4)
Transport	4,925	1.6	1.1
Construction	83,191	26.3	8.5
Housing	*51,778*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

Money market indicators

Average cash reserve ratio



Average weighted yield - Government of Mauritius Treasury Bills



Business and financial review

Local non-bank financial services sector

Domestically, the persistently low interest rate environment coupled with the enduring excess liquidity conditions prevailing in the money market have, altogether, positively impacted businesses in the non-bank financial services sector. Notably, the demand for fixed income products has remained strong, while capital markets have grown in stature in the wake of the sustained interest demonstrated by local corporates for the raising of debt therefrom at historically low interest rates. On the equity market, the broad market index (SEMDEX) started FY 2014/15 well in the face of soft economic conditions, but was, during the period under review, confronted by pressures emanating partly from heightened financial sector strains as well as a shift out of emerging and frontier markets globally due to expectations of the normalisation of interest rate in the United States and the announcement of accommodative policy by the European Central Bank. On a more positive note, in spite of macroeconomic risks impregnated in the relevant countries, avenues for private equity investment on the African continent remained notable on the back of promising economic growth prospects, the increasing diversification of economic sectors, favourable demographic trends, the growth in middle classes and expanding consumer spending.

Financial services sector of our foreign presence countries

While business development and policy formulation challenges subsisted therein, the banking and financial services sectors of countries where the Group is present continued to display generally satisfactory performance metrics as per recent reports by the IMF, although some areas warrant attention. With regard to Seychelles, the financial soundness indicators of the domestic banking system remained in a comfortable range despite the recent rapid rise in private sector credit, with capital adequacy substantially above the regulatory minimum, strong profitability indicators, and a roughly stable non-performing loan ratio. Besides, while a further strengthening of liquidity management is called for, the monetary policy framework is deemed to have improved in recent times. The Central Bank of Seychelles is currently engaged in establishing an effective macroprudential framework to widen the tools that can be availed of in order to identify and mitigate financial sector risks. As for Maldives, credit growth has remained modest against the backdrop of cautiousness depicted by banks in lending to the tourism and construction sectors in particular, the more so given that sizeable investments have been financed from abroad. Furthermore, from a financial soundness perspective, a steady improvement has been noticed in respect of some indicators over the years. With respect to Mozambique, the IMF has underscored the general healthiness of banking sector operations and activities, even though pockets of vulnerability are deemed to subsist in some areas, notably in relation to governance issues. As for Madagascar, efforts are being deployed to enhance banking sector operations. In the same vein, IMF has, recently, highlighted the measures taken by its Central Bank to ensure the smooth and transparent functioning of the foreign exchange market.

Key banking indicators

Year-on-year growth	Seychelles			Maldives			Mozambique			Madagascar		
	Dec 13	Dec 14	Jun 15	Dec 13	Dec 14	Jun 15	Dec 13	Dec 14	Jun 15	Dec 13	Dec 14	Jun 15
	%	%	%	%	%	%	%	%	%	%	%	%
Credit to the economy	4.5	25.2	20.5	0.9	3.2	0.8	29.0	28.4	24.5	15.7	18.6	16.0
Deposits	23.9	17.6	1.5	16.7	17.3	9.6	16.4	22.3	21.5	5.3	9.7	15.8

Financial soundness indicators

	Seychelles			Maldives			Mozambique			Madagascar		
As at December	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
	%	%	%	%	%	%	%	%	%	%	%	%
Capital-based												
Regulatory capital to risk-weighted assets	26.7	26.7	21.7	35.8	34.0	31.2	17.9	16.9	15.1	15.2	14.5	14.4
Asset quality and liquidity												
Non-performing loans to total gross loans	9.3	9.4	8.2	21.0	16.7	12.2	3.2	2.3	3.3	14.2	13.8	12.8
Liquid assets to total assets	52.0	54.7	54.2	28.3	34.1	40.0	33.4	30.7	30.0	50.4	43.2	41.2
Earnings and profitability												
Return on assets	3.1	1.9	3.3	2.4	5.1	4.6	1.9	2.0	2.1	2.0	2.4	3.0
Return on equity	29.8	19.6	38.2	13.2	23.8	20.2	19.6	21.0	22.2	25.4	30.2	37.1

Notes:
(i) For Maldives and Seychelles, credit to the economy is captured by claims on the private sector
(ii) For Maldives and Madagascar, financial soundness indicators for 2014 are as at September 2014

Sources: IMF country reports, Maldives Monetary Authority, Central Bank of Seychelles, Bank of Mozambique and Banque Centrale de Madagascar

Legal and Institutional Environment

The legal and institutional environments characterising the countries where the Group is present have been subject to various developments during the last financial year. While aiming at preserving the soundness and competitiveness of the relevant banking and financial services sectors, the evolving regulatory stipulations underscore the ever more exigent context within which banking institutions, in particular, operate. In reference to Mauritius, the coming into force of Basel III requirements relating to capital determination and allocation has, in particular, captured the attention, while the period under review has, also, witnessed the deployment of additional macroprudential measures by BoM, even if a relative smoothening thereof has, in specific cases, been observed of late. Against this backdrop, MCB Group continued to align its operations and processes with the evolving regulatory requirements and attended to relevant foreign codes and conventions, alongside remaining attentive to and assessing the implications of potential future moves by the authorities.

The main developments impacting the Group across markets and geographies are provided below.

Local banking sector

Bank of Mauritius Guidelines

Capital position

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

Macroprudential measures

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

Legislations

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

Payment infrastructure

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

Business and financial review

Overall local financial services sector

Legislations

- The amended Financial Services Act 2007 caters, amongst others, for the establishment of a Financial Services Promotion Agency to conduct promotional activities for the development of the financial services industry, while enhancing the image of Mauritius as a reputable financial centre.
- The Private Pension Schemes (Auditor and Actuary) Rules 2015, which were gazetted on 25 July 2015, are the 8th Financial Services Commission (FSC) Rules issued under the Private Pension Schemes. In this context, rules relating to the qualification, experience, duties, functions and responsibilities of auditors and actuaries of private pension schemes were issued during the year in line with international standards and practices.
- In the wake of financial sector strains, the Insurance Act 2005 was revised to allow for the appointment of a special administrator by the FSC, who shall, subject to specific conditions, transfer the undertaking (in whole or in part) of an insurer and any of its related companies to another insurer and any of its related companies.

Codes and guidelines

- Further to the signature of the reciprocal Model I Inter-governmental Agreement and a Tax Information Exchange Agreement with the United States in December 2013, the Agreement for the Exchange of Information Relating to Taxes (United States of America – Foreign Account Tax Compliance Act, i.e. FATCA) Regulations 2014 were promulgated in Mauritius in early July 2014. These regulations now require Mauritian financial institutions to report to the US Internal Revenue Service any information about financial accounts held by US taxpayers or by foreign entities in which US taxpayers hold a substantial ownership interest.
- Mauritius forms part of the Early Adopters Group of jurisdictions which have committed, in a Joint Statement dated October 2014, to adopt the OECD Common Reporting Standard for Automatic Exchange of Tax Information. The country signed a multilateral competent authority agreement to automatically exchange financial account information and committed to have its first information exchange in 2017. Further reinforcing this commitment to these international norms is the signature of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in June 2015.
- Under its 'Fair Market Conduct Programme', the FSC issued: (i) Guidelines for Advertising and Marketing of Financial Products with a view to promoting responsible, ethical and professional conduct in relation to the advertising and marketing of non-banking financial products and services; and (ii) a Competency Framework for insurance and securities intermediaries as well as Money Laundering Reporting Officers in order to establish minimum competency levels for professionals to be able to practice safely and effectively.

Financial services sectors of our foreign presence countries

- Seychelles: Pursuant to the approval of the National Payment System Act in August 2014, the National Payment System (Licensing and Authorisation) Regulations were gazetted on 31 December 2014. Furthermore, the country is part of the Early Adopters Group of jurisdictions which have committed in October 2014, to early adoption of the OECD Common Reporting Standard for Automatic Exchange of Tax Information. As such, on 24 February 2015, Seychelles became the 85th signatory to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Besides, on 14 May 2015, it became the 54th signatory to the Multilateral Competent Authority Agreement.
- Maldives: Enacted in 2010, the Banking Act has been subject to a first amendment in 2015, with major provisions being to: (i) allow the Maldives Monetary Authority (MMA) to prescribe limits on credits exposure; and (ii) regulate the standards of the loan facilities, as defined in regulation by the MMA.
- Madagascar: Efforts are underway to foster a sound regulatory framework and upgrade the quality of banking supervision and the effectiveness of Central Bank operations. Besides, the IMF, recently, referred to the forthcoming introduction of a legislation to enhance the governance and independence of the Central Bank.
- Mozambique: The Bank of Mozambique has made headway in strengthening monetary policy formulation and implementation and its liquidity management framework. Besides, the guidelines for commercial banks in relation to Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) have been approved by the Board of the Central Bank in May 2015. Recently, it was announced that new regulations are being developed to promote mobile banking as well as the connectivity to the single national retail payments network.

Group Financial Review

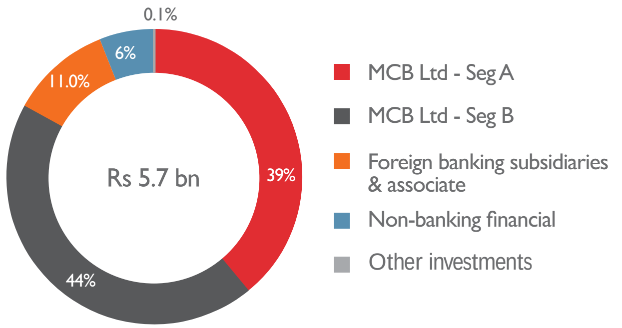
In the sections that follow, proforma figures have been used in respect of the income statement prior to 2015 and the financial positions before 2014 in order to give a proper understanding and comparative view of the Group performance over time.

Overview of Results

As described in previous sections, MCB Group continued to face challenging conditions across markets where it is involved, with its banking activities in Mauritius in particular being confronted by persistently low private sector investment, stiff competition and high liquidity situation. Nevertheless, it managed to sustain a resilient growth in its revenue base on account of its strategic drive aimed at strengthening its foothold within established markets, extending its regional involvement and making further headway into non-banking operations. Indeed, operating income registered a broad-based expansion of 7.7% to stand at Rs 13,214 million. This was underpinned by strong growth in net interest income as well as net fee and commission income whilst growth in 'other income', excluding non-recurrent gains on sale of securities at MCB Ltd level in FY 2013/14, remained relatively flat with a slight drop being experienced on the profit on exchange front. The rise in operating costs was contained to 4.4%, while, as expected, allowances for credit impairment dropped by around 43% from the preceding year's exceptionally high level. As a result, operating profit recorded a marked growth of around 32% to stand at Rs 6,525 million. Conversely, the share of income of associates fell by Rs 165 million to Rs 374.8 million, reflecting lower contribution from both BFCOI and PAD Group over the period under review. On the whole, after factoring in income tax expense of Rs 1,129 million, attributable profits of the Group improved by 31.1% to reach Rs 5,722 million, with a major share thereof being sourced from banking operations, driven by MCB Ltd. In line with the diversification strategy pursued over time, the contribution of foreign-sourced income within the banking cluster to Group results, for the first time, exceeded the 50% mark to stand at some 55%.

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

Contribution to Group profit



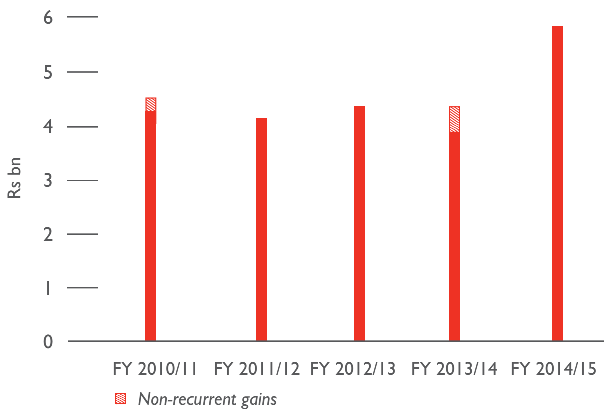
At Company level, MCB Group Ltd received dividend income of Rs 1,888 million from its subsidiaries. After accounting for operating expenses of Rs 75 million, profit for the Company stood at Rs 1,808 million for the period ending 30 June 2015. Investment in subsidiaries increased by Rs 4.5 billion following the transfer of the assets and liabilities pertaining to the subordinated debt from MCB Ltd to MCB Group Ltd, which then subscribed Rs 4.5 billion in shares of MCB Ltd through MCB Investment Holding Ltd. Overall, total assets of the Company amounted to Rs 10,398 million as at June 2015.

Objectives for FY 2015/16

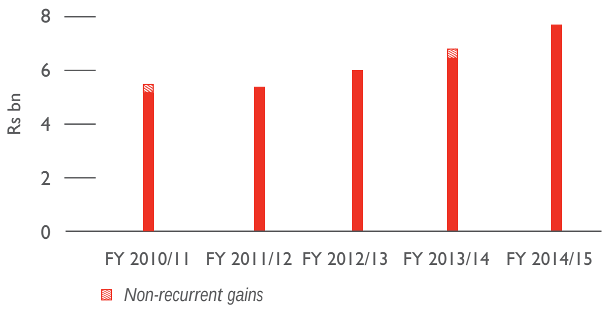
Amidst a still challenging context, the Group will seek to pursue its expansion strategy in a sensible manner with regional diversification remaining a key axis thereof. It will gear up its internal capabilities to effectively support its growth ambitions and position itself to tap into business opportunities that could emerge from potential improvements in the operating environment. As such, we are confident to grow the business further, which should result in higher profits for FY 2015/16, even if the cost to income ratio is forecast to edge up on account of significant investments foreseen in technology and human capital amongst others. As such, return on equity is likely to remain close to 17.0%. Whilst being below the medium term target of 20%, this ratio should be viewed within the context of the relatively high capital buffers held compared to current regulatory requirement in anticipation of future requirements under Basel III. Financial soundness of the organisation is expected to be reinforced with capital adequacy ratios projected to increase from current levels. Asset quality is anticipated to continue to improve along current trends while the Group is likely to maintain healthy funding and liquidity positions.

Business and financial review

Profit attributable to shareholders



Operating profit before provisions

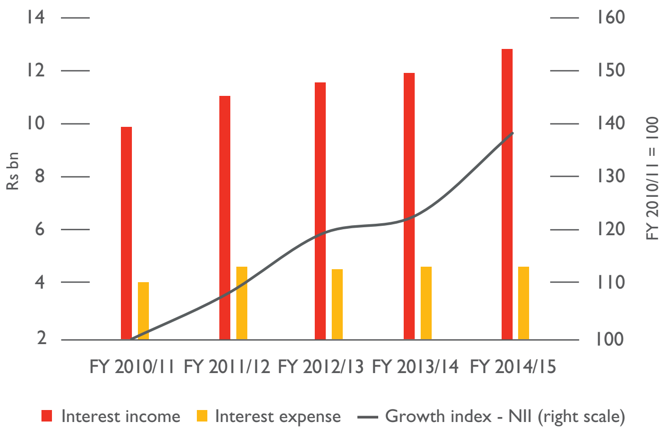


Income Statement Analysis

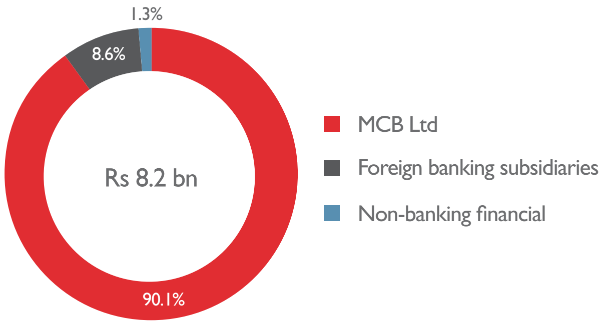
Net interest income

Interest income for the Group rose by 7.5% to Rs 12,844 million in FY 2014/15, on the back of sustained growth in its loan book, notably driven by its international operations. For its part, despite continued growth in the deposit base, interest expense for the Group remained almost unchanged on account of relatively lower interest rates on average. Consequently, net interest income for the Group increased by 12.4% to reach Rs 8,154 million during the year under review, in spite of pressures on margins associated with the excess liquidity situation in Mauritius. Hence, net interest margin - as measured by net interest income to average earning assets - stood at 3.6% compared to 3.7% last year.

Net interest income



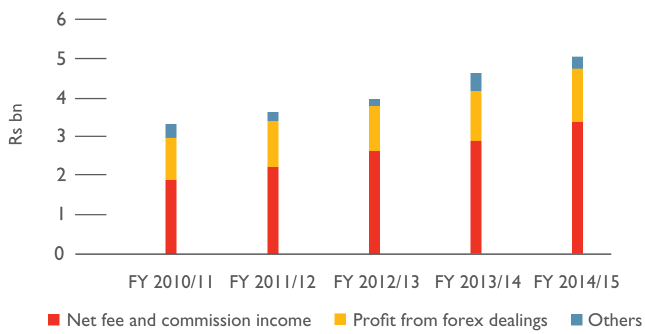
Net interest income by cluster



Non-interest income

Reflecting headway made in terms of product and market diversification strategy, net fee and commission income for MCB Group increased by 16.5% during the last financial year. This performance was largely underpinned by appreciable growth in revenues from regional trade finance, wealth management activities and the card business as well as activities within MCB Capital Markets. Despite a strong growth in revenue from non-banking operations, 'other income' declined during the year under review reflecting a marginal fall in profit on exchange and the fact that FY 2013/14 figures included a non-recurrent gain of some Rs 400 million on sale of securities realised by MCB Ltd. On the whole, non-interest income, excluding the latter non-recurrent gains, expanded by around 10% to reach Rs 5,060 million.

Breakdown of non-interest income

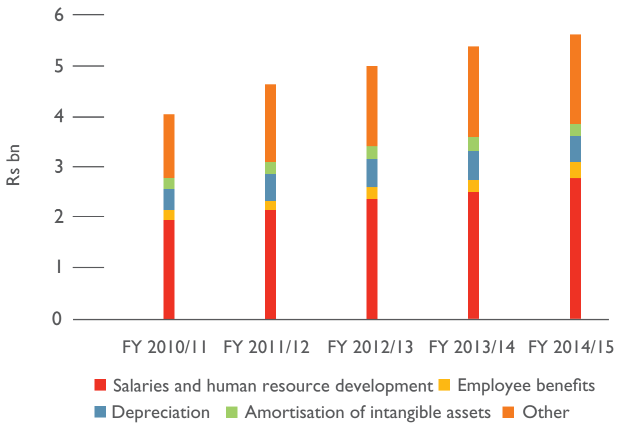


Note:
Figures for FY 2010/11 and FY 2013/14 exclude non-recurrent gains.

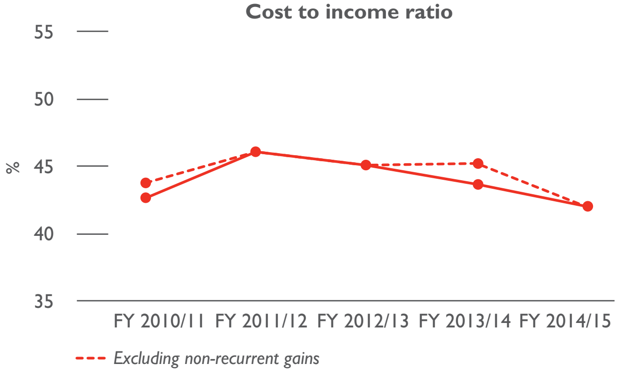
Operating expenses

In spite of continued investment in capacity-building notably in terms of human capital, operating expenses posted a moderate increase of 4.4% to reach Rs 5,526 million for the year under review. This reflects ongoing operational efficiency initiatives as well as lower depreciation and amortisation charges. Given the higher growth registered in operating income, the cost to income ratio for MCB Group fell to 41.8% in FY 2014/15.

Breakdown of non-interest expense



Cost to income ratio



BUSINESS AND FINANCIAL REVIEW

Business and financial review

Impairment charges

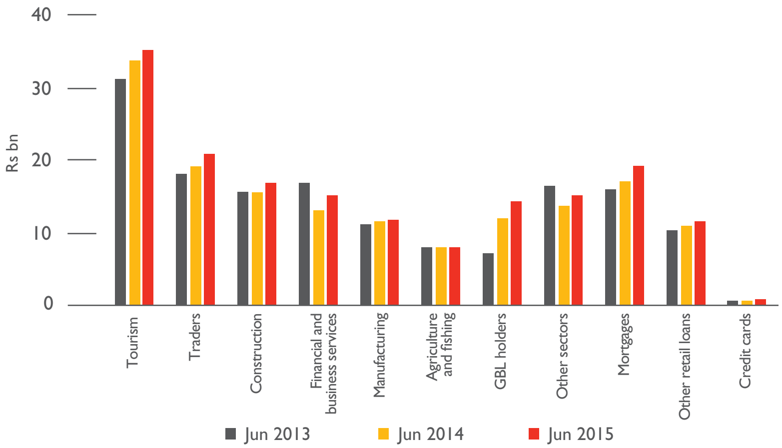
Allowance for credit impairment at MCB Ltd dropped significantly from its FY 2013/14 peak that was prompted by specific impaired Global Business Indian exposures. Indeed, the Bank's credit impairment charges declined from Rs 1,843 million to Rs 860 million, representing around 0.5% of gross loans and advances. This contributed to a fall of 43.3% to Rs 1,127 million at Group level, which was equivalent to 0.65% of gross advances. The somewhat higher ratio in respect of the latter as opposed to MCB Ltd reflects a relative deterioration at MCB Maldives and MCB Mozambique amidst difficult market conditions. Reflecting the improvement in asset quality, non-performing loan ratios of MCB Ltd fell by nearly 120 and 60 basis points to reach 5.90% and 3.46% in gross and net terms respectively as at 30 June 2015, with reductions of 108 and 66 basis points being recorded at Group level.

Financial Position Statement Analysis

Loans and advances

Gross loans of the Group expanded by some 8.0% to stand at Rs 173.1 billion as at 30 June 2015 with increases being observed across most of the relevant subsidiaries in line with their business development strategy. Specifically, gross loans and advances to customers at MCB Ltd registered a growth of around 8%, spurred by a growth of 14.4% of foreign-sourced activities in line with the Bank's regional diversification drive. On the domestic front, credit to customers of the Bank increased by 5.2%. This growth was largely driven by the retail business with related advances growing by 9.4% on a point-to-point basis to June 2015, boosted by a double-digit expansion in housing loans. For its part, although facing up to subdued private investment level, credit to corporates in this segment rose by 3.7%, mainly underpinned by notable disbursements towards the financial and business services, traders, domestic oriented industry as well as the property development sector.

Credit exposure by sector

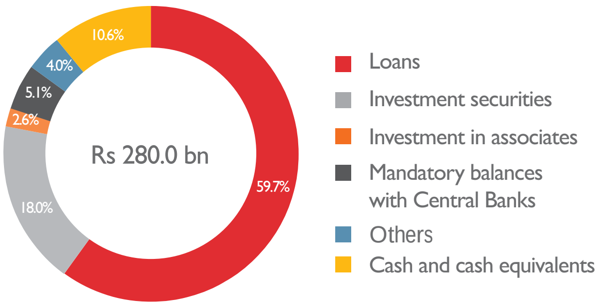


Loans and advances as at June	2015 Rs m	Growth (%)	Mix (%)
Retail customers	33,384	10.5	19.3
Credit cards	*663*	*(4.0)*	*0.4*
Mortgages	*19,401*	*13.1*	*11.2*
Other retail loans	*13,320*	*7.9*	*7.7*
Corporate customers	105,951	6.3	61.2
Entities outside Mauritius	28,782	14.1	16.6
Government	1,209	(2.9)	0.7
Banks	3,755	(14.4)	2.2
Total loans	173,081	7.7	100.0

Other assets

In line with the high liquidity situation prevailing in the Mauritian money market, the liquid assets of the Group rose sharply during the last financial year. This was characterised by: (i) a rise of 30.5% in cash and cash equivalents, mainly through money market placements; (ii) an increase of 38.7% in investments in treasury bills and Government securities; and (iii) a growth of 15.5% in mandatory balances at Central Banks. Overall, the share of the Group's liquid assets, including placements, to deposits rose to 39.5% as at 30 June 2015, with the corresponding ratio as a percentage of assets standing at 31.0%.

Assets mix as at 30 June 2015



Funding

Total deposits, which remain the predominant source of funding for the Group, went up by some 18% to reach Rs 219.7 billion as at 30 June 2015, boosted by a strong growth achieved by MCB Ltd on the back of a 27% rise in foreign currency deposits and a 14% increase in rupee deposits. An appreciable progression in deposits was also registered at the level of the foreign banking subsidiaries, reflecting their overall market attractiveness. Demand deposits of the Group rose by 30.9% while a growth of 14.7% was recorded in savings deposits. 'Other borrowed funds' stood at Rs 9.5 billion as at 30 June 2015, representing an increase of 6.8% compared to one year earlier.

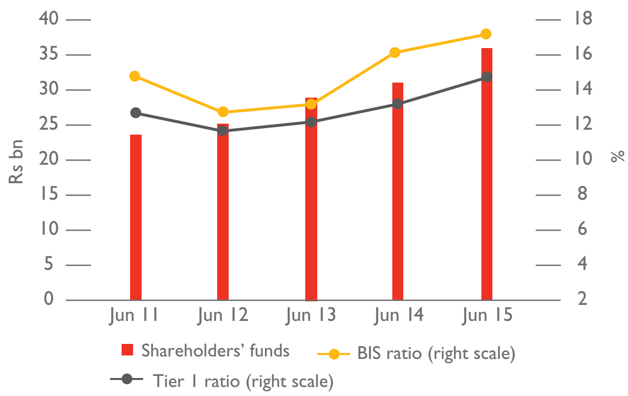
Sources of fund as at June	2015 Rs m	Growth (%)	Mix (%)
Total deposits	219,681	18.1	93.6
Deposits from customers	217,276	17.8	92.6
Demand	*84,097*	*30.9*	*35.8*
Savings	*95,101*	*14.7*	*40.5*
Time	*38,078*	*2.2*	*16.2*
Deposits from banks	2,405	44.9	1.0
Other borrowed funds	9,482	6.8	4.0
Subordinated liabilities	5,556	2.7	2.4

Capital resources

Shareholders' funds of the Group reached some Rs 36 billion following an increase of Rs 5.0 billion, of which Rs 3.3 billion was in the form of retained earnings for the year. After an interim dividend of Rs 3.75 paid in July, a final dividend of Rs 4.25 was declared in September to be payable in December 2015, bringing the total dividend per share to Rs 8.00 for the period under review. This resulted in a dividend payout of around 33%, with earnings per share standing at Rs 24.04.

The Group continues to ensure that adequate buffers are kept at all times to effectively support its expansion strategy. Indeed, comfortable capitalisation levels were maintained, as gauged by the overall capital adequacy ratio remaining well above the regulatory limit to stand at 17.3%, with Tier 1 ratio standing at 14.5%.

Shareholders' funds and capital adequacy



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

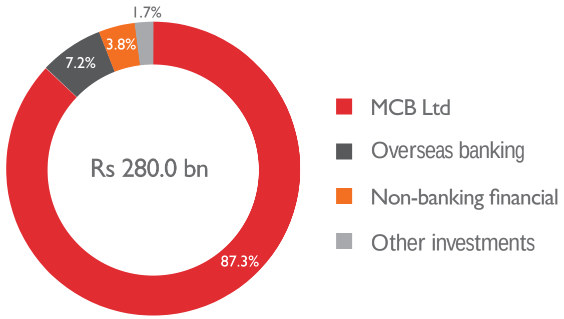
Business and financial review

Analysis by Cluster

Overview

During FY 2014/15, the entities of the Group have pursued their business development in the face of an exigent operating context. In addition to reinforcing its leadership position in servicing individual and corporate clients within the domestic banking sector, the Group has further deepened its regional involvement, while making further inroads in the non-banking field. Overall, while exercising market vigilance and catering for the sensible risk management of activities, the Group continued to lay key emphasis on the diversification of its exposures across markets, alongside promoting the continuous upgrade of internal proficiencies for sustained market development. Concomitantly, intra-Group synergies have been leveraged for broadening the scope of business development opportunities that can be availed of across the organisation, with due focus laid on (i) tapping into need-based cross-selling avenues; (ii) the replication of products and services across geographies; and (iii) the provision of bundled solutions emanating from various business lines, pertaining particularly to investor-related services and the Group's 'Bank of Banks' value proposition. In relation to the latter, further headway has been made during the year under review in positioning the Group as a regional platform for handling trade finance, cards outsourcing and undertaking consulting assignments for banking counterparts, operating notably in Africa.

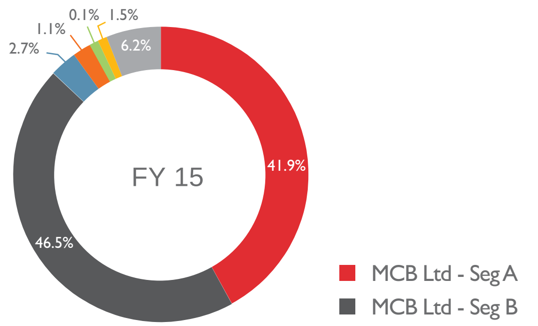
Assets - Breakdown by cluster

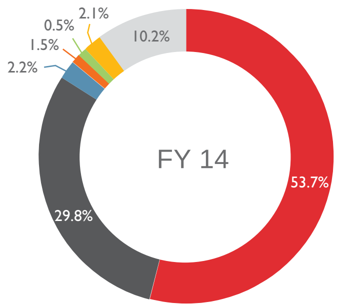


Banking cluster

Notwithstanding a decline in the share of income of BFCOI, the overall contribution of the banking cluster stood at Rs 5,466 million, representing 94% of Group results compared to 91% in the previous year. This evolution was mainly explained by the significant rise from foreign-sourced earnings of MCB Ltd.

