Banque des Mascareignes Ltée

Consolidated and Separate Financial Statements

For the year ended 31 December 2015

Contents

CORPORATE INFORMATION

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MANAGEMENT DISCUSSION AND ANALYSIS

I. Financial Highlights

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
Income Statement (Rs' million)						
Net interest income	**445**	464	419	**424**	450	412
Revenue	**654**	670	602	**607**	649	584
Profit before tax	**47**	48	107	**44**	65	134
Profit for the year	**47**	64	85	**45**	82	111
Statement of Financial Position (Rs' million)						
Total assets	**22,594**	20,998	18,583	**22,359**	20,820	18,322
Total loans (net)	**16,299**	16,253	13,930	**16,169**	16,172	13,844
Total deposits	**18,171**	15,136	11,768	**17,867**	14,877	11,503
Shareholders' fund	**1,718**	1,699	1,577	**1,779**	1,761	1,657
Risk weighted assets	**16,818**	16,376	15,144	**16,467**	16,071	14,720
Performance Ratios (%)						
Return on average assets	**0.2**	0.4	0.4	**0.2**	0.5	0.6
Return on average equity	**2.8**	4.3	6.1	**2.6**	5.2	7.5
Non-interest income/revenue	**32.0**	30.8	30.5	**30.1**	30.7	29.5
Loans to deposits ratio	**89.7**	107.4	116.4	**90.5**	108.7	118.3
Cost to income ratio	**80.3**	77.4	83.7	**79.9**	74.3	78.9
Asset Quality (%)						
Non-performing loan ratio	**17.0**	14.6	15.2	**16.9**	14.6	15.2
Provision coverage ratio	**44.5**	57.5	61.7	**44.7**	57.5	61.7

MANAGEMENT DISCUSSION AND ANALYSIS

I. Financial Highlights (continued)

Performance against objectives for the Bank

Objectives for FY 2015	Performance in FY 2015	Objectives for FY 2016
Return on average equity (ROE)		
In view of the current economic and competitive environment, ROE is targeted to be above 6%.	Return on average equity stood at 3%, due to a lower total operating income.	ROE is expected to increase to around 4% in 2016.
Return on average assets (ROA)		
ROA is expected to be above 0.5%.	ROA was below target at 0.2% for the year due to a lower level of income compared to budget.	Return on average assets expected to increase marginally.
Revenue		
In spite of low yields on treasury bills, net interest income is anticipated to grow by more than 10% for the year. Other operating income is expected to increase at least by 15%.	With the difficult economic conditions and lower yields on treasury bills linked to high liquidity situation, net interest income declined by 6%. Other operating income decreased by 9%, driven by a fall of 15% in net fee and commission income.	Net interest income is anticipated to grow by 14% for the FY 2016. Other operating income should improve at least by 10%.
Operating expenses		
With the implementation of various projects, including the migration of the core banking system, operating expenses are expected to surge by 10% next year.	In line with diligent cost management and operational efficiency gains achieved, growth in operating expenses was contained to 0.4% compared to last year.	The coming year will partly bear the impact of depreciation and amortisation charges linked to the migration of the core banking system realised in the coming years. As a result, operating costs are anticipated to grow by about 11%.
Cost to income ratio		
Cost to income ratio should drop below the level of 70% in 2015.	In view of the fall in revenue, the cost to income ratio increased to 79.9% in financial year 2015.	In spite of the rise in operating costs, the Bank's cost to income ratio is anticipated to improve slightly in FY 2016.
Loans and advances (net) growth		
Growth of 14% in loans and advances book is forecasted for the year.	Given the challenges in the current operating environment, the Bank’s loans and advances remained stable.	The loan book is expected to grow by 19%.
Deposits growth		
Deposits growth is expected to be around 14% in financial year 2015.	Deposits grew at an appreciable rate of 20% supported mostly by non resident clients.	Deposits are expected to decrease by 7%.
Asset quality		
NPL and provision coverage ratio are expected to improve.	NPL ratio increased to 16.9% while provision coverage ratio fell to 44.7% in 2015.	NPL and provision coverage ratio are expected to stay at satisfactory level.
Capital management		
Capital Adequacy Ratio is expected to be maintained above 11%.	The capital adequacy ratio was at 10.20%.	The Bank's CAR is expected to be maintained above the regulatory requirement level of 10%

MANAGEMENT DISCUSSION AND ANALYSIS

II. Review of the Operating Environment

International Economic Outlook

The global economy witnessed the strengthening of some economies while emerging and developing countries acknowledged a contraction specially attributed to a fall in their commodity prices and tightened financial situations.

The US economy maintained with growth and job creation while the Eurozone picked up slowly despite the Greek financial crisis in August 2015. The Chinese stock market faced a financial crisis as a result of the depreciation of the Yuan. Developing countries indicated a growth of 4.3% in 2015, the weakest growth since 2009. Despite the timid global economic growth encountered in 2015, growth in the sub-Saharan region for 2015 was 3.4% (compared to 5% in 2014) and is expected to be around 4.2% in 2016.

According to IMF, world economic growth is for 2015 is projected at 3.1% and 3.6% for 2016. The projected growth is based on the assumptions that:

1) advanced economies maintain a stable and robust recovery
2) emerging and developing economies recover on the back of spillovers from stronger activity in advanced economies
3) a progressive return to trend growth rates in countries which faced economic distresss in 2015 (eg. Brazil)

Mauritian economy

It is reassuring to note that macroeconomic priorities have been the focus of domestic public's attention in the past. Mauritius continues to register positive growth amid international economic uncertainties. However, the economic slowdown in the Euro zone has affected economic growth given Mauritius's dependency on tourists, trade and foreign direct investment (FDI) from Europe.

In an economic environment marked by restrained growth coupled by a low national savings rate, low productivity, low competitiveness of our main export sectors and declining interest rates, Mauritius faces the daunting challenge of leaving the 'middle-income trap' to reach the 'high income economy'.

Mauritius strives to maintain its position and reputation as an easy country for doing business (32nd out of 189 economies and 1st in the sub-Saharan region) with enhanced processes for investors to start a business in the country. According to World Bank global economic outlook 2016, growth for 2015 was registered at 3.4% (3.5% for 2014) and is expected to reach 3.7% in 2016. With a slowdown in world economic growth, the inflation rate for 2015 in Mauritius was 1.3%. Growth has been noted in many sectors (except in construction which witnessed a decline for the last years).

Macroeconomic indicators

		2012	2013	2014	2015(1)	2016(2)
GDP growth at market prices	%	3.2	3.2	3.5	3.6	3.9
CPI inflation	%	3.9	3.5	3.2	1.3	1.3
Unemployment rate	%	8.0	8.0	7.8	8.0	8.0
Budget deficit as a % of GDP	%	1.8	3.5	3.2	3.8	3.8

(1) Estimates (2) Forecasts

MANAGEMENT DISCUSSION AND ANALYSIS

II. Review of the Operating Environment (Continued)

Inflation and CPI

The CPI acknowledged a rise of 1.4pts in December 2015 (106.9) compared to December 2014 (105.5) mainly due to a rise in the vegetables, ready-made clothing and various food products despite a fall in air tickets, gasoline and interest on home loans.

The headline inflation rate fell from 3.2% as at December 2014 to 1.3% as at 31 December 2015. This fall in inflation rate reflects:

1) weakened oil and commodity prices on the global market
2) Subdued domestic demand causing relative declines in transport and telecommunication prices on the local market.

Inflation is expected to resume its gradual uptrend, partly explained by the statistical impact of recent past increases of the CPI but will remain under control bearing in mind the delicate economic context.

Unemployment

As a sub-Saharan leading economy, Mauritius is no stranger to unemployment woes. According to Statistics Mauritius, unemployment rate is projected at 8% for 2015. As at 30th September 2015, the unemployment rate was at 7.8%. The increase in unemployment rate is partly attributed to a slow down of FDI on the Mauritian economy.

Out of 42,600 unemployed 40% were males and 60% were females. Keeping with global trends of increasing youth unemployment, 49% of unemployed are aged below 25 years. One of the main reasons of youth unemployment is the skills mismatch which the Government is trying to align through its development strategy of education and training.

Banking sector

The Bank of Mauritius has reviewed down the Key Repo Rate (KRR) in the last Monetary Pricing Committee (MPC) to 4.40% after having maintained the previous rate KRR of 4.65% for 16 months. This fall in KRR was done with a view to give a good to the economic activities for the coming months. As a result, many banks have reviewed their savings rate as well as their Prime Lending Rate (PLR).

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review

Business Segments Review

Corporate Banking

During the year under review, Corporate Banking segment continued building strong client relationships and strengthening capabilities to deliver a superior client service. As 31 December 2015, Banque des Mascareignes Ltée offers a wide range of tailor-made corporate and finance solutions to meet the needs of customers under this segment. With experienced Relationship Managers on hand to oversee the corporate banking portfolio, customers will receive a service that they can rely on.

The challenge during the year 2015 was to maintain margins and volumes within the Bank's risk appetite in a market where competition intensified. Advances grew slightly by 2% during the financial year 2015. Deposits in Corporate segment experienced a growth of 2% with a balanced mix in rupee deposits and foreign currency deposits.

During the past year, major clients from various sectors were taken on board.The Corporate Banking segment has targeted most of the Top 100 Companies in Mauritius in order to diversify assets book. Looking ahead, this segment is aiming to further improve performance through better penetration of Top 100 Companies and expansion of the customer base to include the 300 / 500 Top Corporates.

Retail Banking

The Retail Banking segment has a network of branches well spread over the island and a foreign exchange desk at the SSR International Airport. Delivering a high level of customer service, retaining existing customers and acquiring new customers are the key objectives of this segment. Customers need quick and effective service in this modern era and are becoming more and more demanding as time goes on. Consequently the Bank always ensures that the proper products and services are marketed and channelled to them depending on their profile and needs.

Although tough market conditions continue to prevail, retail loans showed an impressive growth of 24%, on the back of an enhanced value proposition, and its deposits book stood at stable levels compared to last year.

Whilst the operating environment is likely to remain delicate, the ongoing drive to reinforce the value proposition and improve service quality should sustain the increase in market share and revenues. Consequently to meet up the challenges of this highly competitive market, the Bank is revamping its private banking and SME banking units early in 2016, in view of improving client proximity, visibility and better personalise client relationship.

Global Business Banking

Leveraging on the image and reputation of Mauritius as an International Financial Centre par excellence, the Global Business Desk continued its business expansion during the year under review with a remarkable increase of 61% and 57% in its deposits base and loans and advances book respectively.

The strategy of the Global Business for coming years is to diversify its revenues sources

The strategy of the Global Business for coming years relies on improving the 'revenue per client' ratio and diversifying its customer base, with a specific focus on BPCE Group network and customers.

International Banking

The Bank further developed and nurtured its business relationships with key Lead Mandated Arrangers on the syndication market. However, due to some unexpected prepayments and a more selective approach in a context of a rapid decrease in pricing, the Segment B loan book witnessed a fall of 32% in its loans and advances book compared to last year.

Going forward, an expected growth in 2016 of the loans and advances book of this segment will be sustained and improved by further developing synergies with other banks within the BPCE Group.

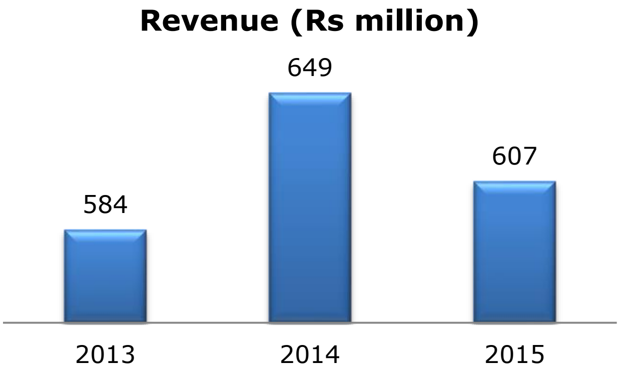
MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (continued)

Revenue

The Bank's revenue stood at Rs 607 million as at 31 December 2015, 7% lower than previous year. Net interest income represents 70% of total revenue of the Bank.

In Mur'000	2015	2014	2013
Net interest income	424,036	449,870	411,848
Net fee and commission Income	94,621	111,801	97,965
Net trading income	76,430	76,746	61,804
Other operating income	11,461	10,907	12,817
Revenue	**606,548**	**649,324**	**584,434**



Net interest income

Due to lack of credit demand both on local and international markets and pressures on margins emanating from high competition levels and excess liquidity in Mauritius, the net interest income stood at Rs 424 million, representing a fall of 6% over last year.

Non-interest income

Non-interest income which comprises of net fees and commissions, trading income and other operating income fell by 8% to Rs 183 million for the year ended 31 December 2015. This performance was largely underpinned by lower net fees and commissions compared to last financial year.

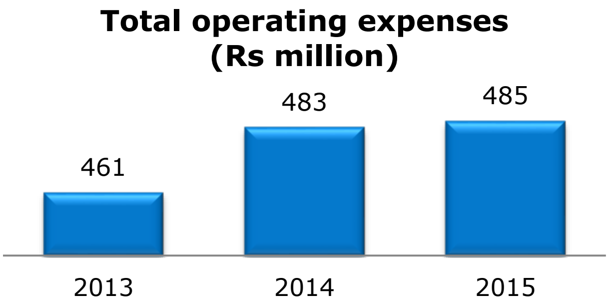
Due to adverse market conditions in terms of dampened trade volumes and heightened volatility coupled by a decreasing yield environment, the Bank's net trading income witnessed a slight decrease compared to last year, and stood at Rs 76 million.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (continued)

Total operating expenses

Operating expenses amounted to Rs 485 million for the year under review, an increase of 0.4% over last corresponding year, which underlines management's commitment to a continued focus on the lowering of the cost run rate by adopting a tight cost control policy and disciplined investment.



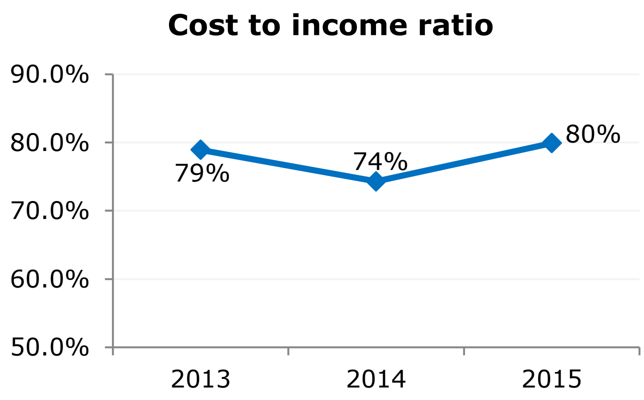
To accompany its continued development process, the Bank focused on improving its staff benefits such as training and development, recruitment of high calibre professionals to strengthen its workforce as well as retention of high quality staff. The Bank's personnel expenses went up at a moderate pace of 1% to reach the level of Rs 265 million compared to last year for the same period.

Tight cost control and efficiency gains from ongoing initiatives have contributed to contain growth in other operating expenses, which witnessed a slight decrease of 1% compared to the year ended 31 December 2014.

On the other hand, depreciation and amortisation amounted to Rs 22 million and witnessed a significant fall of 15% compared to last year.

Cost to income ratio

Largely due to the contextual decline in operating income, the cost to income ratio went up from 74.3% to 79.9%, as compared to last year.



Net impairment loss on financial assets

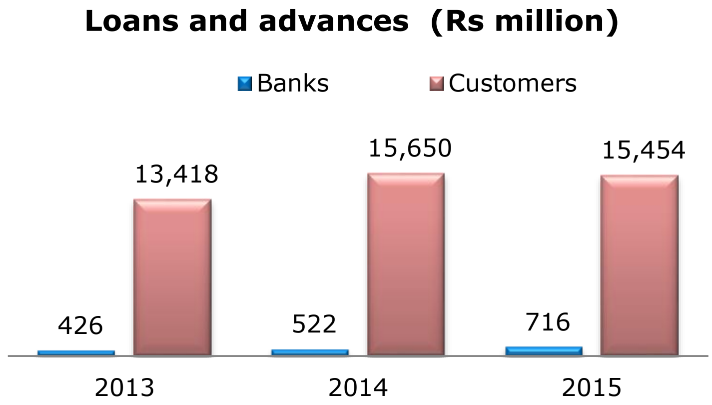
Allowance for credit impairment which comprises of movements in both specific and portfolio provisioning decreased by 24% to Rs 77 million for the year ended 31 December 2015. The lower impairment level was driven by a fall of Rs 165 million over the year in specific allowance, while the portfolio allowance witnessed an increase of Rs 36 million. In addition, an amount of Rs 24 million has been booked for the year ended 2015, representing portfolio provisions as per the Macro Prudential Policy (MPP) requirements issued by the Bank of Mauritius in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (continued)

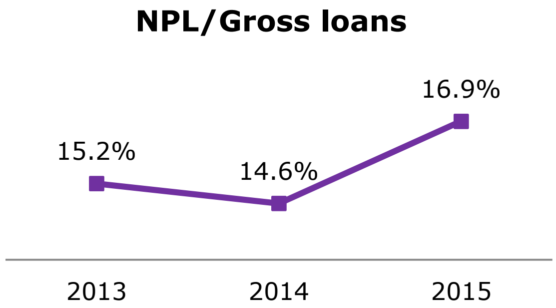
Loans and advances

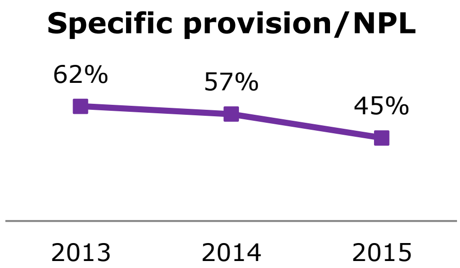
Due to competitive pressures and lack of credit demand on both local and international markets, the loans and advances remained at the level of Rs 16.2 billion as at end of December 2015, compared to previous financial year. This flat growth can also be explained by a tightening of the loans and advances to customers portfolio. On the other hand, the loans and advances to banks portfolio grew by 37%, to reach Rs 716 million as at 31 December 2015.



Asset quality

The ratio of non-performing loans on gross advances witnessed a rise and stood at 16.9%, against 14.6% last year. On the other hand, the cover ratio of NPLs by specific provision dropped from 57.5% to 44.7% as compared to the last corresponding year.





Investment in securities

Investment in securities recorded a significant drop of 27% to reach at Rs 1.4 billion as at 31 December 2015. Investment in securities represents 19% of total deposits in MUR as at end of December 2015, showing a comfortable situation in case of liquidity crisis. It is worthwhile noting that the yields on Treasury Securities have been negatively impacted with the continued high liquidity situation prevailing in the banking industry.

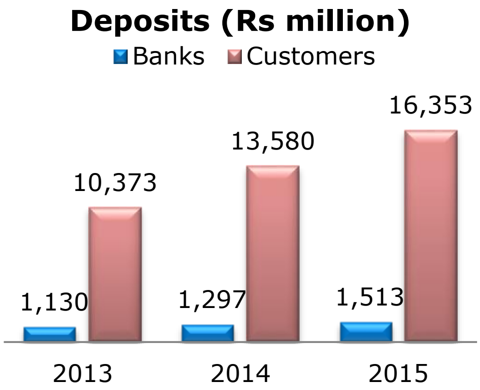
MANAGEMENT DISCUSSION AND ANALYSIS

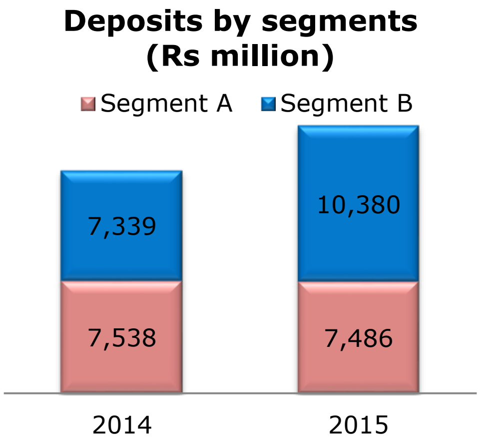
III. Financial Review (continued)

Deposits and borrowings

Deposits

Despite the low interest rate environment prevailing, the Bank's deposit base grew by 20% to reach Rs 17.9 billion as at end of December 2015. This respectable growth was observed across almost all lines of business but mainly from the segment B deposits. The deposit book consists of Rs 1.5 billion of deposits in foreign currency from banks, and Rs 16.3 billion of deposits from customers.





Borrowed funds

Borrowed funds consisting mainly of interbank intra Group experienced a substantial decline of 43% over the year, to reach Rs 1.8 billion as at end of December 2015, reflecting the Bank's strategy to decrease its reliance on interbank borrowing to finance its foreign currency loans. As such, the Bank is deploying adequate resources to develop its foreign currency deposits base to fund its foreign currency loans and advances.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report

Introduction

The role of the risk management function is to identify, assess and manage the risks to which the Bank is exposed, with a view to improving the risk-return profile of its activities while upholding an environment conducive to attracting and promoting business opportunities. The aim is to enhance stakeholders' confidence with respect to the Bank's management of current and potential sources of risks through adequate internal control mechanisms, up-to-date and comprehensive risk policies, adherence to legal and regulatory requirements and reliable decision making support.

The Bank's and Group's approach to managing risk is set out in the risk and compliance framework and policies, approved by the Risk Management committee. The framework has two components:

- governance committees; and
- governance documents.

Governance committees are in place at both board and management level. They have clearly defined mandates and delegated authorities which are reviewed regularly. Board subcommittees responsible for the oversight of various aspects of risk are the Audit Committee, the Risk Management Committee and the Corporate Governance Committee. The management committees responsible for the oversight of risk are the Credit Committee, Watchlist Committee, Non-Performing Loans Review & Provisioning Committee, Arrears Committee, Risk Management Committee, Internal Control Committee, Assets and Liabilities Committee, Compliance Committee and Organisation & Information System Committee.

Governance documents comprise frameworks and policies which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks, and requirements for the effective management of capital.

The Group uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks. The first line of defence is made up of the management of business lines as the originators of risk. The second line of defence functions provide independent oversight of risks by the Risk Management Division. They support management in ensuring that their specific risks are effectively managed as close to the source as possible. The risk management functions, report to the Group Chief Risk Officer. Internal audit is the third line of defence and reports to and operates under a mandate from the Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective assurance. It has the authority to independently determine the scope and extent of work to be performed.

Risk Governance Structure

The Board of Directors is ultimately responsible for defining business strategies. They are ultimately the reliability and integrity of the risk management process. The Board oversees the risk management activities of the Bank directly and indirectly, via sub committees which have been delegated responsibility for closer scrutiny of risk management process. The composition and functions of these committees are described in the Corporate Governance Report.

Risk Management Framework

The risk management framework defines the roles and responsibilities as well as the reporting lines for its different business units. Alongside ensuring adherence to regulatory norms, the structure aims at safeguarding the Group's and Bank's assets and promoting the deployment of its strategic orientations in an effective manner. The delegation of authority, control processes and operational procedures are accordingly documented and disseminated to staff at different levels.

- The Group and the Bank operate within a clearly defined risk policy and risk control framework to achieve financial strength and sustainable growth.
- The Group's and Bank's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for their actions and their incentives are aligned with the overall business objectives.
- Dedicated specialised units within Risk Management, as well as internal auditors, monitor the Bank's risk-taking activities.
- Risk transparency, knowledge sharing and responsiveness to change are integral to the risk control process.

IV. Risk Management Report (Continued)

Risk Management Structure

The risk management organisational structure consists of a top down approach whereby the risk appetite of the Group and the Bank is set by the Board of Directors in line with its business strategy, taking into account the business strategies, objectives and plans. The Board, assisted by its committees has oversight responsibilities in relation to risk management, adherence to internal policies and compliance with the prudential, regulatory and legal requirements. The roles of the Board and its committees are described in detail in the Corporate Governance Report.

The management committees are chaired by the Chief Executive Officer and comprise of the Director Risk and Compliance and other executive management as members. The enterprise-wide risk profile and portfolio appetite are discussed at the respective management committees. The Director Risk and Compliance reports to the Chief Executive with direct access to the Chairman, the Audit Committee and the Risk Management Committee.

The Board Committees with oversight on Risk Management are:

- Audit Committee;
- Risk Management Committee;
- Conduct Review Committee; and
- Remuneration & Nomination Committee.

The Management Committees with oversight on Risk Management are:

- Credit Committee;
- Watchlist Committee;
- Non-Performing Loan review and Provisioning Committee;
- Arrears Committee;
- Risk Management Committee;
- Internal Control Committee;
- Assets and Liabilities Committee;
- Treasury Committee;
- Compliance Committee;
- Business Development Committee (in respect of New Products); and
- Organisation & Information System Committee.

Enterprise-wide Risk Policy

The Bank is directly regulated by the Bank of Mauritius and falls under the consolidated supervision of the European Central Bank through its French Parents, BPCE IOM and BPCE. BM Madagascar, the Bank’s subsidiary, falls under the consolidated supervision of the Bank of Mauritius. In line with international banking practice and regulatory requirements, whenever there are different requirements under the different regulators, the stricter requirement must be complied with.

The Bank’s Risk Policy, as approved by the Risk Management Committee, follows the above mentioned principle. It incorporates all the requirements of the BPCE IOM’s Risk Policy as well as requirements of the Bank of Mauritius legislations and guidelines. The Risk Policy covers, inter alia:

- The Risk Management Framework and Structure, detailing the main functions of Risk Department;
- The Credit Risk Policy, detailing:
  - The Credit initiation, evaluation and approval process;
  - The delegated authorities in terms of credit approval;
  - The limit of exposures by types of facilities, by sector, by country, by rating, by counterparty, and by currency; and
  - The main guidelines in respect of credit impairment monitoring, management and recovery.
- The Governance Structure and Terms of Reference for the various risk management committees;
- The Operational Risk Policy; and
- The Market Risk Policy (Liquidity and Interest Rate Risk).

IV. Risk Management Report (Continued)

A. Credit Risk

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk and concentration risk. Amongst the risks faced by the Group and the Bank, credit risk generates the largest regulatory capital requirement. The approved regulatory approach for Credit Risk is the Standardised Approach.

The Board has ultimate control and oversight of the credit risk policies, which are subject to review on an annual basis. The policies are designed to provide effective internal control within the Bank.

Any developments in the customers' financial situation are closely monitored by the Bank, thus enabling it to assess whether the basis for granting the credit facility has changed. Credit facilities are generally granted on the basis of an understanding of customers' individual financial circumstances, cash flows, assessments of market conditions and security procedures. The facilities should match the customers' creditworthiness, capital position and assets to a reasonable degree and customers should be able to substantiate their repayment ability. In order to reduce credit risk, the Bank generally requires collateral that corresponds to the risk for the product segment.

Credit Risk Management

The enterprise-wide credit risk policy, approved and reviewed by the Risk Management Committee, sets forth the principles by which the Bank conducts its credit risk management activities. The credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsive decision-making and customer services.

The process for each division is tailored to the risk profile and service requirements of its customers and product portfolio. Key parameters, associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance. The credit appraisal and measurement process, leading to approval/rejection, is segregated from loan origination in order to maintain the independence and integrity of credit decision making and to continue to effectively build-up quality assets.

Credit Risk Management Process

The effective management of credit risk requires the establishment of an appropriate credit risk process.

Credit Origination

Credit origination is undertaken by the Front Office / Relationship Manager. Credit Origination involves:

- An operational evaluation of Credit request, to include details on the deal and rationale for financing, details on client's background, client base and products base and markets, details of the key business risks and a review MCIB and search report.

Credit Evaluation

The Credit Evaluation division is independent of the Front Office functions. Credit Evaluation involves:

- Risk Rating of the underlying prospective borrower. The Bank has implemented the BPCE IOM's Grading Model, the Outil de Notation International [ONI] for the risk grading of corporate clients. With respect to retail clients, an internally developed scorecard is used.
- Evaluation of the credit request taking into consideration the quantitative and qualitative information on the counterparty and analysing the inherent risks. The evaluation exercise also look at the resulting risks, after mitigating factors, for example security taking.
- Assessing the Risk/Return relationship, through the use of an internally developed « ROE model ».
- Reviewing and analysing compliance with limits as set by the Bank and / or regulators.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

A. Credit Risk (continued)

Credit Approval

Credit approval authority is delegated within a structure that is tiered according to the counterparty rating, exposure and credit risk type. The local credit committee has comprehensive mandates and delegated authorities, as delegated by the Board and set out in our Risk Policy. Requests outside the delegation of the local Credit Committee are submitted for approval to the Parent Company's Credit Committee.

Credit Risk Control and Monitoring

The role of the Risk Division, independent from the Credit Risk Evaluation, is as follows:

- To monitor credit risk (review of warning signals, impairment, unauthorised overdraft, financial difficulties, watchlist monitoring);
- To monitor compliance with risk policy and the regulatory guidelines;
- To monitor compliance with limits approved as well as with the terms and conditions of approval; and
- To monitor on-going compliance, after the disbursement of funds.

It is noted that periodic reviews are scheduled for the continuous assessment of all counterparties. This is complemented by the reviews undertaken at the Watch List Committee, for higher risk counterparties.

Impairment and Provisioning

Loans and advances are analysed and categorised based on credit quality using the following definitions.

- Performing loans - Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions.

- Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

- Non-performing loans - Non-performing loans are those loans for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more. Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.

- Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows.

All non-performing loans are individually assessed for impairment and impairment provisions are recognised in line with International Accounting Standards and Bank of Mauritius guidelines.

The Governance Committee relating to impairment and provisioning is the Non-Performing Loan review and Provisioning Committee. The committee reviews all "loans with arrears" and evaluates and approves:

- The strategy for recovery; and
- The fair value of the loan and hence the required level of specific provisions.

Key indicators (Group)	**2015**	**2014**	2013
Gross loans and advances (Rs billion)	**16.9**	**17.2**	14.9
Non-performing loans ratio	**16.9%**	**14.6%**	15.2%
Provision coverage ratio	**44.5%**	**57.5%**	61.8%

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

A. Credit Risk (continued)

Credit Risk Concentration

The Group and the Bank maintain a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and countries.

The Bank of Mauritius Guidelines on Credit Concentration (revised August 2015) restricts the granting of credit facilities to non-financial institutions and other related parties, to:

- a maximum exposure (in MUR) to any single customer of 25% and to related Group of companies to 40% of the Bank's capital base.
- a maximum exposure (in foreign currency) to any single customer of 50% and to related Group of companies to 75% of the Bank's capital base.

In aggregate, any individual exposure of 15% above the Bank's capital base shall not exceed 800% of its capital base.

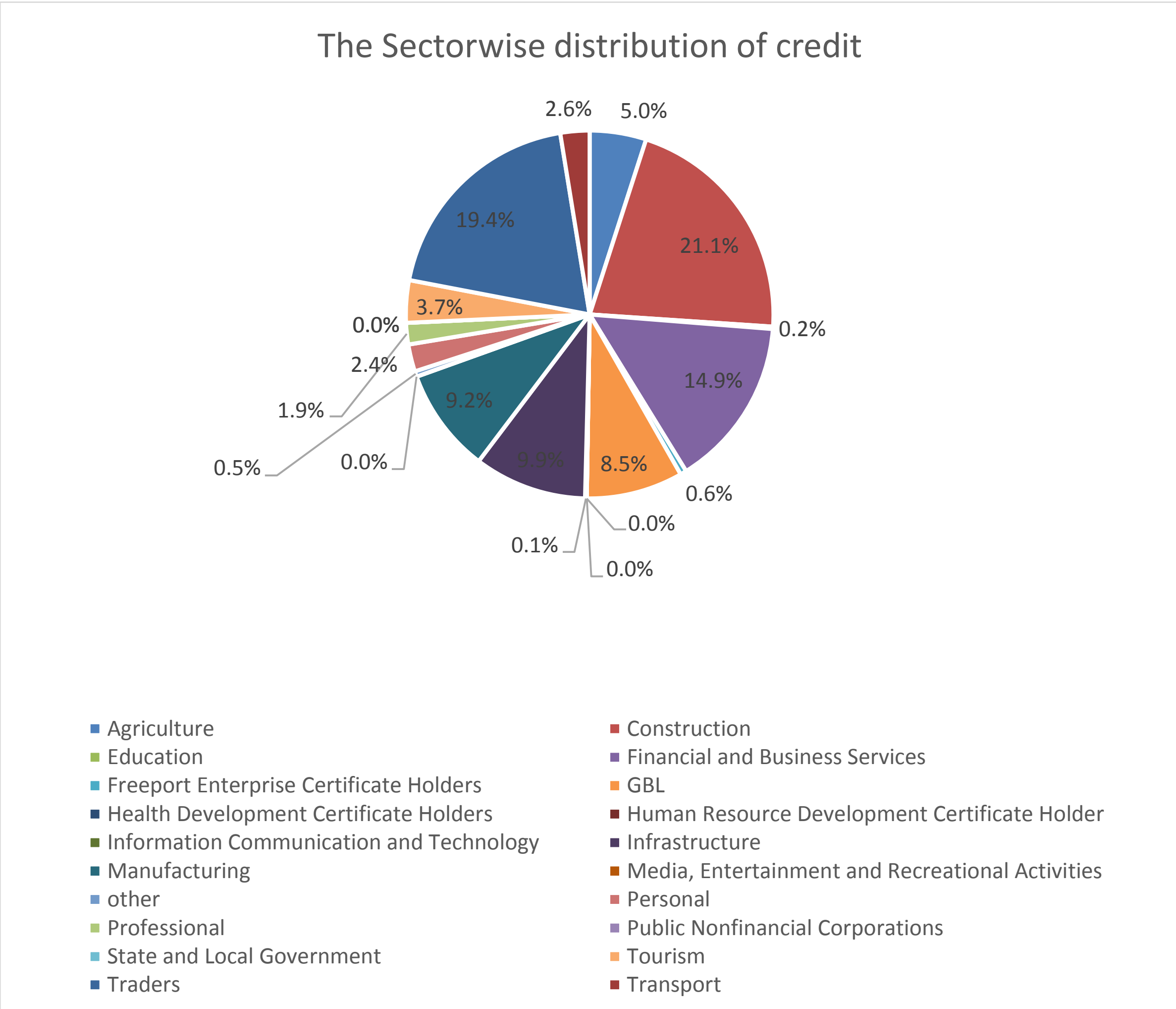
Large Credit Exposure

The Bank has always kept its large exposures within the regulatory limits.

As at 31 December 2015, the concentration ratio of large exposures above 15% before applicable set off was 692%, well within the regulatory limit of 800%. After set off, the aggregate exposure under large exposure was 501%.

Sectorwise Distribution of Risks

The sectorwise distribution of credit of the Bank is as per shown below:



MANAGEMENT DISCUSSION AND ANALYSIS

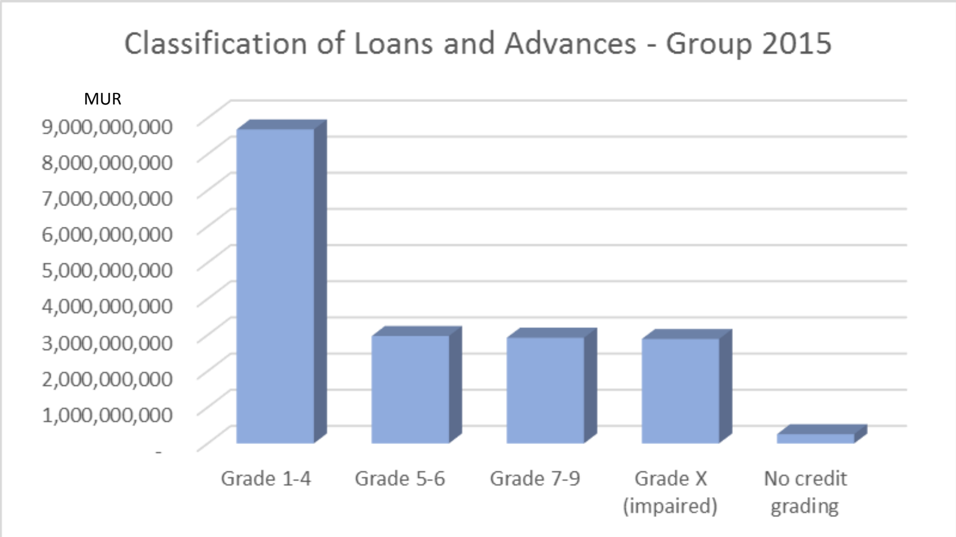
IV. Risk Management Report (Continued)

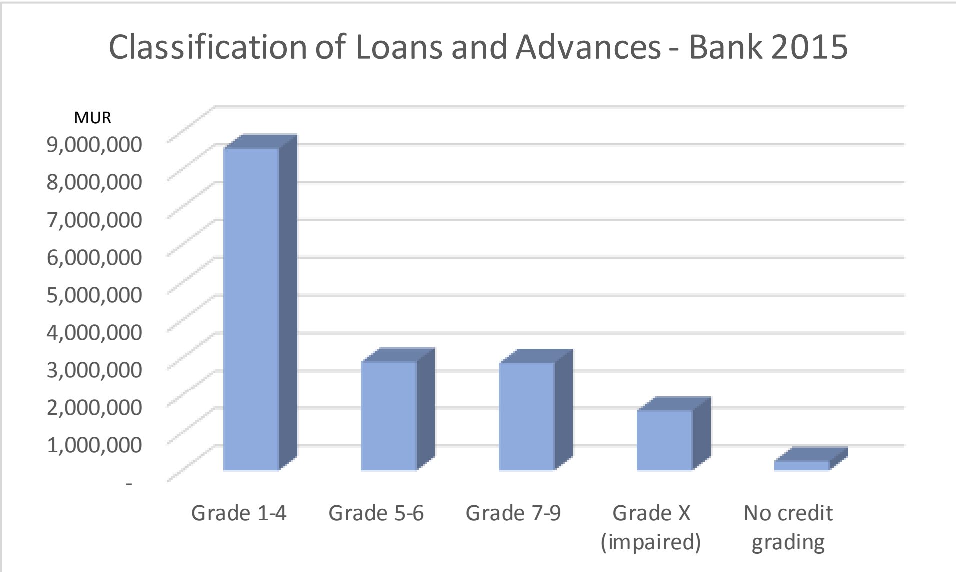
A. Credit Risk (continued)

Credit Quality

The Group's and Bank's Risk Management framework include the risk grading of all credit counterparties.

- For the Corporate customers (Domestic and International customers), the Bank uses the BPCE's rating model ONI (Outil de Notation International). The model uses qualitative as well as quantitative information to rate counterparties, with a rating scale of 1 to 9. The lowest risk is rated 1 and highest risk 9. All impaired counterparties are rated X.





Credit Risk Mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit Risk policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

Irrespective of Credit Risk mitigants used, all decisions are based upon the customer or counterparty's credit profile, cash flow performance and ability to repay.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

A. Credit Risk (continued)

Credit Risk Mitigation (continued)

The main types of collateral taken are:

- mortgage bonds over residential, commercial and industrial properties;
- cession of book debts;
- charge over plant and equipment and other assets; and
- guarantees and pledge over financial instruments such as debt securities, equities and bank deposits.

Credit Risk – Focus 2016

The Group and the Bank will continue to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated economic conditions and risk appetite. Focus will continue to be placed on standardising credit risk methodologies and processes across the Group, and on enhancing stress-testing practices. BM will enhance its controls over the correct guarantees roll over (ie. Building insurance).

B. Country Risk

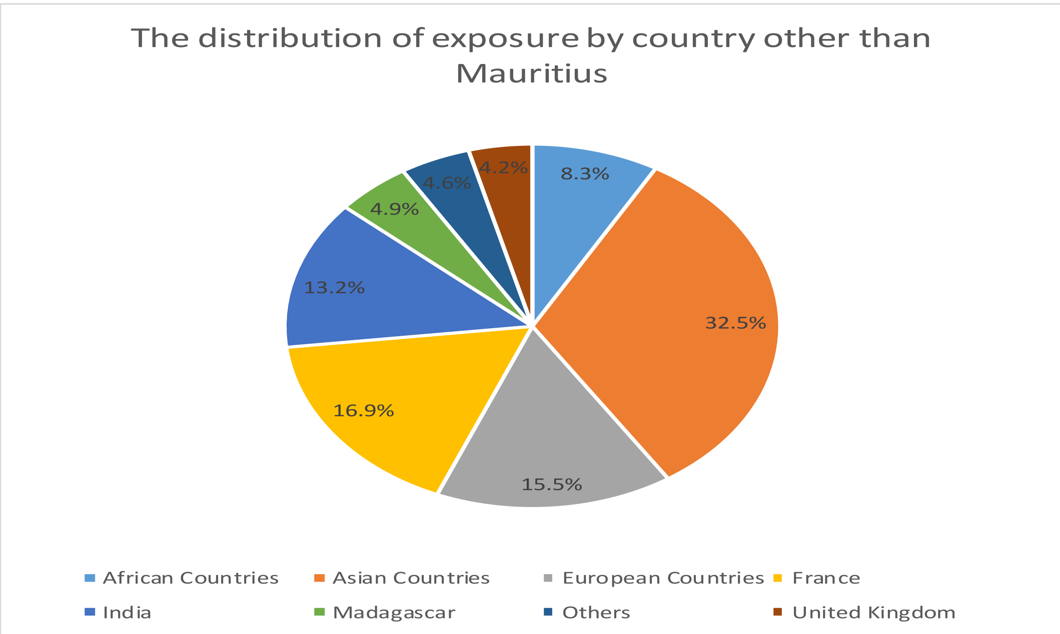
Country risk, also referred to as cross-border transfer risk, is the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfil its obligations to the Group due to political or economic conditions in the host country. There are no regulatory capital requirements for country risk. Country risk is, however, incorporated into regulatory capital for credit in the standardised approaches through the country risk ratings / credit grades.

All countries to which the Group and the Bank are exposed are reviewed at least annually. BPCE IOM's internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the Group's network of operations, country visits and external information sources. These ratings are also a key input into the Group's credit rating models, with credit loan conditions and covenants linked to country risk events.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance;
- co-financing with multilateral institutions;
- co-financing with prime banks or investors; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

The distribution of exposure by country other than Mauritius is provided in the following pie chart.



IV. Risk Management Report (Continued)

B. Country Risk (continued)

Country Risk - Focus areas for 2016

Country risk appetite and the mitigation of country specific risks will be proactively managed in response to the challenging global economic and political risk environment. During year 2016, the Chinese risk will be especially monitored (by monitoring our syndications portfolio including cals and meetings with Natixis specialists).

C. Market Risk

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The Group's key market risks are:

- foreign currency risk;
- Interest Rate in the Trading Book; and
- Interest Rate on the Banking Book.