Contribution to profit within the cluster





MCB Ltd

The Bank recorded a very satisfactory performance in spite of the challenging context. Indeed, profit after tax went up by around 36% to break through the Rs 5 billion mark even if MCB Ltd was confronted by soft economic conditions, sluggish domestic private investment and continued high liquidity in the Mauritian banking system. Whilst benefiting from a significant drop in impairment charges from the exceptionally high level of FY 2013/14 linked to specific Indian files, the improved profitability also reflects a well-contained expenses growth and broad-based revenue expansion. In reference to the latter, net interest income maintained its growth momentum on the back of the continued increase in the loan portfolio, especially in relation to foreign-sourced activities, while non-interest income was boosted by an important rise in net fee and commission, driven by the wealth management, regional trade finance and card businesses. Effectively, operating profit from continuing operations before provisions posted an encouraging growth of 10.6%, with this rate reaching some 19% when excluding the non-recurrent gain on sale of securities in FY 2013/14.

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

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

Retail

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

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

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

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

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

A series of business meetings was organised to empower small and medium enterprises

Delivery channels

Introduction

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

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

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

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

Zooming on the Bank's mobile banking platform

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

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

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

Overview of the key features of the 'Juice' platform

Customers can …

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

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Cards

In spite of bearing up to subdued economic activity levels and intensified competitive pressures, the Cards SBU snatched a circumstantially strong financial performance during FY 2014/15. This outcome has been spurred by focused initiatives aiming at further reinforcing the Bank's position as a market leader on the cards acquiring/issuing and e-commerce fronts, by means notably of product innovation, customer-centric relationship management, continuous field visibility and upgraded in-house competencies.
Essentially, the sustained growth momentum of the segment has been driven by endeavours to enrich its already extensive suite of customised card and mobile payment offerings to cater for the differentiated needs of both individual and corporate customers. Markedly, MCB has transformed the local market by introducing 'Lifestyle Banking' in 2015, which culminated in enhancing existing 'Juice' features, as well as bringing new ground-breaking functionalities. A major transformational customer experience relates to the move towards live PIN set-up for customers. In this respect, the 'Juice' service allows the Bank to do away with the risks of PINs being misplaced and necessitating a lengthy time period before their re-initiation. In addition, the year under review saw the introduction of MCB Visa Prepaid Cards. These reloadable cards – which are available in five different currencies, namely US dollar, British pound, euro, South African rand and Mauritian rupee – are accepted globally and act as a convenient and safer alternative to carrying cash. The cardholder neither needs to be an MCB customer nor have a bank account to avail of the benefits of the MCB Visa Prepaid Cards, which can be used for leisure, studies or business purposes. Notably, these prepaid cards simplify the e-commerce experience by enabling customers to make secure purchases in the same denominated currency as their favourite online retail stores and websites. At another level, true to its calling of going the extra mile to deliver value to its customers, the Cards SBU launched a 24/7 real-time assistance service, which involves a dedicated hotline and responsive support team in order to provide merchants with prompt and effective solutions in case of technical issues, including downtime on communication lines and on point of sales terminals.

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

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

The new version of Juice won MCB the "Best Product Launch in Africa" award by EMEA Finance.

Corporate and Institutional Banking

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

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

Servicing domestically-located corporates

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

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

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

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tomorrow. The conference also covered a number of challenges facing the sector such as the advent of new digital technologies, new distribution channels, low cost airlines, new emerging markets, evolving trends, tastes and expectations.

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

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

The Forward Thinking events focusing on relevant topics were well attended by corporate customers

Catering for foreign corporate and institutional clients

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

All these business realisations were achieved on the back of increased synergies, greater operational efficiency and upgraded internal capabilities, which contributed to upholding excellent customer service and the delivery of customised product offerings to clients. Concurrently, no efforts have been spared to drive the sound diversification of overseas exposures, in alignment with MCB's strengthened risk appetite setting and management framework, as well as due diligence considerations in order to take into account the underlying complexity of the different environments in which international operations are deployed.

MCB was the diamond sponsor of the 2015 Africa CEO Forum held in Geneva

Foreign banking subsidiaries

Overview

The Group's foreign banking subsidiaries posted a broadly appreciable performance, as evidenced by an 18% year-on-year increase in their consolidated contribution to Group results for the year ended 30 June 2015. This outcome was enabled by the continual refinement of value propositions, optimisation of the distribution platforms and reaping of operational efficiency gains, which, in turn, helped in fostering continual adaptation to customers' needs and expectations. A key part of delivering this strategy across the foreign banking entities over the last year centred on leveraging the benefits of transformation programmes which entailed migration or upgrades of core banking systems, process streamlining and automation as well as training programmes. At another level, a major achievement across all of the Group's overseas banking subsidiaries relates to their successful registration with the US Internal Revenue Service as Participatory Foreign Financial Institutions to the US FATCA, with commitments thereto in terms of reporting requirements being duly supported by the aforementioned improvements to the core banking systems.

MCB Madagascar

Over the past financial year, MCB Madagascar operated within a delicate context, marked by sluggish economic growth as well as a still-subdued business climate in the wake of difficult periods of political transition and ensuing high economic uncertainty levels. Nonetheless, MCB Madagascar has managed to post an appreciable financial performance on the back of its active market involvement and sustained improvements in operational efficiency levels. Noticeably, total assets registered an increase of 19% to reach MGA 321 billion as at 30 June 2015, principally underpinned by an increase of 10% in gross loans. Against this backdrop and the notable stepping up of investment in securities, net interest income grew by more than 20%, thus contributing, in conjunction with the increase in forex profit, to a growth of 19% in operating income in spite of higher operating expenses linked to the execution of business-driven initiatives. All in all, despite impairment charges being adversely hit by difficult market conditions, net profit after tax increased by 18%. As such, the contribution of MCB Madagascar to MCB Group results inched up by 3% to attain Rs 60 million.

Generally speaking, progress made by MCB Madagascar in terms of business development was anchored on its overriding focus on the continuous reinforcement of client relationships, backed by quality service as well as the provision of a comprehensive and customised

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range of financial solutions to both retail and corporate clients. Besides, in line with its vision to put technology enhancements to the benefit of its customers, MCB Madagascar offered a new sophisticated platform for Internet Banking, namely MCBNET, which features upgraded security measures. A key milestone was achieved with the successful execution of a transformation programme by the bank, in line with the Group's bid to foster effective harmonisation of operational processes. The programme, notably, culminated in the migration of its Core Banking System from SAB to the latest R14 version of Temenos' T24 in French, which was, *per se*, viewed as a first of its kind in the world. Interestingly, it can be highlighted that the implementation of the transformation programme has paved the way for further process re-engineering and automation at the bank as well as intensive staff training programmes, which altogether assisted in bolstering the effectiveness of daily business operations and in improving customer experiences.

Moving ahead, MCB Madagascar will remain attentive to developments characterising the economic and business environments. Basically, it will bolster its ability to duly confront the operating environment and take advantage of growth-enhancing avenues. Towards these ends, it will strengthen client relationships, foster the implementation of innovative solutions, and invest in new enabling technologies and human resources.

MCB Moçambique

Notwithstanding the sustained growth of the economy, MCB Moçambique faced up to particularly challenging times during the last financial year. Indeed, while the bank managed to increase its deposit base by 18% and total assets grew by 10% to attain MZN 2.6 billion on the back of the increased liquidity profile of the bank's balance sheet, the difficult market conditions led to gross loans remaining flat and contributed to a surge in the allowance for credit impairment. At another level, the sharp depreciation of the Mozambican Metical against the US dollar observed since the last quarter of calendar year 2014 has led to material unrealised revaluation losses in respect of the bank's US dollar-denominated subordinated debt, thus significantly impacting profit arising from dealing in foreign currencies, which, as a result, increased only modestly during the period under review. On a more positive note, however, net fee and commission income registered a notable expansion during the period under review. Besides, appreciable progress has been made in terms of cost management, which paved the way for a decline in operating expenses. Overall, net profit after tax fell by 22%, thus leading to a decline in the contribution of MCB Moçambique to Group results to Rs 6 million.

During the last financial year, MCB Moçambique bolstered its value proposition and enhanced its internal capabilities. A notable achievement relates to the upgrade of the Core Banking System to the latest version. While assisting to boost back-office competencies in support of business growth, the latter platform also catered for regulatory reporting purposes. Furthermore and as mentioned before, the period under review was marked by the signature, in March 2015, of an agreement between MCB Group and Société Générale, whereby the latter will acquire a majority stake in MCB Moçambique by way of subscription to an increase in the share capital of the bank. By joining forces, MCB Group Ltd and Société Générale will provide the bank with reinforced capital and other resources to enable the offering of a wider range of products and services, while boosting operations in Mozambique notably through the extension of its network of branches. Over time, MCB Moçambique will, therefore, be better equipped to leverage growth-enhancing avenues linked to the country's promising economic prospects.

MCB Seychelles

In line with the generally sound macroeconomic fundamentals of the country, MCB Seychelles continued to grow at a satisfactory pace and maintained a strong balance sheet. This has been, mainly, underpinned by an expansion of 17% in gross loans to SCR 1.4 billion on the back of the strengthening of the bank's brand within both the corporate and retail segments. The growth in the loan portfolio has led to net interest income rising by 19% to reach SCR 102 million, which was also boosted by the sharp increase in interest rates linked to treasury bills. After making allowance for the significant expansion in profit from foreign exchange transactions on account of favourable market conditions, operating income grew by 22% during the year to reach SCR 191 million. On another note, operating expenses remained broadly contained in the period under review, with a 6% year-on-year growth being posted, mainly reflecting higher full-year amortisation costs of the bank's new Core Banking System, which was implemented in January 2014. In the end, with impairment charges remaining at manageable levels, MCB Seychelles achieved a growth of 58% in net profit after tax, which enabled its contribution to Group profits to rise significantly to attain Rs 147 million in FY 2014/15.

Overall, the favourable financial performance achieved by MCB Seychelles was underpinned by positive offshoots emanating from sound market development, continuous focus on customer service excellence, targeted promotional and sponsoring campaigns, as well as reinforced internal capabilities. In terms of business development, MCB Seychelles has consolidated its position as a trusted partner to help both retail and corporate clients achieve their goals. In this respect, the bank brought further refinements to the specificities of its offerings notably regarding housing loans. Additionally, towards upholding its brand image, MCB Seychelles signed up as the Official Partner of Team Seychelles for the 9th Indian Ocean Island Games. In this context, it organised a '*Go to the Games*' lucky draw campaign, whereby the winner was offered an all-inclusive trip to Réunion Island to support the national team at the games. Through this campaign, the bank promoted utilisation of e-statements, MCB Refill and SMS Banking. Besides, the bank continued to support its strategic undertakings by leveraging on bolstered capabilities in terms of human resources, systems and processes. On another note, continuous efforts have been devoted towards gearing up service levels through human capacity building initiatives backed by ongoing

MCB Seychelles ran a special Indian Ocean Games promotion and the winner scooped an all-expenses trip to Réunion.

training and placements. From another angle, the bank unveiled a new intranet platform for the staff, which offers a more efficient way to disseminate internal information amongst all business units, whilst fostering increased synergies. A technical migration of cards activities to a new Card Management System in MCB Group has also been kick-started to foster the generation of higher economies of scale. Going forward, whilst capitalising on past initiatives, the bank is intent on establishing suitable competitive advantages in its markets of interest by shoring up the productivity of its operations and further enriching its value proposition in line with evolving customer needs. Notably, MCB Seychelles will actively and progressively exploit avenues for extending its market presence in untapped geographical areas, especially by extending its channel capabilities, whilst increasingly capitalising on resources, core capabilities and business expertise of the various departments and entities within MCB Group.

MCB Maldives

Against the backdrop of the strengthening of the economy, MCB Maldives posted solid growth in its business activities and core earnings during FY 2014/15. In the first place, gross loans expanded by 32% to reach MVR 1.2 billion, whilst deposits grew by 18% to MVR 1.4 billion, thus paving the way for a 19% year-on-year increase in net interest income. Moreover, non-interest income was boosted by a substantial rise in net fee and commission income, mainly linked to (i) bolstered corporate banking and trade finance activities, as MCB Maldives realigned its strategies to better capitalise on the revenue-generation potential presented by Maldives' predominantly importing economy; and, to a relatively lower extent (ii) a more than doubling of profit arising from dealing with foreign currencies. Consequently, operating income edged up by 31% to MVR 155 million. Operating costs have been impacted by investments in information technology through the upgrade of its Core Banking System and in human capital with a view to improving the efficiency of operations and supporting the deployment of enhanced financial solutions on the marketplace. On the other hand, while the necessary risk management measures are, already, being adopted to improve outcomes in the period ahead, the bank's allowance for credit impairment has increased significantly during the period, mainly linked to the default of specific clients of the corporate field in line with the general situation prevailing in the local banking sector. All in all, a decline in net profit was recorded, which translated into contribution to MCB Group results falling to Rs 81 million for the year.

Business growth has been enabled by considerable grounds covered by the bank in respect of business development, human capacity building, as well as promotional activities. Specifically, the year under review has seen ground-breaking additions to the panoply of services provided by MCB Maldives. Worth noting, the bank accomplished a market first by pioneering the launch of a Visa Prepaid Card. This globally accepted reloadable card, currently available in US dollar denomination, acts as a smart and cost-effective alternative to carrying cash since it can be used to effect transactions without any banking relationship or credit approval. Moreover, the reach and convenience of the bank's delivery channels were enhanced via the: (i) introduction of a new mobile banking solution; (ii) the upgrading of MCB Maldives' Internet Banking platform with new functionalities; and (iii) revamping of its website to provide a more user-friendly platform offering customers a better browsing experience and access to information on the bank as well as its product offering. In support of these business realisations, several promotional and market development endeavours were undertaken during the past year. In addition to signing up as the Official Bank of Team Maldives which participated in the 9th Indian Ocean Island Games, MCB Maldives initiated successful marketing campaigns for its launch of the Visa Prepaid Card. It also participated for the first time as the Official Banking Partner of the 2015 Maldives Marine Expo Exhibition, which provided a platform for stakeholders to explore profitable ventures for investment and contribution in the development of Maldives' marine industry. During this event, MCB Maldives also invited its corporate customers to attend a roadshow on trade finance. At another level, the bank sustained its capacity building efforts. Particularly, MCB Maldives went through a transformation programme, which entailed an upgrade of the Temenos T24 Core Banking System, as well as other related initiatives seeking to enhance the commercial features offered by MCB Maldives, by boosting operational efficiency through technological changes, process streamlining and further human capacity building.

Moving ahead, MCB Maldives will seek to further entrench its market positioning and foster an enhanced contribution to domestic socio-economic progress by providing an increasing array of banking services in line with the evolving customer needs of Maldives' retail and corporate customers.

MCB Maldives had a booth at the Marine Expo 2015 to promote its growing range of services

Banque Française Commerciale Océan Indien (BFCOI)

Economic activity on Réunion Island, the main market of BFCOI, remained relatively flat during the last financial year with some pick-up being experienced towards the end of our financial year on account of major infrastructure projects, notably the EUR 1.6 billion Nouvelle Route du Littoral which should impact positively on the activity within the construction sector.

Year-on-year, the loan portfolio grew by some 3.6% to reach EUR 1.36 billion while deposits grew at the slightly higher rate of 5.7% to reach EUR 0.98 billion.

Gross operating income for the year increased marginally to EUR 76 million while operating expenses were well mastered and remained at the same level of EUR 46 million enabling the cost to income ratio of the bank to be contained at just above 60%.

Despite the low economic activity, the cost of risk continued to improve compared to the levels reached a few years back when Réunion Island was badly hit by the economic crisis that affected the European economies. Cost of risk for the 12 months to June 2015, despite being higher than that of financial year to June 2014, which benefited from claw backs of certain provisions made in previous years, amounted to some EUR 2.6 million, representing less than 0.2% of total loan portfolio.

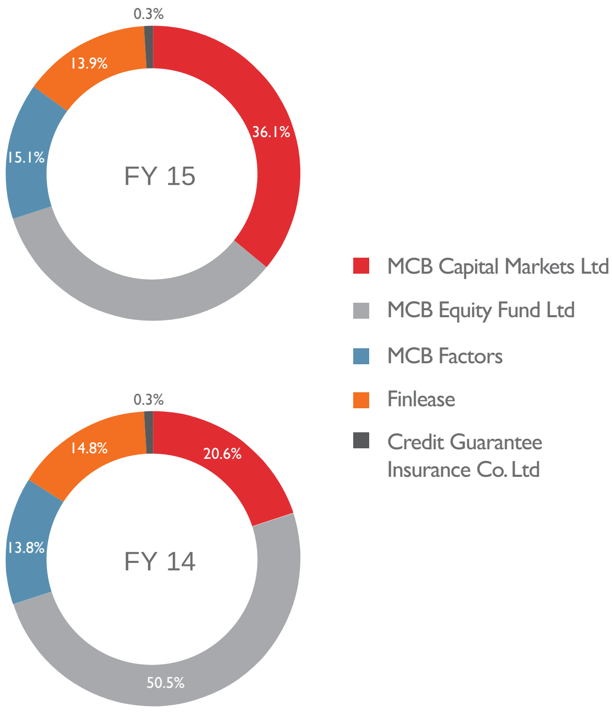
Overall contribution of BFCOI to MCB Group profits were down to Rs 342 million, compared to Rs 410 million last year, because of the slightly lower profitability achieved during the year but also on account of the weakness of the euro, whose average rate for the year was 5.3% down on that of 2014.

BFCOI remained comfortably capitalised with an annual increase of some 2-percentage points in its capital adequacy ratio, which reached 18.5% as at 30 June 2015, of which 14.6% by way of Tier 1 capital.

Non-banking financial cluster

Contribution by this cluster to Group profits increased by 4.5% to reach Rs 324 million in FY 2014/15, underpinned by the strong performance at the level of MCB Capital Markets Ltd.

Contribution to profit within the cluster



MCB Capital Markets Ltd and its subsidiaries (MCBCM)

In FY 2014/15, total income of MCBCM amounted to Rs 327.5 million (2014: Rs 220.5 million) and consolidated profit after tax attained Rs 121.6 million (2014: Rs 67.2 million). The improvement in results was driven primarily by the successful completion of various corporate finance transactions, strong demand for our capital-guaranteed products, an increase in assets under management and revenues from underwriting services.

Corporate Finance Advisory

During the last financial year, the Corporate Finance Advisory team completed seven transactions, by advising major corporates on their capital market transactions, comprising rights issues and bond issues, private placements, renegotiation of bank debt and stock listings.

In the last financial year, we have also assisted our clients with their strategic endeavours in Africa by drawing upon our network of relationships to identify reputable partners that met their requirements, both operationally and culturally.

Deal activity during the past financial year was upheld by excess liquidity in the domestic capital market which gave our clients the opportunity to refinance their borrowings at lower interest rates. To date, the Structured Solutions team has launched four MCB-backed capital-guaranteed products, taking advantage of high liquidity amongst retail banking customers and offshore clients. In this respect, Crescendo Megatrends and Crescendo Global Infrastructure were successfully marketed during the year. Both products are 5-year dollar- and rupee-denominated capital-guaranteed products, providing 50-130% exposure to the Bank of America Merrill Lynch Megatrends Strategy and 40-140% exposure to global infrastructure assets respectively.

In the coming year, our priority will be to build on our track record and continue to advise existing and new clients on their financing needs, both locally and overseas.

Investment Management

The investment management team also achieved excellent results for FY 2014/15. Turnover increased from Rs 77.5 million in FY 2013/14 to Rs 86.4 million in FY 2014/15. Assets under management rose from Rs 13.6 billion to Rs 16.0 billion as at 30 June 2015 on account of strong client retention, favourable market movements and new client mandates.

Our existing range of MCB Funds was reinforced by the launch of the MCB India Nifty Fund, which provides exposure to the 50 largest listed companies in India as per the CNX Nifty Index, the National Stock Exchange of India's benchmark stock market index for the Indian equity market. The MCB Africa Bond Fund, our flagship fund that gives investors the opportunity to invest in local currency bonds in Africa, performed well, attracted new flows and is gradually gaining international interest.

Business and financial review

Over the next financial year, the team will further expand its fund range to provide investors with a wider choice of products that meet their investment objectives. We will also strengthen our distribution efforts and improve our product visibility and accessibility both in Mauritius and on the African continent.

Stockbrokers

Our brokerage business had another successful year, recording a 42% growth in turnover and a 65% increase in profits year-on-year. Market activity during the year was particularly buoyant with high traded volumes driven mainly by foreign funds exiting the market as the US dollar appreciated against the Mauritian rupee. As a result, brokerage fees earned increased when compared to the previous financial year.

The company had a good start into the financial year as it won a bid to provide long-term regular investment plans to a major client. The year was also marked by the introduction of the MCB India Nifty Fund in August 2014, attracting mainly retail investors seeking an exposure to the promising Indian economy. In December 2014 and June 2015, the company underwrote and placed two rights issues totalling Rs 2.5 billion (USD 70 million) for major listed companies. Moreover, following the success of the previous structured product issues in FY 2013/14 and in response to strong client demand, as mentioned above, two other capital-guaranteed products were launched in October 2014 and April 2015. Both were well received by retail and institutional investors, raising close to Rs 1.3 billion (USD 37 million).

Looking at the financial year ahead, several initiatives have been earmarked, the successful implementation of which should contribute to maintaining positive results for the brokerage and investments business.

Registry & Transfer Agent

During the last financial year, the business processed a number of corporate events and provided registry services for the issue of Crescendo products, two rights issues, the transfer of the subordinated notes to MCB Group Ltd from MCB Ltd and a private placement of secured notes. Looking ahead, the team will continue to make use of its experience and of its infrastructure to assist with the handling of corporate events on the domestic market and seek opportunities for providing its services outside of Mauritius.

MCB Capital Market's launch of the India Nifty Fund in August 2014 attracted much media interest

Private Equity Management

The private equity team manages the unlisted investments of MCB Equity Fund Ltd. Total assets under management, on a fair value basis, increased from Rs 2.0 billion in FY 2013/14 to Rs 2.6 billion in FY 2014/15. The fund is an opportunistic fund which takes minority equity stakes for up to USD 10 million in growth companies in Africa. Looking ahead, the team will continue to evaluate investment opportunities in the region by drawing upon MCB's network of contacts.

MCB Equity Fund Ltd

MCB Equity Fund Ltd's net asset value rose from Rs 2.4 billion in FY 2013/14 to Rs 2.8 billion in FY 2014/15. During FY 2014/15, the fund realised a net profit of Rs 108.2 million, which includes a profit on disposal of Rs 87.3 million arising from the Fund's exit from one of its investments. Dividend income amounted to Rs 49.3 million in FY 2014/15, compared to Rs 45.5 million in FY 2013/14.

MCB Factors Ltd

MCB Factors Ltd is positioned as a prominent player in the field of factoring in Mauritius. In addition to offering financing solutions to its clients against the assignment of their trade receivables, the entity takes charge of the complete sales ledger administration service and the credit control management of the debtors' books. On the domestic scene, by leveraging its rich business experience and its deep market knowledge, the company proposes both recourse and non-recourse factoring services, with the latter offerings implying protection against potential bad debts. On the international front, MCB Factors provides factoring services through Factors Chain International, which is a global network of leading factoring companies. During FY 2014/15, the net profit of the company rose to attain Rs 48 million, supported by a robust expansion in the assignment of invoices. This performance was, to a notable extent, backed by inroads made in respect of the quality of customer relationships, while the evolution of operating expenses was carefully monitored.

Credit Guarantee Insurance Co. Ltd

This associate, in which MCB has a 40% stake, is a joint venture with La Prudence Holding and provides credit insurance services to its customers by ensuring protection in respect of their trade receivables. On the back of continued growth in business activities, profit for the year to 30 June 2015 rose slightly to reach Rs 1.8 million, in spite of being adversely impacted by the increase in the number of claims.

Other Investments Cluster

Contribution from this cluster was weighed down over the period under review by a decline in profits of Fincorp Investment Ltd, owing to lower results from Promotion and Development Group.

Fincorp Investment Ltd

The performance of Fincorp, an investment company listed on the primary market of the Stock Exchange of Mauritius, is directly correlated to that of its two main investments, namely Finlease Co Ltd, its 100% owned leasing company, and Promotion and Development Ltd, an investment company also listed on the primary market of the local Stock Exchange in which the company has 46.4% stake.

During the year under review, Finlease achieved good growth in its activities, boosted to a large extent by the Lease Equipment Modernisation Scheme (LEMS scheme), with total disbursements for the year increasing by 22% compared to last year to reach Rs 2 billion. Financial leases grew by some 11.3% to reach almost Rs 3.6 billion, while operating leases also witnessed a healthy growth of some Rs 140 million compared to last year to reach Rs 460 million at the end of the financial year. Despite this healthy growth in portfolio, the profitability of Finlease was marginally down reaching Rs 76 million for the year. The main cause for this drop in profitability was due to the unexpected suspension of the LEMS scheme at the beginning of this calendar year, resulting in leases already approved and ready for disbursements under the terms of the scheme having to be refinanced at more expensive rates. It is estimated that the additional cost of such refinancing is of the order of Rs 5 million.

At the level of Promotion and Development, profitability was down from Rs 275 million last year, including profits of Rs 161 million on disposal of shares, to only Rs 61 million this year with profit on disposal of shares accounting for only Rs 16 million this year.

Caudan Development Ltd, Promotion and Development's subsidiary operating the Caudan Waterfront, achieved only a marginal profit this year. For the major part of the year, the food court of the centre was closed in order to undergo major refurbishment. The centre is now fully operational and it is expected that revenue growth will be witnessed this year.

The contribution of Fincorp to the profits of MCB Group for the current financial year, after deduction of minority interests of 43%, amounted to Rs 40 million, compared to Rs 93 million for the financial year to June 2014. The net asset value per share grew marginally to Rs 36.17 (2014: Rs 35.93), while the shares continued to trade at a discount of almost 45% on the Stock Exchange.

International Card Processing Services Ltd (ICPS)

ICPS was established in 2008 as an 80:20 joint venture between MCB and Hightech Payment Services (HPS) from Morocco. Representing the interests of the Group in Africa, ICPS has, over the years, established itself as a one-stop-shop in respect of the provision of enabling services for the cards business. Basically, the entity acts as a processing centre providing a state-of-the-art Card Management System platform that leverages best-of-breed systems and technologies to allow banks in Mauritius and Africa to derive economies of scale in outsourcing their card processing activities and provide customers with efficient and timely card solutions. Since commencing operation, ICPS has registered an appreciable business growth, supported by strong internal capabilities, notably its dedicated team of seasoned card business and technical experts possessing several years of relevant experience in the area of card, mobile, EMV, fraud, chargeback and reconciliation/settlement.

Business and financial review

During FY 2014/15, a notable development is that ICPS has made further headway in the field of information security, by embarking on a plan to enhance the certifications, namely with respect to (i) ISO 27001; (ii) PIN security; and (iii) Payment Card Industry Data Security Standard ('PCI DSS'), with a view to adhering to the updated version 3.1. Overall, backed by further inroads made in entrenching its market diversification strategy, the company sustained a solid revenue growth, with its contribution to Group results, thus, remaining noteworthy at Rs 16 million. Moving forward, ICPS is intent on wielding its customer-centric approach to provide state-of-the-art as well as increasingly convenient and comprehensive services to its valued customers in the region. Specifically, by capitalising on its tailored offerings and modern technologies, it will focus on its core expertise, with its solutions namely relating to: (i) EMV (chip technology) issuing and acquiring transaction processing; (ii) EMV debit, credit, corporate and prepaid card issuance; (iii) EMV card personalisation; (iv) acceptance of all card payment scheme brands; (v) chip-enabled ATM/POS; (vi) secure online payment, PCI certification assistance, IT security best practices; and (vii) the provision of card training/consultancy services. In so doing, ICPS will further entrench its footprint in Africa by positioning itself as a recognised card business enabler and as a partner of choice for judiciously attending to the cards outsourcing needs of its clients by creating more value in its offerings.

MCB Consulting Services Ltd

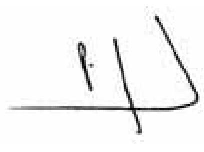
Established in June 2014 as a fully-owned subsidiary of MCB Group Ltd, MCB Consulting Services Ltd (MCB Consulting) is the dedicated consulting arm of the Group. The entity has over the past financial year continued to develop its business ecosystem notably by establishing strategic partnerships with leading solution providers such as Temenos, GIEOM and EXUS, and by growing its referrals network. Further, MCB Consulting bolstered its capabilities through, *inter alia*, targeted recruitments and the technical as well as professional certification of employees. These initiatives, backed by carefully crafted business development trips and active participations in selected international conferences, underpinned the significant market inroads achieved during the past financial year, with some 25 assignments undertaken in 10 countries. Regarding MCB Group related projects, milestones included the successful completion of the transformation programmes in Maldives and Madagascar (which was a World first in terms of the implementation of the French version of R14 of T24) as well as the technical upgrade of T24 in MCB Mozambique. From a different angle, MCB Consulting, in its bid to expand its clientele, embarked on its first major transformation programme outside of MCB Group with the re-engineering of a bank in Ghana as well as garnering credentials in targeted countries through strategic projects. Going forward, activities will be driven by further capacity building initiatives. In addition to the creation of new lines of service, including support and maintenance and "health checks", which entail a strategic review of an organisation across the people, process and technology axes, MCB Consulting will proceed with additional recruitments in key positions, further improve internal processes to generate higher efficiency gains and increase collaboration with major partners, focusing on selected products, market penetration and diversification and tapping into the potential of the "Bank of Banks" initiative . Despite its status of "start-up", the associated substantial investments linked to its development stage as well as intense competition from very long established consulting firms across the different territories, MCB Consulting nonetheless posted a marginal profit for the year under review.

MCB Forward Foundation

The MCB Forward Foundation is the Group's dedicated vehicle responsible for fulfilling its engagement as a caring corporate citizen. Basically, its vision is to be instrumental in the creation of sustainable value for the social, environmental and economic well-being of society through the provision of human, logistical and financial resources in support of specific corporate social responsibility initiatives. For FY 2014/15, the Group contributed 2% of chargeable income derived from the preceding year to the MCB Forward Foundation, representing a sum of around Rs 67 million. A full report on the Foundation's activities during the year can be found in the Corporate Governance Report on pages 62-65.

Blue Penny Museum

This company manages the museum situated at the Caudan Waterfront and as such, represents one of the contributions of MCB Group Ltd towards the promotion of arts and culture and, more generally, the protection of the national heritage of Mauritius.