The governance committees overseeing market risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee. The Board is ultimately responsible for setting risk appetite in respect of market risk, in compliance with the prudential guidelines set by the Bank of Mauritius. Operating within this framework, the Asset & Liability Management Committee and Treasury Committee review and take decisions with regards to the overall mix of assets and liabilities within the balance sheet. The committees set and review liability allocation objectives and targets to sustain both the diversification and growth of the Bank's balance sheet and income statement from a funding, market and profitability perspective, while taking into account the changing economic and competitive landscapes. The Asset & Liability Management Committee, which meets on a quarterly basis under the chairmanship of the Chief Executive Officer, is attended by the Director Risk and Compliance, Chief Financial Officer and the business unit heads. Furthermore, under the Risk Division, the Market Risk acts as the primary risk control and risk-monitoring function related to market risk activities, including counterparty credit and operational risk arising from market risk activities.

The framework of policies, principles and main functional responsibilities in relation to the management of market risk at the Bank is established as per the Risk Policy, as approved by the Board reviewed periodically.

Market risk is controlled primarily through a series of limits, whether set internally by management in the context of the market environment and business strategy and/or set by regulators. In setting limits, the Bank takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Bank maintains different levels of limits:

- Dealers' limits - Dealers operate within limits approved and are tightly monitored by Back Office. Sign-off from delegated signatories ahead of a deal that triggers their dealing limits are required.
- Counterparty limits - Exposure is determined according to the nature of the contract and its maturity.
- Product limits - Dealers can only transact in products that have been approved. Product limits are tightly monitored at the Treasury Back Office and Risk Division.
- Forex Exposure limits - FX exposure is monitored daily and a report is sent to the Bank of Mauritius every day.

There are no regulatory capital requirements for interest rate risk in the Banking Book or on structural foreign exchange exposures. However, the translation effect on the structural foreign exchange exposure may give rise to capital impairments.

Foreign Currency Risk

The Group's primary exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign currency, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

C. Market Risk (continued)

Foreign Currency Risk (continued)

The currency risk is managed according to existing regulations and guidelines of the regulators. It takes into account naturally offsetting risk positions and manages the residual risk through limit setting. The Group does ordinarily hold open exposures of any significance with respect to the banking book. As per the Bank of Mauritius Guideline on Foreign Currency Exposure, overall currency exposure may not exceed 15% of Tier 1 Capital and single currency limit is set at 10% of Tier 1 Capital. As per the BPCE Group's policy, overall currency exposure may not exceed USD 3 million, which is equivalent to circa 7.5% of the Bank's Tier 1 capital.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

While the Group does not actively take foreign exchange risk in its core deposit taking and lending operations, it services clients' activity in products across foreign exchange and structured FX products and acting as a dealer for corporate and institutional clients does require the management of 'open positions' from foreign exchange transactions with these counterparties. These positions are monitored daily relative to prudential trading limits that have been delegated to dealers by the Board on intra-day and overnight open exposures.

The Bank's net open, either overbought/oversold, position against the Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 31 December 2015, which is in compliance with the Bank of Mauritius requirements.

The sensitivity analysis shows that a 1% unilateral change in the exchange rate of the major currencies would result in an impact of Rs 8.4 million and Rs 8.5 million for the Group's and the Bank's profit respectively.

Interest Rate Risk

Trading book interest rate risk is represented by financial instruments held on the trading book, arising out of normal global markets' trading activity. For the Bank, this relates to the Treasury Bills / Bonds and Government Bills / Notes held in the Trading Book. In 2014, the Bank surrendered its Primary Dealer's license and as a result all financial instruments in 2015 were classified under the Banking Book.

Banking book interest rate risk are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. For the Bank, this risk is further divided into the following sub risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- Yield curve risk: shifts in the yield curve that have adverse effects on the Group's income or underlying economic value.
- Basis risk: price not moving in line with the changing market price, e.g. impact of a portfolio of current account at 0% interest rate on the net interest income further to reduction in the Bank's deposit rates.

Banking book-interest rate risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income). The Bank's approach to managing banking book-interest rate risk is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. The Bank monitors banking book interest rate risk operating under the oversight of Asset & Liabilities Management Committee.

Interest rate risk limits are set in relation to changes in forecast banking book earnings. All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. The interest rate view is formulated, following meetings of the monetary policy committees, or notable market developments.

IV. Risk Management Report (Continued)

C. Market Risk (continued)

Market Risk - Focus areas for 2016

The Bank will focus on monitoring and managing the market risk and associated hedges in the context of current market volatility and monetary policy expectations.

D. Liquidity Risk

Liquidity risk is the risk that the Group cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due.

The nature of banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This type of event may arise where counterparties, who provide the Group / Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Group and the Bank manages liquidity in accordance with applicable regulations and within its risk appetite. The liquidity risk management governance framework supports the measurement and management of liquidity across the Group / Bank to ensure that payment obligations can be met, under both normal and stressed conditions. Liquidity risk management ensures that the Group and the Bank have the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The governance committees overseeing liquidity risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee. There are no regulatory capital requirements for liquidity risk.

The Group’s liquidity risk management framework differentiates between:

- Tactical (shorter-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by Treasury Committee.
- Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

<u>Structural liquidity mismatch</u>

Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Group’s defined liquidity risk thresholds. Expected aggregate cash outflows are subtracted from expected aggregate cash inflows. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced.

Whilst following a consistent approach to liquidity risk management in respect of the foreign currency component of the balance sheet, specific indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates.

<u>Funding strategy</u>

Funding markets are evaluated on an ongoing basis to ensure appropriate Group funding strategies are executed depending on the market, competitive and regulatory environment. The Group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing loan across the BPCE Group.

IV. Risk Management Report (Continued)

D. Liquidity Risk (continued)

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

A component of the funding strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch limits and guidelines.

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Group's funding profiles and liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Group's ability to maintain sufficient liquidity under adverse conditions.

Liquidity buffer

Portfolios of highly marketable liquid securities over and above prudential and regulatory requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within defined limits on the basis of diversification and liquidity.

Liquidity Risk - Focus areas for 2016

Specific focus areas include ensuring the Group is adequately positioned for the Basel III liquidity phase-in requirements. To cope with potential impacts of BAI affair on its clients, Banque des Mascareignes Ltée raised its liquidity buffer during the year 2015 and will continue for the year 2016.

E. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk subtypes are managed and overseen by specialist functions. These subtypes include:

- legal risk;
- compliance risk;
- environmental and social risk;
- business continuity management (BCM);
- technology risk management;
- information risk management;
- financial crime control; and
- occupational health and safety.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The Group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The operational risk management function is independent from business line management and is part of the second line of defence. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business's adoption of the framework, oversight and reporting, as well as for challenging the risk profile. The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions. This is effected through the "Incident Reporting Mechanism" and the "Business Process Analysis". These teams work alongside their business areas and facilitate the adoption of the operational risk governance framework. As part of the second line of defence,

E. Operational Risk (continued)

they also monitor and challenge the business units' and enabling functions' management of their operational risk profile.

Incident Reporting - The operational risk function has set up an incident reporting process which contributes to reinforce visibility and understanding of the Group's overall operational risk profile. This process plays a catalytic role in embedding operational risk management practices in the day-to-day business activities. The operational risk incident reporting serves to report, track and escalate operational risk issues within the Group and supports decision making and timely resolution. All staff members are expected to report any operational risks, incidents, losses or near misses that they have knowledge of.

The operational risk function verifies that the incident and loss data reports are comprehensively documented for recording and analysis of the root cause of losses and incidents. Depending on the results of the analysis, corrective or preventive measures are taken to reduce the exposure to the inherent operational risk and hence improve controls. All significant incidents are reported periodically to the Risk Management Committee. Operational risk reports include mitigation strategies and improvement actions put in place to avoid recurrence of such operational loss events.

Business Process Analysis - Through Operational Risk Management, and the use of the tool PARO, the Group assesses and manages its exposures to operational risk, including severity events with a low probability of occurrence, for example fraud. These exposures are measured in a chart, updated regularly. The operational risk map highlights the key risk indicators and the frequency of major incidents which may result in loss or not.

The operational risk management is entrusted to the Risk Department, which should provide a general measurement, monitoring, control and reporting of the Group's risk, particularly those inherent operational risks as recommended for the Internal Capital Adequacy Assessment Process (ICAAP). In these missions, the Department is assisted as necessary by the person responsible for the security of information systems (RSSI).

The "Cartographie des Risques Opérationnels", whose elements are updated regularly, is established by the Risk Department, with the collaboration of organizational units (back-office and network). It is validated and monitored by an Ad Hoc Committee. Objectives and scope of the "Cartographie des Risques Operationnels" are:

- Identify risk events and processes specific to Banque des Mascareignes Ltée;
- Evaluate the risks;
- Describe the risk control systems and evaluate them in order to assess the net risks (residual);
- Develop the risk management arrangement, particularly for major risks, through action plans;
- Propose a definition of roles and responsibilities of different actors involved in the management device; and
- Validate these definitions and their implementation.

The Group buys insurance to mitigate operational risk. This cover is reviewed on an annual basis. The primary insurance policies in place are the Group crime, professional indemnity, and Group directors' and officers' liability insurance policies.

The primary governance committees overseeing operational risk, including the various subtypes, are:

- Risk Management Committee (Board Committee);
- Audit Committee (Board Committee);
- Compliance Committee;
- Internal Control Committee;
- Organisational and Information System Committee; and
- Risk Committee.

The Group applies the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of

IV. Risk Management Report (Continued)

E. Operational Risk (continued)

positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

The Capital Charge for the Bank has been computed as follows:

- Annual gross income: Rs 607 million
- Average gross income over 3 years: Rs 613 million
- Capital charge for operational risk: Rs 92 million

Operational risk subtypes

Legal risk - Legal risk is defined as the exposure to the adverse consequences of judgements or private settlements, including punitive damages resulting from inaccurately drafted contracts, their execution, the absence of written agreements or inadequate agreements. This includes exceeding authority as contained in the contract. The Group has processes and controls in place to manage its legal risks. Failure to manage these risks effectively could result in legal proceedings impacting the Group adversely, both financially and reputational.

Compliance risk - This is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its business activities. This includes the exposure to new laws as well as changes in interpretations of existing laws by appropriate authorities.

The compliance function operates independently of business in terms of its mandate, which is approved annually by the Board and is drawn primarily from the Banking Act. The Group's approach to managing compliance risk is proactive and premised on internationally accepted principles of compliance risk management. Compliance risk management is a core risk management activity, overseen by the Director Risk and Compliance. The Director Risk and Compliance has unrestricted access to the chief executives and to the chairman of the Audit Committee, thereby ensuring the function's independence.

Legislation pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer due diligence, record keeping, staff training and the obligation to detect, prevent and report suspected money laundering and terrorist financing. The Group subscribes to the principles of the Financial Action Task Force, an intergovernmental body that develops and promotes policies to combat money laundering and terrorist financing.

The Group actively manages the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions or with clients that are subject to embargoes or sanctions imposed by competent authorities.

Environmental and social risk - Environmental risk is described as a measure of the potential threats to the environment. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of such degradation. Environmental risk includes risks related to or resulting from climate change, human activities or from natural processes that are disturbed by changes in natural cycles. Social risk is described as risks to people, their livelihoods, health and welfare, socioeconomic development, social cohesion and the ability to adapt to changing circumstances.

Environmental and social risk assessment and management deals with two aspects:

- Risks over which the Group does not have control but which have potential to impact on our operations and those of the Group's clients.
- Risks over which the Group has direct control. These include our immediate direct impact, such as our waste management and the use of energy and water; as well as our broader impact, including risks that occur as a result of our lending or financial services activities.

IV. Risk Management Report (Continued)

E. Operational Risk (continued)

Business continuity management and resilience – Business Continuity Management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of the Group and its stakeholders. The Group BCM framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. The Group's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

Technology risk management - Technology risk encompasses both IT risk and IT change risk. IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Group. It consists of IT-related events and conditions that could potentially impact the business. IT change risk refers to risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability. The Group relies heavily on technology to support complex business processes and handle large volumes of critical information. As a result, a technology failure can have a crippling impact on the Group's brand and reputation. The operational risk IT risk function oversees compliance with the IT risk and IT change risk governance standard.

Information risk management - Information risk encompasses all the challenges that result from the need to control and protect the Group's information. These risks can culminate from accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information. The Group has adopted a risk-based approach to managing information risks. The IOR management function oversees the information security management system, policies and practices across the Group. The execution of these policies and practices is driven through information security officers, within the Risk Division.

Financial crime control - The Group defines financial crime control as the prevention, detection and response to all financial crime to mitigate economic loss, reputational risk and regulatory sanction. Financial crime includes fraud, bribery and corruption and misconduct by staff, customers, suppliers, business partners and stakeholders. The financial crime risk control function forms part of the Compliance function, which reports to the Director Risk and Compliance. As is the case with the other functions within operational risk, financial crime risk management maintains close working relationships with other risk functions, specifically compliance, legal risk and credit risk, and with other Group functions such as information technology, human resources, and finance.

Occupational health and safety - Any risks to the health and safety of employees resulting from hazards in the workplace or potential exposure to occupational illness are managed by the occupational health and safety officer. Training of health and safety officers and employee awareness is an ongoing endeavour.

Managing such risk is becoming an important feature of sound risk management practice in modern financial markets. Through different tools defined by the Group and the appointment of operational risk correspondents, the Group ensures that operational risks are properly identified, assessed, monitored, managed and reported in a structured and consistent manner. Moreover to mitigate operational risk, the Group promotes an organisational structure that emphasises on recruitment of people with high level of ethics and integrity.

The Group has opted to adopt the Basic Indicator Approach for capital charge to operational risk. Periodic review takes place to ensure effective management of operational risk. This includes review of incidents, measures taken and updating of procedures as and when required. All operational risks identified are discussed and reported on a quarterly basis in the Risk Management Committee.

Operational Risk – Focus 2016

In addition to the specialist operational subtypes above, the Group also has areas of special focus based on the organisation's evolving needs. These focus areas are:

- Supporting increased innovation and the use of new technology in the banking industry to provide solutions to customers.
- Compliance with increased scope of monitoring and reporting required by regulators.
- Ensuring robust control over balance sheet substantiation and other key financial controls.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

E. Operational Risk (continued)

- The 2016 compliance focus areas will be driven by supervisory expectations, international best practice and legislative developments impacting the financial services sector. Training and awareness initiatives will continue to be undertaken to ensure that staff members are aware of their regulatory responsibilities relating to relevant legislation.

In addition to managing the risks arising in the ordinary course of business, the Group has identified the key potential operational risk threats for 2016, which will be addressed within the risk management framework, namely financial crime, cyber security, technology risks, internal controls and regulatory risks.

F. Capital Management

The risk management function is designed to ensure that regulatory requirements are met at all times and that the Group and its subsidiary are capitalised in line with the Group's target ratios, as approved by the board. Key responsibilities are:

- Risk-adjusted performance measurement, and managing the ICAAP and capital planning process, including stress testing.
- Measurement and analysis of regulatory and economic capital, internal and external reporting and implementation of new regulatory requirements.
- Providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.

At the regulatory level, the minimum capital adequacy ratio set by Bank of Mauritius for banks presently stands at 10% of risk weighted assets, with newly-unveiled Basel III rules which come in force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks. Overall, the Group and the Bank are committed to complying with the stipulated thresholds, including capital limits and buffers that will be phased-in in forthcoming years as per the transitional arrangements defined by the Central Bank.

Basel III

Basel III is a new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision in December 2010. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. It proposes many newer capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking sector. The capital standards and new capital buffers will require banks to hold more capital and higher quality of capital than under current Basel II rules. The new leverage and liquidity ratios introduce a non-risk based measure to supplement the risk based minimum capital requirements and measures to ensure that adequate funding is maintained in case of crisis. As per the recommendations, banks are expected to be compliant by 1st January 2018.

As part of its action for Basel III implementation, the Bank of Mauritius has issued the following Guidelines:

- Guideline on Scope of Application of Basel III and Eligible Capital (Superseding the 2008 Guidelines on Eligible Capital & Basel II), effective 1st July 2014. The main purpose of the guideline is to set out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework and to formulate the definition of regulatory capital, regulatory adjustments, transitional arrangements, disclosure requirements and capital conservation buffer.
- Guideline for dealing with Domestic Systemically Important Banks, effective 30 June 2014. The main purpose of the guideline is to put in place a reference system for assessing the systemic importance of banks and ensure that the systemically important banks have the capacity to absorb losses through higher capital. Of note, after its assessment, the Bank of Mauritius has identified 5 banks as Domestic Systemically Important Banks. Banque des Mascareignes Ltée has not been identified as a Domestic Systemically Important Bank.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

F Capital Management (continued)

Objectives of Basel III

Basel III aims to improve the quality of capital, increase capital levels and remove inconsistencies in the definition of capital across jurisdictions. The main objectives are:

Increased quality, quantity and consistency of capital	- Increased focus on CET I. - Increased capital levels.
Increased risk coverage	- Credit valuation adjustment (CVA) for over-the-counter (OTC) derivatives, being the capital charge for potential mark-to-market losses associated with deterioration in counterparty creditworthiness. - Asset value correlation being the increased capital charge on exposures to financial institutions. - Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	- Bank of Mauritius has implemented a 2.5% capital buffer by 2020 to decrease pro-cyclicality. - Build up capital during favourable economic conditions that can be drawn on during times of stress.
Pillar 2a and domestic systemically important bank (D-SIB) buffer	- Additional buffer to be held against systemic risk requirements.
Countercyclical buffer	- Capital buffer deployed by national jurisdictions when system wide risk builds up. - Ensures capital adequacy takes macro-financial environment into account.
Leverage ratio	- Constrain build-up of leverage in the banking sector. The ratio is calculated as tier I qualifying capital/on and off-balance sheet exposures, as defined by the BCBS, and to measure against the nationally SARB prescribed minimum ratio.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

F. Capital Management (continued)

Implementation of new capital requirements under Basel III

The below reflects the minimum capital requirements and phase-in periods applicable to banks in Mauritius.

	2015	2016	2017	2018	2019	2020
			(All dates are as of 1 January)			
Minimum CET 1 CAR	6.00%	6.50%	6.50%	6.50%	6.50%	6.50%
Capital Conservation Buffer			0.625%	1.25%	1.875%	2.50%
Minimum CET 1 CAR plus Capital Conservation Buffer	6.00%	6.50%	7.125%	7.75%	8.375%	9.00%
Phase in of deductions from CET 1	50.00%	50.00%	60%	80%	100%	100%
Minimum Tier 1 CAR	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Total CAR	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total CAR Plus Capital Conservation Buffer	10.00%	10.00%	10.625%	11.25%	11.875%	12.50%
Capital instruments that no longer qualify as AT1 capital or Tier 2 capital	Phased out over 10 year horizon beginning 1 July 2014					

Capital Structure

Regulatory capital adequacy is measured through three risk-based ratios:

- CET I: ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.
- Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements.
- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

As at 31 December 2015, the Bank's and Group's capital instruments comprised of only

- Ordinary Shares issued;
- Subordinated Debt availed by the Bank from its holding company (BPCE International).

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

F. Capital Management (continued)

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below. The Bank's and Group's capital structure and capital adequacy ratio are as follows (the components of Capital may be reconciled with the Financial Statements as per notes below):

BASEL III	GROUP		BANK	
	2015	**2014**	**2015**	**2014**
	Rs M	**Rs M**	**Rs M**	**Rs M**
Tier 1 Capital				
Paid up or assigned capital *(note 31)*	**1,749**	1,749	**1,749**	1,749
Statutory reserve	**83**	83	**83**	83
Other disclosed free reserves, including undistributed balance in income statement	**(223)**	(269)	**(121)**	(162)
Current year's retained profits				
Minority interests	**12**	15	**-**	-
Deduct:				
Goodwill *(note 23)*	**(76)**	(76)	**-**	-
Investment in Subsidiary *(note 21)*	**-**	-	**(95)**	(96)
Other Intangible assets *(note 23)*	**(75)**	(9)	**(74)**	(8)
Deferred Tax *(note 16)*	**(180)**	(173)	**(178)**	(170)
CET 1 Capital	**1,290**	1,320	**1,364**	1,396
Additional Tier 1 Capital	**-**	-	**-**	-
Total Tier 1 Capital	**1,290**	1,320	**1,364**	1,396
Tier 2 Capital				
Portfolio Provision *(note 19)*	**166**	130	**165**	130
Subordinated debts *(note 28)*	**245**	418	**245**	418
Deduct:				
Investment in Subsidiary *(note 21)*	**-**	-	**(95)**	(96)
Total Tier 2 Capital	**411**	548	**315**	452
Total Capital Base	**1,701**	1,868	**1,679**	1,848
Risk weighted assets for:				
On-balance sheet assets	**13,986**	14,244	**13,683**	13,974
Off-balance sheet exposures	**1,852**	1,125	**1,848**	1,121
Operational risk	**963**	982	**920**	951
Aggregate net open foreign exchange position	**15**	25	**15**	25
Total assets held in Trading book	**-**	-	**-**	-
TOTAL RISK WEIGHTED ASSETS	**16,816**	16,376	**16,466**	16,071
CET 1 Ratio (%)	**7.67%**	8.06%	**8.28%**	8.69%
Tier 1 Ratio (%)	**7.67%**	8.06%	**8.28%**	8.69%
Total Capital Adequacy Ratio (%)	**10.12%**	11.41%	**10.20%**	11.50%

IV. Risk Management Report (Continued)

F. Capital Management (continued)

Limits and minima applicable

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III, the following limits and minima are applicable, as from 01 January 2015:

- A minimum Core Equity Tier 1 ratio of 6.0%;
- A minimum Tier 1 ratio of 7.5%; and
- A minimum Capital Adequacy Ratio of 10%.

As at 31 December 2015, the Group and the Bank has complied with all the limits and minimum requirements of the Bank of Mauritius guidelines. The Group and the Bank is well positioned to meet the phase in requirements as per the guidelines.

Risk Weighted Assets for Credit Risk

		GROUP		BANK	
		2015		2015	
Risk Weighted On-Balance Sheet Assets	***Risk Weight***	**Exposures after CRM**	**Risk Weighted Assets**	**Exposures after CRM**	**Risk Weighted Assets**
	%	**MUR M**			
Cash items	*0 - 20*	176	-	145	-
Claims on Sovereigns	*0 - 150*	1,452	57	1,414	-
Claims on Central banks	*0 - 150*	1,329	154	1,273	70
Claims on Multilateral development banks	*0 - 150*	65	32	65	32
Claims on banks	*20 - 150*	3,225	114	3,224	114
Claims on non-central government public sector entities	*0 - 150*	365	183	365	183
Claims on corporates	*20 - 150*	7,709	7,720	7,687	7,687
Claims included in the regulatory retail portfolio	*75*	189	142	189	142
Claims secured by residential property	*35-125*	2,617	2,641	2,617	2,641
Claims secured by commercial real estate	*100 - 125*	563	628	563	628
Past due claims	*50-150*	1,259	1,755	1,244	1,732
Other assets	*100*	560	560	454	454
Total Risk Weighted On-Balance Sheet Assets		**19,509**	**13,986**	**19,240**	**13,683**

Risk Weighted Off-Balance Sheet Assets	***Credit Conversion Factor***	***Risk Weight***	**Exposures after CRM**	**Risk Weighted Assets**	**Exposures after CRM**	**Risk Weighted Assets**
Transaction-related contingent items	*50*	*0-100*	1,108	554	1,104	552
Trade-related contingencies	*20*	*0-100*	504	101	504	101
Other commitments	*20*	*0-100*	2,529	1,183	2,524	1,182
Foreign exchange contracts	*2*	*100*	724	14	692	14
Total Risk Weighted Off-Balance Sheet Assets			**4,865**	**1,852**	**4,824**	**1,849**

Total Risk Weighted On & Off Balance Sheet Assets	**24,374**	**15,838**	**24,064**	**15,532**

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

F. Capital Management (continued)

Supervisory Review Process - Internal Capital Adequacy Assessment Process (ICAAP)

The Group and the Bank are guided by its Internal Capital Adequacy Assessment Process (ICAAP) in determining its capital planning and formulating its risk appetite process. Overall, the purpose of the ICAAP document is to provide an informative description of the methodology and procedures that the Group and the Bank uses to assess and mitigate its risks and to make sure 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 while financial year risk appetite limits are set by the Board.

Exposures are monitored on a quarterly basis against those limits and reported to the Risk Management Committee. Actually, the ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius Guideline on Supervisory Review Process in April 2010. The document, which is approved by the Board, is reviewed periodically to ensure that the Bank remains well capitalised after considering all material risks. Stress testing is a risk management exercise that forms an integral part of the ICAAP. As part of the Bank's ICAAP, forecasts are made, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational, market risks) and Pillar II risk types (i.e. concentration of risk, liquidity risk, interest rate risk, strategic risks and so on). These assessments are conducted with a view to understanding the sensitivity of the key assumptions of the capital plan to the realisation of plausible stress scenarios and in order to evaluate how the Bank can continue to maintain adequate capital under such scenarios. The overriding aim of the stress testing framework is to ensure that risk management exercises are firmly embedded in the organisation's overall governance culture.

As a subsidiary of Groupe BPCE and benefitting from the implicit and explicit the support of its sole shareholder, BPCE IOM, Banque des Mascareignes Ltée leverages on various tools to raise its capital, as and when needed. Capital may be raised through the issue of Ordinary Shares, Preference Share or Subordinated Debt, in multiple currencies. In addition, the Bank uses various instruments issued by its shareholder to mitigate its Credit Risk, namely through Bank Guarantees, Unfunded Risk Participation and others.

V. Compliance Report

The Compliance Function assesses and ensures that all the Group's and Bank's activities comply with the relevant laws, regulations and internal policies and procedures. Compliance reviews are conducted across departments and appropriate recommendations are made. Any type of non-compliance and risk identified is duly reported to Senior Management, the Internal Control Committee, the Compliance Committee, Audit Committee and Risk Management Committee of the Board and the Board of Directors. It also co-ordinates and supports the activities within the Bank and provides expertise and advice in compliance–related matters. A summary of main points of the Compliance Committee, which meets on a quarterly basis, is also presented to the Risk Management Committee and the Audit Committee of the Board at the same intervals.

The Governance Committees relating to Compliance are the Internal Control Committee, the Compliance Committee, Audit Committee and Risk Management Committee of the Board and the Board of Directors. The Compliance Function has a matrix reporting line to BPCE Group Compliance.

A Sanction Screening system is in place to enable real time screening of all details contained in incoming and outgoing swift messages. This screening tool and the approved work flow for treatment of flows help to reduce the Bank's risk of being exposed in facilitating payments for individuals and organizations blacklisted under the US, EU, OFAC and UNSC.

To manage the money laundering risk which the Bank could be exposed to, the Compliance function through the Money Laundering Reporting Officer tracks and reviews suspicious transactions. Moreover, it is empowered to independently report to the Financial Intelligence Unit ('FIU') any suspicious transactions. An automated Transaction Monitoring system (NORKOM) is actually in place for detection of higher risk transactions to guard against money laundering and financing of

V. Compliance Report (Continued)

Terrorism. The Anti-Money Laundering ('AML') framework adopted by the Bank is supported by an automated profiling system (VOR) to enable the KYC profiling of customers through enhanced due diligence, customer identification, screening and customer risk scoring. It also enhances the monitoring and review of customers and their activities and allows the Bank to manage financial crime and regulatory risk more effectively.

The AML Training Programme of the Bank is set up as per below:

- Immediate training for all new recruits;
- At least one annual refresher training is conducted for all staff by the Head of Compliance / Anti Money laundering;
- Senior Management provides "on the job" AML awareness training to their respective staff; and
- Regular updates / Advisories from the Heads of Risk and Compliance/Compliance / Anti Money laundering.

With the internal procedures and control in place, the Bank is also continually developing screening methods to detect attempted frauds and prevent losses for all parties involved. As per the instructions issued to senior management and front liners, all attempted frauds are also duly reported to Compliance and Internal Audit teams for onward information to the Bank of Mauritius.

Compliance activity is covered through an Annual Compliance plan, approved by the Compliance Committee and Risk Management Committee, which comprises a schedule and frequency of field reviews of all the areas of regulatory risks. Other activities of the Compliance function are:

- conducting independent investigations for suspicious cases and ensuring that appropriate actions and decisions are taken as well as assisting investigative authorities in conducting investigations;
- conduction specific controls including tellers' transactions following findings made necessitating rapid actions;
- implementation of FATCA (Foreign Account Tax Compliance Act) and coming CRS (Common Reporting Standard);
- by preparing Action Plan document, modifying Account Opening Forms and providing training to Front Liners as well as back office staff;
- assisting the Bank of Mauritius, Financial Services Commission and external auditors during their audit;
- providing support on new projects of the Bank;
- preparing and circulating to staff of the Bank, action points and summary of changes in existing Legislations and Guidelines and new Legislations and Guidelines. On a quarterly basis the regulatory changes are also reported to the Control Committee, Compliance Committee, Risk Management Committee and Board Audit Committee;
- assisting other departments in setting up and preparing Policies and Procedures;
- actively participating in Compliance meetings held at the Bank of Mauritius, Mauritius Bankers Association level, FIU's level, etc; and
- compliance workshops are organised for Senior Management and Relationship Managers to discuss compliance issues and update them about recent regulatory developments.

Compliance - Focus areas for 2016

The 2016 compliance focus areas will be driven by the 2015 findings and recommendations made to mitigate risks throughout the organisation; supervisory expectations, international best practice and legislative developments impacting the financial services sector.
Enhanced focus has been made on the review of processes and procedures to ensure that they are taking in consideration any amendment made by regulatory bodies as well as BPCE Group Compliance as well as reviewing documentations to secure adequate and reliable due diligence documents that substantiate the level of business activity of customers.

VI. Internal audit function and internal control

The Bank has adopted a three-layer control system:

- Line Management – 1st level of Control;
- Compliance review – 2nd level of Control; and
- Internal Audit – 3rd level of Control.

In addition to the above, the Group and the Bank are subject to regular specialised and general Inspection Audit from BPCE Group Internal Audit teams; the latest done in 2015.

Line management remains primarily responsible for establishing appropriate control over their operations, independent periodic assessment of the risks associated, the setting up of appropriate procedures and active walking-of-the job to identify lapses and bring in remedying measures. The Group and the Bank is committed to operate as per best industry practices as far as controls are concerned and to enforce day-to-day application. At the beginning of each financial year, all Executives and staff are assigned a number of appropriate control-related measurable performance indicators which have an equivalent weightage as normal commercial targets.

To safeguard the total independence of Internal Audit, the latter reports directly to the Audit Committee with a dotted line reporting to the CEO for day-to-day matters and the Bank has subscribed to the principle that Internal Audit has unfettered access to all the Bank's records and information. The responsibility for the appointment and dismissal of the Head of Internal Audit remains with the Audit Committee.

Internal Audit implements an annual inventory of all lines of business and operations followed by a risk assessment and risk scoring of each of these entities. Based on this risk assessment, an annual audit plan is drawn up and submitted to the Audit Committee for approval. The calendar of execution of the audits is known only to the CEO and Audit Committee. The Audit Plan is reviewed at each quarterly meeting of the Audit Committee.

The coverage of the Bank's internal audit also includes the Madagascar subsidiary.

The final audit reports provide clearly identifiable examples in support of findings, highlight the risk associated with each finding, and provide concrete remedying recommendations, which together with an implementation date are agreed with line management prior to the issue of the reports. Every finding is allocated a rating depending upon the level of the associated risk. It is to be noted that internal audit will systematically allocate a higher risk rating where findings may be contrary to law or relate to deficient observance of regulatory guidelines. The reports are presented to the Audit Committee and BPCE Group Internal Audit.

Periodically, all departments are required to certify that all previous audit recommendations have been implemented and not allowed to lapse. In addition, Internal Audit carries out checks to ensure such implementation. A report in this respect is presented to the Audit Committee.

CORPORATE GOVERNANCE REPORT

Good corporate governance remains integral to the way the Bank operates. The Bank is committed to operating in a correct, principled and commercially astute manner and staying accountable to its stakeholders. The Bank holds the view that transparency and accountability is essential for the bank to thrive and succeed in the short, medium and long term.

Governance framework

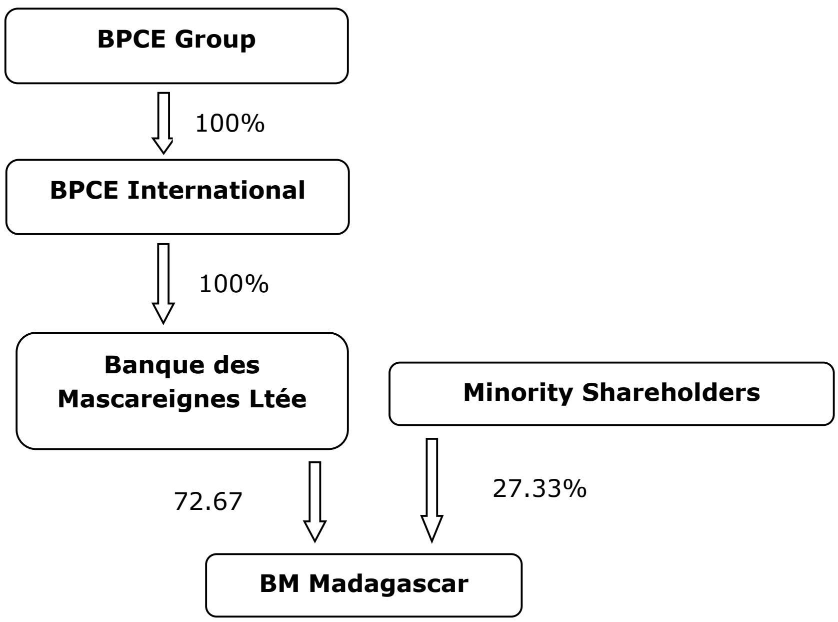
The Bank operates within a clearly defined governance framework. Through this framework, the board balances its role of providing risk oversight and strategic counsel while ensuring adherence to regulatory requirements and risk tolerance. The governance framework provides for delegation of authority while enabling the board to retain effective control. The board delegates authority to relevant board committees and the Chief Executive Officer with clearly defined mandates and authorities, while preserving its accountability.

Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the board reviews regularly. Mandates for each committee set out its role, responsibilities, scope of authority, composition and terms of reference. The committees report to the board through their respective chairmen and minutes of all committee meetings are submitted to the board.

The board delegates authority to the Chief Executive to manage the business and affairs of the Bank. This delegated authority is set out in writing, together with the matters reserved for board decision. The Senior Management Committee and Executive Management Committee assist the Chief Executive in the day-to-day management of the affairs of the Bank, subject to statutory parameters and matters reserved for the board.

Governance structure

The shareholding and Group structure is as follows:



The Governance Framework is as follows:

- Board of Directors

- Board Committees, namely:
  - Audit Committee
  - Risk Management Committee
  - Conduct Review Committee
  - Corporate Governance Committee
  - Remuneration and Nomination Committee

Governance structure (Continued)

The Governance Framework is as follows: (Continued)

➢ Management Committees, namely

- Senior Management Committee (Comité de Direction Générale)
- Executive Management Committee (Comité Exécutif)
- Business Development Committee
- Finance Committee
- Tariff Committee
- Assets & Liabilities Management Committee
- Treasury Committee
- Credit Committee
- Non-Performing Loans review and Provisioning Committee
- Arrears Committee
- Watchlist Committee
- Compliance Committee
- Internal Control Committee (Comité de Cohérence et Conformité)
- Risk Management Committee
- Organisation and Information Systems Committee

Board of Directors

The role of the board:

The board provides effective leadership based on an ethical foundation. It strives to balance the interests of the Bank and those of its various stakeholders. It is the highest decision-making body in the Bank and is responsible for the Group's strategic direction. It ensures that strategy is aligned with the Group's values and monitors strategy implementation and performance targets in relation to the agreed risk profile. It is collectively responsible for the long-term success of the Group and is accountable to shareholders for financial and operational performance.

In line with banking regulations, the board decides on the Group's corporate governance and risk management objectives for the year ahead. The relevant governance and risk management committees monitor performance against governance and risk objectives, respectively, and reports are submitted to the board. Effective 2015, self-assessment of board members will be conducted annually to assess whether the Bank has achieved its objectives.

The board's terms of reference are set out in a written charter, the 'Charte de Bonne Gouvernance d'Entreprise et Règles de Bonne Conduite'. The mandate is reviewed at least annually and complies with the provisions of the Companies Act and Banking Act, as well as the Bank's constitution. It sets out the guidelines with regards to:

- composition of the board;
- term of office;
- reporting responsibilities;
- rules of engagement; and
- matters reserved for board decision.

The board's key terms of reference are set out below:

- provide effective leadership based on an ethical foundation;
- approve the strategy and ensures that the Group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders;
- review the corporate governance and risk and capital management processes and ensure that there is an effective risk management process and internal control system;
- delegate relevant authority to the Chief Executive Officer and the Deputy Chief Executive Officer and monitor their performance;

CORPORATE GOVERNANCE REPORT

Board of Directors (continued)

- determine the terms of reference and procedures of all board committees, review the board's and committees' performance annually, and review their reports and minutes;
- ensure that the Audit Committee is effective and independent;
- ensure that an adequate budget and planning process exists, measures performance against budgets and plans, and approve annual budgets;
- consider and approve the annual financial statements and the annual report, results, dividend announcements and notice to shareholders; and
- approve significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances.

Board meetings allow sufficient time for consideration of all items. Care is taken to ensure that the board attends to matters critical to the Group's success, with sufficient attention to compliance and administrative matters.

The Group has a unitary board structure with executive and non-executive directors. The board functions effectively and efficiently and is considered to be of an appropriate size for the Group, taking into account, among other considerations, the need to have sufficient directors to structure board committees appropriately, the regulatory requirements as well as the need to adequately address the board's succession plans. Non-executive directors bring diverse perspectives to board deliberations, and constructive challenging of the views of executive directors and management is encouraged.

The Board members are:

- <u>Non-Executive Directors</u>
  Philippe Garsuault (Chairperson)
  Alain Merlot
  Bernard Fremont
- <u>Independent and Non-Executive Directors</u>
  Yvan De La Porte Du Theil
- <u>Executive Directors</u>
  Philippe Wattecamps
  Matthieu Dabout

The Company Secretary acts as secretary of the Board of Directors.

The roles of the Chairman and Chief Executive Officer continue to be substantively different and separated. The Chairman is a non-executive director charged with leading the board, ensuring its effective functioning and setting its agenda, in consultation with the Company Secretary and the Chief Executive Officer. The board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The Company Secretary maintains a register of directors' interests.

There is ongoing engagement between executive management and the board. In addition to the executive directors, senior management attend board meetings. External auditors are invited to attend Audit Committee. Directors have unrestricted access to management information, as well as the resources to carry out their duties and responsibilities.

The Audit Committee

In line with the Banking Act 2004 and international best practice, the Audit Committee's principal responsibilities are to:

- review the interim and annual financial statements, summarised financial information, dividend declaration and all financial information and recommend them to the board for approval;
- evaluate the adequacy and effectiveness of the accounting policies and all proposed changes in accounting policies and practices;
- review the basis for determination as a going concern;
- review the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls;

The Audit Committee (continued)

- review the impact of new financial systems, tax and litigation matters on financial reporting;
- review and approve the Group external audit plan;
- assess the independence and effectiveness of the external auditors on an annual basis;
- oversee the appointment of external auditors, their terms of engagement and fees;
- review significant differences of opinion between external auditors and management;
- reviews the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensures that management takes appropriate action to satisfactorily resolve issues;
- review, approve and monitor the internal audit plan and charter;
- consider and review the internal auditors' significant findings and management's response;
- evaluate annually the role, independence and effectiveness of the internal audit function in the overall context of the Group's risk management system;
- monitor the maintenance of proper and adequate accounting records and the overall financial and operational environment;
- review reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks;
- review, approve and monitor the compliance plan; and
- monitor compliance with the Companies Act, Banking Act and all other applicable legislations and guidelines.

The Audit Committee comprises of non-executive directors of the Bank. The Chairman of the Board is not a member of the Audit Committee. The Head of Internal Audit, the External Auditor, the Head of Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Audit Committee.

Members of the Audit Committee are:
- Alain Merlot (Chairperson);
- Bernard Fremont; and
- Yvan de la Porte du Theil

The audit committee meets at least four times in a year.

Risk Management Committee

In line with the requirements of the guidelines of the Bank of Mauritius and the international best practice, the main responsibilities of the Risk Management Committee are to:
- determine the Group's risk appetite;
- monitor the current and future risk profile to ensure that the Group is managed within risk appetite;
- consider and approve the macroeconomic scenarios used for stress testing, and evaluate the results of stress testing;
- approve all risk governance standards, frameworks and relevant policies;
- monitor all risk types;
- approve risk disclosure in published reports;
- review and recommend the ICAAP and internal capital target ratio ranges to the board for approval and monitor the utilisation of capital to make sure that the Bank has, at any time, a capital adequacy ratio corresponding to at least the regulatory minimum requirements;
- review the impact on capital of significant transactions entered into by the Group;
- review and approve the strategy, policies and practices relating to the management of the Bank's liquidity;
- monitor the implementation thereof by putting in place appropriate reporting structures;
- approve the Risk Policy, which sets out the credit granting process and limits; and
- monitor large and impaired credits as well as the overall level of provisioning, that is, overseeing Credit and Risk exposures.

Risk Management Committee (continued)

The Risk Management Committee comprises of 3 non-executive directors of the Bank and the Chief Executive Officer. The Chairman of the Board is not a member of the Committee. The Head of Internal Audit, the Head of Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Risk Management Committee. The Risk Management Committee reports to the Board, through its Chairman.

Members of the Risk Management Committee are:

- Alain Merlot (Chairperson);
- Bernard Fremont;
- Yvan de la Porte du Theil; and
- Philippe Wattecamps.

The Risk Management Committee meets on a quarterly basis.

Conduct Review Committee

In line with the Guidelines of the Bank of Mauritius, the Conduct Review Committee's main responsibilities are to:

- approve the policies and procedures as required by the Guideline on Corporate Governance;
- review the Bank's transactions with related parties in line with the Conduct Review Policy, ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius;
- review and approve all credit facility with relates parties; and
- ensure that transactions which could materially affect the financial stability of the Bank are identified at source and review all related party transactions when said dealings are above 2% of Tier 1 Capital.

The Conduct Review Committee (CRC) consists of three non-executive members, namely:

- Alain Merlot (Chairperson);
- Bernard Fremont; and
- Yvan de la Porte du Theil.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Conduct Review Committee reports to the Board, through its Chairman.

The conduct Review Committee meets at least one every quarter.