Pierre Guy NOEL
Chief Executive

Risk Management Report

Risk Management Report

Risk Management Philosophy

Our business model

MCB Group Ltd views sound risk management as a key foundation of the long-lasting and healthy business growth of the entities operating under its aegis. It is, hence, committed to fostering the adoption of a holistic, coordinated and systematic approach to risk management throughout the Group.

Our corporate objective

Alongside fostering compliance with industry best practices, good corporate governance standards and any statutory and regulatory requirements, the Group ensures that risks faced are effectively identified, assessed, monitored and managed at acceptable levels. Thus, it aims to continuously improve the risk-return profile of its activities, while concurrently upholding an environment which is conducive to the creation and nurturing of business growth opportunities.

Guiding principles

- Entities adhere to the overall risk appetite and strategic direction adopted by MCB Group Ltd
- Strong, coherent and harmonised risk management frameworks, processes, policies, limits and targets are in place
- Clear segregation of duties fostered between market-facing business units and the risk management functions and committees
- Effectiveness of risk management underpinned by adequate governance set-ups, healthy capitalisation, funding and liquidity positions, and soundness of overall exposures
- Sustainable returns are supported by the adequate pricing of risk

Key underpinnings

Governance framework

- Underlying orientations determined by the Board of MCB Group Ltd, with responsibilities being delegated to its sub-committees
- Direct oversight exercised by the Boards of entities and their relevant committees
- Well-defined intra-Group service delivery and collaboration in support of effective risk management, as gauged by MCB Ltd providing *inter alia* internal audit and compliance services to other entities where appropriate

Capitalisation

- Continuous strengthening of capitalisation levels to underpin growth ambitions and meet regulatory requirements, wherever applicable
- Accumulation of capital achieved through retained earnings, with specific capital-enhancing measures leveraged if required

Funding and liquidity

- Group entities relying on cost-efficient, diversified and stable sources of funding to finance their business growth
- Deposits representing the primary funding source for the banking cluster, with negligible activity levels in overly volatile funding markets
- Maintenance of adequate liquid asset levels to ensure that obligations are met on a timely basis

Quality of assets and exposures

- Emphasis laid on having a well-diversified portfolio of exposures, assigned in terms of market segment, sector, product type and/or geography
- Sensible strategy execution and prudent market penetration
- Banking cluster fostering sound asset quality portfolio by means of strong credit discipline, cautious loan origination and disbursements, as well as active efforts deployed for debt collection and recovery

Risk management report

Risk Management Framework

Overview

The Group recognises effective risk management as a core competency and a defining strategic differentiator amidst the challenging economic and competitive environment. A key objective of MCB Group Ltd is to ensure that the full spectrum of risks facing its entities are properly identified, measured and monitored to cater for sound activity growth for now and the future. Towards this end, the Group provides a robust and consistent approach to the management of risks by its different entities, backed by the articulation of clear and coherent responsibilities and reporting lines for risk management and oversight across the organisation. Furthermore, the Group promotes a risk culture, whereby the related set of objectives, policies and practices are shared across the organisation. The aim is to instill the risk philosophy and principles adopted by the Group into the actions and behaviours of its employees and decision-makers in reference to the ways in which they identify, understand, as well as make decisions and choices between risks and opportunities. All in all, the risk management framework of the Group seeks to provide the organisation with optimal resources to foster a sound financial performance and to generate appreciable value creation for the ultimate benefit of its shareholders and other stakeholders.

Governance

In alignment with set business development orientations, the Board of MCB Group Ltd determines the principal strategies in respect of the risk management of the company and its subsidiaries, while ensuring that all laws, regulations and codes of business practice are abided by. In the same vein, underpinned by the establishment and enforcement of clear lines of responsibility and accountability throughout the organisation, it ensures that the relevant procedures and practices are in place to protect the company's assets and reputation. For the discharge of its duties, the Board is assisted by sub-committees (as illustrated below) which enable it to properly formulate, review and approve policies on monitoring and managing risk exposures. Specifically, the Risk Monitoring Committee is mandated to advise the Board on risk issues as well as to monitor relevant portfolios against the formulated risk appetite, in particular for the banking subsidiaries.

Risk Management Framework

MCB Group Ltd

Board

Risk Monitoring Committee

- Implements rigorous internal processes and control which identify, monitor, measure and report different types of risks
- Reviews risks faced and actions to mitigate them; sets risk exposure limits and monitors risk portfolios against the latter
- Assigns relevant responsibility and accountability lines

Audit Committee

- Caters for the monitoring of control processes and the effectiveness of systems
- Ensures preparation of accurate financial reporting and statements in compliance with applicable legal requirements and accounting standards

Remuneration and Corporate Governance Committee

- Develops the Group's general policy on corporate governance
- Ensures that no material conflict of interest exists/arises in conducting business

Risk Management Strategy and Risk Appetite

The Group has a well-defined risk management strategy, which is founded on the following objectives: (i) to cater for the proper and systematic identification of all material risks; (ii) to formulate the appropriate risk tolerance levels and ensure that business development ambitions are in alignment with them; and (iii) to optimise the risk-return profile of market expansion initiatives by means of solid decision-making structures and the continuous monitoring of actions undertaken. While ensuring congruence with the risk appetite determined at Group level, the entities determine their own risk tolerance levels which they continuously monitor and, if necessary, update to shape up the optimal level of risk that they are able and willing to take in the pursuit of their business objectives. A detailed description of the key tenets of the Group's overall risk management strategy is provided as follows.

Risk Management Strategy

Core principles embraced

- Priority is given to business activities with risks that are transparent and can be properly understood, measured and managed
- The Group entities adhere to risk management strategies that enable them to optimise risk-return decisions
- Risk management practices are regularly reviewed and updated to ensure consistency with business activities and relevance to financial strategies, while catering for changes in the economic and market landscapes

Underlying characteristics of the risk infrastructure

General approach

- The Group's consistent approach to risk management across entities is secured on accountability, responsibility, independence and transparency principles, backed by the proper understanding and regular reporting of risk exposures
- The Group ensures that risks are identified, assessed, managed and controlled in a systematic manner, with related policies, roles and responsibilities being subject to regular review for continuous improvement
- A clear identification of the activities, tools, procedures, processes, techniques and organisational arrangements that are required for effective risk management is fostered to ensure that risks faced are timely and judiciously recognised and mitigated

Operational underpinnings for effective risk management

- The Group carefully calibrates business choices in alignment with the set risk appetite, which is embedded into key decision-making processes. Specifically, the risk appetite of MCB Ltd is entrenched within policies, authorities, limits and targets. The Bank ensures that its strategic objectives match its risk tolerances which are translated into relevant risk limits for different activities and customer segments, with the parameters set being expressed qualitatively and quantitatively where appropriate.
- In line with Group-level directions and except in some cases whereby alternative arrangements are made by virtue of the nature of the businesses, the entities of the Group generally adhere to the 'three lines of defence' approach in their day-to-day operations in order to ensure that risk management efforts generate optimal outcomes. This is set out as follows: (i) first line: the Board, its sub-committees and management are ultimately responsible for the management of risk; (ii) second line: the relevant risk functions/officers are engaged, in the course of their day-to-day business, in ensuring the implementation of risk management policies; and (iii) third line: independent functions, notably relating to internal audit and compliance, provide additional assurance with regard to the significance and effectiveness of risk management practices being adhered to.

Risk management report

Positioning and Performance of the Group

Context and Developments

During the last financial year, the operations and activities of the Group have been exposed to challenging economic and market conditions prevailing domestically and internationally. From a regulatory and statutory viewpoint, in addition to evolving domestic legislations and foreign codes/conventions, the year under review saw the introduction, within the domestic banking sector, of mandatory requirements linked to the Basel III rules on capital formulation and allocation as well as macroprudential measures put into place by the Central Bank. Cognisant of the environment in which it operates, the Group has, during FY 2014/15, anchored its market development moves on the exercise of continuous market vigilance and the further bolstering of internal risk management capabilities. Key points in relation to risk management activities and outcomes posted by Group entities are:

- The key financial soundness ratios of the Group improved during the course of the last financial year. Notably, while standing comfortably above regulatory requirements, the capital adequacy ratios exhibited by the banking subsidiaries of the Group have remained healthy. Of note, Moody's had, in October 2014, downgraded the credit ratings of the two rated Mauritian banks, including MCB Ltd, in the wake of their restructuring exercise to segregate their banking activities from their non-banking ones. This rating action was, to a large extent attributable to the change in Moody's methodological framework on core capital which totally ignored the significant Tier 2 capital that had been raised by MCB Ltd by way of issue of subordinated notes listed on the Stock Exchange of Mauritius, in anticipation of its restructuring exercise. Since then the Group has taken necessary measures to reinforce the core capital of MCB Ltd by Rs 4.5 billion on the basis of which, in February 2015, Moody's removed the negative outlook it had attributed to MCB's ratings. Currently, the ratings of MCB Ltd are assigned a stable outlook by Moody's, with such a stance being also applied by Fitch Ratings vis-à-vis the Bank, with ratings allocated to the latter in March 2015 reflecting the organisation's leading franchise in the domestic market, underlying profitability, solid funding and liquidity profile, and simplified organisational structure following the MCB Group's restructuring.

- In the context of its recently-adopted Medium Term Growth Strategy, MCB Ltd has reinforced its risk management framework, notably through the enhancement of its risk appetite setting methodology, to ensure that business development strategies unfold in a balanced manner. Targeted risk profiles have been established for the Bank's Energy and Commodities, Financial Institutions, and International Project Finance portfolios. Risk measurement and monitoring capabilities are being strengthened to better evaluate its prevailing risk profiles in relation to targeted levels. Furthermore, the adoption and dissemination of the risk culture is continuously fostered across the Bank, underpinned by (i) closer collaboration between the Risk Strategic Business Unit (SBU) and the business lines in respect of the credit origination process and the structuring of large transactions; (ii) the effective realisation of temporary placements of Account Executives within the Credit Management Business Unit (BU) and vice versa; and (iii) the pursuit of the Operational Risk Cartography Programme, which resulted not only in the identification of operational risks and implementation of appropriate mitigants, but also in the empowerment of Operational Risk Officers within each SBU. Moreover, the successful completion of Phase II of the state-of-the-art Enterprise Management System enabled the Bank to (i) gear up its capacity to perform capital stress-testing and scenario analyses; and (ii) facilitate the review of the impact of changes in both business strategy and external factors, capturing user-defined scenarios and the simulation of capital sufficiency levels in line with regulatory requirements.

- A notable achievement garnered over the past financial year relates to effective compliance with the US Foreign Account Tax Compliance Act (FATCA) requirements across various Group entities. Specifically, the banking subsidiaries have registered with the US Internal Revenue Service (IRS) as a Model 1 Participatory Foreign Financial Institution and Non-Intergovernmental Agreement Participatory Foreign Financial Institutions respectively and thus obtained their individual Global Intermediary Identification Numbers (GIINs). As regards the Group's non-banking subsidiaries, a thorough assessment was conducted for the constituent subsidiaries operating under MCB Capital Markets Ltd, the funds managed by MCB Investment Management Ltd, as well as MCB Equity Fund Ltd, to determine their respective FATCA status. Following this review, relevant procedures were implemented at the level of MCB Capital Markets Ltd to ensure full compliance with FATCA regulations.

- Moreover, the foreign banking subsidiaries have pursued their efforts in reviewing the range of their risk management frameworks to foster greater monitoring of activities. In particular, comprehensive Risk Policy Manuals, that more explicitly and formally set out the principles, policies, roles and responsibilities for the management of risk, are being put in place by these entities. At another level, International Card Processing Services Ltd (ICPS), the Group's cards outsourcing services provider, has undergone in-depth audits, which have ascertained its compliance with specific requirements relating to security standards and risk management, as embedded within certifications, such as the Payment Card Industry Data Security Standard (PCI DSS) Version 3.1, ISO 27001:2013 and ISO 22301 – Business Continuity. The entity, also, witnessed the constitution of an IT Risk Management Committee, entrusted, as from October 2015, with the responsibilities of: (i) providing oversight to the Board of Directors of ICPS in relation to the identification and evaluation of major IT risks, as well as the control processes with respect to such risks; (ii) supervising the risk management, compliance and control activities of the company; (iii) overseeing the integrity of the company's systems of operational controls; and (iv) looking after the change management process.

Financial Soundness

The Group preserved the soundness of its financial metrics on the back of its comprehensive risk management framework and processes. In FY 2014/15, the Group ensured that its funding and liquidity risks were effectively managed, alongside improving its asset quality and capitalisation metrics.

Capitalisation

Philosophy

While ensuring that applicable regulatory requirements are met at all times, the capital management approach of the Group is to ensure that its subsidiaries are adequately capitalised to achieve sound and sustained business growth, alongside protecting and maintaining the trust of shareholders and providers of fund. Towards this end, the Group seeks to maintain appropriate discipline over the nature and extent of its market undertakings and lays emphasis on optimising the allocation of capital across businesses.

Performance

Over the period under review and as depicted in the following illustrations, the Group has, on a consolidated basis, further improved its already comfortable capitalisation metrics, as gauged by its capital adequacy and Tier 1 ratios rising to reach 17.3% and 14.5% respectively as at June 2015. The predominant contribution thereto has obviously emanated from the banking entities of the Group, for which the maintenance of adequate capital levels is a key priority by virtue of their business operations and regulatory responsibilities. Likewise, these entities represent the mainstay of the business activities and primarily make up the risk profile of the Group. In this respect, it can be noted that the risk-weighted assets of the Group stood at around Rs 247 billion as at 30 June 2015. This amount was, principally, linked to MCB Ltd, which accounted for some 83% of the total, while the corresponding share for the foreign banking subsidiaries was around 7%. For its part, the Réunion-based banking associate of the Group – whose investments have been risk-weighted at 250% in line with applicable Basel III rules – represented 3.3% of its overall risk-weighted assets.

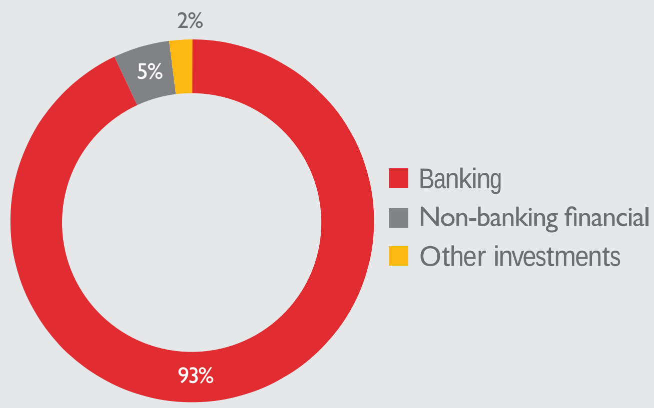
Risk management report

Components of capital adequacy

	MCB Group Ltd		
	Jun 14	Jun 15	
	Rs m	Rs m	
Capital base	38,050	42,685	
Tier I	30,956	35,767	
Tier 2	7,094	6,918	
	Jun 14	**Jun 15**	**Mix(%)**
Risk-weighted assets	233,168	246,966	***100.0***
Credit risk			
Weighted amount of on-balance sheet assets	*183,390*	204,198	*82.7*
Weighted amount of off-balance sheet exposures	30,859	22,397	*9.1*
Operational risk			
Weighted risk assets for operational risk	16,358	17,953	*7.3*
Market risk			
Aggregate net open foreign exchange position	2,561	2,417	*1.0*
Capital adequacy (%)	16.3	17.3	
of which Tier 1	*13.3*	*14.5*	

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

Distribution of risk-weighted assets by cluster as at 30 June 2015



Asset quality

Philosophy

Backed by appropriate market alertness as well as the careful selection and diversification of business development trajectories, the Group is committed to preserving the soundness of its exposures.

Performance

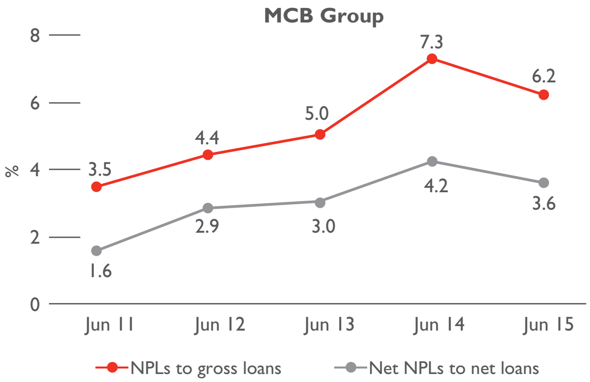
In FY 2014/15, the gross and net NPL ratios of MCB Ltd declined to 5.90% and 3.46% respectively as at 30 June 2015, compared to 7.06% and 4.01% a year earlier when it was impacted by the impairment of specific Global Business Indian exposures. The decline in the gross NPL ratio at Group level was slightly less, after taking into account the relative deterioration in asset quality at the level of MCB Moçambique and MCB Maldives. Indeed, the ratio dropped by 108 basis points to reach 6.21% as at 30 June 2015. In net terms, the NPL ratio of the Group stood at 3.58%. Reflecting the overall improvement in credit quality, the allowance for credit impairment of MCB Ltd declined from Rs 1,843 million to Rs 860 million, representing around 0.5% of gross loans and advances. This contributed to a fall of 43.3% to Rs 1,127 million at Group level, which was equivalent to 0.65% of gross advances.

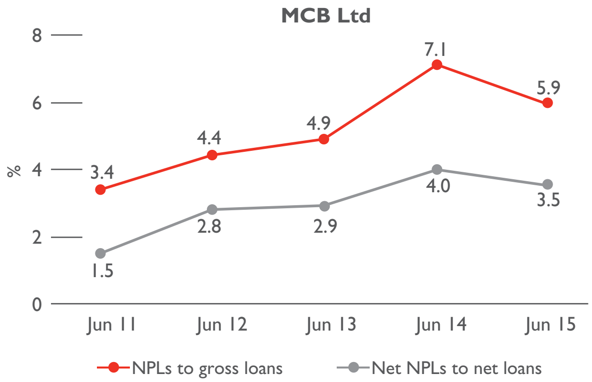
Asset quality

Sectorwise distribution

June 2015	Exposures		Non-performing loans (NPLs)		Allowances for credit impairment	
MCB Group Ltd	**Rs m**	**Mix (%)**	**Rs m**	**% of loans**	**Specific provision**	**Portfolio provision**
Loans to customers	169,326	*97.8*	10,755	6.4	4,764	1,120
Tourism	35,275	*20.4*	851	2.4	258	79
Traders	20,825	*12.0*	1,419	6.8	779	164
Construction	16,859	*9.7*	2,040	12.1	691	225
Financial and business services	15,327	*8.9*	128	0.8	74	51
Manufacturing	11,768	*6.8*	611	5.2	329	80
of which EPZ	*4,761*	*2.8*	*68*	*1.4*	*52*	*24*
Agriculture and fishing	8,056	*4.7*	926	11.5	37	9
Transport	4,093	*2.4*	985	24.1	660	47
Personal and professional	31,753	*18.3*	2,611	8.2	1,140	201
of which credit cards	*852*	*0.5*	*74*	*8.6*	*44*	*12*
of which housing	*19,401*	*11.2*	*1,017*	*5.2*	*157*	*84*
Global Business Licence holders	14,331	*8.3*	855	6.0	656	194
Others	11,040	*6.4*	328	3.0	140	70
Loans to banks	3,755	*2.2*	0	0.0	0	17
Total	**173,081**	***100.0***	**10,755**	**6.2**	**4,764**	**1,137**

Credit Quality





Risk management report

Funding and liquidity

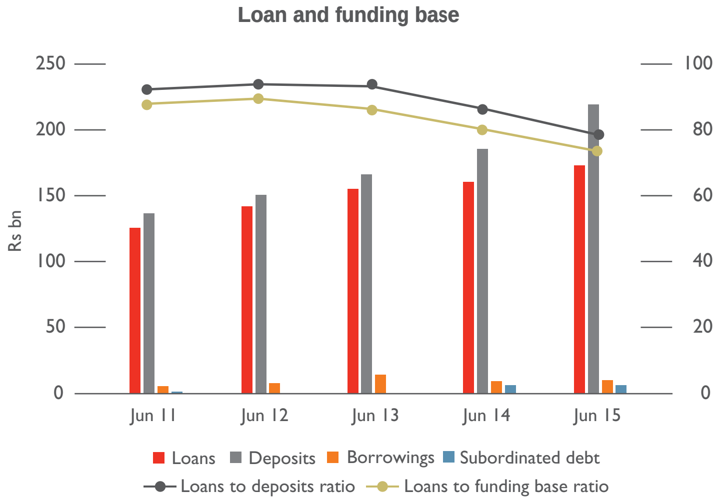
Philosophy

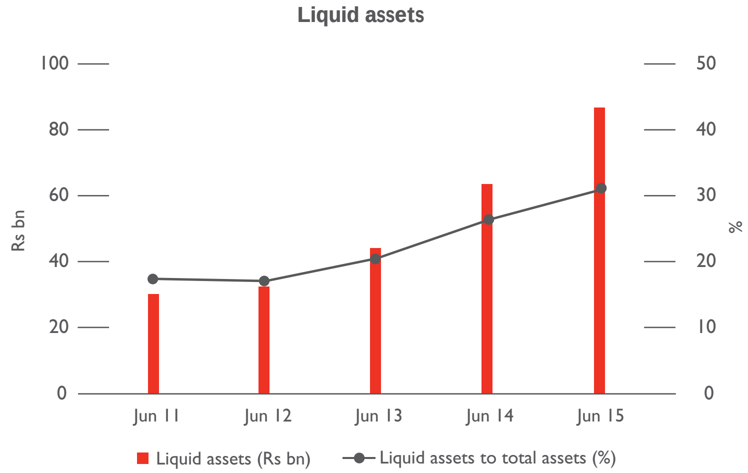
The Group seeks to keep sound funding and liquidity positions in support of its business development ambitions, as gauged by the evolution, over the past few years, of its loans to deposits and liquid assets to total assets ratios. Basically, while accessing wholesale markets as and when required, the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

Performance

During FY 2014/15, amidst the persistence of excess liquidity conditions in the domestic banking sector, the Group maintained its comfortable liquidity and funding positions, as demonstrated below.

Funding and liquidity





Looking Ahead

Moving forward, cognisant of the specificities of and the challenges charactering the operating environment in which its entities operate, the Group will seek to further bolster its risk management capabilities to foster the orderly deployment of its overall strategic orientations. The Group is committed to preserving the soundness of its financial metrics by exerting adequate market vigilance and capitalising on its comprehensive risk management framework. In this respect, alongside preserving its asset quality and effectively managing funding and liquidity risks, the Group will ensure that adequate capitalisation levels are kept. Towards this end, the organisation is intent on gearing up its capabilities to enhance both the allocation and utilisation of capital across business lines and market segments, while remaining ready to make the necessary market-based moves so as to bolster capitalisation levels if ever required, backed by a thorough assessment and the harnessing of capital-raising avenues. Ultimately, while ensuring that relevant minimum regulatory capital ratios are exceeded at all times and that any stipulated Basel rules are adhered to, the Group will manage its capital resources to foster appropriate deployment across business segments, while maximising returns derived from its activities.

Overview of Risk Management by Cluster

General Approach

While adhering to the risk management principles validated by the Board of MCB Group Ltd and being monitored in this respect by the Risk Monitoring Committee of the latter, each entity establishes and executes its own infrastructures, standards, practices and processes. For each entity, the Board is responsible to determine and monitor the implementation of risk management policies for all major functions. Risk governance is executed through the delegation of authority and responsibilities from the Board of the entity to dedicated committees and/or management levels, supported by appropriate structures and control mechanisms. As underpinnings, control processes and reporting lines have been put into place across entities, with emphasis being laid on the segregation of duties regarding risk taking, processing and control. Overall, the types of risk infrastructure and control processes that are adopted at the level of each entity is a function of the nature, size and complexity of the risk involved. Besides, the approach and practices embraced by entities of the Group to fulfill their risk management obligations are shaped up by the following factors: (i) advocated corporate governance and risk management principles; (ii) the risk-return profiles of markets in which they are involved; (iii) the challenges characterising the economic environment; and (iv) any statutory and regulatory requirements as well as business codes and standards impacting the industries and countries in which businesses are carried out.

Intra-Group Level

With a view to fostering the adoption of best practice risk management standards, the entities of the Group leverage the core competences and synergies available throughout the organisation in line with the concept of Group Shared Services. By means of its dedicated business units and segments, MCB Ltd is actively engaged in the provision of intra-Group services to the foreign banking subsidiaries as well as the entities operating under the 'non-banking financial' and 'other investments' clusters of the Group, backed by the elaboration of clear guidelines and mandates. Dedicated resources are devoted to foster a more focused and integrated stewardship with regard to the operations and performance of the Group's foreign banking subsidiaries. In this respect, the Subsidiaries Finance and Risk Desk plays a key role in terms of support to risk management with involvement of MCB's Risk SBU where appropriate. The Desk engages in risk reporting to the Risk Monitoring Committee of the respective foreign banking subsidiaries as well as that of MCB Group Ltd. On the operational front, the Desk leads or assists foreign subsidiaries in the development and implementation of risk policies, and provides support in the resolution of internal and external auditors' recommendations. Additionally, it assists overseas banking subsidiaries with regard to their credit risk management, particularly by reviewing credit files with exposure amounts exceeding a specific threshold, helping to structure or restructure complex credit files, and monitoring out-of-order customer files. Besides, as per the modalities set out in Service Level Agreements, the Internal Audit BU and Legal SBU of the Bank provide technical and advisory assistance in support of the operation and functioning of the Group's local and foreign subsidiaries, with the regular assignments being carried out to assist these entities in better managing their risks as well as improving the quality of their control systems and processes. Internal audit findings are reported to the Audit Committee and Board of each overseas banking subsidiary, with relevant matters being escalated to the Audit Committee of MCB Group Ltd if required.

Risk management report

Main Risks Faced

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

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

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

Risk management report

Banking

Governance

Functioning as per the directions set at Group level, the Board of each banking entity is responsible for strategy formulation in respect of risk-taking, risk appetite and policy setting. Importantly, the Board seeks to ensure that its strategies for the business are clearly linked to its appetite for credit and market as well as its tolerance level for operational risk, with the aim to ensure that the organisation manages its capital resources at an optimal level in support of growth-related objectives. Overall, in discharging its duties, the Board demonstrates, to the satisfaction of regulatory authorities and stakeholders, that, clear structure of policy and control systems emanating directly from, it is adopted to identify and manage the risk inherent in activities undertaken.

With regard to MCB Ltd, the Board has the ultimate responsibility of ensuring that risks faced by the organisation are adequately identified, measured, monitored and managed, in line with embraced corporate governance principles. The Board discharges its duty through policies and frameworks as well as specialised committees. The primary Board committee overseeing risk matters at the Bank is the Risk Monitoring Committee (RMC). The latter works towards setting the risk appetite for various countries, sectors and porfolios, after taking into account factors such as prevailing economic conditions and risk profiles, whilst also monitoring the effectiveness of the Bank's credit and country risk management structure. Furthermore, Management is accountable to the Board for ensuring the effectiveness of risk management and the adherence to the set risk appetite. The Risk SBU of the Bank, under the Chief Risk Officer (CRO), bears the responsibility, on a day-to-day basis, for providing independent risk control as well as managing credit, operational, market, information and physical security risks, alongside catering for the Credit Management and Recovery operations. A strong risk control framework is also fostered across the Bank through independent teams overseeing the internal audit and legal functions as well as the compliance with laws, regulations, codes of conduct and standards of good practice.

As for the foreign banking subsidiaries, their respective Boards exercise their responsibilities regarding risk management through: (i) the dedicated oversight of the risk governance process, including setting risk appetite in line with Group-level orientations; (ii) regular and comprehensive assessment of risks; (iii) the maintenance of sufficient capital adequacy levels in alignment with the Group's framework, the internally-set risk appetite and regulatory requirements; and (iv) clear delegation of authority to relevant committees and management. Risk management matters are reported to the Board of each foreign banking subsidiary through their respective sub-committees, namely the Audit Committee and the Risk Monitoring Committee, while major issues identified are escalated to the corresponding Board sub-committees of MCB Group Ltd. From an operational angle, the Asset and Liability Committee of each foreign banking subsidiary is responsible to ensure that overall asset and liability allocation decisions are adequately managed within limits/targets set by the Board and in accordance with local regulations. Elsewhere, the management teams of the foreign entities are responsible for conducting business within the espoused strategic framework as well as the risk appetite and policy set by their Board, while exercising oversight of risk portfolios through dedicated committees.

Capital management

Framework

The capital management objective of the Group's banking cluster, is to ensure that adequate capital resources are available for fostering sustained business growth and coping with adverse situations. At the same time, taking into account the demand for capital pursuant to business growth trajectories, the capital management policies of the Group provide an adequate backdrop for maximising return on capital employed and optimising long-term shareholder value creation, alongside meeting up with the requirements of stakeholders, notably regulators, rating agencies, correspondent banks, the authorities and customers.

Commensurate with the strategic orientations, risk appetite and risk management framework approved by the Board of MCB Group Ltd, the entities operating under the banking cluster abide by their internal policies and practices for undertaking their capital management initiatives, including (i) capital planning and allocation across business segments and geographies; (ii) capital reporting, budgeting and analysis; and (iii) management of capital consumption against budgets. In this respect, MCB Ltd is guided by its Internal Capital Adequacy Assessment Process (ICAAP) in determining the capital planning exercise and formulating the risk appetite. This provides the framework to ensure that adequate capital is kept beyond core minimum requirements towards supporting business activities. Concomitantly, the banking subsidiaries of the Group foster strict compliance with mandatory stipulations set by the regulators of their jurisdictions. As such, MCB Ltd fully complies with capital requirements attached to the Basel III rules as contained in the Guideline on Scope of Application of Basel III and Eligible Capital, which came into effect as from July 2014. As per the phase-in arrangements the minimum total capital adequacy ratio required by the Central Bank for banks operating in Mauritius presently stands at 10% of risk-weighted assets, as compared to the international norm of 8%. As from 1 January 2017, banks will be further required to constitute a capital conservation buffer, which is designed to ensure that operators build up cushion outside periods of stress. As per the phase-in arrangements established by the Bank of Mauritius (BoM), this buffer is expected to grow gradually in order to attain 2.5% in 2020. Furthermore, pursuant to the issue of the Guideline for dealing with Domestic – Systemically Important Banks, MCB Ltd is among the five banks that have been identified as falling under this category as per BoM, based on the assessment of five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability. The Bank will thus, as from 1 January 2016, be subject to additional loss absorbency requirements, which will be applicable in a phased manner and become fully effective as from 1 January 2019.

Internal Capital Adequacy Assessment Process of MCB Ltd

The framework

MCB Ltd is guided by its ICAAP in determining its capital planning and formulating its risk appetite process. The ICAAP sets the stage for the implementation of the BoM Guideline on Supervisory Review Process. The latter's aim is to ensure that banks have adequate capital to support all the risks they are exposed to in their business, and to encourage banks to develop and use better risk management techniques in managing their risks. The ICAAP document, which is approved by the Board and the RMC, is reviewed periodically to ensure that the Bank remains well capitalised after considering all material risks.

The overall purpose

The ICAAP document provides an informative description of the methodology and procedures that the Bank uses to assess and mitigate its risks towards ensuring that adequate capital is kept to support its risks beyond the core minimum requirements. It delineates the process through which the Bank assesses the extent to which it holds sufficient capital in order to duly support its business activities. Specifically, through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets, under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise whilst financial year risk appetite limits are set by the Board. Exposures are monitored on a quarterly basis against those limits and reported to the RMC. The capital plan also includes a crisis management plan whereby measures to rapidly mobilise additional capital, should the need arise, are discussed at Board level.

Stress testing

Stress testing is a risk management exercise that forms an integral part of the ICAAP. Enabling conditions have been created at MCB Ltd for the development of sound stress testing practices through robust objectives-setting and oversight, proper scenario selection, and suitable methodologies. Recent analyses undertaken by the Bank revealed that the capital adequacy of the Bank does not fall below the regulatory ratio of 10% in any of the stress test scenarios under scrutiny.

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

Risk management report

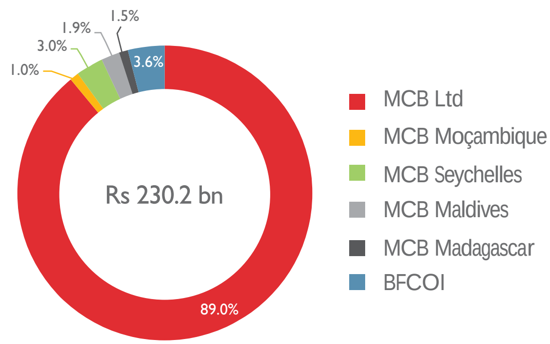
Performance

During FY 2014/15, the banking entities maintained their respective capital adequacy ratios comfortably above the applicable regulatory requirements. The core and total equity capital bases of the banking cluster as a whole increased by notable margins during the period. The capital adequacy ratio rose by 120 basis points under Basel III to reach 15.5% as at June 2015 on the back of organic capital accumulation linked to the significant improvement in the overall financial results. The capital base was primarily made up of core capital, with the Tier 1 ratio rising from 11.1% to 14.3%. This mainly reflects the transfer of the assets and liabilities pertaining to the Floating Rate Subordinated Notes worth Rs 4.5 billion – qualifying as Tier 2 capital, albeit subject to the transitional arrangement under Basel III rules as set out by BoM – from MCB Ltd to MCB Group Ltd, which then subscribed Rs 4.5 billion in shares of MCB Ltd through MCB Investment Holding Ltd. This initiative was viewed by Moody's as being 'credit positive' for depositors and other debt-holders of MCB Ltd, given the higher equity capital cushion to absorb potential losses in case of need. The following tables depict the levels and evolution of the capital adequacy ratios in relation to the banking cluster, while shedding light on the distribution of risk-weighted assets by entity.

Distribution of capitalisation metrics-banking cluster

	Banking cluster	
	Jun 14	Jun 15
	Rs m	Rs m
Capital base	31,484	35,754
Tier I	24,425	32,928
Tier 2	7,059	2,826
Risk-weighted assets	219,831	230,154
Capital adequacy (%)	14.3	15.5
of which Tier 1	*11.1*	*14.3*

Risk-weighted assets by entity



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

Jun 15	MCB Ltd	MCB Moçambique	MCB Seychelles	MCB Maldives	MCB Madagascar
	%	%	%	%	%
Tier 1 ratio					
Regulatory	7.5	8.0	6.0	6.0	8.0
Actual	13.8	18.4	14.8	17.1	23.5

Notes:
(i) MCB Ltd adheres to Basel III rules as contained in the Guideline on Scope of Applicalon of Basel III and Eligible Capital while the foreign banking subsidiaries comply with their local regulatory requirements
(ii) The regulatory requirement for MCB Moçambique relates to the total capital adequacy ratio

Credit risk

By virtue of the nature of their operations and activities, credit risk represents the main type to which the Group's banking subsidiaries are exposed (see the following diagram for the distribution of credit risk exposures). In general, these entities ensure that both counterparty and concentration risks are duly managed, backed by active market vigilance, the adoption of effective control mechanisms and the judicious diversification of portfolios across customer and industry groups as well as economic sectors, product types, maturity levels and geographies. They strive to adopt a strong culture of responsible lending and debt recovery, while leveraging a robust risk management and control framework which identifies, measures and mitigates risk in a timely manner. Furthermore, they continuously reassess their risk profiles against their risk appetite in the face of changing operating conditions as well as monitor the level of exposures depicted in relation to regulatory and internal limits and targets.

Evolution of risk-weighted exposures for on and off-balance sheet assets

Banking cluster	Jun 15 Amount	Jun 15 Weight	Jun 15 Weighted Assets	Jun 14 Weighted Assets
Risk-weighted on-balance sheet assets	**Rs m**	**%**	**Rs m**	**Rs m**
Cash items	3,034	0-20	184	202
Claims on sovereigns	42,206	0-100	2,100	1,744
Claims on central banks	20,620	0-100	3,180	2,855
Claims on banks	26,568	20-100	10,959	10,511
Claims on non-central government public sector entities	0	0-100	0	69
Claims on corporates	103,485	100	103,456	97,140
Claims on retail segment	9,382	75	7,037	6,729
Claims secured by residential property	20,762	35-100	10,159	8,355
Claims secured by commercial real estate	16,572	100-125	19,388	15,589
Fixed assets/other assets	13,034	100-250	17,989	16,347
Past due claims	11,497	50-150	15,077	12,091
Total			**189,529**	**171,631**

Banking cluster	Jun 15 Nominal Amount	Jun 15 Credit Conversion Factor	Jun 15 Credit Equivalent Amount	Jun 15 Weight	Jun 15 Weighted Amount	Jun 14 Weighted Amount
Non-market related off-balance sheet risk-weighted assets	**Rs m**	**%**	**Rs m**	**%**	**Rs m**	**Rs m**
Direct credit substitutes	5,068	100	5,068	0-100	4,837	8,415
Transaction-related contingent items	27,985	50	13,993	0-100	12,588	15,599
Trade related contingencies	12,229	20	2,446	0-100	2,058	4,390
Outstanding loans commitment	4,777	20-50	2,295	100	2,295	2,257
Total					**21,777**	**30,661**

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

	Jun 15	Jun 14
	Rs m	**Rs m**
Total credit risk-weighted assets	**211,490**	**202,490**

Risk management report

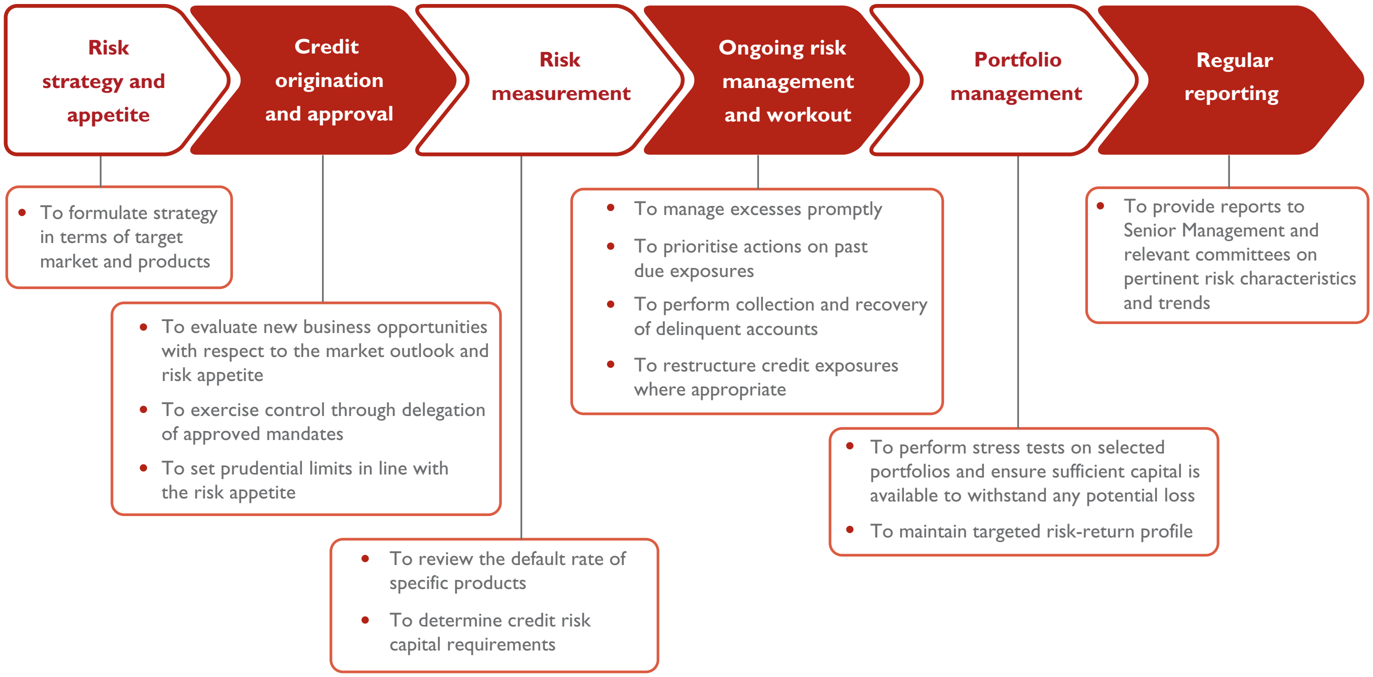
How credit risk governance is applied

While making allowance for relevant regulatory requirements, the respective Boards of the entities have the ultimate control and oversight of credit risk management as well as credit risk policies and their deployment. The Boards delegate their authority to relevant committees and/or management for the setting of the overall direction and policy for managing credit risk at the enterprise level.

At the level of MCB Ltd, the Board has ultimate control and oversight of credit risk management as well as credit risk policies and their deployment through dedicated committees. Notably, the Board delegates its authority to the Risk Monitoring Committee (RMC) for the setting of the overall direction and policy for managing credit risk at the enterprise level. For its part, the Supervisory and Monitoring Committee (SMC) is accountable to the Board through the normal chain of operational command and control for ensuring the appropriate segregation of duties within the credit risk management architecture. Additionally, the Executive Credit Committee is responsible for the planning, sanctioning, control and monitoring of credit risk. Decisions taken by the ECC in respect of credit applications for 'large exposures' – i.e. those exposures to customers or groups of closely-related customers that are above 15% of the Bank's capital base – are regularly reported to the Supervisory and Monitoring Committee. With regard to the foreign banking subsidiaries, each entity has, in line with the Group's risk management approach and the approval of their respective Boards, a Subsidiary Credit Committee. This committee has the direct responsibility for the planning, sanctioning, controlling and monitoring of credit risk. In addition to approving individual delegated mandates, its role is to sanction or decline credit applications for customers with exposures of up to a certain threshold, above which the requests are escalated to the Subsidiaries Finance and Risk Desk and the Risk SBU within MCB Ltd for their review prior to onward submission to the latter's Credit Committee or the Executive Credit Committee for a final decision.

How credit risk is measured, managed and monitored

The credit risk management framework enables the entities to manage credit risk within the limits of their defined risk appetite, to develop risk-response strategies and to optimise risk-taking by anticipating and acting on potential opportunities or threats. This framework, notably, encompasses the following: (i) comprehensive credit policies; (ii) clear segregation of decision-making authority; (iii) effective identification, measurement and management of credit risk; (iv) portfolio management that ensures that capital is adequate enough to support business growth and reasonable levels of unexpected losses; and (v) regular reporting to management and committees on pertinent risk characteristics/trends. Credit risk exposures are managed through robust credit assessment, structuring and monitoring process. The latter involves the daily monitoring of credit limit excesses as well as the review of all exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible problem loans. Exposures showing signs of deterioration are placed on a watch list and referred to for closer scrutiny where appropriate. A review of the aggregate loan portfolios is, also, exercised to manage proactively any delinquency and minimise undue credit concentrations. The credit risk management practices adopted by entities of the banking cluster cuts across the entire credit cycle as depicted in the following diagram.

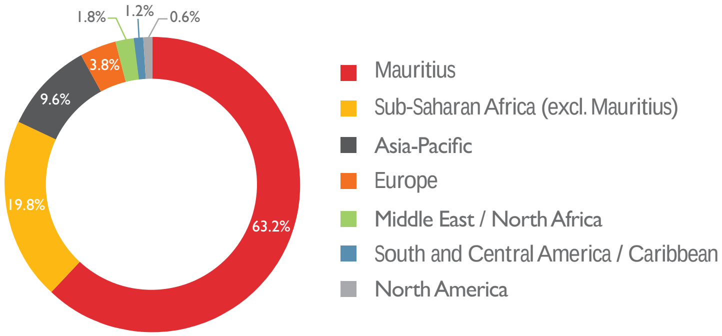


Besides, the entities focus on the diversification of their lending portfolios by setting relevant exposure limits to ensure that their performances are not negatively impacted, for instance, by a large sectoral exposure default. It is the policy of the Group's banking entities to limit credit risk exposures and concentrations within the constraints of their capital base, while complying with relevant regulatory stipulation, notably relating to aggregate large exposures and single borrower limits. Additionally, stress tests are, in some instances, performed on portfolios to ensure that sufficient capital is held to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers. Moreover and in respect specifically of MCB Ltd, its foreign country exposure limits are determined on the basis of its areas of expertise, its knowledge of the local economy in presence countries, its business development ambitions, and the operating environment, while concurrently making allowance for the risk appetite of the Bank and the BoM Guideline on Country Risk Management. Country limits are approved annually by the Bank's Board and monitored quarterly by the RMC.

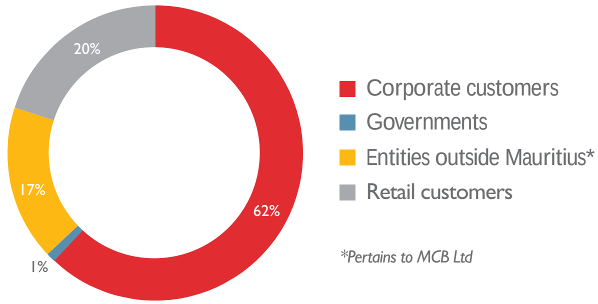
Credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of the likely future behaviour of existing accounts for ongoing credit risk management. Ultimately, the entities assess whether individual business areas provide sufficient contribution to the targeted risk-return profile, with the aim to ensure that capital allocation generates an optimum return for the entity. This is achieved by channelling risk capital away from low-return to high-return business areas, in a manner commensurate with the risks shouldered. The entities measure the credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures. In another respect, credit facilities are granted based on the credit standing, source of repayment and debt servicing ability of the borrower. As a fundamental principle, the entity does not grant credit facilities solely on the basis of the collateral. Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically, with the frequency of valuation depending on the type, liquidity and volatility of the collateral.

Distribution of loans and advances

Total credit risk-weighted exposures by region



Loans and advances by customer segment



Operational risk

How operational risk governance is applied

The banking subsidiaries are committed to adopting an integrated approach for the prompt identification, assessment, monitoring and reporting of risk. In the case of MCB Ltd, the Board retains the ultimate responsibility for ensuring that operational risk is adequately managed throughout the Bank by providing clear guidance with respect to policies and processes for day-to-day operations. The Board delegates its authority to the Audit Committee with respect to operational risk tolerance as well as the regular review of business continuity plans. Furthermore, the responsibility for implementing the operational risk framework, which addresses inherent risks, is entrusted to Senior Management, while the monitoring of the entire operational cycle is exercised through the Information Risk, Operational Risk and Compliance Committee (IORCC), chaired by the Chief Executive. In the same vein, the respective Boards of the foreign banking subsidiaries are called upon, notably through their Audit Committee, to determine the operational risk tolerance levels, while laying due emphasis on (i) the risk levels at which they set limits in respect of risk acceptance, risk mitigation and risk rejection; and (ii) the principal categories of operational risk and management targets in respect of such categories. Moreover, operational risk sanctioning mandates and day-to-day oversight responsibilities are entrusted to management. Specifically, the latter is responsible for the application and effectiveness of the operational risk policy, with key duties being to (i) ensure compliance with underlying objectives set in terms of the management of such types of risk; and (ii) foster the development, implementation and documentation of internal controls and processes. As for individual staff members, they are responsible, in general, for carrying out the risk taking, risk control and/or risk processing activity delegated to them, within the framework of all applicable policies.

How operational risk is measured, managed and monitored

The Group seeks to ensure that key operational risks are managed on a timely basis and in an effective manner. MCB Ltd, thus, promotes good practices for the prompt identification of risk incidents, the initiation of appropriate remedial actions and the reporting of such incidents to the Operational Risk function. The information on operational risk events is recorded in a centralised database which enables systematic root cause and trend analysis, for necessary corrective actions. Significant operational risks are escalated to the IORCC and then, if warranted, to the Audit Committee. Operational risk mitigation is undertaken through appropriate policies, processes and systems throughout the Bank that, *inter alia*, foster adequate risk mitigation through clear segregation of duties, dual control, regular verification and reconciliation of transactions. As regards the foreign banking subsidiaries, they adhere to clearly-defined controls and procedures for controlling and mitigating the effects of operational risks. The management thereof is underpinned by the recourse to specific tools and systems adopted by MCB Ltd, notably the incident reporting system, as tailored to the subsidiaries' specific realities. Staff, also, leverage refresher/training courses whereby units such as the Organisation and Systems as well as the Anti-Money Laundering/Fraud Prevention BUs from MCB Ltd provide assistance on specific operational risk management needs.

Business continuity management

A comprehensive Business Continuity Management (BCM) policy is in place at MCB Ltd. It outlines the prevailing governance structure and the roles and responsibilities of each actor involved in the relevant programme towards strengthening the ability of the Bank to effectively plan for and respond to incidents and business interruptions to maintain the availability of its critical business activities at acceptable pre-defined service levels, thereby safeguarding its reputation and interests of key stakeholders. The Board of MCB Ltd, through its Audit Committee, has the responsibility to ensure that the BCM policy is properly executed at the Bank. Responsibility for the implementation of relevant strategies and the monitoring of BCM is delegated to a BCM Committee. The foreign banking subsidiaries of the Group strive to adopt the underlying principles enshrined in MCB's BCM policy while ensuring alignment with the specificities of their company and their operating environments.

Market risk

How market risk governance is applied

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

With regard to the foreign banking subsidiaries, after keeping track of regulatory requirements, the respective Boards are entrusted with the duty to determine the market risk governance process and appetite, while market risk sanctioning mandates are delegated to management for the conduct and monitoring of relevant day-to-day operations and activities. Moreover, the foreign subsidiaries are assisted by the Treasury BU of MCB Ltd in the deployment of their undertakings. While providing regular training sessions with regard to treasury products, the business unit services both their foreign exchange and money market requirements by delivering advisory services through direct access to its traders, with the latter sharing their views about market trends and notifying them of relevant updates.

How market risk is measured, managed and monitored

The main sources of market risk to which the Group's banking subsidiaries are exposed and the management thereof are set out as follows.

- Interest rate risk: The entities are, mainly, exposed to repricing risk in its banking book due to the reset date of its on and off-balance sheet assets not coinciding exactly with the reset date of its on and off-balance sheet liabilities. Bearing this in mind, they seek to limit the exposure of the on-balance sheet and off-balance sheet to repricing risk by ensuring that both the assets and the liabilities are indexed on the same floating rate.

- Foreign exchange risk (FX risk): It may be incurred both from (i) an on-balance sheet perspective, that is, as a result of imbalances between the foreign currency composition of assets and liabilities; and (ii) an off-balance sheet angle, through the execution of derivatives such as foreign exchange forwards. Exposure to FX risk is monitored against both regulatory stipulations and internal targets, which are, especially, applied to metrics such as the net foreign risk exposure in any single currency and the aggregation of the net foreign exchange risk exposure.

- Funding and liquidity risk: The banking subsidiaries ensure that they (i) can meet their financial obligations as they fall due in the course of normal business; (ii) maintain an adequate stock of high liquid assets to be able to meet unexpected funding needs at short notice; and (iii) maintain sufficiently stable and diversified sources of funding.

Overall, three mutually supportive lines of defence are established and maintained.

- Cash flow management: The entities create a continuously maturing stream of assets and liabilities through time. This enables them to identify concentration of maturities in any one-time bucket.
- Liquid assets buffer maintenance: The entities hold a stock of high quality and unencumbered assets which they can rapidly dispose of in case of need in order to meet unexpected outflows of funds or to substitute expected inflows of funds, such as loan instalments, that do not materialise.
- Liability base diversification: The entities maintain diversified liability bases across different categories of depositors and fully exploits the funding potential of wholesale markets.

Non-Banking Financial

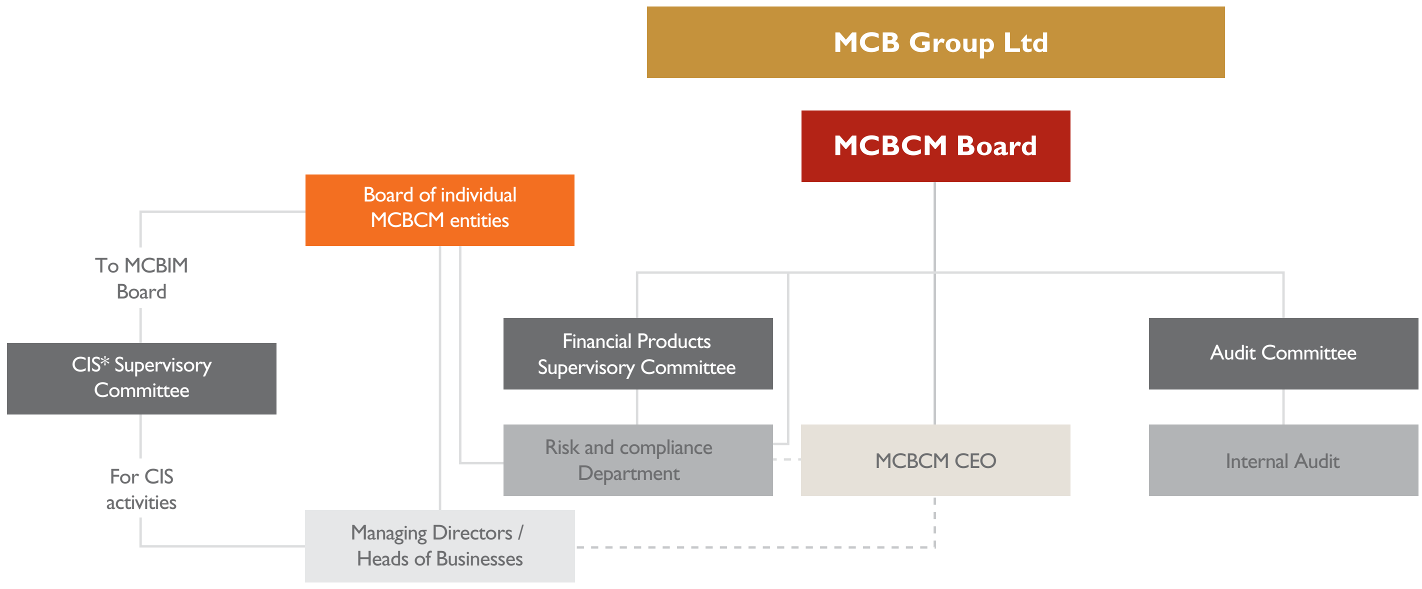
Governance

Consistent with the underlying principles determined at Group level, risk management policies and structures have, in varying capacities, been designed in order to ensure that business activities of the Group's non-banking financial entities are carried out in a sound manner, depending on the types of market undertakings being engaged into as well as the range and depth of risks faced.

The following sections shed light on the risk management framework adopted by the MCB Capital Markets Group. As for the other non-banking financial companies of the Group such as Finlease Co. Ltd, MCB Equity Fund Ltd and MCB Factors Ltd, the respective Boards of Directors, including their relevant sub-committees, have ultimate responsibility to ensure that risks are properly identified and managed. Relevant risk management matters and operational issues are escalated to either the Risk Monitoring Committee or Audit Committee of MCB Group Ltd.

Focus on the MCB Capital Markets Group

MCB Capital Markets Ltd (MCBCM) and its subsidiaries are regulated by the Financial Services Commission and comply with the national Code for Corporate Governance. MCBCM also implements best practice risk management policies, with ultimate responsibility for managing risks resting with the Board of each subsidiary of MCBCM and significant issues being escalated to the Board of MCBCM. In order to ensure strong governance, a number of sub-committees have been put in place to oversee critical aspects of MCBCM's operations. Day-to-day management of risks is delegated to the management team of each subsidiary and to MCBCM's Risk & Compliance department (R&C). The latter is responsible for the design, implementation and monitoring of all risks, compliance and anti-money laundering policies and procedures of the MCB Capital Markets Group. The Head of R&C reports to the Chief Executive Officer of MCBCM and, in line with best practice, to the Boards and sub-committees of MCBCM and its subsidiaries, as applicable. R&C submits a compliance report to the Boards of all MCBCM entities every six months, with the possibility of escalating critical issues on a more frequent basis, as required. All entities of MCBCM are subject to annual independent audits from external and internal auditors reporting to the Audit Committee of MCBCM. The governance framework has been further strengthened with the creation of a sub-committee of the MCBCM Board, the Products Supervisory Committee, which will oversee all financial products launched by MCBCM entities. The MCBCM governance framework is as follows.



*Relates to Collective Investment Schemes

Risk management is a dynamic process which targets the following three broad areas:

- Legal and regulatory (including anti-money laundering - AML)

  The framework in place within MCBCM to manage legal and regulatory risks includes:
  - o Regular review of applicable laws and rules to identify compliance gaps;
  - o Monitoring of changes to the legal and regulatory framework and initiation of corrective actions as relevant; and
  - o Ongoing semi-annual monitoring exercises by R&C to assess level of compliance with laws and regulations particularly with respect to AML.

- Operations (people, processes and systems)

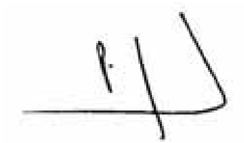
  A significant proportion of R&C's resources is being deployed for the management of operational risks. The methodology, which lays particular focus on businesses involving heavy processing, is depicted in the following diagram. The output from the first 5 stages of the methodology is a risk map which includes all major risks faced by MCBCM businesses as well as ratings of those risks both on a pre and post-control basis.

Risk management report

- Financial risks

  MCBCM, through its brokerage business, offers underwriting services to corporate clients and, as such, is subject to active financial risks. MCBCM has implemented a robust process for the management of these risks which includes a technical assessment of all requests for underwriting services by a team comprising of the Chief Financial Officer, Head of Risk and Compliance, Head of Legal and the Managing Director of the brokerage business of MCBCM. A two-tiered approval process is, also, availed of before providing any underwriting services with first level approval being provided jointly by the CEO of MCBCM and the Chairperson of the Board of MCB Stockbrokers Ltd and second level approval provided at the level of MCB Group Ltd. There are no other active material financial risks that are being borne by entities of MCBCM, though some credit and market risks are being taken by the brokerage business due to the manner in which settlement is carried out on the Stock Exchange of Mauritius.

Jean-Louis MATTEI
Director
Chairperson Risk Monitoring Committee



Pierre Guy NOEL
Chief Executive

Financial Statements

Report of the auditors

To the Shareholders of MCB Group Limited

Independent auditors' report to the members

This report is made solely to the shareholders of MCB Group Limited (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of MCB Group Limited and its subsidiaries (the "Group") and the Company's separate financial statements on pages 136 to 226 which comprise the statements of financial position at June 30, 2015 and the statements of profit or loss, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 136 to 226 give a true and fair view of the financial position of the Group and of the Company at June 30, 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

The Financial Reporting Act 2004

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

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

BDO & Co
Chartered Accountants
29th September 2015
Port Louis
Mauritius

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Statements of financial position

as at 30th June 2015

	Notes	GROUP 2015 RS'M	GROUP 2014 RS'M	PROFORMA GROUP 2013 RS'M	COMPANY 2015 RS'M	COMPANY 2014 RS'M
ASSETS						
Cash and cash equivalents	4	**24,528.6**	18,802.0	15,394.1	**51.8**	3.2
Derivative financial instruments	5	**421.9**	246.8	121.0	**-**	-
Loans to and placements with banks	6(a)	**8,811.4**	6,010.0	3,480.7	**-**	-
Loans and advances to customers	6(b)	**163,442.2**	150,101.2	148,034.7	**-**	-
Investment securities	7	**50,369.3**	35,435.3	22,447.0	**-**	-
Investments in associates	8	**7,254.6**	7,223.3	6,686.1	**20.6**	15.6
Investments in subsidiaries	9	**-**	-	-	**9,233.0**	4,707.4
Goodwill and other intangible assets	10	**840.4**	911.2	977.8	**-**	-
Property, plant and equipment	11	**6,033.5**	6,045.3	6,312.8	**3.2**	-
Deferred tax assets	12	**287.0**	225.7	223.9	**-**	-
Other assets	13	**18,023.9**	15,885.6	12,849.5	**1,089.2**	858.9
Total assets		**280,012.8**	240,886.4	216,527.6	**10,397.8**	5,585.1
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits from banks	14(a)	**2,405.0**	1,659.6	1,737.2	**-**	-
Deposits from customers	14(b)	**217,276.4**	184,427.9	164,376.0	**-**	-
Derivative financial instruments	5	**305.7**	653.6	560.7	**-**	-
Other borrowed funds	15	**9,481.5**	8,879.2	13,392.7	**-**	-
Subordinated liabilities	16	**5,555.7**	5,409.1	-	**4,500.0**	-
Current tax liabilities		**539.7**	399.0	249.6	**-**	-
Deferred tax liabilities	12	**50.2**	59.1	136.7	**0.1**	-
Other liabilities	18	**6,716.4**	6,694.6	5,947.3	**934.9**	813.8
Total liabilities		**242,330.6**	208,182.1	186,400.2	**5,435.0**	813.8
Shareholders' Equity						
Stated capital		**2,397.2**	2,383.3	2,615.8	**2,397.2**	2,383.3
Retained earnings		**27,501.6**	24,234.9	21,485.6	**2,565.6**	2,388.0
Other components of equity		**6,034.5**	4,349.5	4,764.3	**-**	-
		35,933.3	30,967.7	28,865.7	**4,962.8**	4,771.3
Less treasury shares		**-**	-	(360.1)	**-**	-
Equity attributable to the ordinary equity holders of the parent		**35,933.3**	30,967.7	28,505.6	**4,962.8**	4,771.3
Non-controlling interests		**1,748.9**	1,736.6	1,621.8	**-**	-
Total equity		**37,682.2**	32,704.3	30,127.4	**4,962.8**	4,771.3
Total equity and liabilities		**280,012.8**	240,886.4	216,527.6	**10,397.8**	5,585.1

CONTINGENT LIABILITIES

	Notes	GROUP 2015 RS'M	GROUP 2014 RS'M	PROFORMA GROUP 2013 RS'M
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers		**45,697.1**	64,082.9	48,028.4
Commitments		**4,633.0**	4,660.7	5,237.8
Tax assessments		**797.2**	272.1	121.6
Other		**1,293.9**	1,534.5	1,702.4
	20	**52,421.2**	70,550.2	55,090.2

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

The notes on pages 148 to 226 form part of these financial statements.
Auditors' report on pages 134 and 135.