Corporate Governance Committee

In line with the Guidelines of the Bank of Mauritius, the Corporate Governance Committee's responsibilities are to:

- deal with all Corporate Governance issues and make recommendation to the Board accordingly;
- ensure that the Bank complies with the Code of Corporate Governance and Corporate Governance Guidelines issued by the Bank of Mauritius;
- ensure that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice; and
- ensure effective communication between stakeholders.

The Corporate Governance Committee consists of three non-executive members, namely:

- Yvan de la Porte du Theil (Chairperson);
- Bernard Fremont; and
- Alain Merlot.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Corporate Governance Committee reports to the Board, through its Chairman.

The Corporate Governance Committee meets at least once a year.

CORPORATE GOVERNANCE REPORT

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive directors. The Committee is responsible for making recommendations to the Board on the appointment of directors and senior executives. The Committee also oversees remuneration and compensation of directors; senior management and other key personnel with a view to attract retain and motivate them. It reviews periodically compensation levels of the Bank's employees vis-a-vis other banks and the industry in general. The Committee ensures that compensation is consistent with the current market conditions as well as with the Bank's strategy and objectives.

The responsibilities of the Nomination and Remuneration Committee include:

- ascertaining whether the potential directors, chief executive and senior officers are fit and proper persons, have the required skills and expertise, and are free from material conflicts of interest, and ensuring that an induction programme is provided to new directors;
- reviewing the Board structure, size and composition (including balance between independent/ non-executive/executive) and the composition of Board Committees;
- reviewing, for submission to the Board, remunerations for directors and executives/senior officers as well as proposals of promotion to the General Management; and
- reviewing the succession plan of senior executives and the list of talents.

The members of the Nomination and Remuneration Committee are:

- Philippe Garsuault (Chairperson);
- Alain Merlot; and
- Yvan de la Porte du Theil.

The Nomination and Remuneration Committee meets at least once a year.

Management Committees

- **The Senior Management Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development and the 'Secrétaire Général'. The Senior Management Committee meets on a weekly basis and considers all matters relating to the Bank's strategy as well as day to day running of the Bank.
- **The Executive Management Committee** under the chairmanship of the Chief Executive Officer comprises of members of the Senior Management Committee and all Heads of Departments, including the Head of Internal Audit. The committee meets on a monthly basis and is responsible for the day-to-day management of the Bank, including risk issues, business development, compliance and IT related issues.
- **The Business Development Committee** is composed of the Executive Director - Business Development, the Head of Treasury, the Head of Information Systems, the Head of Corporate, the Head of Marketing and Business Development, the Head of International Banking, the Head of Retail and the Head of Operations. The committee meets on a monthly basis and is chaired by the Executive Director - Business Development. The main purpose of the Business Development Committee is the review of segmental, commercial and financial results against targets and to decide on marketing strategies.
- **The Assets and Liabilities Management Committee** is chaired by the Chief Executive Officer and includes the Deputy Chief Executive Officer, the Chief Financial Officer, the Director of Risks, and the Head of Treasury. The Committee is overseen by the ALM team of the parent company, BPCE-International. The committee has the authority and responsibility for managing the Bank's assets and liabilities, and the measurement of all market risks associated, based on a static and dynamic simulation of the Bank's balance sheet. Moreover, it ensures that the overall asset/liability and market risk mix are managed effectively and are within Group guidelines. The Committee meets on a quarterly basis.

- **Finance Committee** is chaired by the Chief Executive Officer and includes, the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Treasury and Head of Business Units. The Committee:

  - reviews performance against budgets and approves operational strategies to the Bank's and Group's medium to long term plan; and
  - reviews market intelligence reports and competitor reviews.

  The committee meets on a monthly basis.

CORPORATE GOVERNANCE REPORT

Management Committees (continued)

- **Tariff Committee** is chaired by the Chief Executive Officer and includes, the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Treasury and Head of Business Units. The Committee approves changes in pricing, tariffs and charges as well as marketing campaigns.

  The Committee meets on a monthly basis.

- **The Credit Committee**, chaired by the Chief Executive Officer or the Deputy Chief Executive Officer, meets at least twice weekly and comprises of the Chief Financial Officer, the Executive Director - Business Development and the Director of Risks. Heads of Business units and the credit underwriting team attend the meeting. The committee reviews and recommends and / or approves credit requests within its delegated authority. All requests outside its delegated authority are forwarded for a decision to BPCE International and / or BPCE Credit Committees.

- **The Non-Performing Loan review and provisioning on Bad & Doubtful debts committee** reviews the status on all non-performing loans and approves the level of specific provisions to be provided for each impaired credit. It also assesses and agrees on the recovery strategy of impaired credits. The Committee meets on a monthly basis and is chaired by the Chief Executive Officer. The committee comprises of the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Recovery and members of the Risk Control and Monitoring unit.

- **The Arrears Committee** (Comité des dépassements et impayés) meets on a monthly basis and is an integral part of the risk monitoring system. This committee monitors excesses (unauthorized overdrawn accounts and/or overdrafts with expired limits) and loan arrears. Through monitoring of these credit risks, potential non-performing loans are identified and action plans agreed for implementation. The Committee is chaired by the Chief Executive Officer and the other members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, members of the Risk Control and Monitoring department and the Heads of Business segment.

- **The Watch list Committee** is chaired by the Chief Executive Officer. The responsibilities of the committee is to monitor all exposures, as defined by the Watchlist Policy. This policy adopts a risk based approach to the monitoring of exposures. The Committee meets on a quarterly basis and reports to BPCE International Watchlist Committee. The members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, members of the Risk Control and Monitoring unit, the Head of Internal Audit, and the Head of Business segments attend the meetings.

- **The Compliance Committee** is chaired by the Chief Executive Officer and comprises the Chief Financial Officer, the Executive Director - Business Development, the Head of Compliance, the Director of Risks, the Head of internal Audit, the Money Laundering Reporting Officer (MLRO) and all Heads of Departments. The Compliance Committee drives the compliance policy of the Bank and monitors its implementation. The main role of Compliance Committee is to ensure consistency and efficiency of most internal controls within the Bank. The Compliance Committee takes decisions and provides guidance for the solving of major problems relating to internal controls so as to ensure better coordination, effectiveness and efficiency in the activities of the Bank, thereby mitigating intrinsic risks arising from the banking activities. The committee meets on a monthly basis.

- **The Internal Control committee** is chaired by the Chief Executive Officer and comprises of the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Head of Compliance, the Director of Risks, the Head of internal Audit, the Director of Information System and Organisation, the Head of Quality & Projects, the Head of Risks, the Head of Accounting Review and other members who have responsibility for the efficiency and effectiveness of controls in their respective fields. The committee looks at all aspects relating to internal control and non-compliance issues identified in the internal controls system of the Bank so that adequate remedial actions can be taken in a timely manner. The committee meets on a quarterly basis.

Management Committees (continued)

- **The Risk Management Committee** is chaired by the Chief Executive Officer and the other members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, and the Director of Risks. The manager of the Risk Control and Monitoring department, the manager of Underwriting and other management team attend the committee. The primary function of the Risk Management Committee is to monitor the risks of the bank against approved risk appetite, limits and regulatory guidance. The committee meets on a quarterly basis.
- **The Organisation and Information System Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Business Development, the Director of Information System and Organisation, the Head of Human Resources, the Head of Compliance, the Head of Information System Security and Heads of Departments. The Committee is chaired by the Director of Information System and Organisation. The purpose of the Committee is to have a follow up of projects relating mainly to IT. The committee meets on a monthly basis.
- **The Treasury Committee**, comprising of the Senior Management, meets on a weekly basis, to review the structural liquidity positions (MUR and Foreign Currency). It also provides guidance on deposit rates as well as daily business strategies to improve the Net Interest Income as well as Foreign Exchange Income.

Board of Directors – Composition and Profile of Directors

Board of Directors

Non-Executive Directors
- Philippe Garsuault (Chairperson)
- Alain Merlot
- Bernard Fremont

Independent and Non-Executive Directors
- Yvan De La Porte Du Theil

Executive Directors
- Philippe Wattecamps
- Matthieu Dabout

Committees of the Board

Audit Committee
- Alain Merlot (Chairperson)
- Bernard Fremont
- Yvan de la Porte du Theil

Conduct Review Committee
- Alain Merlot (Chairperson)
- Bernard Fremont
- Yvan de la Porte du Theil

Risk Management Committee
- Alain Merlot (Chairperson)
- Bernard Fremont
- Yvan de la Porte du Theil
- Philippe Wattecamps

Corporate Governance Committee
- Yvan de la Porte du Theil (Chairperson)
- Alain Merlot
- Bernard Fremont

Board of Directors – Composition and Profile of Directors (continued)

Nomination and Remuneration Committee

- Philippe Garsuault (Chairperson)
- Alain Merlot
- Yvan de la Porte du Theil

General Management

Senior Management Committee (Comité de Direction Générale)

- Wattecamps Philippe	Chief Executive Officer
- Dabout Matthieu	Deputy Chief Executive Officer
- D'Angelin Gery Helly *	Executive Director- Business Development
- Dawonauth Chaya Devi **	Chief Financial Officer
- Ramlagun Varuna	Secrétaire Générale

Executive Committee

- Benkhaled Hocine	Head of Retail Banking
- Bernard Franck	Director – Risk and Compliance
- Chan How Marie Noelle	Head of Global Business Banking
- Constant Virginie	Head of Human Ressources
- Dabout Matthieu	Deputy Chief Executive Officer
- D'Angelin Gery Helly *	Executive Director – Business Development
- Dawonauth Chaya Devi **	Chief Financial Officer
- Domingue Green Stephanie	Head of Corporate Banking
- Jahajeeah Avinash	Head of International Banking
- Lalanne Bertrand	Director – Information system and Organisation
- Letimier Ingrid	Head of Marketing and Business Development
- Modeley Patrice	Head of Operations
- Ramlagun Varuna	Secretaire Générale
- Ramnarayan Sachidanand	Head of Internal Audit
- Thomas Alain	Head of Treasury
- Wattecamps Philippe	Chief Executive Officer
- Wong Laura	Head of compliance and Internal control

**joined on 1st September 2015*
*** resigned on 31st December 2015*

Directors' profile

The Board consists of 6 members who are experienced professionals with expertise in a variety of fields.

Garsuault Philippe (Chairperson)

Garsuault Philippe, appointed to the Board of the Bank on the 21st of February 2012, is the Chief Executive Officer of BPCE International. He is also the:

- Chairperson and Member of the Board of directors of Banque de Nouvelle Calédonie, Banque des Antilles Françaises, Banque de Saint Pierre et Miquelon, Banque de la Réunion, Banque Tuniso Koweitienne, Banque de Tahiti, Pramex International Corp, Pramex International S.r.l and BPCE Maroc;
- Vice-Chairman and Member of the Board of directors of Banque Malgache de L'Océan Indien;
- Vice-Chairman and Permanent representative of BPCE International in the Board of directors of Fransabank (France);
- Member of the Board of directors of Banca Carige, Natixis Algerie, Banque Internationale du Cameroun pour l'Epargne et le Crédit and Banque Commerciale Internationale;
- Member of the Supervisory Board of Banque BCP SA and Volksbank Romania SA; and
- Management Director of Natixis Pramexrus SARL.

CORPORATE GOVERNANCE REPORT

Board of Directors – Composition and Profile of Directors (continued)

Director's profile (continued)

Merlot Alain

Merlot Alain, appointed to the Board of the Bank on the 30th of March 2012, is the Deputy Chief Executive Officer of BPCE International. He is also:

- Member of the Board of Directors of Banque de la Reunion, Banque Malgache de l'Océan Indien, Ingepar and Océorane; and
- Permanent representative of BPCE International in the Board of Directors of: Banque Nationale de Développement Agricole, Technology Shared Services Africa, Technology Shared Services Pacifique, Technology Shared Services Méditerranée and Technology Shared Services Outre-mer.

Dabout Matthieu

Dabout Matthieu, appointed on the 23th of March 2012 is the Deputy Chief Executive Officer and member of the Board of Directors of Banque des Mascareignes Ltée. He is also Member of the Board of directors of BM Madagascar.

De La Porte Du Theil Yvan

De La Porte Du Theil Yvan, appointed to the Board of the Bank on the 18th of March 2010 is a member of the Board of Directors of BPCE International, Coface Banque Tuniso-Koweitienne (BTK) and Fransabank (France) and is the Chairman of the Supervisory Board of MA Banque.

Fremont Bernard

Fremont Bernard, appointed to the Board of the Bank, on the 23rd of July 2012, is the Chief Executive Officer of Banque de la Réunion. He is also:

- Member of the Board of Directors of Banque Malgache de l'Océan Indien; and
- Permanent representative of Banque de la Réunion in the Board of Directors of: Technology Shared Services Outre-mer and Société Anonyme D'Habitations à loyer modéré de la Réunion.

Wattecamps Philippe

Wattecamps Philippe, appointed to the Board of the Bank in October 2014, is the Chief Executive Officer of the Bank. He is also Director of BM Madagascar, Banque des Antilles Francaises, Pramex International Banca and Carige.

Profile of the Management Team

Wattecamps Philippe - Chief Executive Officer

Philippe holds a Masters in Law from Rennes University. Philippe has been working for 27 years in the banking sector. Before joining Banque des Mascareignes, Philippe held the post of Deputy Chief Executive Officer of BPCE International. He also worked at Banque Tuniso-Kowetienne as Deputy Chief Executive Officer and at Banque Populaire de l'Ouest, where he was last in charge of Business Development and Credit Underwriting.

Dabout Matthieu - Deputy Chief Executive Officer

Matthieu holds a diploma of EDHEC Business School. Matthieu has been working for 14 years in the retail banking sector. He has worked as an internal auditor and project manager for Groupe CIC in France. He joined Groupe BPCE in 2005 as Deputy Head of Internal Audit for overseas and international subsidiaries. He was posted as Head of Internal Audit for CIH in Morocco in 2010 before joining Banque des Mascareignes Ltée in 2012 as Deputy Chief Executive Officer and Executive Director.

Benkhaled Hocine– Head of Retail Banking

Hocine holds a « Maîtrise en Economie Internationale » from the University of Pantheon-Sorbonne, Paris. Hocine joined the BPCE Group in 1990. He held several positions in the retail banking sector. He joined the international banking sector of the Group in 2008. He was responsible for various retail projects in Algeria, Tunisia and Mauritius. He finally joined Banque des Mascareignes in November 2010.

Profile of the Management Team (continued)

Bernard Frank– Director, Risk and Compliance

Franck holds a Master degree (DESS) from Paris Dauphine University in Banking and Financial Institutions Management. Franck worked for the BPCE Group, where he held different positions in the field of audit and risks. He also held various positions in audit, risk and compliance, for more than 15 years, in various companies, namely Euronext, Euroclear and HSBC Private Bank. Franck also worked for the French Conseil des Marchés Financiers.

Chan How Marie Noelle– Head of Global Business Banking

Marie Noelle holds a Master in Investment Banking from the City University of London. Marie Noelle has 15 years of experience in the banking industry, mainly in the Global Business Banking at Barclays Bank and Standard Bank. Previously, Marie Noelle has also worked for audit/consultancy firms in the corporate finance division.

Constant Virginie– Head of Human Resources

Virginie has 20 years of experience in the banking sector. She started her career at HSBC Mauritius and after 9 years in the operations, she moved to Standard Chartered Bank (Mauritius) Limited as Business Development Manager and Head of Corporate Affairs. After 1 year, she shifted to Banque des Mascareignes Ltée where she has been promoted as Head of Human Resources in September 2015 after 10 years in different functions of the bank.

D'Angelin Gery Helly– Executive Director - Business Development

Gery holds a Master degree in Finance & Business Administration and is a graduate of 'Institut d'Etudes Politiques'. He started his career as Credit Risk Analyst at Cariplo Banque Paris and then moved to NATIXIS (previously Credit National) where he worked for 20 years in different sectors. Gery joined the management team of Banque des Mascareignes Ltée in 2015.

Dawonauth Chaya Devi - Chief Finance Officer

Chaya holds a Master in Financial Economics from the University of London. Chaya has more than 15 years of experience in the banking sector, having worked in various fields including Credit, Risk, Compliance and Strategy. She has worked for the Bank of Mauritius, Standard Bank (Mauritius) Ltd and State Bank of Mauritius, before joining Banque des Mascareignes Ltée in 2011.

Domingue – Green Stéphanie – Head of Corporate Banking

Stéphanie is a member of ACCA. She started her career at De Chazal Du Mée in 1996 and moved to Mauritius Commercial Bank in 2008 as Account Executive – Project Finance. She joined State Bank of Mauritius Ltd as Head of Coporate Finance in 2009 and then moved to Currimjee Jeewanjee & Co Ltd in 2011 as Financial Controller. She joined Banque des Mascareignes Ltée in 2015 as Head of Corporate Banking.

Jahajeeah Avinash - Head of International Banking

Avinash is an Actuarial & Management Sciences graduate of the University of Manitoba, Canada. Avinash has been involved in the field of pension and benefit consulting for 6 years at Mercer (part of the Marsh & McLennan Group) in Calgary and at AON in Montreal, before joining Banque des Mascareignes' International Banking department in February 2005.

Lalanne Bertrand – Director, Information System and Organisation

Bertrand holds a 'Docteur/Ingenieur en Informatique' from the University of Valenciennes. Bertrand has over 30 years of experience in the information systems and organisation fields with a specialisation in the finance sector. He has been involved in the Finance sector as Project Manager, Head of Information Systems and Head of Organisation for more than 24 years. Bertrand joined Groupe BPCE in 2007.

Letimier Ingrid – Head of Marketing and Business Development

Ingrid holds a Bachelor Degree with a Double Major in Marketing and in Management. Ingrid has over 15 years' experience in Marketing, Communication and Advertising with a specialisation in the financial sector, through experience acquired at CIM Finance, Mauritius Union Assurance, and Bank One. She first joined Banque des Mascareignes in 2003 as Marketing Manager and in 2007 was appointed Head of Retail and Marketing. She joined Banque des Mascareignes again in February 2013 as Head of Marketing and Business Development.

CORPORATE GOVERNANCE REPORT

Profile of the Management Team (continued)

Modeley Patrice – Head of Operations

Patrice holds a degree in International finance delivered by Chambre de Commerce International of Paris, with specialisation in Trade Finance. Patrice has more than 20 years of experience in the Banking sector of which he has spent almost 10 years as Head of Operations in BNPI, AfrAsia Bank and Banque des Mascareignes.

Ramlagun Varuna – Secrétaire Générale

Varuna holds a Masters in Management from the University of Surrey. Varuna started her career in the HR field at Air Mauritius Ltd where she worked for 8 years. She then moved to Accenture and Mauritius Union Assurance Ltd subsequently. She has lead the merger between Mauritius Union Assurance Co. Ltd. and La Prudence Mauricienne Ltée on the Human Resources aspect. She joined Banque des Mascareignes Ltée in August 2012 as Head of Human Resources and was promoted as 'Secrétaire Générale' in April 2015.

Ramnarayen Sachidanand – Head of Internal Audit

Sachidanand started his career in an external audit firm where he worked for eight years before joining a local bank as credit analyst, later in the control and monitoring team and finally in the audit team. After some eight years in the banking sector, Sachidanand joined Banque des Mascareignes Ltée in July 2008 as Head of Internal Audit.

Thomas Alain – Head of Treasury

Alain has over 30 years of experience in the banking and finance sector of which over 20 years as Head of Treasury. He has worked for 23 years at Banque Nationale de Paris Intercontinentale in several departments, namely: finance, foreign exchange and treasury department. Alain joined the management team of Banque des Mascareignes Ltée in 2008.

Wong Laura– Head of Compliance and Internal Control

Laura holds a "Maîtrise en Sciences Economiques" from the University of Pantheon-Sorbonne, Paris Intercontinentale. Laura has 8 years of experience in the banking sector, having worked for "Banque Nationale de Paris". Laura joined Banque des Mascareignes in 2011 and is heading the Compliance and Internal Control department since 2013.

Board and Committee Attendance

		Board Committee					
		Board of Directors	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Number of meetings held during 2015		4	4	4	4	1	2
Executive	Philippe Wattercamps	4	n/a	n/a	n/a	n/a	n/a
	Matthieu Dabout	3	n/a	n/a	n/a	n/a	n/a
Non Executive	Philippe Garsuault	3	n/a	n/a	n/a	n/a	1
	Alain Merlot	4	4	4	4	1	2
	Bernard Fremont	4	4	4	4	1	n/a
Independent	Yvan De La Porte Du Theil	4	4	4	4	1	2

Role and responsibilities of the Chief Executive Officer

The Chief Executive Officer, with the active involvement and overview of the board, is responsible for the strategic direction of the Bank and must, therefore, take the initiative of setting the vision and long and short-term goals. He must ensure that an appropriate strategic planning process is in place and takes the lead in coming up with a proposed strategic plan, including the objectives to be achieved. The board will examine the plan and provide an objective assessment thereof.

Role and responsibilities of the Chief Executive Officer (continued)

In addition, the conduct of business is entrusted to the Chief Executive Officer, which has the responsibility to operate within the risk appetites and policies set by the Board while adhering to regulatory requirements. To this end, various committees involving the Bank's senior officers are in place to support the Chief Executive Officer to deliberate on key issues for informed decision making.

Remuneration of Directors

The non-executive directors (external to the Group) receive a fee for each board meeting or other board committees. The remuneration packages of executive directors are determined based on a number of factors including qualifications, skills, market conditions and responsibility shouldered and is approved by the Remuneration and Nomination Committee.