Pierre Guy NOEL
Director
Chief Executive

J. Gérard HARDY
Director
Chairperson

Sunil BANYMANDHUB
Director
Chairperson Audit Committee

Statements of profit or loss

for the year ended 30th June 2015

	Notes	GROUP Year ended 30th June 2015 RS'M	PROFORMA GROUP Year ended 30th June 2014 RS'M	PROFORMA GROUP Year ended 30th June 2013 RS'M	GROUP* Period ended 30th June 2014 RS'M	COMPANY Year ended 30th June 2015 RS'M	COMPANY Period ended 30th June 2014 RS'M
Interest income	21	**12,844.3**	11,953.7	11,616.3	2,906.7	**-**	-
Interest expense	22	**(4,690.1)**	(4,697.4)	(4,569.2)	(1,164.9)	**(4.4)**	-
Net interest income		**8,154.2**	7,256.3	7,047.1	1,741.8	**(4.4)**	-
Fee and commission income	23	**4,148.1**	3,626.6	3,193.6	1,054.9	**-**	-
Fee and commission expense	24	**(783.7)**	(738.7)	(564.2)	(179.2)	**(0.1)**	-
Net fee and commission income		**3,364.4**	2,887.9	2,629.4	875.7	**(0.1)**	-
Other income							
Profit arising from dealing in foreign currencies		**1,101.7**	1,216.1	925.2	371.8	**-**	-
Net gain/(loss) from financial instruments carried at fair value	25	**147.8**	52.7	206.3	(24.0)	**-**	-
		1,249.5	1,268.8	1,131.5	347.8	**-**	-
Dividend income	26	**86.2**	61.1	37.1	16.7	**1,887.9**	3,198.3
Net gain on sale of securities		**97.3**	611.3	23.9	597.7	**-**	-
Other operating income		**262.6**	189.5	154.4	40.9	**-**	-
		1,695.6	2,130.7	1,346.9	1,003.1	**1,887.9**	3,198.3
Operating income		**13,214.2**	12,274.9	11,023.4	3,620.6	**1,883.4**	3,198.3
Non-interest expense							
Salaries and human resource development	27(a)	**(2,774.9)**	(2,494.5)	(2,354.0)	(563.7)	**(51.8)**	(9.6)
Post employee benefits plan	17	**(309.5)**	(265.0)	(240.8)	(92.5)	**-**	-
Depreciation		**(512.7)**	(560.3)	(555.8)	(136.7)	**(0.8)**	-
Amortisation of intangible assets		**(247.0)**	(266.3)	(241.9)	(72.1)	**-**	-
Other	27(b)	**(1,681.5)**	(1,704.2)	(1,510.4)	(427.2)	**(22.6)**	(3.5)
		(5,525.6)	(5,290.3)	(4,902.9)	(1,292.2)	**(75.2)**	(13.1)
Operating profit before impairment		**7,688.6**	6,984.6	6,120.5	2,328.4	**1,808.2**	3,185.2
Net impairment of financial assets	28	**(1,163.1)**	(2,039.1)	(1,081.0)	(1,018.8)	**-**	-
Operating profit		**6,525.5**	4,945.5	5,039.5	1,309.6	**1,808.2**	3,185.2
Share of profit of associates		**374.8**	540.2	257.3	156.9	**-**	-
Profit before tax		**6,900.3**	5,485.7	5,296.8	1,466.5	**1,808.2**	3,185.2
Income tax expense	29	**(1,129.1)**	(1,032.6)	(917.9)	(224.6)	**(0.1)**	-
Profit for the year/period		**5,771.2**	4,453.1	4,378.9	1,241.9	**1,808.1**	3,185.2
Profit for the year/period attributable to:							
Ordinary equity holders of the parent		**5,722.0**	4,365.0	4,344.7	1,217.7	**1,808.1**	3,185.2
Non-controlling interests		**49.2**	88.1	34.2	24.2	**-**	-
		5,771.2	4,453.1	4,378.9	1,241.9	**1,808.1**	3,185.2
Earnings per share:							
Basic (Rs)	31(a)	**24.04**	18.34	18.28	5.12		
Diluted (Rs)	31(b)	**24.04**	18.34	18.27	5.12		

*The Group figures for the period ended 30th June 2014 incorporate the result of the Company as from 5th August 2013 and subsidiaries and associates acquired through the Scheme of Arrangement as from 2nd April 2014.

The notes on pages 148 to 226 form part of these financial statements.
Auditors' report on pages 134 and 135.

Statements of profit or loss and other comprehensive income

for the year ended 30th June 2015

	GROUP	PROFORMA GROUP		GROUP*	COMPANY	
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M	Period ended 30th June 2014 RS'M
Profit for the year/period	**5,771.2**	4,453.1	4,378.9	1,241.9	**1,808.1**	3,185.2
Other comprehensive income/(expense):						
Items that will not be reclassified to profit or loss :						
Remeasurement of defined benefit pension plan net of deferred tax	**95.2**	(229.4)	(134.6)	(229.4)	**-**	-
Share of other comprehensive expense of associates	**(0.1)**	(3.2)	-	(3.2)	**-**	-
	95.1	(232.6)	(134.6)	(232.6)	**-**	-
Items that may be reclassified subsequently to profit or loss :						
Exchange differences on translating foreign operations	**(31.5)**	(116.9)	151.2	(19.6)	**-**	-
Reclassification adjustments	**71.0**	(467.5)	(3.5)	(458.3)	**-**	-
Net fair value gain/(loss) on available-for-sale investments	**762.9**	369.3	187.5	(16.4)	**-**	-
Share of other comprehensive (expense)/income of associates	**(44.7)**	67.4	117.0	(39.0)	**-**	-
	757.7	(147.7)	452.2	(533.3)	**-**	-
Other comprehensive income/(expense) for the year/period	**852.8**	(380.3)	317.6	(765.9)	**-**	-
Total comprehensive income for the year/period	**6,624.0**	4,072.8	4,696.5	476.0	**1,808.1**	3,185.2
Total comprehensive income attributable to:						
Ordinary equity holders of the parent	**6,579.9**	3,939.4	4,612.1	459.8	**1,808.1**	3,185.2
Non-controlling interests	**44.1**	133.4	84.4	16.2	**-**	-
	6,624.0	4,072.8	4,696.5	476.0	**1,808.1**	3,185.2

*The Group figures for the period ended 30th June 2014 incorporate the result of the Company as from 5th August 2013 and subsidiaries and associates acquired through the Scheme of Arrangement as from 2nd April 2014.

The notes on pages 148 to 226 form part of these financial statements.
Auditors' report on pages 134 and 135.

Statements of changes in equity

for the year ended 30th June 2015

	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	General Banking Reserve RS'M	Total RS'M	Non-controlling Interests RS'M	Total Equity RS'M
		Attributable to ordinary equity holders of the parent								
GROUP										
At 2nd April 2014										
Acquired through the Scheme of Arrangement	37	2,379.6	23,820.8	2,035.8	(187.6)	2,643.6	610.2	31,302.4	1,725.9	33,028.3
Profit for the period		-	1,217.7	-	-	-	-	1,217.7	24.2	1,241.9
Other comprehensive expense for the period		-	(231.3)	(508.7)	(17.9)	-	-	(757.9)	(8.0)	(765.9)
Total comprehensive income/(expense) for the period		-	986.4	(508.7)	(17.9)	-	-	459.8	16.2	476.0
Dividends	30	-	(797.2)	-	-	-	-	(797.2)	(5.5)	(802.7)
Effect of increase in shareholding in subsidiary		-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Share of transfer on disposal of property, plant & equipment by associate		-	0.8	(0.8)	-	-	-	-	-	-
Share of other movements in reserves of associate		-	(0.5)	0.5	-	-	-	-	-	-
Transfer to general banking reserve		-	(3.9)	-	-	-	3.9	-	-	-
Transfer from statutory reserve		-	229.5	-	-	(229.5)	-	-	-	-
Issue of shares following the exercise of Group Employee Share Options Scheme		3.7	-	-	-	-	-	3.7	-	3.7
At 30th June 2014		**2,383.3**	**24,234.9**	**1,526.8**	**(205.5)**	**2,414.1**	**614.1**	**30,967.7**	**1,736.6**	**32,704.3**
Profit for the year		**-**	**5,722.0**	**-**	**-**	**-**	**-**	**5,722.0**	**49.2**	**5,771.2**
Other comprehensive income/(expense) for the year		**-**	**95.1**	**780.5**	**(17.7)**	**-**	**-**	**857.9**	**(5.1)**	**852.8**
Total comprehensive income/(expense) for the year		**-**	**5,817.1**	**780.5**	**(17.7)**	**-**	**-**	**6,579.9**	**44.1**	**6,624.0**
Dividends	30	**-**	**(1,630.5)**	**-**	**-**	**-**	**-**	**(1,630.5)**	**(25.4)**	**(1,655.9)**
Effect of increase in shareholding in subsidiary		**-**	**2.3**	**-**	**-**	**-**	**-**	**2.3**	**(6.4)**	**(4.1)**
Share of transfer by associate		**-**	**3.7**	**(3.7)**	**-**	**-**	**-**	**-**	**-**	**-**
Share of other movements in reserves of associate		**-**	**(1.5)**	**1.5**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to general banking reserve		**-**	**(166.7)**	**-**	**-**	**-**	**166.7**	**-**	**-**	**-**
Transfer to statutory reserve		**-**	**(757.7)**	**-**	**-**	**757.7**	**-**	**-**	**-**	**-**
Issue of shares following the exercise of Group Employee Share Options Scheme		**13.9**	**-**	**-**	**-**	**-**	**-**	**13.9**	**-**	**13.9**
At 30th June 2015		**2,397.2**	**27,501.6**	**2,305.1**	**(223.2)**	**3,171.8**	**780.8**	**35,933.3**	**1,748.9**	**37,682.2**

The notes on pages 148 to 226 form part of these financial statements.
Auditors' report on pages 134 and 135.

Statements of changes in equity

for the year ended 30th June 2015

	Attributable to ordinary equity holders of the parent									
	Stated Capital RS'M	Treasury Shares RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	General Banking Reserve RS'M	Total RS'M	Non-controlling Interests RS'M	Total Equity RS'M
PROFORMA GROUP										
At 1st July 2012										
As previously stated	2,593.4	(364.8)	19,241.2	1,382.9	(253.3)	2,614.7	598.1	25,812.2	1,553.0	27,365.2
Effect of adopting IAS 19 (revised) net of deferred tax	-	-	(497.3)	-	-	-	-	(497.3)	(0.3)	(497.6)
As restated	2,593.4	(364.8)	18,743.9	1,382.9	(253.3)	2,614.7	598.1	25,314.9	1,552.7	26,867.6
Profit for the year - restated	-	-	4,344.7	-	-	-	-	4,344.7	34.2	4,378.9
Other comprehensive (expense)/income for the year - restated	-	-	(134.6)	248.7	153.3	-	-	267.4	50.2	317.6
Total comprehensive income for the year - restated	-	-	4,210.1	248.7	153.3	-	-	4,612.1	84.4	4,696.5
Increase in effective shareholding of associate	-	-	1.7	-	-	-	-	1.7	1.3	3.0
Dividends	-	-	(1,450.2)	-	-	-	-	(1,450.2)	(16.6)	(1,466.8)
Share of transfer on disposal of property, plant & equipment by associate	-	-	15.6	(15.6)	-	-	-	-	-	-
Transfer to general banking reserve	-	-	(6.6)	-	-	-	6.6	-	-	-
Transfer to statutory reserve	-	-	(28.9)	-	-	28.9	-	-	-	-
Employee share options exercised	22.4	4.7	-	-	-	-	-	27.1	-	27.1
At 30th June 2013 (restated)	**2,615.8**	**(360.1)**	**21,485.6**	**1,616.0**	**(100.0)**	**2,643.6**	**604.7**	**28,505.6**	**1,621.8**	**30,127.4**
Profit for the year	-	-	4,365.0	-	-	-	-	4,365.0	88.1	4,453.1
Other comprehensive (expense)/income for the year	-	-	(232.6)	(87.5)	(105.5)	-	-	(425.6)	45.3	(380.3)
Total comprehensive income/(expense) for the year	-	-	4,132.4	(87.5)	(105.5)	-	-	3,939.4	133.4	4,072.8
Increase in effective shareholding of associate	-	-	0.2	-	-	-	-	0.2	-	0.2
Dividends	-	-	(1,510.7)	-	-	-	-	(1,510.7)	(18.6)	(1,529.3)
Effect of increase in shareholding in subsidiary	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Share of transfer on disposal of property, plant & equipment by associate	-	-	2.2	(2.2)	-	-	-	-	-	-
Share of other movements in reserves of associate	-	-	(0.5)	0.5	-	-	-	-	-	-
Transfer to general banking reserve	-	-	(9.4)	-	-	-	9.4	-	-	-
Transfer from statutory reserve	-	-	229.5	-	-	(229.5)	-	-	-	-
Employee share options exercised	26.1	4.4	-	-	-	-	-	30.5	-	30.5
Issue of shares following the exercise of Group Employee Share Options Scheme	3.7	-	-	-	-	-	-	3.7	-	3.7
Cancellation of treasury shares	(262.3)	355.7	(93.4)	-	-	-	-	-	-	-
At 30th June 2014	**2,383.3**	**-**	**24,234.9**	**1,526.8**	**(205.5)**	**2,414.1**	**614.1**	**30,967.7**	**1,736.6**	**32,704.3**

The notes on pages 148 to 226 form part of these financial statements.
Auditors' report on pages 134 and 135.

Statements of changes in equity
for the year ended 30th June 2015

COMPANY	Notes	Stated Capital RS'M	Retained Earnings RS'M	Total Equity RS'M
At 5th August 2013				
Issue of shares through the Scheme of Arrangement	37(a)	2,379.6	-	2,379.6
Profit for the period		-	3,185.2	3,185.2
Total comprehensive income for the period		-	3,185.2	3,185.2
Dividends	30	-	(797.2)	(797.2)
Issue of shares following the exercise of Group Employee Share Options Scheme		3.7	-	3.7
At 30th June 2014		**2,383.3**	**2,388.0**	**4,771.3**
Profit for the year		**-**	**1,808.1**	**1,808.1**
Total comprehensive income for the year		**-**	**1,808.1**	**1,808.1**
Dividends	30	**-**	**(1,630.5)**	**(1,630.5)**
Issue of shares following the exercise of Group Employee Share Options Scheme		**13.9**	**-**	**13.9**
At 30th June 2015		**2,397.2**	**2,565.6**	**4,962.8**

The notes on pages 148 to 226 form part of these financial statements.
Auditors' report on pages 134 and 135.

Statements of cash flows

for the year ended 30th June 2015

	Notes	GROUP	PROFORMA GROUP		GROUP*	COMPANY	
		Year ended 30th June 2015	Year ended 30th June 2014	Year ended 30th June 2013	Period ended 30th June 2014	Year ended 30th June 2015	Period ended 30th June 2014
		RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Net cash flows from trading activities	33	**5,839.5**	4,243.3	5,653.9	(49.6)	**1,604.3**	(0.5)
Net cash flows from other operating activities	34	**6,537.5**	2,015.1	(2,277.4)	(855.5)	**-**	-
Dividends received from associates		**131.9**	129.2	28.8	100.4	**-**	-
Dividends paid		**(1,535.0)**	(1,510.2)	(1,425.9)	-	**(1,535.0)**	-
Dividends paid to non-controlling interests in subsidiaries		**(25.4)**	(18.6)	(16.9)	(5.5)	**-**	-
Income tax paid		**(1,074.2)**	(916.0)	(904.7)	(154.6)	**-**	-
Net cash flows from operating activities		**9,874.3**	3,942.8	1,057.8	(964.8)	**69.3**	(0.5)
Investing activities							
Purchase of available-for-sale investments		**(2,309.1)**	(930.7)	(83.0)	(748.0)	**-**	-
Proceeds from sale of available-for-sale investments		**465.3**	1,072.4	452.2	989.4	**-**	-
Investment in associate		**(5.0)**	(0.2)	-	-	**(5.0)**	-
Investment in subsidiary		**-**	-	-	-	**(4,525.6)**	-
Acquisition of non-controlling interest in subsidiary		**(4.1)**	(0.1)	-	(0.1)	**-**	-
Purchase of property, plant and equipment		**(532.4)**	(423.4)	(696.5)	(138.9)	**(4.0)**	-
Purchase of intangible assets		**(160.8)**	(213.0)	(252.3)	(154.5)	**-**	-
Proceeds from sale of intangible assets		**-**	0.5	-	-	**-**	-
Proceeds from sale of property, plant and equipment		**60.9**	144.5	221.6	24.4	**-**	-
		(2,485.2)	(350.0)	(358.0)	(27.7)	**(4,534.6)**	-
Net cash flows before financing activities		**7,389.1**	3,592.8	699.8	(992.5)	**(4,465.3)**	(0.5)
Financing activities							
Shares issued/employee share options exercised		**13.9**	30.3	25.5	3.7	**13.9**	3.7
Subordinated liabilities issued/transferred		**-**	5,415.6	-	-	**4,500.0**	-
Net debt securities (matured)/issued		**(1,793.0)**	145.8	354.9	-	**-**	-
Net cash flows from financing activities		**(1,779.1)**	5,591.7	380.4	3.7	**4,513.9**	3.7
Increase/(Decrease) in cash and cash equivalents		**5,610.0**	9,184.5	1,080.2	(988.8)	**48.6**	3.2
Net cash and cash equivalents at beginning of the year/period		**17,483.5**	8,442.8	7,102.4	-	**3.2**	-
Acquired through the Scheme of Arrangement	37	**-**	-	-	18,489.4	**-**	-
Effect of foreign exchange rate changes		**194.0**	(143.8)	260.2	(17.1)	**-**	-
Net cash and cash equivalents at 30th June	4	**23,287.5**	17,483.5	8,442.8	17,483.5	**51.8**	3.2

*The Group figures for the period ended 30th June 2014 incorporate the result of the Company as from 5th August 2013 and subsidiaries and associates acquired through the Scheme of Arrangement as from 2nd April 2014.

The notes on pages 148 to 226 form part of these financial statements.
Auditors' report on pages 134 and 135.

General information

The MCB Group Limited ("the Company") is a public company incorporated and registered as limited liability company on 5th August 2013. Its registered office is situated at 9-15, Sir William Newton Street, Port-Louis, Mauritius.

The MCB Group Limited (" the Company") is listed on The Stock Exchange of Mauritius Ltd.

The main activities of the Company and those of its subsidiaries ("the Group") consist in providing a whole range of banking and financial services in the Indian Ocean region and beyond.

Incorporation and Scheme of Arrangement

MCB Group Limited, is a legal entity incorporated on 5th August 2013. On 17th February 2014, following the resolutions voted by the shareholders of The Mauritius Commercial Bank Ltd ("MCB") at the Special Meeting held in December 2013, The Supreme Court (Bankruptcy Division) approved the Scheme of Arrangement (the "Scheme") under Sections 261 to 264 of the Companies Act 2001, effective on 21st February 2014. Accordingly, the shareholders of MCB exchanged their ordinary shares held in MCB for ordinary shares in MCB Group Limited ("MCBG") on a 1:1 ratio. Following the above exchange MCBG exchanged all its shares held in MCB for ordinary shares in MCB Investment Holding Limited ("MCBIH").

A separate legal entity, MCB Investment Holding Limited ("MCBIH") has been incorporated on 4th November 2013 as a wholly owned subsidiary of MCB Group Limited to be the intermediate holding of the group's banking subsidiaries and associate.

Through the unbundling exercise, MCB Group Limited, holds the non banking subsidiaries and associates formerly held by MCB and MCBIH will hold the banking subsidiaries and associate which have not been unbundled by MCB as at to date.

Proforma financial statements for the years ended 30th June 2014 and 2013 have been prepared on the basis of audited financial statements and have been provided for a better understanding of the financial statements of MCB Group Limited and for comparative purposes.

Index to notes to the financial statements

Index to notes to the financial statements
(continued)

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 period/years presented, unless otherwise stated.

(a) Basis of presentation

The financial statements of MCB Group Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).
Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (The Group) and the separate financial statements of the parent company (The Company).

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

Amendments to published Standards and Interpretations effective in the reporting period

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of presentation (Cont'd)

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

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary.

Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment has no impact on the Group's financial statements.

Annual Improvements 2010-2012 Cycle

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of presentation (Cont'd)

Annual Improvements 2011-2013 Cycle

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of presentation (Cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (Cont'd)

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

(b) Basis of consolidation

(1) (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of consolidation (Cont'd)

(1) (ii) Separate financial statements of the Company

In the separate financial statements of the Company, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

(iii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(2) Associates

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method except when classified as held-for-sale (see below). Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of consolidation (Cont'd)

(2) Associates (Cont'd)

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

In the separate financial statements of the Company, the investment in associated companies is carried at cost (which includes transaction costs). The carrying amount is reduced to recognise any impairment in the value of the individual companies.

(c) Foreign currency translation

The foreign subsidiaries' Statement of Financial Position are translated to Mauritian Rupees using the closing rate method. Their statements of profit or loss, the statements of profit or loss and other comprehensive income and statements of cash flows are translated at the average rate for the period. Any resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest million except as otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Foreign currency translation (Cont'd)

(ii) Transactions and balances (Cont'd)

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

Monetary assets and liabilities expressed in foreign currencies are reported at the rate of exchange ruling at the end of the reporting date. Differences arising from reporting monetary items are dealt with through profit or loss.
Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

(d) Derivative financial instruments

Derivative financial instruments include mainly foreign exchange contracts and currency swaps. These are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards are based on treasury bills rate or LIBOR. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

The Group's derivative transactions, while providing effective economic hedges under the Group'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.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements 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.

(f) Interest income and expense

Interest income and expense are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Interest income and expense (Cont'd)

written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(g) Fees and commissions

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

(h) Sale and repurchase agreements

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

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

(i) Investment securities

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Investment securities (Cont'd)

If the Group 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 entity would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

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

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

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

(j) 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.

(k) Loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower (at draw-down) are categorised as loans and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers. An allowance for loan impairment is established if there is the objective evidence that the entity will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Loans and provisions for loan impairment (Cont'd)

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

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

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

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in fair value of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is included in Intangible Assets.

Gain on bargain purchase represents the excess of the Group's interest in the net fair value of the acquiree's net identifiable asset over cost of acquisition is recognised in the statement of profit or loss. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(m) Property, plant and equipment

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Property, plant and equipment (Cont'd)

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.

(n) Computer software development costs

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

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

(o) Finance leases

Assets acquired under finance leases are accounted for at the present value of the minimum lease payments and depreciated over their estimated useful lives. A corresponding liability is recorded as outstanding lease obligations.
Lease payments are apportioned between the liability and the finance charge so as to achieve a constant periodic rate of interest on the outstanding lease obligations.

(p) Accounting for leases - where the Subsidiary company is the lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable, the amount being equal to the net investment in the leases after specific provision for bad and doubtful debts in respect of all identified impaired leases in the light of periodical reviews. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Accounting for leases - where the Subsidiary company is the lessor (Cont'd)

Operating leases

Assets leased out under operating leases are included in plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on a straight line basis over the lease term.

(q) Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents comprise cash and balances with Central Banks and amounts due to and from other banks. A further breakdown of cash and cash equivalents is given in notes 4 to the financial statements.

(r) Provisions

Provisions are recognised when the Group 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.

(s) Employee benefits

The Group operates a number of defined benefit and defined contribution plans throughout the region. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Maurtitius Commercial Bank Superannuation Fund.

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

(i) Defined contribution plans

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Employee benefits (Cont'd)

(ii) Defined benefit plans

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 17 to the financial statements.

The Group 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.

(t) Current and deferred income tax

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

Current tax

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

Deferred tax

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Current and deferred income tax (Cont'd)

Deferred tax (Cont'd)

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

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

(u) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

(v) 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 the statement of profit or loss over the period of the borrowings using the effective interest method.

(w) Acceptances

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

(x) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.
Detailed analysis of segment reporting are shown in note 35 to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(y) Stated capital

Ordinary shares are classified as equity.

Share issue costs

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

(z) Treasury shares

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

(aa) 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.

(ab) Impairment of non-financial assets

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Held-to-maturity investments

The Group 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 Group evaluates its intention and ability to hold such investments to maturity.

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

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

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

(c) Pension benefits

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

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(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 Group using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group 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) Limitation of sensitivity analysis

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

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

(f) Asset lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

(g) Depreciation policies

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(h) Impairment of assets

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

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

3. FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

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

(b) Credit risk

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

Credit related commitments

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Credit Quality of Loans And Advances

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Neither past due nor impaired	**155,828.4**	147,253.4	142,536.1
Past due but not impaired	**6,498.0**	3,371.0	5,581.0
Impaired	**10,754.8**	11,711.3	7,630.0
Gross	**173,081.2**	162,335.7	155,747.1
Less Allowances for credit impairment	**(5,900.4)**	(6,224.5)	(4,231.7)
Net	**167,180.8**	156,111.2	151,515.4
Fair Value of collaterals of past due but not impaired loans	**8,167.0**	6,462.0	5,290.0
Fair Value of collaterals of impaired loans	**6,771.0**	6,603.0	5,642.0

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

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Up to 3 months	**1,646.0**	1,351.0	326.0
Over 3 months and up to 6 months	**1,911.0**	1,165.0	3,519.0
Over 6 months and up to 1 year	**2,383.0**	594.0	473.0
Over 1 year	**558.0**	261.0	1,263.0
	6,498.0	3,371.0	5,581.0

Loans and advances negotiated

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Loans and advances negotiated	**15,768.0**	12,961.0	11,789.0
Fair value of collaterals	**15,064.0**	12,720.0	11,789.0

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Credit risk exposures relating to on - balance sheet assets are as follows :			
Cash and cash equivalents	**24,528.6**	18,802.0	15,394.1
Derivative financial instruments	**421.9**	246.8	121.0
Loans and advances to banks	**8,811.4**	6,010.0	3,480.7
Loans and advances to customers	**163,442.2**	150,101.2	148,034.7
Investment securities	**50,369.3**	35,435.3	22,447.0
Other assets	**18,023.9**	15,885.6	12,849.5
Credit risk exposures relating to off - balance sheet assets are as follows :			
Financial guarantees	**45,697.1**	64,082.9	48,028.4
Loans committed and other credit related liabilities	**4,633.0**	4,660.7	5,237.8
Total	**315,927.4**	295,224.5	255,593.2

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Market risk

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

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

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

VaR Analysis - Foreign Exchange Risk

	As at 30 June	Average	Maximum	Minimum
2015 (RS'M)	**(25.8)**	**(17.6)**	**(30.3)**	**(10.2)**
2014 (RS'M)	(10.3)	(12.0)	(20.5)	(10.0)

(d) Price risk

The Group 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 Group's and the Bank's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Available-for-sale financial assets	**371.2**	232.7	217.1

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk

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

Concentration of assets, liabilities and off-balance sheet items

GROUP **At June 30, 2015**	**EURO** **RS'M**	**USD** **RS'M**	**GBP** **RS'M**	**MUR** **RS'M**	**OTHER** **RS'M**	**TOTAL** **RS'M**
Assets						
Cash and cash equivalents	1,846.6	8,477.2	3,411.8	4,333.5	4,930.8	22,999.9
Derivative financial instruments	13.7	-	-	251.1	-	264.8
Loans to and placements with banks	1,228.4	1,245.0	-	5,916.3	1,073.8	9,463.5
Loans and advances to customers	14,808.9	45,112.5	966.7	96,229.0	191.2	157,308.3
Investment securities	214.7	2,142.5	103.1	42,113.0	102.0	44,675.3
Investments in associates	2,964.4	-	-	4,290.2	-	7,254.6
Intangible assets	-	-	-	385.5	-	385.5
Property, plant and equipment	-	-	-	5,030.4	-	5,030.4
Deferred tax assets	-	-	-	222.5	-	222.5
Other assets	782.7	1,540.6	140.5	12,994.1	24.7	15,482.6
	21,859.4	58,517.8	4,622.1	171,765.6	6,322.5	263,087.4
Less allowances for credit impairment						(5,226.1)
						257,861.3
Subsidiaries						22,151.5
Total assets						**280,012.8**
Liabilities						
Deposits from banks	585.9	3,457.1	126.2	201.5	133.6	4,504.3
Deposits from customers	24,120.9	34,437.0	4,565.2	132,060.3	7,530.2	202,713.6
Derivative financial instruments	13.0	1.8	-	94.2	-	109.0
Other borrowed funds	3,398.7	3,505.4	-	11.7	-	6,915.8
Subordinated liabilities	-	1,055.7	-	4,500.0	-	5,555.7
Current tax liabilities	-	-	-	448.8	-	448.8
Other liabilities	191.5	506.1	18.4	5,153.3	32.4	5,901.7
	28,310.0	42,963.1	4,709.8	142,469.8	7,696.2	226,148.9
Subsidiaries						16,181.7
Total liabilities						**242,330.6**
Net on-balance sheet position	(6,450.6)	15,554.7	(87.7)	29,295.8	(1,373.7)	36,938.5
Less allowances for credit impairment						(5,226.1)
Subsidiaries						5,969.8
						37,682.2
Off balance sheet net notional position	3,525.1	17,496.5	944.0	-	502.6	22,468.2
Credit commitments	4,983.3	32,894.9	243.6	12,136.1	650.0	50,907.9
Subsidiaries						4,613.9
						77,990.0

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP

At June 30, 2014	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Assets						
Cash and cash equivalents	3,958.6	2,146.6	2,123.2	4,128.6	5,346.6	17,703.6
Derivative financial instruments	21.7	-	-	100.2	-	121.9
Loans to and placements with banks	1,301.4	4,533.4	-	4.0	712.9	6,551.7
Loans and advances to customers	12,622.5	37,407.9	994.2	94,970.7	238.5	146,233.8
Investment securities	-	598.5	-	29,978.1	38.0	30,614.6
Investments in associates	3,170.9	-	-	4,052.4	-	7,223.3
Intangible assets	-	-	-	523.1	-	523.1
Property, plant and equipment	-	-	-	5,202.5	-	5,202.5
Deferred tax assets	-	-	-	194.3	-	194.3
Other assets	627.5	1,584.2	142.6	11,542.6	140.7	14,037.6
	21,702.6	46,270.6	3,260.0	150,696.5	6,476.7	228,406.4
Less allowances for credit impairment						(5,882.3)
						222,524.1
Subsidiaries						18,362.3
Total assets						**240,886.4**
Liabilities						
Deposits from banks	731.3	2,594.4	93.1	90.4	188.9	3,698.1
Deposits from customers	21,838.8	22,866.8	3,193.2	115,752.5	7,370.7	171,022.0
Derivative financial instruments	20.5	414.6	-	93.7		528.8
Other borrowed funds	3,501.2	2,178.6	-	23.2	1,862.6	7,565.6
Subordinated liabilities	-	909.1	-	4,500.0	-	5,409.1
Current tax liabilities	-	-	-	368.4	-	368.4
Other liabilities	147.2	1,187.3	13.3	4,539.5	53.7	5,941.0
	26,239.0	30,150.8	3,299.6	125,367.7	9,475.9	194,533.0
Subsidiaries						13,649.1
Total liabilities						**208,182.1**
Net on-balance sheet position	(4,536.4)	16,119.8	(39.6)	25,328.8	(2,999.2)	33,873.4
Less allowances for credit impairment						(5,882.3)
Subsidiaries						4,713.2
						32,704.3
Off balance sheet net notional position	4,606.6	19,977.0	1,204.4	-	871.1	26,659.1
Credit commitments	5,346.6	46,590.4	132.7	13,007.4	1,390.7	66,467.8
Subsidiaries						2,990.0
						96,116.9

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

PROFORMA

At June 30, 2013	**EURO**	**USD**	**GBP**	**MUR**	**OTHER**	**TOTAL**
Assets	**RS'M**	**RS'M**	**RS'M**	**RS'M**	**RS'M**	**RS'M**
Cash and cash equivalents	2,873.6	290.5	2,420.2	4,704.8	4,325.5	14,614.6
Derivative financial instruments	25.5	-	-	95.4	-	120.9
Loans to and placements with banks	823.3	2,846.2	-	-	-	3,669.5
Loans and advances to customers	12,001.5	37,411.1	702.1	92,743.3	172.3	143,030.3
Investment securities	-	182.9	-	17,062.7	29.3	17,274.9
Investments in associates	3,186.0	-	-	3,500.1	-	6,686.1
Goodwill and other intangible assets	-	-	-	691.9	-	691.9
Property, plant and equipment	-	-	-	5,442.0	-	5,442.0
Deferred tax assets	-	-	-	113.8	-	113.8
Other assets	612.3	1,463.2	158.6	8,483.0	22.6	10,739.7
	19,522.2	42,193.9	3,280.9	132,837.0	4,549.7	202,383.7
Less allowances for credit impairment						(4,058.8)
						198,324.9
Subsidiaries						18,202.7
Total assets						**216,527.6**
Liabilities						
Deposits from banks	598.6	2,265.2	73.4	173.3	298.1	3,408.6
Deposits from customers	15,677.0	20,695.3	3,004.4	107,768.4	3,773.6	150,918.7
Derivative financial instruments	23.8	63.5	-	473.4	-	560.7
Other borrowed funds	3,777.8	7,456.6	-	-	1,869.4	13,103.8
Current tax liabilities	-	-	-	241.9	-	241.9
Other liabilities	148.8	763.3	21.1	4,284.4	50.0	5,267.6
	20,226.0	31,243.9	3,098.9	112,941.4	5,991.1	173,501.3
Subsidiaries						12,898.9
Total liabilities						**186,400.2**
Net on-balance sheet position	(703.8)	10,950.0	182.0	19,895.6	(1,441.4)	28,882.4
Less allowances for credit impairment						(4,058.8)
Subsidiaries						5,303.8
						30,127.4
Off balance sheet net notional position	5,042.4	13,425.4	482.5	-	3,622.7	22,573.0
Credit commitments	3,580.7	33,749.0	18.8	13,551.0	672.7	51,572.2
Subsidiaries						1,694.1
						75,839.3

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Interest rate risk

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

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At June 30, 2015 Assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-interest bearing RS'M	Total RS'M
Cash and cash equivalents	10,247.9	-	-	-	-	-	12,752.0	22,999.9
Derivative financial instruments	-	-	-	-	-	-	264.8	264.8
Loans to and placements with banks	1,016.8	2,084.3	2,167.5	4,018.9	176.0	-	-	9,463.5
Loans and advances to customers	109,133.2	34,679.1	-	4,307.2	3,089.7	5,590.6	508.5	157,308.3
Investment securities	529.6	4,826.2	5,348.6	5,384.6	17,562.0	8,425.2	2,599.1	44,675.3
Investments in associates	-	-	-	-	-	-	7,254.6	7,254.6
Intangible assets	-	-	-	-	-	-	385.5	385.5
Property, plant and equipment	-	-	-	-	-	-	5,030.4	5,030.4
Deferred tax assets	-	-	-	-	-	-	222.5	222.5
Other assets	-	1.0	-	-	0.6	-	15,481.0	15,482.6
	120,927.5	41,590.6	7,516.1	13,710.7	20,828.3	14,015.8	44,498.4	263,087.4
Less allowances for credit impairment								(5,226.1)
								257,861.3
Subsidiaries								22,151.5
Total assets								**280,012.8**
Liabilities								
Deposits from banks	3,466.4	372.5	337.5	-	66.9	-	261.0	4,504.3
Deposits from customers	182,591.0	2,116.0	1,330.7	235.9	1.8	2,103.6	14,334.6	202,713.6
Derivative financial instruments	-	-	-	-	-	-	109.0	109.0
Other borrowed funds	3,336.0	524.8	2,082.9	11.7	-	952.6	7.8	6,915.8
Subordinated liabilities	1,055.7	4,500.0	-	-	-	-	-	5,555.7
Current tax liabilities	-	-	-	-	-	-	448.8	448.8
Other liabilities	131.3	-	-	-	-	-	5,770.4	5,901.7
	190,580.4	7,513.3	3,751.1	247.6	68.7	3,056.2	20,931.6	226,148.9
Subsidiaries								16,181.7
Total liabilities								**242,330.6**
On balance sheet interest sensitivity gap	(69,652.9)	34,077.3	3,765.0	13,463.1	20,759.6	10,959.6	23,566.8	36,938.5
Less allowances for credit impairment								(5,226.1)
Subsidiaries								5,969.8
								37,682.2

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At June 30, 2014 Assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-interest bearing RS'M	Total RS'M
Cash and cash equivalents	9,770.1	57.1	-	-	-	50.0	7,826.4	17,703.6
Derivative financial instruments	-	-	-	-	-	-	121.9	121.9
Loans to and placements with banks	2,119.1	2,818.7	1,025.7	588.2	-	-	-	6,551.7
Loans and advances to customers	101,994.8	29,800.0	3,692.0	4,994.7	1,903.9	3,183.2	665.2	146,233.8
Investment securities	2,061.0	3,380.1	4,607.3	4,838.1	8,439.9	5,509.8	1,778.4	30,614.6
Investments in associates	-	-	-	-	-	-	7,223.3	7,223.3
Intangible assets	-	-	-	-	-	-	523.1	523.1
Property, plant and equipment	-	-	-	-	-	-	5,202.5	5,202.5
Deferred tax assets	-	-	-	-	-	-	194.3	194.3
Other assets	-	-	-	-	-	-	14,037.6	14,037.6
	115,945.0	36,055.9	9,325.0	10,421.0	10,343.8	8,743.0	37,572.7	228,406.4
Less allowances for credit impairment								(5,882.3)
								222,524.1
Subsidiaries								18,362.3
Total assets								**240,886.4**
Liabilities								
Deposits from banks	2,636.7	528.8	243.3	176.8	-	16.6	95.9	3,698.1
Deposits from customers	148,714.4	3,389.1	3,424.4	1,239.4	43.6	728.5	13,482.6	171,022.0
Derivative financial instruments	12.2	-	393.6	-	-	-	123.0	528.8
Other borrowed funds	695.5	2,189.4	3,521.5	23.2	-	1,130.4	5.6	7,565.6
Subordinated liabilities	909.1	4,500.0	-	-	-	-	-	5,409.1
Current tax liabilities	-	-	-	-	-	-	368.4	368.4
Other liabilities	705.2	-	-	-	-	-	5,235.8	5,941.0
	153,673.1	10,607.3	7,582.8	1,439.4	43.6	1,875.5	19,311.3	194,533.0
Subsidiaries								13,649.1
Total liabilities								**208,182.1**
On balance sheet interest sensitivity gap	(37,728.1)	25,448.6	1,742.2	8,981.6	10,300.2	6,867.5	18,261.4	33,873.4
Less allowances for credit impairment								(5,882.3)
Subsidiaries								4,713.2
								32,704.3

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

PROFORMA At June 30, 2013 Assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-interest bearing RS'M	Total RS'M
Cash and cash equivalents	8,263.6	830.0	-	-	-	-	5,521.0	14,614.6
Derivative financial instruments	-	-	-	-	-	-	120.9	120.9
Loans to and placements with banks	2,202.1	1,346.4	77.5	43.5	-	-	-	3,669.5
Loans and advances to customers	102,922.6	18,397.0	11,165.9	4,832.6	1,288.9	3,777.4	645.9	143,030.3
Investment securities	959.5	2,661.7	4,666.1	4,831.1	1,993.8	1,017.7	1,145.0	17,274.9
Investments in associates	-	413.4	-	-	-	-	6,272.7	6,686.1
Goodwill and other intangible assets	-	-	-	-	-	-	691.9	691.9
Property, plant and equipment	-	-	-	-	-	-	5,442.0	5,442.0
Deferred tax assets	-	-	-	-	-	-	113.8	113.8
Other assets	-	-	-	-	-	-	10,739.7	10,739.7
	114,347.8	23,648.5	15,909.5	9,707.2	3,282.7	4,795.1	30,692.9	202,383.7
Less allowances for credit impairment								(4,058.8)
								198,324.9
Subsidiaries								18,202.7
Total assets								**216,527.6**
Liabilities								
Deposits from banks	2,059.1	458.6	223.7	423.9	31.0	14.1	198.2	3,408.6
Deposits from customers	129,312.9	4,099.7	2,266.9	2,672.5	61.8	143.4	12,361.5	150,918.7
Derivative financial instruments	-	-	-	-	-	-	560.7	560.7
Other borrowed funds	4,086.8	4,530.1	3,301.6	-	-	1,176.5	8.8	13,103.8
Current tax liabilities	-	-	-	-	-	-	241.9	241.9
Other liabilities	746.7	-	393.4	-	-	-	4,127.5	5,267.6
	136,205.5	9,088.4	6,185.6	3,096.4	92.8	1,334.0	17,498.6	173,501.3
Subsidiaries								12,898.9
Total liabilities								**186,400.2**
On balance sheet interest sensitivity gap	(21,857.7)	14,560.1	9,723.9	6,610.8	3,189.9	3,461.1	13,194.3	28,882.4
Less allowances for credit impairment								(4,058.8)
Subsidiaries								5,303.8
								30,127.4

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk

Liquidity risk can be defined as the risk of a funding crisis, notably a lack of funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day b) the maintenance of a stock of liquid assets to ensure that the Bank has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds. The MCB has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. The Bank Treasury manages liquidity in accordance with this policy, on a day-to-day basis.

Maturities of assets and liabilities

GROUP At June 30, 2015 Assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Cash and cash equivalents	22,688.5	-	-	-	-	-	311.4	22,999.9
Derivative financial instruments	210.5	22.8	12.5	5.2	-	-	13.8	264.8
Loans to and placements with banks	2,159.1	2,282.1	651.4	4,018.9	176.0	176.0	-	9,463.5
Loans and advances to customers	37,645.2	8,098.0	3,003.0	3,877.9	14,878.9	88,732.2	1,073.1	157,308.3
Investment securities	509.9	3,870.0	6,200.8	5,485.6	17,626.3	8,696.7	2,286.0	44,675.3
Investments in associates	-	-	-	-	-	-	7,254.6	7,254.6
Intangible assets	-	-	-	-	-	-	385.5	385.5
Property, plant and equipment	-	-	-	-	-	-	5,030.4	5,030.4
Deferred tax assets	-	-	-	-	-	-	222.5	222.5
Other assets	-	4.4	2.7	7.7	183.3	121.9	15,162.6	15,482.6
	63,213.2	14,277.3	9,870.4	13,395.3	32,864.5	97,726.8	31,739.9	263,087.4
Less allowances for credit impairment								(5,226.1)
								257,861.3
Subsidiaries								22,151.5
Total assets								**280,012.8**
Liabilities								
Deposits from banks	3,436.9	380.8	468.7	151.1	66.8	-	-	4,504.3
Deposits from customers	174,301.7	4,308.2	3,866.8	5,826.4	7,533.9	6,876.6	-	202,713.6
Derivative financial instruments	13.4	65.0	11.4	4.3	-	-	14.9	109.0
Other borrowed funds	1,239.4	182.5	215.5	450.9	-	4,827.5	-	6,915.8
Subordinated liabilities	-	-	-	-	-	5,555.7	-	5,555.7
Current tax liabilities	-	-	448.8	-	-	-	-	448.8
Other liabilities	95.8	-	-	-	-	-	5,805.9	5,901.7
	179,087.2	4,936.5	5,011.2	6,432.7	7,600.7	17,259.8	5,820.8	226,148.9
Subsidiaries								16,181.7
Total liabilities								**242,330.6**
Net liquidity gap	(115,874.0)	9,340.8	4,859.2	6,962.6	25,263.8	80,467.0	25,919.1	36,938.5
Less allowances for credit impairment								(5,226.1)
Subsidiaries								5,969.8
								37,682.2

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (Cont'd)

Maturities of assets and liabilities

GROUP At June 30, 2014 Assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Cash and cash equivalents	17,307.9	57.1	-	-	-	-	338.6	17,703.6
Derivative financial instruments	70.6	19.0	9.7	0.6	-	-	22.0	121.9
Loans to and placements with banks	1,967.6	2,396.8	1,025.7	588.2	421.9	151.5	-	6,551.7
Loans and advances to customers	36,956.5	8,854.7	3,227.9	4,639.7	12,083.1	79,601.3	870.6	146,233.8
Investment securities	2,023.0	3,380.1	4,629.5	4,930.2	8,463.6	5,718.6	1,469.6	30,614.6
Investments in associates	-	-	-	-	-	-	7,223.3	7,223.3
Intangible assets	-	-	-	-	-	-	523.1	523.1
Property, plant and equipment	-	-	-	-	-	-	5,202.5	5,202.5
Deferred tax assets	-	-	-	-	-	-	194.3	194.3
Other assets	-	-	-	-	-	-	14,037.6	14,037.6
	58,325.6	14,707.7	8,892.8	10,158.7	20,968.6	85,471.4	29,881.6	228,406.4
Less allowances for credit impairment								(5,882.3)
								222,524.1
Subsidiaries								18,362.3
Total assets								**240,886.4**
Liabilities								
Deposits from banks	2,640.7	528.8	243.3	285.3	-	-	-	3,698.1
Deposits from customers	142,457.9	4,244.6	4,662.1	5,771.1	10,957.6	2,928.7	-	171,022.0
Derivative financial instruments	66.6	19.0	401.3	12.6	-	-	29.3	528.8
Other borrowed funds	5.6	-	1,285.6	1,468.9	1,274.9	3,530.6	-	7,565.6
Subordinated liabilities	-	-	-	-	-	5,409.1	-	5,409.1
Current tax liabilities	-	-	368.4	-	-	-	-	368.4
Other liabilities	705.2	-	-	-	-	-	5,235.8	5,941.0
	145,876.0	4,792.4	6,960.7	7,537.9	12,232.5	11,868.4	5,265.1	194,533.0
Subsidiaries								13,649.1
Total liabilities								**208,182.1**
Net liquidity gap	(87,550.4)	9,915.3	1,932.1	2,620.8	8,736.1	73,603.0	24,616.5	33,873.4
Less allowances for credit impairment								(5,882.3)
Subsidiaries								4,713.2
								32,704.3

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (Cont'd)

Maturities of assets and liabilities

PROFORMA At June 30, 2013 Assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Cash and cash equivalents	13,356.7	830.0	-	-	-	-	427.9	14,614.6
Derivative financial instruments	27.5	63.0	4.6	-	-	-	25.8	120.9
Loans to and placements with banks	1,236.1	1,191.3	77.5	43.4	1,121.2	-	-	3,669.5
Loans and advances to customers	37,589.0	11,557.1	3,049.7	2,196.6	9,553.7	78,449.3	634.9	143,030.3
Investment securities	930.3	2,761.0	4,357.9	4,831.1	2,205.9	1,226.5	962.2	17,274.9
Investments in associates	-	-	-	-	413.4	-	6,272.7	6,686.1
Goodwill and other intangible assets	-	-	-	-	-	-	691.9	691.9
Property, plant and equipment	-	-	-	-	-	-	5,442.0	5,442.0
Deferred tax assets	-	-	-	-	-	-	113.8	113.8
Other assets	-	-	-	-	-	-	10,739.7	10,739.7
	53,139.6	16,402.4	7,489.7	7,071.1	13,294.2	79,675.8	25,310.9	202,383.7
Less allowances for credit impairment								(4,058.8)
								198,324.9
Subsidiaries								18,202.7
Total assets								**216,527.6**
Liabilities								
Deposits from banks	2,271.4	458.6	223.7	454.9	-	-	-	3,408.6
Deposits from customers	117,822.2	10,222.6	3,547.7	6,006.5	7,277.6	6,042.1	-	150,918.7
Derivative financial instruments	58.1	50.0	8.4	0.4	-	-	443.8	560.7
Other borrowed funds	4,095.6	2,669.5	469.0	-	2,057.7	3,812.0	-	13,103.8
Current tax liabilities	-	-	241.9	-	-	-	-	241.9
Other liabilities	1,543.4	-	70.0	-	323.5	-	3,330.7	5,267.6
	125,790.7	13,400.7	4,560.7	6,461.8	9,658.8	9,854.1	3,774.5	173,501.3
Subsidiaries								12,898.9
Total liabilities								**186,400.2**
Net liquidity gap	(72,651.1)	3,001.7	2,929.0	609.3	3,635.4	69,821.7	21,536.4	28,882.4
Less allowances for credit impairment								(4,058.8)
Subsidiaries								5,303.8
								30,127.4

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(h) Fair value estimation

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

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

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

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of foreign exchange contracts is determined using forward 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 determined fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Group for similar financial instruments.

4. Cash and Cash Equivalents

	GROUP		PROFORMA GROUP	COMPANY	
	2015 RS'M	2014 RS'M	2013 RS'M	2015 RS'M	2014 RS'M
Cash in hand	**1,960.8**	2,456.7	2,386.4	**51.8**	3.2
Foreign currency notes and coins	**151.6**	151.2	102.7	**-**	-
Unrestricted balances with Central Banks	**2,911.2**	2,056.2	2,447.7	**-**	-
Balances due in clearing	**347.0**	389.2	536.8	**-**	-
Balances with local banks	**39.9**	61.8	14.5	**-**	-
Money market placements	**10,673.6**	5,129.4	5,385.0	**-**	-
Balances with banks abroad	**8,444.5**	8,457.9	4,127.3	**-**	-
Interbank loans	**-**	99.6	393.7	**-**	
	24,528.6	18,802.0	15,394.1	**51.8**	3.2

Cash and cash equivalents as shown in the Statements of Cash Flows:

	GROUP	PROFORMA GROUP		GROUP	COMPANY	
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M	Period ended 30th June 2014 RS'M
Cash and cash equivalents	**24,528.6**	18,802.0	15,394.1	18,802.0	**51.8**	3.2
Other borrowed funds (note 15(a))	**(1,241.1)**	(1,318.5)	(6,951.3)	(1,318.5)	**-**	-
Net cash and cash equivalents	**23,287.5**	17,483.5	8,442.8	17,483.5	**51.8**	3.2
Change in year/period	**5,804.0**	9,040.7	1,340.4	(1,005.9)	**48.6**	3.2

5. Derivative Financial Instruments

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

Except for certain currency swaps, no exchange of principal takes place. The Group'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 Group assesses counterparties using the same techniques as for its lending activities.

Warrant is a derivative financial instrument which gives the right, but not the obligation to buy or to sell a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period or on a specified date.

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

GROUP	**Contractual/ Nominal Amount RS'M**	**Fair value assets RS'M**	**Fair value liabilities RS'M**
Derivatives held-for-trading			
Year ended 30th June 2015			
Foreign Exchange & Interest Rate Derivatives			
Currency forwards	**3,928.1**	**49.5**	**35.9**
Interest rate swaps	**847.6**	**13.7**	**14.8**
Currency swaps	**18,841.8**	**201.6**	**58.3**
Warrants	**1,986.4**	**157.1**	**196.7**
	25,603.9	**421.9**	**305.7**
Derivatives held-for-trading			
Year ended 30th June 2014			
Foreign Exchange & Interest Rate Derivatives			
Currency forwards	3,180.3	59.7	58.7
Cross currency interest rate swaps	2,262.8	-	413.5
Interest rate swaps	970.2	21.7	21.6
Currency swaps	21,165.8	40.2	35.0
Warrants	714.2	124.9	124.8
Others	41.4	0.3	-
	28,334.7	246.8	653.6
PROFORMA			
Year ended 30th June 2013			
Foreign Exchange & Interest Rate Derivatives			
Currency forwards	2,827.7	28.1	30.7
Cross currency interest rate swaps	2,254.0	-	420.0
Interest rate swaps	831.2	25.5	23.8
Currency swaps	15,684.3	67.1	86.2
Others	81.1	0.3	-
	21,678.3	121.0	560.7

6. Loans

(a) Loans to and placements with banks

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
(i) Loans to and placements with banks			
in Mauritius	**3,212.1**	93.2	408.2
outside Mauritius	**24,773.9**	19,682.9	13,003.0
	27,986.0	19,776.1	13,411.2
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(19,158.0)**	(13,748.7)	(9,920.5)
	8,828.0	6,027.4	3,490.7
Less:			
Allowances for credit impairment	**(16.6)**	(17.4)	(10.0)
	8,811.4	6,010.0	3,480.7
(ii) Remaining term to maturity			
Up to 3 months	**4,206.8**	4,161.9	2,148.7
Over 3 months and up to 6 months	**250.3**	1,025.8	77.5
Over 6 months and up to 1 year	**4,018.9**	588.2	43.4
Over 1 year and up to 5 years	**176.0**	100.0	1,221.1
Over 5 years	**176.0**	151.5	-
	8,828.0	6,027.4	3,490.7

(iii) Allowances for credit impairment

PROFORMA GROUP	GROUP RS'M
Portfolio Provision:	
At 30th June 2012	8.0
Provision for credit impairment for the year	2.0
At 30th June 2013	10.0
Provision for credit impairment for the year	7.4
At 30th June 2014	17.4
GROUP	
At 1st July 2014	**17.4**
Provisions released during the year	**(0.8)**
At 30th June 2015	**16.6**

6. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
(i) Loans and advances to customers			
Retail customers:			
Credit cards	**662.6**	690.0	752.7
Mortgages	**19,401.1**	17,158.4	16,128.3
Other retail loans	**13,320.1**	12,350.3	11,865.3
Corporate customers	**105,950.6**	99,636.0	93,397.1
Governments	**1,209.2**	1,245.9	1,316.3
Entities outside Mauritius	**28,782.4**	25,227.7	28,796.7
	169,326.0	156,308.3	152,256.4
Less:			
Allowances for credit impairment	**(5,883.8)**	(6,207.1)	(4,221.7)
	163,442.2	150,101.2	148,034.7

Finance lease receivable included in Group loans amounts to Rs 3,585 million as at 30th June 2015 (2014 : Rs 3,220 million, 2013 : Rs 2,776 million).

(ii) Remaining term to maturity

	2015 RS'M	2014 RS'M	2013 RS'M
Up to 3 months	**48,781.0**	48,375.2	51,439.4
Over 3 months and up to 6 months	**4,139.1**	4,027.9	3,765.3
Over 6 months and up to 1 year	**5,738.7**	5,837.6	3,189.5
Over 1 year and up to 5 years	**44,023.9**	30,810.6	29,523.0
Over 5 years	**66,643.3**	67,257.0	64,339.2
	169,326.0	156,308.3	152,256.4

6. Loans (Cont'd)

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

(iii) Allowances for credit impairment

	Specific RS'M	Portfolio RS'M	Total RS'M
GROUP			
At 1st July 2014	**4,078.8**	**1,053.9**	**5,132.7**
Exchange adjustment	**121.4**	**-**	**121.4**
Provision for credit impairment for the year	**1,050.7**	**66.2**	**1,116.9**
Provision released during the year	**(51.3)**	**-**	**(51.3)**
Amounts written off	**(1,498.4)**	**-**	**(1,498.4)**
At 30th June 2015	**3,701.2**	**1,120.1**	**4,821.3**
Interest suspense	**1,062.5**	**-**	**1,062.5**
Provision and interest suspense at 30th June 2015	**4,763.7**	**1,120.1**	**5,883.8**
PROFORMA			
At 1st July 2013	2,287.4	1,023.8	3,311.2
Exchange adjustment	(11.5)	-	(11.5)
Provision for credit impairment for the year	2,082.0	30.1	2,112.1
Provision released during the year	(186.9)	-	(186.9)
Amounts written off	(92.2)	-	(92.2)
At 30th June 2014	4,078.8	1,053.9	5,132.7
Interest suspense	1,074.4	-	1,074.4
Provision and interest suspense at 30th June 2014	5,153.2	1,053.9	6,207.1
At 1st July 2012	1,510.9	933.0	2,443.9
Exchange adjustment	0.7	-	0.7
Provision for credit impairment for the year	980.9	90.8	1,071.7
Provision released during the year	(57.4)	-	(57.4)
Amounts written off	(147.7)	-	(147.7)
At 30th June 2013	2,287.4	1,023.8	3,311.2
Interest suspense	910.5	-	910.5
Provision and interest suspense at 30th June 2013	3,197.9	1,023.8	4,221.7

6. Loans (Cont'd)

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

(iv) Allowances for credit impairment by industry sectors

	GROUP						PROFORMA GROUP
	2015					2014	2013
	Gross amount of loans RS'M	Non performing loans RS'M	Specific provision RS'M	Portfolio provision RS'M	Total provision RS'M	Total provision RS'M	Total provision RS'M
Agriculture and fishing	8,056.2	926.3	36.8	9.3	46.1	33.7	61.0
Manufacturing	11,768.1	610.7	329.2	79.6	408.8	520.1	378.0
of which EPZ	*4,761.2*	*68.3*	*52.3*	*23.9*	*76.2*	*108.7*	*123.8*
Tourism	35,274.5	850.5	257.9	78.7	336.6	301.9	230.3
Transport	4,092.9	985.3	659.7	47.1	706.8	443.7	61.3
Construction	16,858.7	2,040.4	691.3	225.2	916.5	741.7	636.4
Financial and business services	15,326.9	128.1	73.8	51.3	125.1	119.2	128.4
Traders	20,825.3	1,419.1	778.6	164.2	942.8	1,175.8	506.8
Personal	30,632.9	2,293.8	967.7	181.7	1,149.4	1,227.1	1,202.3
of which credit cards	*852.1*	*73.7*	*44.2*	*12.0*	*56.2*	*69.0*	*68.2*
of which housing	*19,401.1*	*1,017.1*	*157.2*	*84.1*	*241.3*	*236.6*	*191.8*
Professional	1,120.0	317.3	172.6	18.9	191.5	56.6	52.9
Foreign governments	1,209.2	-	-	-	-	1.5	1.6
Global Business Licence holders	14,331.0	855.2	655.9	193.9	849.8	1,381.5	736.2
Others	9,830.3	328.1	140.2	70.2	210.4	204.3	226.5
	169,326.0	10,754.8	4,763.7	1,120.1	5,883.8	6,207.1	4,221.7

6. Loans (Cont'd)

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

(v) Credit concentration of risk by industry sectors

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

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Agriculture and fishing	**1,202.7**	1,044.3	994.5
Manufacturing	**2,305.1**	393.1	1,501.1
of which EPZ	***1,637.7***	*180.3*	178.3
Tourism	**11,116.7**	13,973.6	16,322.0
Transport	**108.3**	119.5	110.9
Construction	**2,086.8**	1,806.2	1,630.7
Financial and business services	**16,447.7**	8,123.2	8,514.4
Traders	**18,964.5**	8,804.4	7,792.4
Global Business Licence holders	**1,146.0**	1,113.6	326.6
Others	**739.4**	540.2	685.1
	54,117.2	35,918.1	37,877.7

7. Investment Securities

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
At fair value through profit or loss	**0.7**	0.1	0.2
Held-to-maturity	**42,945.5**	30,780.9	18,105.4
Available-for-sale	**7,423.1**	4,654.3	4,341.4
	50,369.3	35,435.3	22,447.0

At fair value through profit or loss comprise financial instruments including investments in unquoted overseas collective investment scheme.