Remuneration paid to the Directors is as follows:

Rs 000	**2015**	**2014**	**2013**
Executive Directors			
Philippe Wattecamps	**14,399**	4,665	-
Huy Hoang Dang	**-**	8,696	11,406
Matthieu Dabout	**12,228**	9,625	9,691
Non-Executive Directors			
Philippe Garsuault	**-**	-	-
Alain Merlot	**-**	-	-
Yvan De La Porte du Theil	**313**	497	497
Bernard Fremont	**-**	-	-

Material clauses of the Bank's constitution

Some of the main clauses of the Bank's constitution are as follows:

- The duration of the Company is unlimited.
- The Company is a private company limited by shares.
- Pre-emptive rights – Future issue of shares that rank to voting or distribution rights, or both, shall be offered to the holder of shares already issued in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.
- Distributions – The Board may authorise a distribution of dividend by the Bank.
- The Bank may to the extent provided by the provisions of Section 62 of the Companies Act 2001 by special resolution reduce its stated capital to such amount as it thinks fit.
- The minimum number of directors is five and the maximum number of directors is twelve.

Integrated Sustainability Reporting

Statement of Recruitment and Remuneration Philosophy

The Group's and Bank's recruitment and remuneration philosophy for Management and staff 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 all employees to benefit from the financial results and development of the Bank.

Indeed, all staff members of the Bank receive an annual bonus based on the performance of the Company as well as their own rated contribution thereto. 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 Bank 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 the Bank's performance.

The Group and the Bank do not have any Employee Share Scheme nor any Share Options Plans.

CORPORATE GOVERNANCE REPORT

Ethics and organisational integrity

The board aims to provide effective and ethical leadership, and ensure that its conduct and that of management is aligned to the Group's values and to the Banking code of ethics. The Group's value and code of ethics are designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles and values.

In ensuring that the Group operates ethically, the board uses the inclusive stakeholder model of governance that considers and promotes the interests of all the Group's stakeholders.

Shareholders' agreement

There is currently no shareholders' agreement between the Bank and its shareholders.

There is a shareholders' agreement between the Bank and its subsidiary, BM Madagascar. The shareholders' agreement describes the terms and conditions of the set-up of the subsidiary as well as future capital injections, governance structures and required technical support from the Bank.

Significant contracts

There is currently no significant contract between third parties with the Bank and its subsidiary.

Management agreements

There is currently no management agreement between third parties with the Bank and its subsidiaries.

Environment

The Bank fully subscribes to and actively supports a Clean Environment Policy. To the extent possible, unnecessary printing is avoided and information and instructions are conveyed through electronic channels.

Health and safety

The Bank is fully committed towards the Health and Safety of its employees and aspires to create a culture whereby the management of risk and prevention of harm is part of everyday business. The Bank recognises that managing Health and Safety risk is a core management activity and an important component of its values.

Social issues

The Bank has fulfilled its Corporate Social Responsibility, by supporting various initiatives during the year. Banque des Mascareignes Ltée believes in the importance of investing in the community especially in the young generations.

Donation

No donation was made during the year review.

Political contributions

No political contribution was made during the under review.

Going concern

There is no reason to believe that the Bank will not be a going concern in the year ahead.

Dividend policy

The bank has no formal dividend policy. The Board has discretion to consider and declare a dividend pay-out based on capital availability as per the Bank of Mauritius Capital Adequacy Guidelines.

External auditors' fees payable

Rs 000	**2015**	**2014**	**2013**
Audit fees payable to KPMG	**2,825**	2,730	2,866

Related party transactions policies and practices

The Bank of Mauritius Guideline on Related Party Transactions, as revised in June 2015, is articulated around three main elements, namely:

- the role of the Board of Directors of a financial institution, its Conduct Review Committee and that of its Senior Management in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions;
- the definition of the different types of related party transactions and the setting out of regulatory limits on credit exposures to related parties; and
- the definition of basic rules for monitoring and regulatory reporting of related party transactions and their disclosure in the Annual Report.

As a general rule, related parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. All transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- loans, finance leases and service agreements;
- giving a guarantee on behalf of a related party;
- making an investment in any securities of a related party;
- deposits and placements; and
- professional service contracts.

The Guideline defines 3 categories of related party transactions for the purpose of regulatory reporting and limits, namely:

- Category 1 - Directors, their close family members and any entity where any of them holds more than a 10% interest; Shareholders owning more than 10% of the financial institution's capital; Directors of any controlling shareholder; and Entities (excluding subsidiaries) where the financial institution holds more than a 10% interest.
- Category 2 - Senior Management, their close family members and any entity where any of them holds more than 10% interest; Senior Management of any controlling shareholder; and Subsidiaries of the financial institution.
- Category 3 - Senior Management, provided their exposures are within the terms and conditions of their employment contract.

Categories 3 above, as well as exposures representing less than 2% of the institution's Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at

- 60% of Tier 1 capital for category 1 and
- 150% thereof for the total of categories 1 and 2.

The Bank adheres to the Guideline on Related Party Transactions. In line with this guideline, the Board of Directors has established a Conduct Review Committee, which meets on a quarterly basis to review all related party transactions, approve Category 1, 2 and 3 related party transactions and monitor compliance with the Guideline. All related party transactions are reported to the Conduct Review Committee. The related party reporting to the Bank of Mauritius is made on a quarterly basis.

Note 36 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 31 December 2015.

STATEMENT OF COMPLIANCE

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

Name of Public Interest Entity: Banque des Mascareignes Ltée

Reporting Period: 31 December 2015

We, the Directors of Banque des Mascareignes Ltée, confirm that to the best of our knowledge:

- the PIE has complied with all sections of the Code, with the exception of
  - section 3.9.1, which requires the PIE to have at least 2 independent directors; and
  - section 3.9.4, which requires the Chairman of the Audit Committee of the Bank to be an independent director.

The reason for non-compliance is that the PIE, as a wholly owned subsidiary of Group BPCE, is allowed by the Regulator, Bank of Mauritius, to have non-executive directors instead of independent directors. The PIE is in compliance with the Banking Act and the Bank of Mauritius guidelines.

....
Name of Chairman

Philippe GARSUAULT

....
Name of Director

Philippe Wattecamps

STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Bank's financial statements have been prepared by the directors, who are responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee, which is comprised of non-executive directors, oversees the management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's internal auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits. In addition, the Bank's compliance function maintains policies, procedures, and programs directed at ensuring compliance with regulatory requirements.

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

The Bank's external auditors, KPMG, have full and free access to the management and its committees to discuss the audit and matters arising therefrom, such as, their observations and fairness of financial reporting and the adequacy of internal controls.

....	....	....
Philippe GARSUAULT	**Alain MERLOT**	**Philippe WATTECAMPS**
Chairperson	***Chairperson, Audit Committee***	***Chief Executive Officer***

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of Banque des Mascareignes Ltée (the "Company"), I hereby confirm that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2015, all such returns as are required of the Company under the Companies Act 2001.

....

Nashreen ROJOA

Date: 30 March 2016

Maeva Tower Ltd, 9ème Étage, Cnr Silicon Avenue & Bank Street,
B.P. 43, Port Louis, Cybercity, Ebene 72201 – Ile Maurice
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BANQUE DES MASCAREIGNES LTEE

Report on the Financial Statements

We have audited the consolidated and separate financial statements of Banque des Mascareignes Ltée (the "Bank") which comprise the statements of financial position at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 133.

This report is made solely to the Bank's member in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Bank's member those matters that are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's member for our audit work, for this report, or for the opinions we have formed.

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 Mauritius Companies Act and Banking Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

KPMG

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BANQUE DES MASCAREIGNES LTEE (CONTINUED)

Report on the Financial Statements (continued)

Auditors' Responsibility (continued)

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 give a true and fair view of the consolidated and separate financial position of Banque des Mascareignes Ltée at 31 December 2015 and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act and the Financial Reporting Act.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Bank other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

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

Banking Act

In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Financial Reporting Act

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 disclosures in the corporate governance report are consistent with the requirements of the Code.

KPMG

KPMG
Ebène, Mauritius

John Chung, BSc, FCA
Licensed by FRC

Date: **30 March 2016**

Banque Des Mascareignes Ltée

Consolidated and separate statements of profit or loss and other comprehensive income
For the year ended 31 December 2015

		Group			Bank		
		2015	2014	2013	**2015**	2014	2013
	Note	**Rs 000**	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Interest income		**790,022**	816,955	825,517	**761,486**	797,604	812,664
Interest expense		**(344,782)**	(353,286)	(406,689)	**(337,450)**	(347,734)	(400,816)
Net interest income	8	**445,240**	463,669	418,828	**424,036**	449,870	411,848
Fee and commission income		**146,170**	153,479	143,277	**120,788**	136,441	130,126
Fee and commission expense		**(28,088)**	(33,825)	(32,303)	**(26,167)**	(24,640)	(32,161)
Net fee and commission income	9	**118,082**	119,654	110,974	**94,621**	111,801	97,965
Net trading income	10	**88,817**	85,648	69,068	**76,430**	76,746	61,804
Net income from other financial instruments at fair value through profit or loss	11	**(49)**	(8)	(414)	**(49)**	(8)	(414)
Other revenue	12	**1,708**	967	3,957	**11,510**	10,915	13,231
		208,558	206,261	183,585	**182,512**	199,454	172,586
Revenue		**653,798**	669,930	602,413	**606,548**	649,324	584,434
Personnel expenses	13	**(271,983)**	(267,644)	(249,747)	**(265,200)**	(261,972)	(243,992)
Operating lease expenses	14	**(50,402)**	(45,315)	(42,066)	**(45,599)**	(40,269)	(36,754)
Depreciation and amortization		**(26,490)**	(32,880)	(38,489)	**(21,812)**	(25,820)	(26,663)
Other expenses	15	**(175,949)**	(172,947)	(173,765)	**(152,044)**	(154,538)	(153,512)
		(524,824)	(518,786)	(504,067)	**(484,655)**	(482,599)	(460,921)
Operating profit		**128,974**	151,144	98,346	**121,893**	166,725	123,513
Net impairment loss on financial assets	19(c)	**(81,901)**	(103,495)	8,650	**(77,426)**	(101,316)	10,148
Profit before tax		**47,073**	47,649	106,996	**44,467**	65,409	133,661
Income tax (expense) / credit	16(i)	**(91)**	16,460	(21,715)	**1,009**	16,607	(22,453)
Profit		**46,982**	64,109	85,281	**45,476**	82,016	111,208
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign currency translation differences for foreign operations		**(5,097)**	34,371	11,408	**(1,670)**	1,961	-
Net change in fair value of available for sale financial assets		**(21,015)**	18,145	(3,797)	**(21,015)**	18,145	(3,797)
Actuarial (Losses) / Gain		**(4,341)**	1,689	-	**(4,341)**	1,689	-
Other comprehensive income		**(30,453)**	54,205	7,611	**(27,026)**	21,795	(3,797)
Total comprehensive income		**16,529**	118,314	92,892	**18,450**	103,811	107,411

Profit attributable to :			
Equity holders	**49,853**	69,053	93,058
Non-controlling interests	**(2,871)**	(4,944)	(7,777)
Profit	**46,982**	64,109	85,281
Total comprehensive income attributable to:			
Equity holders	**19,400**	123,258	100,669
Non-controlling interest	**(2,871)**	(4,944)	(7,777)
Total comprehensive income	**16,529**	118,314	92,892

The notes on pages 60 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Consolidated and separate statements of financial position
As at 31 December 2015

		Group			Bank		
	Note	**2015**	2014	2013	**2015**	2014	2013
		Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
ASSETS							
Cash and cash equivalents	*17*	**3,466,895**	1,578,864	1,781,282	**3,345,550**	1,440,115	1,660,937
Loans and advances to banks	*18*	**715,800**	522,184	466,187	**715,800**	522,184	425,870
Loans and advances to customers	*19*	**15,582,847**	15,730,769	13,464,305	**15,453,646**	15,649,896	13,418,405
Investment securities	*20*	**1,491,030**	2,021,590	1,884,133	**1,438,119**	1,974,772	1,770,194
Investment in subsidiary	*21*	-	-	-	**190,201**	191,896	170,386
Property and equipment	*22*	**46,132**	43,703	48,710	**44,546**	39,253	39,124
Goodwill and intangible assets	*23*	**151,136**	85,170	81,467	**73,902**	7,445	1,891
Deferred tax assets	*16 (ii)*	**179,916**	172,843	161,312	**178,264**	170,243	158,502
Other assets	*24*	**959,985**	843,107	695,807	**918,656**	824,461	676,808
Total assets		**22,593,741**	20,998,230	18,583,203	**22,358,684**	20,820,265	18,322,117
LIABILITIES							
Deposits from banks	*25*	**1,513,260**	1,297,035	1,130,101	**1,513,260**	1,297,035	1,130,101
Deposits from customers	*26*	**16,658,055**	13,838,847	10,638,327	**16,353,446**	13,579,948	10,372,838
Borrowed funds	*27*	**1,826,569**	3,193,220	4,192,960	**1,826,569**	3,193,220	4,149,802
Subordinated liabilities	*28*	**528,737**	509,408	619,283	**528,737**	509,408	619,283
Provisions	*29*	**18,423**	37,228	30,736	**17,452**	34,384	24,698
Current tax liabilities	*16 (iii)*	**274**	10,207	12,405	**-**	10,013	12,265
Other liabilities	*30*	**330,565**	413,533	382,583	**340,017**	435,504	356,188
Total liabilities		**20,875,883**	19,299,478	17,006,395	**20,579,481**	19,059,512	16,665,175
Equity							
Share capital	*31*	**1,749,016**	1,749,016	1,749,016	**1,749,016**	1,749,016	1,749,016
Reserves		**177,577**	203,689	151,173	**151,486**	174,171	154,065
Retained earnings		**(223,399)**	(268,911)	(339,653)	**(121,299)**	(162,434)	(246,139)
Total equity attributable to the equity holders of the Bank		**1,703,194**	1,683,794	1,560,536	**1,779,203**	1,760,753	1,656,942
Non-controlling interests		**14,664**	14,958	16,272	**-**	-	-
Total equity		**1,717,858**	1,698,752	1,576,808	**1,779,203**	1,760,753	1,656,942
Total liabilities and equity		**22,593,741**	20,998,230	18,583,203	**22,358,684**	20,820,265	18,322,117

These financial statements were approved for issue by the Board of Directors on the 30th March 2016.

Philippe GARSUAULT
Chairperson

Alain MERLOT
Chairperson, Audit Committee

Philippe WATTECAMPS
Chief Executive Officer

The notes on pages 60 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Consolidated statement of changes in equity

For the year ended 31 December 2015

Group	Share capital Rs 000	Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000	Retained earnings Rs 000	Total Rs 000	Non-controlling interest Rs 000	Total equity Rs 000
	Attributable to equity holders of the Bank								
		Reserves							
Balance at 01 January 2013	1,499,016	83,372	28,709	17,581	13,900	(432,711)	1,209,867	6,561	1,216,428
Total comprehensive income									
Profit/(Loss) for the year	-	-	-	-	-	93,058	93,058	(7,777)	85,281
Other comprehensive income for the year	-	-	-	(3,797)	11,408	-	7,611	-	7,611
Total comprehensive income for the year	-	-	-	(3,797)	11,408	93,058	100,669	(7,777)	92,892
Transactions with owners of the Bank									
Issue of shares	250,000	-	-	-	-	-	250,000	17,488	267,488
Total contributions	250,000	-	-	-	-	-	250,000	17,488	267,488
Balance at 31 December 2013	1,749,016	83,372	28,709	13,784	25,308	(339,653)	1,560,536	16,272	1,576,808
Balance at 01 January 2014	1,749,016	83,372	28,709	13,784	25,308	(339,653)	1,560,536	16,272	1,576,808
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	69,053	69,053	(4,944)	64,109
Other comprehensive income for the year	-	-	-	18,145	34,371	1,689	54,205	-	54,205
Total comprehensive income / (loss) for the year	-	-	-	18,145	34,371	70,742	123,258	(4,944)	118,314
Transactions with owners of the Bank									
Issue of shares	-	-	-	-	-	-	-	3,630	3,630
Balance at 31 December 2014	1,749,016	83,372	28,709	31,929	59,679	(268,911)	1,683,794	14,958	1,698,752

The notes on pages 60 to 133 form an integral part of these consolidated and separate financial statements

Banque Des Mascareignes Ltée

Consolidated statement of changes in equity

For the year ended 31 December 2015 (continued)

Group	Share capital Rs 000	Reserves: Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000	Retained earnings Rs 000	Total Rs 000	Non-controlling interest Rs 000	Total equity Rs 000
	Attributable to equity holders of the Bank								
Balance at 01 January 2015	1,749,016	83,372	28,709	31,929	59,679	(268,911)	1,683,794	14,958	1,698,752
Total comprehensive income									
Profit / (loss) for the year	**-**	**-**	**-**	**-**	**-**	**49,853**	**49,853**	**(2,871)**	**46,982**
Other comprehensive income for the year	**-**	**-**	**-**	**(21,015)**	**(5,097)**	**(4,341)**	**(30,453)**	**-**	**(30,453)**
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**(21,015)**	**(5,097)**	**45,512**	**19,400**	**(2,871)**	**16,529**
Transactions with owners of the Bank									
Issue of shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,577**	**2,577**
Balance at 31 December 2015	**1,749,016**	**83,372**	**28,709**	**10,914**	**54,582**	**(223,399)**	**1,703,194**	**14,664**	**1,717,858**

The notes on pages 60 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Separate statement of changes in equity
For the year ended 31 December 2015

Bank	**Share capital Rs 000**	**Reserves** Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000	**Retained earnings Rs 000**	**Total Rs 000**
Balance at 01 January 2013	1,499,016	83,372	28,709	17,581	28,200	(357,347)	1,299,531
Total comprehensive income							
Profit for the year	-	-	-	-	-	111,208	111,208
Other comprehensive loss for the year	-	-	-	(3,797)	-	-	(3,797)
Total comprehensive income/(loss) for the year	-	-	-	(3,797)	-	111,208	107,411
Transactions with owners of the Bank							
Issue of shares	250,000	-	-	-	-	-	250,000
Total contributions and distributions	250,000	-	-	-	-	-	250,000
Balance at 31 December 2013	1,749,016	83,372	28,709	13,784	28,200	(246,139)	1,656,942
Balance at 01 January 2014	1,749,016	83,372	28,709	13,784	28,200	(246,139)	1,656,942
Total comprehensive income							
Profit for the year	-	-	-	-	-	82,016	82,016
Other comprehensive loss for the year	-	-	-	18,145	1,961	1,689	21,795
Total comprehensive income / (loss) for the year	-	-	-	18,145	1,961	83,705	103,811
Balance at 31 December 2014	1,749,016	83,372	28,709	31,929	30,161	(162,434)	1,760,753
Balance at 01 January 2015	**1,749,016**	**83,372**	**28,709**	**31,929**	**30,161**	**(162,434)**	**1,760,753**
Total comprehensive income							
Profit for the year						**45,476**	**45,476**
Other comprehensive income for the year	**-**	**-**	**-**	**(21,015)**	**(1,670)**	**(4,341)**	**(27,026)**
Total comprehensive income for the year				**(21,015)**	**(1,670)**	**41,135**	**18,450**
Transactions with owners of the Bank							
Issue of shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total contributions and distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2015	**1,749,016**	**83,372**	**28,709**	**10,914**	**28,491**	**(121,299)**	**1,779,203**

The notes on pages 60 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Consolidated and separate statements of cash flows

For the year ended 31 December 2015

	Note	Group **2015** **Rs 000**	Group 2014 Rs 000	Group 2013 Rs 000	Bank **2015** **Rs 000**	Bank 2014 Rs 000	Bank 2013 Rs 000
Cash flows from operating activities							
Profit before tax		**47,073**	47,649	106,996	**44,467**	65,409	133,661
Adjustments for:							
- Depreciation and amortisation		**26,490**	32,880	38,489	**21,812**	25,820	26,663
- Net impairment loss on financial assets		**81,901**	103,495	(8,650)	**77,426**	101,316	(10,148)
- Net income from financial instruments at fair value through profit and loss		**(49)**	8	414	**(49)**	8	414
- Profit on sale of property and equipment		**(615)**	-	-	**(615)**	-	-
		154,800	184,032	137,249	**143,041**	192,553	150,590
Changes in:							
- Loans and advances to banks		**(193,616)**	(240,030)	1,270,869	**(193,616)**	(96,314)	1,311,186
- Loans and advances to customers		**29,502**	(2,266,463)	1,251,771	**82,047**	(2,260,245)	1,268,881
- Other assets		**(116,878)**	(147,300)	24,190	**(88,631)**	(180,429)	34,595
- Deposits from banks		**216,225**	166,934	(156,569)	**216,225**	166,934	(156,569)
- Deposits from customers		**2,819,208**	3,200,520	(2,673,297)	**2,773,498**	3,207,109	(2,756,228)
- Other liabilities and provisions		**(101,773)**	37,441	(216,777)	**(112,419)**	89,003	(167,465)
		2,807,468	935,134	(362,564)	**2,820,145**	1,118,611	(315,010)
Income taxes paid		**(19,715)**	(737)	(24,402)	**(19,531)**	(737)	(24,403)
Net cash (used in)/ from operating activities		**2,787,753**	934,397	(386,966)	**2,800,614**	1,117,874	(339,413)
Cash flows from investing activities							
- Acquisition of investment securities		**(1,272,743)**	(1,499,740)	(2,103,621)	**(1,002,165)**	(1,199,027)	(1,567,291)
- Proceeds from sale of investment securities		**1,744,619**	1,497,952	1,865,274	**1,510,100**	975,880	1,317,064
- Acquisition of shares in subsidiary		**-**	-	-	**-**	(19,549)	-
- Acquisition of property and equipment		**(23,319)**	(25,369)	(13,900)	**(23,016)**	(23,915)	(13,475)
- Proceeds from sale of property and equipment		**615**	-	-	**615**	-	-
- Acquisition of intangible assets		**(71,898)**	(7,672)	(636)	**(70,569)**	(7,589)	(636)
Net cash used in investing activities		**377,274**	(34,829)	**(252,883)**	**414,965**	(274,200)	(264,338)
Cash flows from financing activities							
- Proceeds from issue of subordinated liabilities		**-**	154,400	-	**-**	154,400	-
- Repayment of subordinated liabilities		**(19,853)**	(269,393)	-	**(19,853)**	(269,393)	-
- Repayment of borrowed funds		**(1,366,651)**	(999,740)	(22,145)	**(1,366,651)**	(956,582)	(65,303)
- Proceeds from issue of shares		**-**	-	253,854	**-**	-	250,000
Net cash (used in)/from financing activities		**(1,386,504)**	(1,114,733)	231,709	**(1,386,504)**	(1,071,575)	184,697
Net increase in cash and cash equivalents		**1,778,523**	(215,165)	(408,140)	**1,829,075**	(227,901)	(419,054)
Cash and cash equivalents at 01 January		**1,578,864**	1,781,282	2,207,078	**1,440,115**	1,660,937	2,096,849
Effect of exchange rate fluctuations on cash and cash equivalents held		**109,508**	12,747	(17,656)	**76,360**	7,079	(16,858)
Cash and cash equivalents at 31 December	*18*	**3,466,895**	1,578,864	1,781,282	**3,345,550**	1,440,115	1,660,937

The notes on pages 60 to 133 form an integral part of these consolidated and separate financial statements.

1. Reporting entity

Banque des Mascareignes Ltée (the 'Bank') is a private company incorporated on the 27th June 2003 and domiciled in Mauritius. The Bank holds a banking licence issued by the Bank of Mauritius on the 8th January 2004. The Bank's registered office is at 9th Floor, Maeva Towers, Corner Silicon Avenue and Bank Street, CyberCity, Ebène, Mauritius.

These consolidated and separate financial statements comprise the Bank and its subsidiary (collectively the 'Group'). The main activities of the Group and the Bank consist of providing a whole range of banking and financial services.

2. Basis of accounting

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the requirements of the Mauritius Companies Act and instructions, Guidelines and Guidance notes issued by the Bank of Mauritius.

They were authorised for issue by the Bank's board of directors on the ………………………..

3. Functional and presentation currency

These consolidated and separate financial statements are prepared in Mauritian rupees (Rs), which is the Bank's functional and presentation currency. Except when otherwise indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

4. Use of judgements and estimates

In the process of applying the Group's and the Bank's accounting policies, management has exercised its judgement and made assumptions and estimates in determining the amounts recognised in the financial statements. Actual results may differ from these estimates.

(a) Judgements

Information about judgements made in applying accounting policies which have the most significant effect on the amounts recognised in the financial statements:

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in note 7(a)(iii) indicate that the Group controls an investee Company.

Specifically, the Group controls an investee if and only if the Group has:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its involvement with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

(b) Assumptions and estimation uncertainties

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

Critical accounting estimates and assumptions

The Group and the Bank make estimates and assumptions concerning the future. 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:

- *Fair value of financial instruments*

  Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values.

  The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

  Further details in respect of the fair valuation of financial instruments are included in Note 36(f) to the financial statements.

- *Employee benefits*

  The present value of the retirement benefits 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 retirement benefits obligations are based in part on current market conditions.

  Additional information is disclosed in Note 13.

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

- *Deferred tax*

  Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized and/or recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

  Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

  Additional information is disclosed in Note 16.

- *Goodwill*

  No impairment losses on goodwill were recognized during 2015 (2014: nil) as the recoverable amount for the Investment in subsidiary is covered by a Letter of Comfort from BPCE International et Outre-Mer.

  Additional information is disclosed in Note 23 (b).

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

- *Allowances for Impairment on loans and advances*

  The Group and the Bank reviews individually all loans and advances with past dues at each reporting date to assess whether an allowance for impairment should be recorded in the statements of profit or loss and other comprehensive income.

  In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

  Loans and advances that have been assessed individually and found not to be impaired are assessed together with all "neither past due nor impaired" loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines.

  The allowance for impairment on loans and advances is disclosed in more detail in Note 19.

5. Basis of measurement

The consolidated and separate financial statements have been prepared on a historical cost basis, except for available-for-sale investments and financial instruments at fair value through profit or loss, all of which have been measured at fair value.

6. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

6. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

In the Bank's separate financial statement, investments in subsidiary is shown at cost and where the recoverable amount of the investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the statement of profit or loss and other comprehensive income. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in OCI.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Mauritian Rupee at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Mauritian Rupee at spot exchange rates at the dates of the transactions.

6. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations (continued)

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

(d) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income’ comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised foreign exchange differences.

(f) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes.

6. Significant accounting policies (continued)

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(h) Expenses

Expenses are accounted for in the statement of profit or loss and other comprehensive income on an accrual basis.

(i) Leases

(i) Lease payments – lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Lease assets – lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(j) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent it has become probable that future taxable profits will be available against which they can be used.

6. Significant accounting policies (continued)

(j) Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(k) Financial assets and financial liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, borrowed funds and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

The Group classifies its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; and
- at fair value through profit or loss, and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Group of similar transactions such as in the Group’s trading activity.

(v) Amortised cost measurement

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

- the disappearance of an active market for a security; or
- observable data relating to a Group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by Grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

The impairment loss before an expected restructuring is measured as follows :

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Group writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Group Risk determines that there is no realistic prospect of recovery.

(viii) Designation at fair value through profit or loss

The Group has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances.

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 33 provides details of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(l) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Loans and advances

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

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

All loans and advances are recognised when cash is advanced to borrowers.

(n) Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available-for-sale.

6. Significant accounting policies (continued)

(n) Investment securities (continued)

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss

The Group designates some investment securities at fair value, with fair value changes recognised immediately in profit or loss.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available for- sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(o) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

6. Significant accounting policies (continued)

(o) Property and equipment (continued)

(i) Recognition and measurement (continued)

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

• Improvement to leasehold property	3 to 10 years
• Computer equipment	3 to 5 years
• Office equipment	3 to 5 years
• Furniture, fixtures and fittings	3 to 10 years
• Motor vehicles	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(p) Goodwill and Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented separately on the Statement of Financial Position. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

(ii) Software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

6. Significant accounting policies (continued)

(p) Goodwill and Intangible assets (continued)

(ii) Software (continued)

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

(r) Deposits, borrowed fund and subordinated liabilities

Deposits, borrowed funds and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, borrowed funds and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(ii) Bank levies

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

(t) Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan

6. Significant accounting policies (continued)

(t) Financial guarantees and loan commitments (continued)

commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are recognized as off balance sheet liabilities and commitments respectively.

(u) Employee benefits

(i) Defined Benefit Plan

Contributions are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. 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 then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

6. Significant accounting policies (continued)

(u) Employee benefits (continued)

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share Capital and Reserves

The Group classifies instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

(w) Segment Reporting

Segment results that are reported to the Group's CEO include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses and tax assets and liabilities.

7. New Standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these annual financial statements.

(a) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on Financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

8. Net interest income

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Interest income						
Cash and cash equivalents	**8,540**	4,723	36,064	**6,007**	2,734	36,064
Loans and advances to banks	**9,986**	23,402	21,540	**9,986**	22,034	21,208
Loans and advances to customers	**691,215**	709,520	685,270	**669,739**	697,638	677,277
Investment securities	**75,460**	76,420	77,825	**70,933**	72,308	73,297
Other	**4,821**	2,890	4,818	**4,821**	2,890	4,818
Total interest income	**790,022**	816,955	825,517	**761,486**	797,604	812,664
Interest expense						
Deposits from banks	**(1,727)**	(3,854)	(27,822)	**(1,727)**	(3,854)	(27,822)
Deposits from customers	**(326,126)**	(308,226)	(338,102)	**(318,809)**	(302,799)	(332,500)
Borrowed funds	**(7,382)**	(19,620)	(18,677)	**(7,367)**	(19,495)	(18,406)
Subordinated liabilities	**(9,547)**	(21,586)	(22,088)	**(9,547)**	(21,586)	(22,088)
Total interest expense	**(344,782)**	(353,286)	(406,689)	**(337,450)**	(347,734)	(400,816)
Net interest income	**445,240**	463,669	418,828	**424,036**	449,870	411,848
Interest income relating to impaired financial assets	**15,728**	14,725	17,898	**15,728**	14,725	17,898

Segment A

	Bank		
	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Interest income			
Cash and cash equivalents	**479**	467	-
Loans and advances to banks	**-**	-	1,128
Loans and advances to customers	**479,282**	511,619	477,417
Investment securities	**70,932**	72,308	73,297
Other	**2,862**	1,620	2,012
Total interest income	**553,555**	586,014	553,854
Interest expense			
Deposits from customers	**(243,176)**	(248,056)	(265,167)
Borrowed funds	**(99)**	(14,527)	(13,840)
Total interest expense	**(243,275)**	(262,583)	(279,007)
Net interest income	**310,280**	323,431	274,847

Segment B

Interest income			
Cash and cash equivalents	**5,528**	2,267	36,256
Loans and advances to banks	**9,987**	22,034	19,888
Loans and advances to customers	**190,457**	186,019	199,860
Other	**1,959**	1,270	2,806
Total interest income	**207,931**	211,590	258,810
Interest expense			
Deposits from banks	**(438)**	(3,854)	(27,822)
Deposits from customers	**(76,921)**	(54,743)	(67,333)
Borrowed funds	**(7,269)**	(4,968)	(4,566)
Subordinated liabilities	**(9,547)**	(21,586)	(22,088)
Total interest expense	**(94,175)**	(85,151)	(121,809)
Net interest income	**113,756**	126,439	137,001

9. Net fee and commission income

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Fee and commission income						
Customer and credit related fees	**146,170**	153,479	143,277	**120,788**	136,441	130,126
Fee and commission expense						
Interbank transaction fees	**(5,606)**	(3,147)	(2,465)	**(4,357)**	(3,135)	(2,440)
Other	**(22,482)**	(30,678)	(29,838)	**(21,810)**	(21,505)	(29,721)
Total fee and commission expense	**(28,088)**	(33,825)	(32,303)	**(26,167)**	(24,640)	(32,161)
Net fee and commission income	**118,082**	119,654	110,974	**94,621**	111,801	97,965

Segment A

	Bank		
	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Fee and commission income			
Customer and credit related fees	**68,173**	68,235	58,686
Fee and commission expense			
Interbank transaction fees	**(2,359)**	(1,623)	(978)
Other	**(11,096)**	(9,740)	(17,063)
Total fee and commission expense	**(13,455)**	(11,363)	(18,041)
Net fee and commission income	**54,718**	56,872	40,645

Segment B

Fee and commission income			
Customer and credit related fees	**52,615**	68,206	71,440
Fee and commission expense			
Interbank transaction fees	**(1,999)**	(1,512)	(1,462)
Other	**(10,713)**	(11,765)	(12,658)
Total fee and commission expense	**(12,712)**	(13,277)	(14,120)
Net fee and commission income	**39,903**	54,929	57,320

10. Net trading income

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Foreign Exchange	**88,817**	85,648	69,068	**76,430**	76,746	61,804
Segment A						
Foreign Exchange				**70,389**	48,961	35,556
Segment B						
Foreign Exchange				**6,041**	27,785	26,248

11. Net income from other financial instruments at fair value through profit or loss

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Investment securities						
Government bonds/Treasury Bills (Segment A)	**(49)**	(8)	(414)	**(49)**	(8)	(414)

12. Other revenue

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Other Revenue	**1,708**	967	3,957	**11,510**	10,915	13,231
Segment A						
Other Revenue				**1,100**	891	3,231
Segment B						
Other Revenue				**10,410**	10,024	10,000

13. Personnel expenses

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Wages and salaries	**230,040**	223,746	208,401	**224,627**	218,677	203,455
Compulsory social security contributions	**6,857**	6,319	5,476	**6,160**	5,723	4,854
Contributions pension plan	**21,850**	19,886	30,086	**21,850**	19,886	30,086
Increase in liability for pension plans	**-**	3,678	625	-	3,678	625
Other	**13,236**	14,015	5,159	**12,563**	14,008	4,972
	271,983	267,644	249,747	**265,200**	261,972	243,992

Employee benefit liabilities

	Group and Bank		
	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Reconciliation of present value of defined benefit obligation			
Balance at 1 January	**9,878**	9,107	4,491
Included in profit or loss			
Current service cost	**4,213**	2,499	1,010
Past service cost	**-**	-	(587)
Interest expense	**1,926**	1,179	202
	6,139	3,678	625
Included in OCI			
Remeasurements loss (gain):			
- Actuarial loss (gain) arising from:			
- demographic assumption	**-**	(901)	828
- experience adjustment	**4,341**	(788)	-
	4,341	(1,689)	828
Other			
Change in estimates		(389)	3,163
Benefit paid	**(1,295)**	(829)	
	(1,295)	(1,218)	3,163
Balance at 31 December	**19,063**	9,878	9,107

13. Personnel expenses (continued)

Principal actuarial assumptions at the end of the year

	Group and Bank		
	2015	2014	2013
Discount rate	**7.50%**	7.50%	7.50%
Rate of salary increases	**6.00%**	6.00%	6.00%
Retirement Age	**65**	65	60

Sensitivity analysis on defined benefit obligation at end of period

	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Increase due to 1% increase in discount rate	**16,165**	8,278	10,372
Decrease due to a 1% decrease in discount rate	**22,685**	11,904	4,001

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cash flows

The funding policy requires that the Bank makes provision for all the required contributions, as determined by an Actuarial report.

Expected employer contribution for the next year Rs 4.0 million
Weighted average duration of the defined benefit obligation 18.2 years

Note: Employee benefits obligations have been provided for based on the report from Orpere, an insurance consultant and broker operating in France.

Fund Investment

The contributions under the Bank's Pension Scheme are invested through Unit Linked Fund as per details below:

- 8% in Local Equity:
- 35% in Local Fixed Income;
- 11% in Foreign Equity; and
- 8% in Cash & Cash Equivalents.

These defined benefit plans, through the Fund Investment expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

14. Operating leases

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Operating lease	**50,402**	45,315	42,066	**45,599**	40,269	36,754

The Group and the Bank lease a number of branches and office premises under operating leases. The leases typically run for periods of 3 to 5 years, with the lease of the Corporate office being for 10 years. There are no restrictions placed upon the lessee by entering the leases.

At 31 December, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Less than one year	**41,590**	37,807	26,983	**38,646**	34,061	22,747
Between one and five years	**133,059**	118,708	23,013	**125,143**	106,810	20,213
More than five years	**90,934**	112,523	11,261	**90,934**	112,027	11,261
	265,583	269,038	61,257	**254,723**	252,898	54,221

15. Other expenses

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Software licensing and other IT costs	**29,476**	22,648	21,811	**26,263**	22,148	17,931
Professional fees	**3,594**	3,091	3,381	**3,249**	2,730	4,252
Other	**142,879**	147,208	148,573	**122,532**	129,660	131,329
	175,949	172,947	173,765	**152,044**	154,538	153,512

16. Income taxes

(i) Tax expense

(a) Amounts recognised in profit or loss

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Current tax expense	**3,578**	(876)	23,934	**3,304**	(1,064)	23,796
Deferred tax movement	**(3,487)**	(15,584)	(2,219)	**(4,313)**	(15,543)	(1,343)
Total income tax expense/(credit)	**91**	(16,460)	21,715	**(1,009)**	(16,607)	22,453
Segment A						
Current tax expense				**-**	(4,524)	19,160
Deferred tax movement				**(4,157)**	(15,394)	(4,740)
Income tax (credit) / tax expense				**(4,157)**	(19,918)	14,420
Segment B						
Current tax expense				**3,304**	3,460	4,636
Deferred tax movement				**(156)**	(149)	3,397
Income tax (credit) / expense				**3,148**	3,311	8,033
Total income (credit) / tax expense				**(1,009)**	(16,607)	22,453

(b) Reconciliation of income taxes

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
Profit before tax	**47,073**	47,649	106,996	**44,467**	65,409	133,661
Tax at statutory tax rate	**6,944**	9,959	14,716	**6,670**	9,811	20,049
Foreign tax credit	**(9,155)**	(13,542)	(17,164)	**(9,155)**	(13,542)	(17,164)
Non-deductible expenses	**588**	136	4,311	**588**	137	(145)
Corporate social responsibility	**(570)**	1,121	3,271	**(570)**	1,121	3,271
Special levy on banks	**869**	6,838	15,889	**869**	6,838	15,889
Changes in estimates relating to prior years	**2,158**	(20,972)	-	**2,158**	(20,972)	-
Other	**(743)**	-	692	**(1,569)**	-	553
Total income tax (expense) / credit	**91**	(16,460)	21,715	**(1,009)**	(16,607)	22,453
Segment A						
Profit/ (loss) before tax				**(31,823)**	(47,447)	(9,782)
Tax at statutory tax rate				**(4,773)**	(7,117)	(1,467)
Non-deductible expenses				**500**	131	(84)
Corporate social responsibility				**(570)**	1,121	3,271
Special levy on banks					5,606	15,889
Changes in estimates relating to prior years				**2,255**	(19,659)	-
Other				**(1,569)**	-	(3,189)
Total income tax expense				**(4,157)**	(19,918)	14,420

16. Income taxes (continued)

(i) Tax expense (continued)

(b) Reconciliation of income taxes (continued)

	Bank		
	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Segment B			
Profit/ (loss) before tax	**76,290**	112,856	143,443
Tax at statutory tax rate	**11,444**	16,928	21,516
Foreign tax credit	**(9,155)**	(13,542)	(17,164)
Non-deductible expenses	**88**	6	(61)
Special levy on banks	**869**	1,232	-
Prior year adjustment	**(98)**	(1,313)	-
Other		-	3,742
Total income tax expense	**3,148**	3,311	8,033

Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income Segment A ('Residents') of the preceding financial year to Government-approved CSR projects.

Special levy

Special levy on banks was legislated by the Government of Mauritius in 2007, as amended by the Finance Act 2009. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at 3.4% of its book profit and 1% of its operating income derived during the previous year. Operating income means the sum of net interest income and other income before deducting non-interest expense.