(a) (i) Held-to-maturity

	2015	2014	2013
Government of Mauritius and Bank of Mauritius bonds	**26,702.3**	15,428.4	3,550.2
Treasury bills	**15,491.3**	14,996.0	14,294.3
Foreign bonds	**722.5**	327.1	29.3
Mauritius Development Loan Stocks	**-**	-	231.6
Other	**29.4**	29.4	-
	42,945.5	30,780.9	18,105.4

(ii) Remaining term to maturity

	2015					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
GROUP						
Government of Mauritius and Bank of Mauritius bonds	**68.9**	**200.1**	**1,181.5**	**20,250.2**	**5,001.6**	**26,702.3**
Treasury bills	**5,832.2**	**5,245.9**	**4,413.2**	**-**	**-**	**15,491.3**
Foreign bonds	**351.6**	**-**	**176.0**	**194.9**	**-**	**722.5**
Other	**-**	**-**	**-**	**29.4**	**-**	**29.4**
	6,252.7	**5,446.0**	**5,770.7**	**20,474.5**	**5,001.6**	**42,945.5**

7. Investment Securities (Cont'd)

(b) Available-for-sale

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Quoted - Level 1			
Official list: shares	**1,638.2**	811.7	533.7
Bonds	**1,228.1**	30.0	-
Development and Enterprise Market: shares	**628.9**	490.8	341.3
Foreign shares	**723.4**	488.2	745.1
Unquoted - Level 2			
Investment fund	**101.0**	92.1	-
Unquoted - Level 3			
Shares	**2,384.1**	2,345.4	2,329.6
Investment fund	**510.6**	187.3	182.9
Inflation - indexed Government of Mauritius bonds	**208.8**	208.8	208.8
	7,423.1	4,654.3	4,341.4

8. Investments in Associates

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

	Nature of business	Principal place of business	Country of incorporation	Holding % Direct	Holding % Effective
2015					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Reunion**	**France**	**-**	**49.99**
Promotion and Development Ltd*	**Investment and Property development**	**Mauritius**	**Mauritius**	**0.13**	**46.50**
Caudan Development Ltd*	**Property development, investment and provision of security services**	**Mauritius**	**Mauritius**	**-**	**34.51**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Mauritius**	**40.00**	**40.00**
2014					
Banque Française Commerciale Ocean Indien	Banking & financial services	Reunion	France	-	49.99
Promotion and Development Ltd	Investment and Property development	Mauritius	Mauritius	-	46.39
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Mauritius	-	34.52
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Mauritius	40.00	40.00
PROFORMA 2013					
Banque Française Commerciale Ocean Indien	Banking & financial services	Reunion	France	49.99	49.99
Promotion and Development Ltd	Investment and Property development	Mauritius	Mauritius	-	46.40
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Mauritius	-	34.53
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Mauritius	40.00	40.00

(i) The above associates are accounted for using the equity method.

(ii) Except for Banque Française Commerciale Ocean Indien and Credit Guarantee Co Ltd which are unquoted, the other associates are quoted and held through a subsidiary company.

*The effective percentage of the associates reflects the holding of Fincorp Investment Ltd and MCB Group Limited.

GROUP	GROUP 2015 RS'M	GROUP 2014 RS'M	PROFORMA GROUP 2013 RS'M
Group share of net assets	**6,496.7**	6,429.1	5,903.1
Goodwill	**56.9**	56.9	56.9
Subordinated loans to associate	**701.0**	737.3	726.1
	7,254.6	7,223.3	6,686.1

8. Investments in Associates (Cont'd)

(b) Summarised financial information in respect of Banque Française Commerciale Ocean Indien which is material to the entity:

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
(i) Summarised statement of financial position:			
Current assets	**9,587.0**	7,607.9	5,032.4
Non current assets	**56,281.1**	57,307.3	56,521.8
Current liabilities	**19,530.8**	18,817.0	19,488.6
Non current liabilities	**40,521.2**	40,500.1	37,187.8
(ii) Summarised statement of profit or loss and other comprehensive income:			
Revenue	**4,259.0**	4,430.1	4,386.0
Dividend received	**95.8**	100.4	-
Profit	**691.5**	825.1	473.2
Other comprehensive income	**(271.7)**	106.5	164.1

8. Investments in Associates (Cont'd)

(c) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening net assets RS'M	Profit RS'M	Other Comprehensive Income RS'M	Dividend RS'M	Closing net assets RS'M	Ownership Interest %	Interest in Associates RS'M	Goodwill RS'M	Subordinated Loan RS'M	Carrying Value RS'M
2015										
Banque Française Commerciale Ocean Indien	**5,598.1**	**691.5**	**(271.7)**	**(201.8)**	**5,816.1**	**49.99%**	**2,907.5**	**56.9**	**701.0**	**3,665.4**
2014										
Banque Française Commerciale Ocean Indien	4,877.8	825.1	106.5	(211.3)	5,598.1	49.99%	2,798.6	56.9	737.3	3,592.8
PROFORMA 2013										
Banque Française Commerciale Ocean Indien	4,240.5	473.2	164.1	-	4,877.8	49.99%	2,438.2	56.9	726.1	3,221.2

(d) Aggregate information of associates that are not individually material

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Carrying amount of interests	**3,589.2**	3,630.5	3,464.9
Share of profits	**29.1**	127.7	20.7
Share of other comprehensive (expense)/income	**(44.7)**	67.4	117.0

AT COST

	COMPANY	
	2015 RS'M	2014 RS'M
At 1st July 2014	**15.6**	-
Acquired through the Scheme of Arrangement (Note 37)	**-**	12.0
Additions	**5.0**	3.6
At 30th June 2015	**20.6**	15.6

9. Investments in Subsidiaries

(a) The Group has the following subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital RS'M	Effective Holding 2015 %	Proportion of ownership interests held by non-controlling interests 2015 %	Effective Holding 2014 %	Proportion of ownership interests held by non-controlling interests 2014 %	Cost of Investment Company 2015 RS'M	Cost of Investment Company 2014 RS'M
BANKING									
Direct									
MCB Investment Holding Ltd	Mauritius	Activities of holding companies, without managing	**6,879.6**	**100.00**	**-**	100.00	-	**6,879.6**	2,379.6
Indirect									
The Mauritius Commercial Bank Limited	Mauritius	Banking & Financial services	**6,879.6**	**100.00**	**-**	100.00	-	**-**	-
MCB Seychelles Ltd	Seychelles	Banking & Financial services	**37.9**	**100.00**	**-**	100.00	-	**-**	-
MCB Madagascar SA	Madagascar	Banking & Financial services	**130.1**	**85.00**	**15.00**	85.00	15.00	**-**	-
MCB Moçambique SA	Mozambique	Banking & Financial services	**127.7**	**95.00**	**5.00**	95.00	5.00	**-**	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	**352.6**	**100.00**	**-**	100.00	-	**-**	-
NON-BANKING FINANCIAL									
Direct									
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	**2,084.6**	**100.00**	**-**	100.00	-	**2,084.6**	2,084.6
MCB Capital Markets Ltd	Mauritius	Investment Holding Company	**75.0**	**96.06**	**3.94**	96.01	3.99	**73.0**	72.9
MCB Factors Ltd	Mauritius	Factoring	**50.0**	**100.00**	**-**	100.00	-	**50.0**	50.0
OTHER INVESTMENTS									
Direct									
International Card Processing Services Ltd	Mauritius	Providing card system facilities, card embossing and encoding services	**100.0**	**80.00**	**20.00**	80.00	20.00	**80.0**	80.0
Fincorp Investment Ltd	Mauritius	Investment Company	**103.4**	**57.73**	**42.27**	57.56	42.44	**28.7**	24.7
MCB Properties Ltd	Mauritius	Property ownership & development	**14.6**	**100.00**	**-**	100.00	-	**14.6**	14.6
Blue Penny Museum	Mauritius	Philatelic museum	**1.0**	**97.88**	**2.12**	97.88	2.12	**1.0**	1.0
MCB Consulting Services Ltd	Mauritius	Consulting, advisory, support and maintenance services	**24.6**	**100.00**	**-**	-	-	**21.5**	-
								9,233.0	4,707.4

Except for Fincorp Investment Ltd which is quoted, the other above companies are unquoted.

The fair value of the Company's interest in Fincorp Investment Ltd was Rs 1,211.2 million at 30th June 2015(2014: Rs 1,195.8 million , 2013 : Rs 1,070.8 million).

9. Investments in Subsidiaries (Cont'd)

	COMPANY	
	2015	2014
	RS'M	RS'M
(b) At 1st July	**4,707.4**	-
Additions*	**4,525.6**	-
Acquired through the Scheme of Arrangement (note 37)	-	2,379.6
Acquired through dividend in specie (note 37)	-	2,327.8
At 30th June	**9,233.0**	4,707.4

* Additions comprise of Rs 4.5 billion acquired through rights issue.

9. Investments in Subsidiaries (Cont'd)

(c) Details of Fincorp Investment Ltd which has non-controlling interests that are material to the entity.

	Profit attributable to non-controlling interests RS'M	Net Assets attributable to non-controlling interests RS'M
GROUP		
2015	**29.1**	**1,587.2**
PROFORMA GROUP		
2014	68.2	1,595.6
2013	21.0	1,484.2

(d) Summarised financial information for Fincorp Investment Ltd which has material non-controlling interests.

	GROUP		PROFORMA GROUP
	2015 RS'M	**2014 RS'M**	**2013 RS'M**
(i) Summarised statement of financial position:			
Current assets	**576.8**	414.5	435.1
Non current assets	**7,950.5**	7,688.5	7,302.1
Current liabilities	**262.9**	252.9	200.7
Non current liabilities	**4,890.1**	4,353.0	4,070.2
(ii) Summarised statement of profit or loss and other comprehensive income:			
Revenue	**423.8**	538.4	436.4
Profit	**68.8**	160.1	49.6
Other comprehensive income	**19.8**	133.3	124.7
Total comprehensive income	**88.6**	293.4	174.3
Dividend paid to non-controlling interests	**19.7**	13.2	11.0
(iii) Summarised statement of cash flows:			
Net cash flows from operating activities	**42.1**	(472.6)	356.1
Investing activities	**(265.3)**	(42.6)	(379.6)
Financing activities	**-**	436.9	(26.2)
Net decrease in cash and cash equivalents	**(223.2)**	(78.3)	(49.7)

The summarised financial information above is the amount before intra-group eliminations.

10. Goodwill and Other Intangible Assets

(a) Goodwill

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
At 30th June /Acquired through the Scheme of Arrangement (note 37)	**52.8**	52.8	52.8

(b) Other intangible assets

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Computer Software			
Cost			
At 1st July	**2,903.3**	-	2,499.3
Acquired through the Scheme of Arrangement (note 37)	**-**	2,767.9	-
Additions	**160.8**	154.5	252.3
Scrap/Impairment	**(12.8)**	(14.3)	(9.3)
Exchange adjustment	**15.6**	(4.8)	(10.2)
At 30th June	**3,066.9**	2,903.3	2,732.1
Amortisation			
At 1st July	**2,044.9**	-	1,575.3
Acquired through the Scheme of Arrangement (note 37)	**-**	1,988.5	-
Scrap/Impairment	**(12.8)**	(14.3)	(9.3)
Charge for the year	**247.0**	72.1	241.9
Exchange adjustment	**0.2**	(1.4)	(0.8)
At 30th June	**2,279.3**	2,044.9	1,807.1
Net book value	**787.6**	858.4	925.0
TOTAL	**840.4**	911.2	977.8

11. Property, Plant and Equipment

	Land and buildings RS'M	Computer and other equipment RS'M	Furniture, fittings and vehicles RS'M	Work in progress RS'M	Total RS'M
GROUP					
Deemed cost					
At 2nd April 2014					
Acquired through the Scheme of Arrangement (note 37)	4,825.5	3,061.8	1,451.3	48.3	9,386.9
Additions	24.6	43.0	32.6	38.7	138.9
Disposals	(2.6)	(24.0)	(40.8)	-	(67.4)
Exchange adjustment	(2.7)	(2.1)	(2.8)	-	(7.6)
Transfer	-	9.8	12.2	(22.0)	-
At 30th June 2014	**4,844.8**	**3,088.5**	**1,452.5**	**65.0**	**9,450.8**
Additions	**10.6**	**172.4**	**298.5**	**50.9**	**532.4**
Disposals	**-**	**(71.3)**	**(153.2)**	**-**	**(224.5)**
Exchange adjustment	**22.6**	**8.8**	**(2.0)**	**-**	**29.4**
Transfer	**(0.9)**	**81.3**	**10.0**	**(90.4)**	**-**
At 30th June 2015	**4,877.1**	**3,279.7**	**1,605.8**	**25.5**	**9,788.1**
Accumulated depreciation					
At 2nd April 2014					
Acquired through the Scheme of Arrangement (note 37)	634.0	2,058.9	626.0	-	3,318.9
Charge for the period	21.0	75.0	40.7	-	136.7
Disposal adjustment	(0.6)	(20.3)	(25.8)	-	(46.7)
Exchange adjustment	(0.5)	(1.4)	(1.5)	-	(3.4)
At 30th June 2014	**653.9**	**2,112.2**	**639.4**	**-**	**3,405.5**
Charge for the year	**79.7**	**276.3**	**156.7**	**-**	**512.7**
Disposal adjustment	**-**	**(69.4)**	**(100.2)**	**-**	**(169.6)**
Exchange adjustment	**6.1**	**3.0**	**(3.1)**	**-**	**6.0**
At 30th June 2015	**739.7**	**2,322.1**	**692.8**	**-**	**3,754.6**
Net book values					
At 30th June 2015	**4,137.4**	**957.6**	**913.0**	**25.5**	**6,033.5**
At 30th June 2014	4,190.9	976.3	813.1	65.0	6,045.3

11. Property, Plant and Equipment (Cont'd)

	Assets under finance leases RS'M	Land and buildings RS'M	Computer and other equipment RS'M	Furniture, fittings and vehicles RS'M	Work in progress RS'M	Total RS'M
PROFORMA GROUP						
At 1st July 2012	0.6	4,644.6	2,936.2	1,465.6	37.5	9,084.5
Additions	-	149.5	106.2	293.9	146.9	696.5
Disposals	-	(26.0)	(153.0)	(311.4)	-	(490.4)
Exchange adjustment	-	34.5	9.8	5.1	-	49.4
Transfer	-	22.2	94.1	33.3	(149.7)	(0.1)
At 30th June 2013	0.6	4,824.8	2,993.3	1,486.5	34.7	9,339.9
Additions	-	81.9	124.2	142.4	74.9	423.4
Disposals	-	(42.6)	(44.7)	(179.9)	-	(267.2)
Exchange adjustment	-	(19.3)	(14.4)	(11.6)	-	(45.3)
Transfer	(0.6)	-	30.1	15.1	(44.6)	-
At 30th June 2014	-	4,844.8	3,088.5	1,452.5	65.0	9,450.8
Accumulated depreciation						
At 1st July 2012	0.6	499.1	1,652.4	616.3	-	2,768.4
Charge for the year	-	78.6	315.6	161.6	-	555.8
Disposal adjustment	-	(3.4)	(137.6)	(166.2)	-	(307.2)
Exchange adjustment	-	8.7	1.2	0.2	-	10.1
At 30th June 2013	0.6	583.0	1,831.6	611.9	-	3,027.1
Charge for the year	-	79.2	328.0	153.1	-	560.3
Disposal adjustment	-	(4.3)	(39.4)	(120.5)	-	(164.2)
Transfer	(0.6)	-	0.6	-	-	-
Exchange adjustment	-	(4.0)	(8.6)	(5.1)	-	(17.7)
At 30th June 2014	-	653.9	2,112.2	639.4	-	3,405.5
Net book values						
At 30th June 2014	-	4,190.9	976.3	813.1	65.0	6,045.3
At 30th June 2013	-	4,241.8	1,161.7	874.6	34.7	6,312.8
COMPANY						
Additions	-	-	-	4.0	-	4.0
At 30th June 2015	-	-	-	4.0	-	4.0
Accumulated depreciation						
Charge for the year	-	-	-	0.8	-	0.8
At 30th June 2015	-	-	-	0.8	-	0.8
Net book values at 30th June 2015	-	-	-	3.2	-	3.2

12. Deferred Tax Assets/(Liabilities)

	Balance as at 1st July	Exchange adjustments	Recognised in Statements of profit or loss	Recognised in Statements of profit or loss and other comprehensive income	Balance as at 30th June
	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP					
The movement on the deferred income tax account is as follows :-					
Year ended 30th June 2015					
Deferred tax assets :					
Provisions and post retirement benefits	**254.1**	**-**	**(0.7)**	**(16.8)**	**236.6**
Provision for credit impairment	**132.9**	**1.8**	**86.5**	**-**	**221.2**
Tax losses carried forward	**15.7**	**-**	**(13.4)**	**-**	**2.3**
Accelerated tax depreciation	**(177.0)**	**5.3**	**(1.4)**	**-**	**(173.1)**
	225.7	**7.1**	**71.0**	**(16.8)**	**287.0**
Deferred tax liabilities :					
Accelerated tax depreciation	**(59.1)**	**(0.2)**	**9.1**	**-**	**(50.2)**
	166.6	**6.9**	**80.1**	**(16.8)**	**236.8**
PROFORMA GROUP					
Year ended 30th June 2014					
Deferred tax assets :					
Provisions and post retirement benefits	208.4	-	5.2	40.5	254.1
Provision for credit impairment	5.9	-	127.0	-	132.9
Tax losses carried forward	17.0	-	(1.3)	-	15.7
Accelerated tax depreciation	(7.4)	0.6	(170.2)	-	(177.0)
	223.9	0.6	(39.3)	40.5	225.7
Deferred tax liabilities :					
Provision for credit impairment	94.7	-	(94.7)	-	-
Accelerated tax depreciation	(231.4)	0.6	171.7	-	(59.1)
	(136.7)	0.6	77.0	-	(59.1)
	87.2	1.2	37.7	40.5	166.6

12. Deferred Tax Assets/(Liabilities) (Cont'd)

	Balance as at 1st July RS'M	Exchange adjustments RS'M	Recognised in Statements of profit or loss RS'M	Recognised in Statements of profit or loss and other comprehensive income RS'M	Balance as at 30th June RS'M
Year ended 30th June 2013					
Deferred tax assets :					
Provisions and post retirement benefits	180.3	-	4.3	23.8	208.4
Provision for credit impairment	5.8	-	0.1	-	5.9
Tax losses carried forward	20.0	-	(3.0)	-	17.0
Accelerated tax depreciation	(10.9)	(3.0)	6.5	-	(7.4)
	195.2	(3.0)	7.9	23.8	223.9
Deferred tax liabilities :					
Provision for credit impairment	78.4	-	16.3	-	94.7
Accelerated tax depreciation	(211.7)	0.3	(20.0)	-	(231.4)
	(133.3)	0.3	(3.7)	-	(136.7)
	61.9	(2.7)	4.2	23.8	87.2

COMPANY

Year ended 30th June 2015

Deferred tax liabilities :					
Accelerated tax depreciation	**-**	**-**	**(0.1)**	**-**	**(0.1)**

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13. Other Assets

	GROUP		PROFORMA GROUP	COMPANY	
	2015	2014	2013	2015	2014
	RS'M	RS'M	RS'M	RS'M	RS'M
Mandatory balances with Central Banks	**14,270.1**	12,356.6	9,882.3	**-**	-
Accrued interest receivable	**1,365.6**	1,117.8	1,089.8	**-**	-
Prepayments & other receivables	**987.5**	785.2	574.1	**1,089.2**	858.9
Receivable from Mauritius Union Assurance Co Ltd	**25.0**	50.0	75.0	**-**	-
Credit Card Clearing	**245.8**	364.2	171.3	**-**	-
Non-banking assets acquired in satisfaction of debts	**57.5**	55.8	51.4	**-**	-
Margin deposit under Credit Support Annex	**-**	431.5	461.3	**-**	-
Impersonal and other accounts	**1,072.4**	724.5	544.3	**-**	-
	18,023.9	15,885.6	12,849.5	**1,089.2**	858.9

14. Deposits

	GROUP		PROFORMA GROUP
	2015	2014	2013
	RS'M	RS'M	RS'M
(a) Deposits from banks			
Other deposits	**2,156.5**	1,058.8	793.6
Money market deposits with remaining term to maturity:			
Up to 3 months	**248.5**	591.3	912.1
Over 6 months and up to 1 year	**-**	9.5	31.5
	248.5	600.8	943.6
	2,405.0	1,659.6	1,737.2

14. Deposits (Cont'd)

	GROUP		PROFORMA GROUP
	2015	2014	2013
	RS'M	RS'M	RS'M
(b) Deposits from customers			
(i) Retail customers			
Demand deposits	**21,943.1**	16,824.6	12,894.8
Savings deposits	**88,225.8**	75,999.7	69,704.3
Time deposits with remaining term to maturity:			
Up to 3 months	**4,055.9**	3,640.8	4,415.7
Over 3 months and up to 6 months	**2,234.9**	3,013.8	2,742.1
Over 6 months and up to 1 year	**5,086.2**	4,776.3	5,206.7
Over 1 year and up to 5 years	**11,548.8**	11,169.9	11,138.2
Over 5 years	**56.5**	31.9	4.9
	22,982.3	22,632.7	23,507.6
	133,151.2	115,457.0	106,106.7
(ii) Corporate customers			
Demand deposits	**61,661.6**	47,007.9	36,400.3
Savings deposits	**6,847.0**	6,916.7	6,487.1
Time deposits with remaining term to maturity:			
Up to 3 months	**5,846.5**	5,211.1	7,034.6
Over 3 months and up to 6 months	**2,210.9**	2,098.3	1,390.8
Over 6 months and up to 1 year	**2,018.1**	1,892.4	1,653.0
Over 1 year and up to 5 years	**1,456.5**	2,044.5	1,766.6
Over 5 years	**2,754.8**	2,896.8	2,838.2
	14,286.8	14,143.1	14,683.2
	82,795.4	68,067.7	57,570.6
(iii) Government			
Demand deposits	**492.1**	410.0	282.1
Savings deposits	**28.6**	19.1	84.4
Time deposits with remaining term to maturity:			
Up to 3 months	**688.6**	263.9	235.5
Over 3 months and up to 6 months	**108.7**	110.6	21.7
Over 6 months and up to 1 year	**11.8**	99.6	74.8
Over 1 year and up to 5 years	**-**	-	0.2
	809.1	474.1	332.2
	1,329.8	903.2	698.7
	217,276.4	184,427.9	164,376.0

15. Other Borrowed Funds

(a) Other borrowed funds comprise the following:

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Borrowings from banks:			
in Mauritius	**765.6**	678.0	555.5
abroad	**7,004.4**	5,799.2	10,976.6
Debt securities*	**-**	1,857.1	1,860.6
Other	**1,711.5**	544.9	-
	9,481.5	8,879.2	13,392.7
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**1,241.1**	1,318.5	6,951.3

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

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

	2015 RS'M	2014 RS'M	2013 RS'M
ZAR 200 million maturing in January 2015 at an average interest rate of 6.6%	**-**	571.4	-
ZAR 100 million maturing in December 2014 at an average interest rate of 6.8%	**-**	285.7	310.1
ZAR 350 million maturing in December 2014 at an average interest rate of 7.4%	**-**	1,000.0	1,085.4
ZAR 150 million maturing in December 2013 at an average interest rate of 6.1%	**-**	-	465.1
	-	1,857.1	1,860.6

(b) Remaining term to maturity:

	2015 RS'M	2014 RS'M	2013 RS'M
On demand or within a period not exceeding 1 year	**2,225.3**	3,024.7	7,408.7
Within a period of more than 1 year but not exceeding 2 years	**231.2**	1,416.1	2,112.2
Within a period of more than 2 years but not exceeding 3 years	**214.5**	119.3	31.2
Within a period of more than 3 years	**6,810.5**	4,319.1	3,840.6
	9,481.5	8,879.2	13,392.7

16. Subordinated Liabilities

(a) Subordinated liabilities comprise the following:

		GROUP		COMPANY	
		2015 RS'M	2014 RS'M	2015 RS'M	2014 RS'M
Rs4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 6% (Level 1)	(i)	**4,500.0**	4,500.0	**4,500.0**	-
USD30M Subordinated debt maturing in August 2023 at an average interest rate of 3.5 % (Level 3)	(ii)	**1,055.7**	909.1	**-**	-
		5,555.7	5,409.1	**4,500.0**	-

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

(i) As part of its capital-raising plans, The Mauritius Commercial Bank Limited had made an offer to the public for the issue of Rs3 billion worth of floating rate subordinated notes due in 2023, with an option to issue up to Rs4.5 billion, in case of oversubscription. The offer closed on 19th July 2013 and applications were received for a total of Rs6.3 billion from which The Mauritius Commercial Bank Limited decided to retain the maximum amount of Rs4.5 billion.

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

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

(ii) The Mauritius Commercial Bank Limited obtained a USD30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD150M granted by the latter to allow The Mauritius Commercial Bank Limited to increase its foreign currency lending to clients operating in the region and in mainland Africa.

17. Post Employee Benefits Liabilities

Amounts recognised in the financial statements at end of year

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
Reconciliation of net defined benefit liability			
Opening balance/Acquired through the Scheme of Arrangement	**1,151.0**	846.2	658.8
Amount recognised in statements of profit or loss	**309.5**	265.0	240.8
Amount recognised in statements of profit or loss and other comprehensive income	**(112.0)**	269.9	158.4
Less employer contributions	**(314.3)**	(230.1)	(211.8)
Liability as shown in note 18	**1,034.2**	1,151.0	846.2
Reconciliation of fair value of plan assets			
Opening balance	**4,703.3**	4,326.6	3,824.0
Interest income	**379.9**	347.9	384.6
Employer contributions	**314.3**	230.1	211.8
Benefits paid	**(220.5)**	(185.1)	(167.6)
Return on plan assets excluding interest income	**120.9**	(16.2)	73.8
Closing balance	**5,297.9**	4,703.3	4,326.6
Reconciliation of present value of defined benefit obligation			
Opening balance	**5,854.3**	5,172.8	4,482.8
Current service cost	**229.7**	206.3	185.3
Interest expense	**459.7**	406.6	440.1
Other benefits paid	**(220.5)**	(185.1)	(167.6)
Liability experience loss/(gain)	**20.8**	(31.3)	-
Liability gain due to change in demographic assumptions	**-**	-	(247.0)
Liability (gain)/loss due to change in financial assumptions	**(11.9)**	285.0	479.2
Closing balance	**6,332.1**	5,854.3	5,172.8
Components of amount recognised in statements of profit or loss			
Current service cost	**229.7**	206.3	185.3
Net interest on net defined benefit liability	**79.8**	58.7	55.5
Total	**309.5**	265.0	240.8
Components of amount recognised in statement of profit or loss and other comprehensive income			
Return on plan assets (above)/below interest income	**(120.9)**	16.2	(73.8)
Liability experience loss/(gain)	**20.8**	(31.3)	-
Liability gain due to change in demographic assumptions	**-**	-	(247.0)
Liability (gain)/loss due to change in financial assumptions	**(11.9)**	285.0	479.2
Total	**(112.0)**	269.9	158.4

17. Post Employee Benefits Liabilities (Cont'd)

	GROUP		PROFORMA GROUP
	2015	2014	2013
Allocation of plan assets at end of period	%	%	%
Equity - Local quoted	**22**	22	20
Equity - Local unquoted	**2**	2	2
Debt - Overseas quoted	**9**	11	13
Debt - Local quoted	**4**	3	0
Debt - Local unquoted	**3**	4	8
Property - Local	**4**	4	4
Investment funds	**39**	37	35
Cash and other	**17**	17	18
Total	**100**	100	100
Allocation of plan assets at end of period	%	%	%
Reporting entity's own transferable financial instruments	**6**	5	5
Property occupied by reporting entity	**2**	3	3
Other assets used by reporting entity	**11**	14	17
Principal assumptions used at end of period			
Discount rate	**7.0%**	8.0%	8.0%
Rate of salary increases	**5.0%**	6.5%	6.5%
Rate of pension increases	**4.5%**	5.5%	4.5%
Average retirement age (ARA)	**62**	62	62
Average life expectancy for:			
Male at ARA	**18.0 years**	18.0 years	18.0 years
Female at ARA	**22.5 years**	22.5 years	22.5 years

	2015 RS'M	2014 RS'M	2013 RS'M
Sensitivity analysis on defined benefit obligation at end of period			
Increase due to 1% decrease in discount rate	**1,219.2**	1,152.7	N/A
Decrease due to 1% increase in discount rate	**942.7**	830.9	N/A

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation. It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

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

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

17. Post Employee Benefits Liabilities (Cont'd)

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

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

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

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

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

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

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

Future cash flows

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

Expected employer contribution for the next year (Rs M)	239.5
Weighted average duration of the defined benefit obligation	17 years

Defined contribution scheme

As from 1st July 2015, The Mauritius Commercial Bank Limited has introduced a Defined Contribution Cash Balanced scheme for its employees.

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

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

18. Other Liabilities

	GROUP		PROFORMA GROUP	COMPANY	
	2015 RS'M	2014 RS'M	2013 RS'M	2015 RS'M	2014 RS'M
Accrued interest payable	**874.5**	1,144.9	1,089.7	**4.4**	-
Post employee benefits liability (note 17)	**1,034.2**	1,151.0	846.2	**-**	-
MCB Superannuation Fund	**664.3**	705.2	746.7	**-**	-
Proposed dividend	**892.7**	797.2	796.7	**892.7**	797.2
Impersonal & other accounts	**3,250.7**	2,896.3	2,468.0	**37.8**	16.6
	6,716.4	6,694.6	5,947.3	**934.9**	813.8

19. Stated Capital And Reserves

Share Capital

	Number of shares
At 2nd April 2014	
Issue of shares through the Scheme of Arrangement	**237,960,247**
Issue of shares following the exercise of Group Employee Share Options Scheme	**17,014**
At 30th June 2014	**237,977,261**
Issue of shares following the exercise of Group Employee Share Options Scheme	**68,818**
At 30th June 2015	**238,046,079**

The shares have no par value and rank 'pari passu' in all respect with the existing ordinary shares of the company.

Reserves

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.

Translation reserve

The translation reserve represents all foreign currency differences arising from the translation of the results and financial position of foreign operations.

Statutory reserve

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

General banking reserve

The Group makes an appropriation to a General banking reserve for unforeseen risks and future losses.

20. Contigent Liabilities

	GROUP		PROFORMA GROUP
	2015 RS'M	2014 RS'M	2013 RS'M
(a) Instruments			
Acceptances on account of customers	**275.3**	92.5	203.6
Guarantees on account of customers	**16,654.8**	17,261.7	17,586.5
Letters of credit and other obligations on account of customers	**16,878.9**	30,774.9	19,253.1
Other contingent items	**11,888.1**	15,953.8	10,985.2
	45,697.1	64,082.9	48,028.4
(b) Commitments			
Loans and other facilities, including undrawn credit facilities	**4,633.0**	4,660.7	5,237.8
(c) Tax assessments*	**797.2**	272.1	121.6
(d) Other			
Inward bills held for collection	**490.3**	491.5	524.8
Outward bills sent for collection	**803.6**	1,043.0	1,177.6
	1,293.9	1,534.5	1,702.4
	52,421.2	70,550.2	55,090.2

*During the period December 2011 to June 2015, the subsidiary company (The Mauritius Commercial Bank Limited) received income tax assessments relating to the years ended 30th June 2007, 30th June 2008 ,30th June 2009, 30th June 2010, 30th June 2011 and 30th June 2012 respectively against which The Mauritius Commercial Bank Limited has objected.

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

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

21. Interest Income

	GROUP	PROFORMA GROUP		GROUP	COMPANY
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M
Loans to and placements with banks	**227.9**	198.4	221.4	51.9	**-**
Loans and advances to customers	**11,150.7**	10,703.1	10,667.2	2,531.6	**-**
Held to maturity investments	**1,419.8**	1,040.3	719.6	321.5	**-**
Available-for-sale investments	**35.3**	0.1	-	-	**-**
Other	**10.6**	11.8	8.1	1.7	**-**
	12,844.3	11,953.7	11,616.3	2,906.7	**-**

22. Interest Expense

Deposits from banks	**6.3**	6.2	2.2	1.4	**-**
Deposits from customers	**4,253.4**	4,216.9	4,354.7	1,047.6	**-**
Subordinated liabilities	**304.9**	262.7	-	77.8	**4.4**
Other borrowed funds	**125.5**	211.6	212.3	38.1	**-**
	4,690.1	4,697.4	4,569.2	1,164.9	**4.4**

23. Fee and Commission Income

Retail banking fees	**662.7**	442.0	251.8	115.6	**-**
Corporate banking fees	**581.0**	486.6	415.3	214.4	**-**
Guarantee fees	**223.2**	226.3	247.4	57.7	**-**
Interbank transaction fees	**51.5**	52.2	42.5	13.7	**-**
Brokerage	**22.6**	33.6	14.1	8.4	**-**
Asset management fees	**112.5**	99.9	87.3	26.7	**-**
Rental income	**110.8**	117.1	137.4	33.1	**-**
Cards and other related fees	**1,391.9**	1,276.3	1,082.9	331.6	**-**
Trade finance fees	**666.8**	652.0	744.3	183.8	**-**
Others	**325.1**	240.6	170.6	69.9	**-**
	4,148.1	3,626.6	3,193.6	1,054.9	**-**

24. Fee and Commission Expense

Interbank transaction fees	**31.9**	14.2	11.2	5.4	**-**
Cards and other related fees	**664.9**	624.6	511.7	157.9	**-**
Others	**86.9**	99.9	41.3	15.9	**0.1**
	783.7	738.7	564.2	179.2	**0.1**

25. Net Gain/(Loss) from Financial Instruments Carried at Fair Value

	GROUP	PROFORMA GROUP		GROUP	COMPANY
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M
Net gain from derivatives	**78.8**	79.9	206.1	3.2	**-**
Investment securities at fair value through profit or loss	**69.0**	(27.2)	0.2	(27.2)	**-**
	147.8	52.7	206.3	(24.0)	**-**

26. Dividend Income

	GROUP	PROFORMA GROUP		GROUP	COMPANY	
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M	Period ended 30th June 2014 RS'M
Cash						
Income from quoted investments:						
Subsidiary	**-**	-	-	-	**35.8**	-
Others	**41.4**	27.1	22.2	13.1	**0.1**	-
Income from unquoted investments:						
Subsidiary	**-**	-	-	-	**1,852.0**	858.5
Others	**44.8**	34.0	14.9	3.6	**-**	-
	86.2	61.1	37.1	16.7	**1,887.9**	858.5
In specie						
Income from unquoted investments:						
Subsidiaries	**-**	-	-	-	**-**	2,327.8
Associate	**-**	-	-	-	**-**	12.0
	-	-	-	-	**-**	2,339.8
	86.2	61.1	37.1	16.7	**1,887.9**	3,198.3

27. Non-Interest Expense

(a) Salaries and human resource development

	GROUP	PROFORMA GROUP		GROUP	COMPANY	
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M	Period ended 30th June 2014 RS'M
Wages and salaries	**2,246.5**	1,944.0	1,833.9	445.9	**51.8**	9.6
Compulsory social security obligations	**60.0**	52.6	54.4	11.6	**-**	-
Equity settled share-based payments	**1.5**	6.4	1.9	2.2	**-**	-
Other personnel expenses	**466.9**	491.5	463.8	104.0	**-**	-
	2,774.9	2,494.5	2,354.0	563.7	**51.8**	9.6
Number of employees	**3,135**	3,011	2,955	3,011	**-**	-

(b) Other non-interest expense

	GROUP	PROFORMA GROUP		GROUP	COMPANY	
Software licensing and other information technology cost	**258.5**	245.9	218.1	64.1	**-**	-
Others	**1,423.0**	1,458.3	1,292.3	363.1	**22.6**	3.5
	1,681.5	1,704.2	1,510.4	427.2	**22.6**	3.5

(c) Share-based payments

As part of the scheme of arrangement, the Group proposed to all employees a Group Employee Share Option Scheme (GESOS) in replacement of the previous Employee Share Option Scheme(ESOS). During FY 2014, all outstanding options under ESOS were cancelled and replaced by options to subscribe for shares in MCB Group Limited under GESOS.

The Board of Directors has the authority to issue up to 5 million shares to the employees. In October 2014, a further offer of 507,223 options was made on similar terms.

	GROUP		PROFORMA GROUP			
	2015		2014		2013	
	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 1st July	**176.47**	**399,032**	149.93	462,426	154.88	530,483
Expired during the year	**176.29**	**(373,659)**	149.96	(434,588)	154.97	(519,141)
Granted during the year	**193.85**	**507,223**	177.52	540,456	151.36	615,428
Exercised under ESOS			174.66	(152,248)	155.36	(164,344)
Transferred to GESOS				416,046		
Exercised during the year/period under GESOS	**185.88**	**(68,818)**	186.11	(17,014)		
Outstanding and exercisable at 30th June		**463,778**		399,032		462,426

The options outstanding at 30th June 2015 under GESOS have an exercise price in the range of Rs 193.25 to Rs 216.25 and a weighted average contractual life of 3½ months (under GESOS-2014 & ESOS-2013: 3½ months).

The weighted average share price at the date the share options were exercised under GESOS during F/Y 14/15 was Rs 203.09 (2014:Rs 215, under ESOS-2013:Rs 180.60).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of MCB Group Limited. The fair value at measurement date is Rs 210.75(2014:Rs 194.50, under ESOS-2013: Rs 164).

28. Net impairment of financial assets

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

	GROUP	PROFORMA GROUP		GROUP
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M
Allowance for credit impairment	**1,126.8**	1,989.0	1,081.0	1,018.8
Impairment of available-for-sale	**36.3**	50.1	-	-
	1,163.1	2,039.1	1,081.0	1,018.8

(a) Allowance for credit impairment

	GROUP 2015	PROFORMA 2014	PROFORMA 2013	GROUP 2014
Provision for bad and doubtful debts:				
Loans to and placements with banks	**-**	7.4	2.0	-
Loans and advances to customers	**1,116.9**	2,112.1	1,071.7	943.6
Bad debts written off for which no provisions were made	**89.3**	89.7	94.1	89.7
Provision released during the year:				
Loans to and placements with banks	**(0.8)**	-	-	-
Loans and advances to customers	**(51.3)**	(186.9)	(57.4)	(3.0)
Recoveries of advances written off	**(27.3)**	(33.3)	(29.4)	(11.5)
	1,126.8	1,989.0	1,081.0	1,018.8

29. Income Tax Expense

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

	GROUP	PROFORMA GROUP		GROUP	COMPANY	
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M	Period ended 30th June 2014 RS'M
Income tax based on the adjusted profits	**790.3**	669.4	664.6	162.1	**-**	-
Deferred tax	**(80.1)**	(37.7)	(4.2)	(28.3)	**0.1**	-
Special levy on banks	**362.6**	332.5	185.6	90.8	**-**	-
Corporate social responsibility contribution	**66.9**	63.0	59.1	-	**-**	-
(Over)/Underprovision in previous years	**(10.6)**	5.4	12.8	-	**-**	-
Charge for the year/period	**1,129.1**	1,032.6	917.9	224.6	**0.1**	-

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

	GROUP	PROFORMA GROUP		GROUP	COMPANY	
Profit before tax	**6,900.3**	5,485.7	5,296.8	1,466.5	**1,808.2**	3,185.2
Less share of profit of associates	**(374.8)**	(540.2)	(257.3)	(156.9)	**-**	-
	6,525.5	4,945.5	5,039.5	1,309.6	**1,808.2**	3,185.2
Tax calculated at a rate of 15%	**978.8**	741.8	755.9	196.4	**271.2**	477.8
Effect of different tax rates	**53.3**	40.5	61.1	(5.4)	**-**	-
Impact of:						
Income not subject to tax	**(162.1)**	(68.2)	(26.1)	(37.1)	**(283.3)**	(479.7)
Expenses not deductible for tax purposes	**168.0**	155.4	105.4	82.9	**1.1**	1.4
Tax credits	**(327.8)**	(237.8)	(235.9)	(103.0)	**-**	-
Special levy on banks	**362.6**	332.5	185.6	90.8	**-**	-
Corporate social responsibility contribution	**66.9**	63.0	59.1	-	**-**	-
Deferred tax asset not recognised	**-**	-	-	-	**11.1**	0.5
(Over)/Under provision in previous years	**(10.6)**	5.4	12.8	-	**-**	-
Tax charge	**1,129.1**	1,032.6	917.9	224.6	**0.1**	-

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

	GROUP	PROFORMA GROUP		GROUP
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M
Remeasurement of defined benefits pension plan	**(112.0)**	269.9	158.4	269.9
Deferred tax	**16.8**	(40.5)	(23.8)	(40.5)
	(95.2)	229.4	134.6	229.4

30. Dividend

	COMPANY	
	2015 RS'M	2014 RS'M
	737.8	-
Paid on 22nd December 2014 at Rs 3.10 per share	**892.7**	797.2
Paid on 31st July 2015 at Rs 3.75 per share(FY 2014: Rs 3.35 per share)	**1,630.5**	797.2

31. Earnings Per Share

(a) Basic earnings per share

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

	GROUP	PROFORMA GROUP		GROUP
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M
Profit attributable to the ordinary equity holders of the parent	**5,722.0**	4,365.0	4,344.7	1,217.7
Weighted average number of ordinary shares (thousands)	**238,014**	237,977	237,718	237,977
Basic earnings per share (Rs)	**24.04**	18.34	18.28	5.12

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares which is share options.

For share options, the proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration.

	GROUP	PROFORMA GROUP		GROUP
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M
Profit attributable to the ordinary equity holders of the parent	**5,722.0**	4,365.0	4,344.7	1,217.7
Weighted average number of ordinary shares basic (thousands)	**238,014**	237,977	237,718	237,977
Effect of share options in issue (thousands)	**49**	69	90	69
Weighted average number of ordinary shares diluted (thousands) at year end	**238,063**	238,046	237,808	238,046
Diluted earnings per share (Rs)	**24.04**	18.34	18.27	5.12

32. Commitments

(a) Capital commitments

	GROUP		PROFORMA GROUP
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M
Expenditure contracted for but not incurred	**117.6**	79.8	77.1
Expenditure approved by the Board but not contracted for	**304.4**	25.9	22.7

(b) Securities pledged

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

	GROUP	PROFORMA GROUP	
	2015 RS'M	2014 RS'M	2013 RS'M
Government of Mauritius bonds	**2,941.3**	2,442.7	2,064.8

33. Net Cash Flows from Trading Activities

	GROUP	PROFORMA GROUP		GROUP	COMPANY	
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M	Year ended 30th June 2015 RS'M	Period ended 30th June 2014 RS'M
Operating profit	**6,525.5**	4,945.5	5,039.5	1,309.6	**1,808.2**	3,185.2
Increase in interest receivable and other assets	**(2,032.8)**	(3,179.8)	(1,281.5)	(1,256.9)	**(230.3)**	(858.9)
Increase/(Decrease) in other liabilities	**12.6**	473.5	300.3	(739.9)	**25.6**	13.0
Dividend in specie	**-**	-	-	-	**-**	(2,339.8)
Net (increase)/decrease in derivatives	**(523.0)**	(32.9)	136.9	39.5	**-**	-
(Increase)/Decrease in investment securities at fair value through profit or loss	**(0.6)**	0.1	78.3	-	**-**	-
Group employee share option expenses	**-**	3.9	1.6	-	**-**	-
(Release)/Additional provision for employee benefits	**(4.8)**	34.9	29.0	34.9	**-**	-
Charge for credit impairment	**1,116.9**	2,119.5	1,073.7	943.6	**-**	-
Release of provision for credit impairment	**(52.1)**	(186.9)	(57.4)	(3.0)	**-**	-
Exchange loss/(profit)	**109.6**	(158.4)	(401.9)	15.1	**-**	-
Depreciation	**512.7**	560.3	555.8	136.7	**0.8**	-
Amortisation of intangible assets	**247.0**	266.3	241.9	72.1	**-**	-
Profit on disposal of property, plant and equipment	**(6.0)**	(41.5)	(38.4)	(3.7)	**-**	-
Impairment of available-for-sale investments	**36.3**	50.1	-	-	**-**	-
Profit on disposal of available-for-sale investments	**(97.3)**	(611.3)	(23.9)	(597.6)	**-**	-
Gain on a bargain purchase	**(4.5)**	-	-	-	**-**	-
	5,839.5	4,243.3	5,653.9	(49.6)	**1,604.3**	(0.5)

34. Net Cash Flows from Other Operating Activities

	GROUP	PROFORMA GROUP		GROUP
	Year ended 30th June 2015 RS'M	Year ended 30th June 2014 RS'M	Year ended 30th June 2013 RS'M	Period ended 30th June 2014 RS'M
Net increase in deposits	**32,959.9**	20,742.5	14,504.9	2,551.4
Net (increase)/decrease in loans and advances	**(16,861.9)**	(7,016.0)	(13,848.0)	1,358.9
Increase in held to maturity investment securities	**(12,098.2)**	(12,833.6)	(5,714.9)	(3,754.1)
Net increase/(decrease) in other borrowed funds	**2,537.7**	1,122.2	2,780.6	(1,011.7)
	6,537.5	2,015.1	(2,277.4)	(855.5)

35. Operating Segments

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

Year ended 30th June 2015

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**18,688.0**	18,028.2	1,032.2	298.4	(670.8)
Expenses	**(10,999.4)**	(10,483.3)	(625.5)	(308.2)	417.6
Operating profit before impairment	**7,688.6**	7,544.9	406.7	(9.8)	(253.2)
Net impairment of financial assets	**(1,163.1)**	(1,156.7)	(6.4)	-	-
Operating profit	**6,525.5**	6,388.2	400.3	(9.8)	(253.2)
Share of profit of associates	**374.8**	345.7	0.7	28.4	-
Profit before tax	**6,900.3**	6,733.9	401.0	18.6	(253.2)
Income tax expense	**(1,129.1)**				
Profit for the year	**5,771.2**				
Other segment items:					
Segment assets	**271,630.8**	271,329.9	8,738.3	765.8	(9,203.2)
Investments in associates	**7,254.6**	3,665.4	15.1	3,590.0	(15.9)
Goodwill and other intangible assets	**840.4**				
Deferred tax assets	**287.0**				
Total assets	**280,012.8**				
Segment liabilities	**235,292.3**	234,485.3	7,124.5	1,167.0	(7,484.5)
Unallocated liabilities	**7,038.3**				
Total liabilities	**242,330.6**				

35. Operating Segments (Cont'd)

PROFORMA GROUP

Year ended 30th June 2014

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	17,711.0	17,212.6	973.6	182.7	(657.9)
Expenses	(10,726.4)	(10,288.8)	(561.9)	(194.5)	318.8
Operating profit before impairment	6,984.6	6,923.8	411.7	(11.8)	(339.1)
Net impairment of financial assets	(2,039.1)	(1,985.0)	(54.1)	-	-
Operating profit	4,945.5	4,938.8	357.6	(11.8)	(339.1)
Share of profit of associates	540.2	412.5	0.8	126.9	-
Profit before tax	5,485.7	5,351.3	358.4	115.1	(339.1)
Income tax expense	(1,032.6)				
Profit for the year	4,453.1				
Other segment items:					
Segment assets	232,526.2	235,231.0	5,980.5	946.5	(9,631.8)
Investments in associates	7,223.3	3,592.8	14.5	3,631.9	(15.9)
Goodwill and other intangible assets	911.2				
Deferred tax assets	225.7				
Total assets	240,886.4				
Segment liabilities	201,517.7	201,136.0	4,995.6	1,075.2	(5,689.1)
Unallocated liabilities	6,664.4				
Total liabilities	208,182.1				

35. Operating Segments (Cont'd)

PROFORMA GROUP

Year ended 30th June 2013

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	16,156.8	15,690.1	697.3	152.6	(383.2)
Expenses	(10,036.3)	(9,618.0)	(532.3)	(181.6)	295.6
Operating profit before impairment	6,120.5	6,072.1	165.0	(29.0)	(87.6)
Net impairment of financial assets	(1,081.0)	(1,076.8)	(4.2)	-	-
Operating profit	5,039.5	4,995.3	160.8	(29.0)	(87.6)
Share of profit of associates	257.3	236.5	2.0	18.8	-
Profit before tax	5,296.8	5,231.8	162.8	(10.2)	(87.6)
Income tax expense	(917.9)				
Profit for the year	4,378.9				
Other segment items:					
Segment assets	208,639.8	208,307.4	4,957.1	840.2	(5,464.9)
Investments in associates	6,686.1	3,221.2	13.7	3,469.5	(18.3)
Goodwill and other intangible assets	977.8				
Deferred tax assets	223.9				
Total assets	216,527.6				
Segment liabilities	185,217.2	184,799.2	4,159.0	1,040.3	(4,781.3)
Unallocated liabilities	1,183.0				
Total liabilities	186,400.2				

35. Operating Segments (Cont'd)

Year ended 30th June 2015

	GROUP RS'M
External gross income:	
Banking	**18,028.2**
Non-Banking Financial	**1,032.2**
Other Investments	**298.4**
Eliminations	**(670.8)**
	18,688.0

	GROUP RS'M	Net interest income/(expenses) RS'M	Net fee and commissions RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**12,714.4**	8,051.1	3,096.6	284.4	1,282.3
Non-Banking Financial	**736.0**	141.3	437.5	51.6	105.6
Other Investments	**243.6**	(38.2)	(7.9)	3.3	286.4
Eliminations	**(479.8)**	-	(161.8)	(253.1)	(64.9)
	13,214.2	8,154.2	3,364.4	86.2	1,609.4
Segment assets	**242,202.8**	236,828.2		5,374.6	
Investments in associates	**7,254.6**				
Goodwill and other intangible assets	**840.4**				
Deferred tax assets	**287.0**				
Unallocated assets	**29,428.0**				
Total assets	**280,012.8**				

35. Operating Segments (Cont'd)

PROFORMA GROUP
Year ended 30th June 2014

	GROUP RS'M
External gross income:	
Banking	**17,212.6**
Non-Banking Financial	**973.6**
Other Investments	**182.7**
Eliminations	**(657.9)**
	17,711.0

	GROUP RS'M	Net interest income RS'M	Net fee and commissions RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**11,915.3**	7,170.4	2,634.7	359.2	1,751.0
Non-Banking Financial	**664.4**	85.9	353.9	47.4	177.2
Other Investments	**174.2**	-	-	-	174.2
Eliminations	**(479.0)**	-	(100.7)	(345.5)	(32.8)
	12,274.9	7,256.3	2,887.9	61.1	2,069.6
Segment assets	**205,542.0**	201,405.9		4,136.1	
Investments in associates	**7,223.3**				
Goodwill and other intangible assets	**911.2**				
Deferred tax assets	**225.7**				
Unallocated assets	**26,984.2**				
Total assets	**240,886.4**				

35. Operating Segments (Cont'd)

PROFORMA GROUP
Year ended 30th June 2013

	GROUP RS'M
External gross income:	
Banking	15,690.1
Non-Banking Financial	697.3
Other Investments	152.6
Eliminations	(383.2)
	16,156.8

	GROUP RS'M	Net interest income RS'M	Net fee and commissions RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	10,701.7	6,975.6	2,420.1	91.7	1,214.3
Non-Banking Financial	406.6	71.5	293.9	29.7	11.5
Other Investments	144.1	-	8.9	-	135.2
Eliminations	(229.0)	-	(93.5)	(84.3)	(51.2)
	11,023.4	7,047.1	2,629.4	37.1	1,309.8
Segment assets	184,003.9	180,054.2		3,949.7	
Investments in associates	6,686.1				
Goodwill and other intangible assets	977.8				
Deferred tax assets	223.9				
Unallocated assets	24,635.9				
Total assets	216,527.6				

36. Related Party Transactions

(a) The Group

	Associated companies	Directors and Key Management Personnel	Enterprises in which Directors and Key Management Personnel have significant interest	Defined benefit plan
	RS'M	RS'M	RS'M	RS'M
Loans and Advances				
Balance at year end:				
30th June 2014	2,704.1	70.4	614.5	-
30th June 2015	**3,217.0**	**73.7**	**616.5**	**-**
Leases receivable				
Balance at year end:				
30th June 2013 (proforma)	-	-	0.4	-
30th June 2014	-	-	-	-
30th June 2015	**-**	**-**	**0.6**	**-**
Deposits				
Balance at year end:				
30th June 2013 (proforma)	512.7	177.8	90.7	746.7
30th June 2014	457.8	210.1	25.9	705.2
30th June 2015	**170.3**	**241.3**	**41.6**	**664.3**
Amounts due from				
Balance at year end:				
30th June 2013 (proforma)	3.4	-	-	-
30th June 2014	4.1	-	-	-
30th June 2015	**3.9**	**-**	**-**	**-**
Off Balance sheet items				
Balance at year end:				
30th June 2013 (proforma)	-	0.3	337.6	-
30th June 2014	-	-	10.5	-
30th June 2015	**-**	**-**	**5.4**	**-**
Interest income				
For the year ended:				
30th June 2013 (proforma)	151.0	1.8	2.7	-
30th June 2014	135.6	2.4	8.4	-
30th June 2015	**106.8**	**2.6**	**10.2**	**-**
Interest expense				
For the year ended:				
30th June 2013 (proforma)	11.5	3.2	1.1	**25.3**
30th June 2014 (proforma)	6.8	3.3	1.1	**24.7**
30th June 2015	**4.2**	**2.8**	**0.4**	**22.5**
Other income				
For the year ended:				
30th June 2013 (proforma)	9.6	0.4	3.5	**-**
30th June 2014 (proforma)	10.0	0.5	3.6	**-**
30th June 2015	**9.6**	**0.5**	**0.5**	**2.6**

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

36. Related Party Transactions (Cont'd)

(a) The Group (Cont'd)

The figure for "other income" from Associated Companies includes an element, representing management fees charged to associated companies in respect of salaries, notional rental of office space and provision of technical, administrative and other assistance to local Group companies. It also includes an amount of Rs 3.9 M, Rs 4.1M and Rs 4.1 M respectively for 2015, 2014, and 2013 in respect of management fees charged to BFCOI.

IT and Systems support to two of the above companies is provided by BFCOI who has claimed EUR 49,910 and EUR 276,950 from MCB Seychelles Ltd and MCB Madagascar SA respectively. These amounts have been charged to our subsidiaries' profit or loss and consolidated in Group non-interest expense.

During the year, 7,588 share options were exercised by key management personnel, including executive directors, for an amount of Rs 1.5 M (FY2013/2014 50,110 share options for Rs 9.7M, FY 2012/13: 55,587 share options for Rs 9.1M).

(b) The Company

In addition to the amounts disclosed in (a) above, the following information relate to subsidiaries and associate of the Company:

(i) Balances as at 30th June:

Subsidiaries	**Amount owed by RS'M**	**Amount owed to RS'M**
2014	862.1	16.7
2015	**1,138.0**	12.8

(ii) Income and expenses for the period ended:

Subsidiaries	**Dividend income RS'M**	**Other expense RS'M**
30th June 2014	3,198.3	3.5
30th June 2015	**1,887.8**	13.2
Associate		
30th June 2015	**0.1**	-

(c) Key Management Personnel compensation

	GROUP		**PROFORMA GROUP**	**COMPANY**	
	2015 RS'M	**2014 RS'M**	**2013 RS'M**	**2015 RS'M**	**2014 RS'M**
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows:					
Salaries and short term employee benefits	**154.8**	143.0	126.2	**38.3**	6.6
Post employment benefits	**18.4**	12.7	15.4	**4.2**	1.0
	173.2	155.7	141.6	**42.5**	7.6

37. SCHEME OF ARRANGEMENT ("the Scheme")

(a) Following the resolutions voted by the shareholders of The Mauritius Commercial Bank Limited ("MCB") at the Special Meeting held in December 2013, The Supreme Court (Bankruptcy Division) has approved the Scheme of Arrangement (the "Scheme") on 17th February 2014 under Sections 261 to 264 of the Companies Act 2001, effective on 21st February 2014. Accordingly, the shareholders of The Mauritius Commercial Bank Limited ("MCB") exchanged their ordinary shares held in MCB for ordinary shares in MCB Group Limited ("MCBG") on a 1:1 ratio. Following the above exchange MCBG exchanged all its shares held in MCB for ordinary shares in MCB Investment Holding Limited (MCBIH).

MCB Investment Holding Limited (MCBIH) received by way of a distribution in specie from MCB, the shares held by the latter in the non-banking subsidiaries and associates of the Group for a total value of Rs. 2,339,811,823.44. These shares were immediately redistributed by way of distribution in specie from MCBIH to MCBG, the company for a similar amount.

Group	**2014 RS'M**
Recognised amounts of identifiable assets acquired and liabilities assumed :	
Cash and cash equivalents	**19,164.2**
Derivative financial instruments	**183.7**
Loan and advances	**158,786.3**
Investment securities	**32,128.7**
Investments in associates	**6,900.7**
Goodwill and intangible assets	**832.2**
Property, plant and equipment	**6,068.0**
Deferred tax assets	**128.7**
Other assets	**14,648.9**
Total assets	**238,841.4**
Deposits	**183,945.1**
Derivative financial instruments	**157.6**
Other borrowed funds	**9,241.4**
Subordinated liabilities	**5,404.6**
Current tax liabilities	**293.1**
Deferred tax liabilities	**42.8**
Other liabilities	**6,728.5**
Total liabilities	**205,813.1**
Total identifiable net assets	**33,028.3**
Non-controlling interests	**(1,725.9)**
	31,302.4
Represented by:	
Equity attributable to the ordinary equity holders of the parent	**31,302.4**

Company

Investments in subsidiaries and associates following the Scheme of Arrangement and distribution in specie are as follows:

Through the Scheme of Arrangement:	
Investment in MCBIH	**2,379.6**
Dividend in specie:	
Investment in subsidiaries: Non-banking financial	**2,207.5**
: Other investments	**120.3**
	2,327.8
Investment in associate : Non-banking financial	**12.0**
	2,339.8
	4,719.4

(b) Net cash and cash equivalents acquired through the Scheme of Arrangement is made up of:

Cash and cash equivalents	**19,164.2**
Other borrowed funds	**(674.8)**
	18,489.4

38. EVENT AFTER THE REPORTING PERIOD

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

The financial effect is not expected to be significant on the Group's results.

2015 in retrospect

2015 in retrospect

JIOI 2015

MCB Group was the top sponsor of the 2015 Indian Ocean Island Games held in Reunion Island. It also supported the national teams of Mauritius, Seychelles and Maldives


MCB

2015 in retrospect

Make A Wish

Grand River South East Government School won the 2015 edition of Make A Wish and will dedicate a classroom to the rich history of their village

Innoved

Keats College was one of the winners of the INNOVED 2015 competition fostering innovation in education with a redesigned laptop bag

MCB Foundation Scholarship

MCB Foundation Scholarship 2015 was awarded to Omar Auleear

Bubka

Pole vault legend Sergei Bubka was at MCB Saint Jean to boost the morale of Mauritian athletes participating at the 2015 Indian Ocean Island Games

Duo

40 school leavers were recruited through Duo, the dual traineeship programme run in collaboration with the Mauritius Chamber of Commerce & Industry and the Ministry of Labour, Industrial Relations, Employment and Training

SEMYIA

Loreto College Curepipe won the first prize of the Stock Exchange of Mauritius Young Investor Award

JUICE Casting

After casting more than 500 persons invited via MCB's Facebook page, MCB Cards chose 12 persons to promote the new version of Juice

2015 in retrospect

Rodrigues Scholarship

MCB Rodrigues Scholarship: The 2015 Rodrigues Scholarship was awarded to Jean Westley Collet

Finlease

Finlease was a major attraction at the annual Engen Motor Show

Refill Winners

Thanks to MCB Refill, three customers won an all-inclusive trip to the Indian Ocean Island Games in Réunion

Ginola

Former English Premier League star and current Canal + broadcaster David Ginola coached the kids of the MCB Football Academy at Poste de Flacq

MCB Tour

Paul Wesselingh successfully defended his title in the MCB Tour Championship, overcoming Barry Lane in an epic finale

MCB Rodrigues 25 years

MCB celebrated 25 years of presence in Rodrigues with a fun run and a road relay

MCBFA Rodrigues

A new football acaemy was opened at Patate Théophile in Rodrigues

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