(ii) Movement in Deferred tax balances

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
At 01 January	**172,843**	161,312	157,805	**170,243**	158,502	155,888
(Charged)/Credited to equity	**3,586**	(4,053)	1,288	**3,708**	(3,802)	1,271
Charged to profit or loss	**3,487**	15,584	2,219	**4,313**	15,543	1,343
At 31 December	**179,916**	172,843	161,312	**178,264**	170,243	158,502
Deferred tax assets:						
Allowance for loan losses	**143,048**	172,217	153,350	**140,448**	169,367	154,620
Other	**37,132**	3,834	4,754	**38,080**	4,084	674
	180,180	176,051	158,104	**178,528**	173,451	155,294
Deferred tax liabilities:						
Accelerated capital allowances	**(230)**	-	3,208	**(230)**	-	3,208
Fair value gains	**(34)**	(3,208)	-	**(34)**	(3,208)	-
	(264)	(3,208)	3,208	**(264)**	(3,208)	3,208
Net deferred tax assets	**179,916**	172,843	161,312	**178,264**	170,243	158,502

16. Income taxes (continued)

(ii) Movement in Deferred tax balances (continued)

Bank

	Segment A	Segment B	Total
2015	**Rs 000**	**Rs 000**	**Rs 000**
Balance at 01 January	153,053	17,190	170,243
Property, Equipment and Software	(223)	(7)	(230)
Allowance for loan losses	(29,059)	141	(28,918)
Fair value gains	34,856	-	34,856
Other adjustments	2,292	21	2,313
Balance at 31 December	160,919	17,345	178,264
2014			
Balance at 01 January	141,459	17,043	158,502
Property, Equipment and Software	3,311	112	3,423
Allowance for loan losses	14,635	112	14,747
Fair value gains	(3,208)	-	(3,208)
Other adjustments	(3,144)	(77)	(3,221)
Balance at 31 December	153,053	17,190	170,243
2013			
Balance at 01 January	135,449	20,439	155,888
Property, Equipment and Software	3,653	69	3,722
Allowance for loan losses	(3,106)	317	(2,789)
Fair value gains	-	-	-
Other adjustments	5,463	(3,782)	1,681
Balance at 31 December	141,459	17,043	158,502

(iii) Current tax liabilities

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Current tax liabilities	**274**	10,207	12,405	**-**	10,013	12,265
Segment A						
Current tax liabilities				**-**	3,754	9,466
Segment B						
Current tax liabilities				**-**	6,259	2,799

17. Cash and cash equivalents

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Cash in hand	**161,738**	152,688	118,480	**118,273**	112,267	81,512
Foreign currency notes and coins	**26,612**	16,792	29,336	**25,845**	16,606	23,537
Unrestricted balances with central banks	**533,558**	1,013,412	588,394	**455,900**	914,462	509,955
Money market placements	**2,210,591**	231,056	513,230	**2,210,591**	231,056	513,230
Balances with banks abroad	**534,396**	164,916	531,842	**534,941**	165,724	532,703
	3,466,895	1,578,864	1,781,282	**3,345,550**	1,440,115	1,660,937
Segment A						
Cash in hand				**118,273**	112,267	81,512
Foreign currency notes and coins				**25,845**	16,606	23,537
Unrestricted balances with central banks				**455,900**	914,462	509,955
Money market placements				**-**	200,000	-
				600,018	1,243,335	615,004
Segment B						
Money market placements				**2,210,591**	31,056	513,230
Balances with banks abroad				**534,941**	165,724	532,703
				2,745,532	196,780	1,045,933

18. Loans and advances to banks

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Loans and advances to banks						
- in Mauritius (Segment A)	**28,121**	-	-	**28,121**	-	-
- outside Mauritius (Segment B)	**687,679**	522,184	466,187	**687,679**	522,184	425,870
	715,800	522,184	466,187	**715,800**	522,184	425,870
Remaining term to maturity						
Up to 3 months	**5**	-	306,187	**5**	-	265,870
Over 3 months and up to 6 months	**39,967**	115,470	-	**39,967**	115,470	-
Over 6 months and up to 12 months	**40,218**	216,904	160,000	**40,218**	216,904	160,000
Over 1 year and up to 5 years	**262,110**	189,810	-	**262,110**	189,810	-
Over 5 years	**373,500**	-	-	**373,500**	-	-
	715,800	522,184	466,187	**715,800**	522,184	425,870

19. Loans and advances to customers

(a) Remaining term to maturity

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Retail customers						
Mortgages	**2,792,655**	2,152,153	1,574,916	**2,792,059**	2,149,498	1,574,886
Other retail loans	**731,273**	1,218,928	1,280,545	**721,874**	1,159,105	1,257,458
Corporate customers	**9,098,772**	9,279,466	6,498,899	**8,971,343**	9,274,328	6,492,283
Entities outside Mauritius	**4,384,568**	4,612,423	5,576,977	**4,383,285**	4,611,345	5,576,625
Other	**-**	17,782	19,608	**-**	-	-
	17,007,268	17,280,752	14,950,945	**16,868,561**	17,194,276	14,901,252
Less allowance for impairment	**(1,424,421)**	(1,549,983)	(1,486,640)	**(1,414,915)**	(1,544,380)	(1,482,847)
	15,582,847	15,730,769	13,464,305	**15,453,646**	15,649,896	13,418,405
Remaining term to maturity						
Up to 3 months	**7,623,805**	8,238,950	6,613,325	**7,502,576**	8,182,511	6,574,569
Over 3 months and up to 6 months	**38,491**	926,060	729,730	**52,108**	924,340	729,711
Over 6 months and up to 12 months	**157,215**	919,932	212,503	**156,801**	919,932	210,299
Over 1 year and up to 5 years	**4,662,408**	3,800,737	4,700,237	**4,631,727**	3,772,420	4,691,523
Over 5 years	**4,525,349**	3,395,073	2,695,150	**4,525,349**	3,395,073	2,695,150
	17,007,268	17,280,752	14,950,945	**16,868,561**	17,194,276	14,901,252

	Bank		
	2015	2014	2013
Segment A	**Rs 000**	Rs 000	Rs 000
Retail customers			
Mortgages	**2,329,591**	1,823,092	1,425,630
Other retail loans	**455,176**	894,491	934,361
Corporate customers	**7,481,255**	6,618,548	6,011,343
Other	**-**	-	-
	10,266,022	9,336,131	8,371,334
Less allowance for impairment	**(868,007)**	(996,896)	(927,477)
	9,398,015	8,339,235	7,443,857
Remaining term to maturity			
Up to 3 months	**4,465,758**	3,573,569	3,701,237
Over 3 months and up to 6 months	**16,707**	446,929	460,746
Over 6 months and up to 12 months	**113,826**	443,230	59,281
Over 1 year and up to 5 years	**1,586,864**	1,759,158	1,613,133
Over 5 years	**4,082,867**	3,113,245	2,536,937
	10,266,022	9,336,131	8,371,334
Segment B			
Retail customers			
Mortgages	**462,468**	326,406	149,256
Other retail loans	**266,698**	264,614	323,097
Corporate customers	**1,490,088**	2,655,780	480,940
Entities outside Mauritius	**4,383,285**	4,611,345	5,576,625
	6,602,539	7,858,145	6,529,918
Less allowance for impairment	**(546,908)**	(547,484)	(555,370)
	6,055,631	7,310,661	5,974,548
Remaining term to maturity			
Up to 3 months	**3,050,554**	4,608,942	2,873,332
Over 3 months and up to 6 months	**21,664**	477,411	268,965
Over 6 months and up to 12 months	**42,976**	476,702	151,018
Over 1 year and up to 5 years	**3,044,863**	2,013,262	3,078,390
Over 5 years	**442,482**	281,828	158,213
	6,602,539	7,858,145	6,529,918

19. Loans and advances to customers (continued)

(b) Credit concentration of risk by industry sectors

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Agriculture and fishing	**839,897**	317,708	538,318	**838,751**	317,708	537,549
Manufacturing	**1,573,941**	1,809,090	2,423,898	**1,552,294**	1,808,348	2,411,884
Tourism	**631,833**	987,036	1,401,242	**628,559**	982,502	1,401,186
Transport	**453,639**	566,071	743,894	**432,821**	552,458	736,097
Construction	**3,561,735**	3,616,071	3,002,690	**3,556,326**	3,615,055	3,001,212
Financial and business services	**2,524,339**	2,462,414	905,596	**2,521,534**	2,462,162	905,524
Traders	**3,349,574**	5,201,128	3,733,151	**3,278,062**	5,167,103	3,724,624
Personal	**407,774**	337,271	327,319	**402,955**	330,365	324,792
Professional	**324,076**	321,463	333,421	**318,900**	303,722	317,068
Global Business Licence holders	**1,433,657**	787,780	480,940	**1,433,657**	787,780	480,940
Others	**1,906,803**	874,720	1,060,476	**1,904,702**	867,073	1,060,376
	17,007,268	17,280,752	14,950,945	**16,868,561**	17,194,276	14,901,252

	2015	2014	2013
Segment A			
Agriculture and fishing	**478,451**	317,708	386,599
Manufacturing	**713,970**	795,355	857,058
Tourism	**536,915**	664,814	899,169
Transport	**7,305**	8,136	124,388
Construction	**3,093,858**	2,995,234	2,560,622
Financial and business services	**1,817,348**	1,909,858	330,266
Traders	**2,133,976**	1,878,827	2,488,534
Personal	**374,837**	299,254	299,633
Professional	**80,303**	70,221	65,570
Others	**1,029,059**	396,724	359,495
	10,266,022	9,336,131	8,371,334
Segment B			
Agriculture and fishing	**360,300**	-	150,950
Manufacturing	**838,324**	1,012,993	1,554,826
Tourism	**91,644**	317,688	502,017
Transport	**425,516**	544,322	611,709
Construction	**462,468**	619,821	440,590
Financial and business services	**704,186**	552,304	575,258
Traders	**1,144,086**	3,288,276	1,236,090
Personal	**28,118**	31,111	25,159
Professional	**238,597**	233,501	251,498
Global Business Licence holders	**1,433,657**	787,780	480,940
Others	**875,643**	470,349	700,881
	6,602,539	7,858,145	6,529,918

19. Loans and advances to customers (continued)

(c) Allowance for impairment

Group

	Individual allowances for impairment	Collective allowances and general provisions for Impairment	Low-interest rate loans impairment	Total
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 January 2013	1,380,091	106,492	1,214	1,487,797
Charge for the year	10,129	(18,686)	(1,214)	(9,771)
Effect of foreign currency movements	13,978	-	-	13,978
Write-offs	(5,364)	-	-	(5,364)
At 31 December 2013	1,398,834	87,806	-	1,486,640
Charge for the year	90,046	13,625	-	103,671
Effect of foreign currency movements	(40,152)	-	-	(40,152)
Write-offs	(176)	-	-	(176)
At 31 December 2014	**1,448,552**	**101,431**	**-**	**1,549,983**
Charge for the year	**46,039**	**36,178**	**-**	**82,217**
Effect of foreign currency movements	**36,203**	**-**	**-**	**36,203**
Write-offs	**(243,982)**	**-**	**-**	**(243,982)**
At 31 December 2015	**1,286,812**	**137,609**	**-**	**1,424,421**

Bank

	Individual allowances for impairment	Collective allowances and general provisions for Impairment	Low-interest rate loans impairment	Total
At 1 January 2013	1,377,814	106,492	1,214	1,485,520
Charge for the year	8,631	(18,686)	(1,214)	(11,269)
Effect of foreign currency movements	13,950	-	-	13,950
Write-offs	(5,354)	-	-	(5,354)
At 31 December 2013	1,395,041	87,806	-	1,482,847
Charge for the year	87,779	13,625	-	101,404
Effect of foreign currency movements	(39,783)	-	-	(39,783)
Write-offs	(88)	-	-	(88)
At 31 December 2014	**1,442,949**	**101,431**	**-**	**1,544,380**
Charge for the year	**42,335**	**35,091**	**-**	**77,426**
Effect of foreign currency movements	**36,776**	**-**	**-**	**36,776**
Write-offs	**(243,667)**	**-**	**-**	**(243,667)**
At 31 December 2015	**1,278,393**	**136,522**	**-**	**1,414,915**

Net impairment loss on financial assets

		Group			**Bank**	
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Collective allowance and general provision for impairment	**(36,182)**	(13,625)	18,686	**(35,091)**	(13,625)	18,686
Individual provision for credit impairment	**(45,726)**	(90,046)	(10,953)	**(42,342)**	(87,779)	(9,455)
Bad debts written off / Recoveries	**7**	176	917	**7**	88	917
	(81,901)	(103,495)	8,650	**(77,426)**	(101,316)	10,148

19. Loans and advances to customers (continued)

(d) Allowance for credit impairment by industry sectors

Group	2015					2014	2013
Group – Total	**Gross amount of loans Rs 000**	**Impaired loans Rs 000**	**Specific allowances for credit impairment Rs 000**	**Collective /portfolio allowances and general provisions for impairment Rs 000**	**Total allowances for credit impairment Rs 000**	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Agriculture and Fishing	**839,897**	**382**	**382**	**8,398**	**8,780**	3,569	2,360
Manufacturing	**1,573,941**	**401,057**	**181,335**	**11,600**	**192,935**	200,818	183,277
Tourism	**631,833**	**31,308**	**31,308**	**10,638**	**41,946**	37,925	43,130
Transport	**453,639**	**10,715**	**6,103**	**4,452**	**10,555**	7,516	12,928
Construction	**3,561,735**	**335,946**	**42,842**	**19,524**	**62,366**	431,932	442,241
Financial and Business Services	**2,524,339**	**852,352**	**205**	**19,379**	**19,584**	18,924	9,351
Traders	**3,349,574**	**736,420**	**435,616**	**26,050**	**461,666**	419,262	362,453
Personal	**407,774**	**131,708**	**99,081**	**4,713**	**103,794**	70,789	57,465
Professional	**324,076**	**317,737**	**299,563**	**253**	**299,816**	288,282	300,209
Global Business Licence holders	**1,433,657**	**27,002**	**27,002**	**13,993**	**40,995**	29,065	28,445
Others	**1,906,803**	**44,686**	**163,375**	**18,609**	**181,984**	41,901	44,781
	17,007,268	**2,889,313**	**1,286,812**	**137,609**	**1,424,421**	1,549,983	1,486,640

19. Loans and advances to customers (continued)

(d) Allowance for credit impairment by industry sectors (continued)

Bank			**2015**			2014	2013
Bank – Total	**Gross amount of loans Rs 000**	**Impaired loans Rs 000**	**Specific allowances for credit impairment Rs 000**	**Collective/ portfolio allowances and general provisions for impairment Rs 000**	**Total Allowances for credit Impairment Rs 000**	Total Allowances for credit Impairment Rs 000	Total allowances for credit impairment Rs 000
Agriculture and Fishing	**838,751**	**382**	**382**	**8,398**	**8,780**	3,569	2,360
Manufacturing	**1,552,294**	**400,824**	**181,102**	**11,466**	**192,568**	200,573	183,004
Tourism	**628,559**	**31,308**	**31,308**	**10,606**	**41,914**	37,925	43,131
Transport	**432,821**	**5,633**	**5,630**	**4,296**	**9,926**	7,129	12,928
Construction	**3,556,326**	**335,946**	**167,794**	**19,505**	**187,299**	431,932	442,241
Financial and Business Services	**2,521,534**	**852,352**	**205**	**19,351**	**19,556**	18,924	9,351
Traders	**3,278,062**	**718,223**	**432,270**	**25,599**	**457,869**	418,332	361,735
Personal	**402,955**	**131,499**	**98,822**	**4,673**	**103,495**	70,768	57,430
Professional	**318,900**	**311,274**	**295,455**	**40**	**295,495**	284,262	297,442
Global Business Licence holders	**1,433,657**	**27,002**	**27,002**	**13,993**	**40,995**	29,065	28,445
Others	**1,904,702**	**44,686**	**38,423**	**18,595**	**57,018**	41,901	44,780
	16,868,561	**2,859,129**	**1,278,393**	**136,522**	**1,414,915**	1,544,380	1,482,847

19. Loans and advances to customers (continued)

(d) Allowance for credit impairment by industry sectors (continued)

Bank	2015					2014	2013
	Gross amount of loans Rs 000	**Impaired loans Rs 000**	**Specific allowances for credit impairment Rs 000**	**Collective/ portfolio allowances and general provisions for impairment Rs 000**	**Total allowances for credit impairment Rs 000**	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Segment A							
Agriculture and Fishing	**478,451**	**382**	**382**	**4,795**	**5,177**	3,569	851
Manufacturing	**713,970**	**400,824**	**181,102**	**3,637**	**184,739**	164,958	162,203
Tourism	**536,915**	**31,308**	**31,308**	**9,689**	**40,997**	37,736	38,111
Transport	**7,305**	**5,633**	**5,630**	**17**	**5,647**	5,651	6,810
Construction	**3,093,858**	**331,409**	**166,673**	**13,380**	**180,053**	429,777	425,068
Financial and Business Services	**1,817,348**	**852,352**	**205**	**9,664**	**9,869**	17,090	3,303
Traders	**2,133,976**	**495,587**	**209,634**	**16,371**	**226,005**	197,403	117,056
Personal	**374,837**	**106,124**	**77,008**	**4,660**	**81,668**	49,734	49,436
Professional	**80,303**	**72,677**	**56,882**	**40**	**56,922**	50,785	45,979
Others	**1,029,059**	**44,686**	**38,423**	**9,835**	**48,258**	40,193	39,600
	10,266,022	**2,340,982**	**767,247**	**72,088**	**839,335**	996,896	888,417
Segment B							
Agriculture and Fishing	**360,300**	**-**	**-**	**3,603**	**3,603**	-	1,510
Manufacturing	**838,324**	**-**	**-**	**7,829**	**7,829**	35,615	20,800
Tourism	**91,644**	**-**	**-**	**917**	**917**	189	5,020
Transport	**425,516**	**-**	**-**	**4,279**	**4,279**	1,478	6,117
Construction	**462,468**	**4,537**	**1,121**	**6,125**	**7,246**	2,155	17,172
Financial and business services	**704,186**	**-**	**-**	**9,687**	**9,687**	1,834	6,048
Traders	**1,144,086**	**222,636**	**222,636**	**9,228**	**231,864**	220,929	244,678
Personal	**28,118**	**25,375**	**21,814**	**13**	**21,827**	21,034	7,993
Professional	**238,597**	**238,597**	**238,573**	**-**	**238,573**	233,477	251,464
Global Business Licence holders	**1,433,657**	**27,002**	**27,002**	**13,993**	**40,995**	29,065	26,620
Others	**875,643**	**-**	**-**	**8,760**	**8,760**	1,708	7,009
	6,602,539	**518,147**	**511,146**	**64,434**	**575,580**	547,484	594,431

20. Investment securities

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Available-for-sale investment securities	**1,491,030**	1,941,871	1,852,046	**1,438,119**	1,895,053	1,738,107
Investment securities at fair value through profit and loss	**-**	79,719	32,087	**-**	79,719	32,087
	1,491,030	2,021,590	1,884,133	**1,438,119**	1,974,772	1,770,194
Available for sale investment securities						
Government of Mauritius bonds	**623,277**	658,270	328,577	**623,277**	658,270	328,577
Treasury Bills	**770,040**	882,813	1,150,230	**717,129**	835,995	1,036,291
Bank of Mauritius Bills	**97,713**	400,788	373,239	**97,713**	400,788	373,239
	1,491,030	1,941,871	1,852,046	**1,438,119**	1,895,053	1,738,107
Segment A						
Available for sale investment securities						
Government of Mauritius bonds				**623,277**	658,270	328,577
Treasury Bills				**717,129**	835,995	1,036,291
Bank of Mauritius Bills				**97,713**	400,788	373,239
Investment securities at fair value through profit and loss				**-**	79,719	32,087
				1,438,119	1,974,772	1,770,194

None of the available-for-sale financial assets are either past due or impaired.

21. Investment in subsidiary

Bank	**2015 Rs 000**	2014 Rs 000	2013 Rs 000
Investment in subsidiary as at 31 December	**190,201**	191,896	170,386

Details of investments held by the Bank are as follows:

Name of Investee Company	**Country of incorporation**	**Business Activity**	**Type of share held**	**% holding**	**Cost Rs 000**
BM Madagascar	Madagascar	Banking	Ordinary shares	72.67	190,201

22. Property and equipment

Group	Improvement to leasehold property Rs 000	Computer equipment Rs 000	Office equipment Rs 000	Furniture, fixtures & fittings Rs 000	Motor vehicles Rs 000	Total Rs 000
Cost						
Balance at 01 January 2013	91,094	76,456	19,068	19,877	16,289	222,784
Additions	7,388	5,705	383	43	-	13,519
Foreign currency translation	(494)	431	(574)	776	32	171
Balance at 31 December 2013	97,988	82,592	18,877	20,696	16,321	236,474
Balance at 01 January 2014	97,988	82,592	18,877	20,696	16,321	236,474
Additions	3,677	10,031	9,300	99	2,098	25,205
Scrapped assets	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Foreign currency translation	(1,363)	(1,143)	(28)	(104)	(110)	(2,748)
Balance at 31 December 2014	94,424	91,240	27,669	17,955	18,309	249,597
Balance at 01 January 2015	**94,424**	**91,240**	**27,669**	**17,955**	**18,309**	**249,597**
Additions	**9,133**	**9,641**	**3,436**	**238**	**871**	**23,319**
Scrapped assets	**(60)**	**-**	**-**	**-**	**(5,328)**	**(5,388)**
Foreign currency translation	**(659)**	**(554)**	**(217)**	**(50)**	**(93)**	**(1,573)**
Balance at 31 December 2015	**102,838**	**100,327**	**30,888**	**18,143**	**13,759**	**265,955**
Accumulated depreciation and impairment losses						
Balance at 01 January 2013	56,201	57,464	13,940	15,243	10,451	153,299
Depreciation for the year	12,695	12,842	2,652	2,138	4,138	34,465
Foreign currency translation	(1,268)	839	(287)	704	12	-
Balance at 31 December 2013	67,628	71,145	16,305	18,085	14,601	187,764
Balance at 01 January 2014	67,628	71,145	16,305	18,085	14,601	187,764
Depreciation for the year	14,895	8,537	2,021	1,707	1,996	29,156
Scrapped assets	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Foreign currency translation	(684)	(944)	95	(82)	(77)	(1,692)
Balance at 31 December 2014	75,961	78,498	17,941	16,974	16,520	205,894
Balance at 01 January 2015	**75,961**	**78,498**	**17,941**	**16,974**	**16,520**	**205,894**
Depreciation for the year	**8,853**	**7,431**	**3,061**	**408**	**901**	**20,654**
Scrapped assets	**(36)**	**-**	**-**	**-**	**(5,328)**	**(5,364)**
Foreign currency translation	**(503)**	**(552)**	**(194)**	**(50)**	**(62)**	**(1,361)**
Balance at 31 December 2015	**84,275**	**85,377**	**20,808**	**17,332**	**12,031**	**219,823**
Carrying amounts						
Balance at 31 December 2013	30,360	11,447	2,572	2,611	1,720	48,710
Balance at 31 December 2014	18,463	12,742	9,728	981	1,789	43,703
Balance at 31 December 2015	**18,563**	**14,950**	**10,080**	**811**	**1,728**	**46,132**

22. Property and equipment (continued)

	Improvement to leasehold property Rs 000	Computer equipment Rs 000	Office equipment Rs 000	Furniture, fixtures & fittings Rs 000	Motor vehicles Rs 000	Total Rs 000
Bank						
Cost						
Balance at 01 January 2013	75,514	64,133	14,145	19,530	15,095	188,417
Additions	7,232	5,689	554	-	-	13,475
Balance at 31 December 2013	82,746	69,822	14,699	19,530	15,095	201,892
Balance at 01 January 2014	82,746	69,822	14,699	19,530	15,095	201,892
Additions	3,677	9,973	8,866	99	1,299	23,914
Scrapped asset	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Balance at 31 December 2014	80,545	79,555	23,085	16,893	16,394	216,472
Balance at 01 January 2015	**80,545**	**79,555**	**23,085**	**16,893**	**16,394**	**216,472**
Additions	**9,121**	**9,557**	**3,229**	**237**	**872**	**23,017**
Disposals	**(60)**	**-**	**-**	**-**	**(5,328)**	**(5,388)**
Balance at 31 December 2015	**89,606**	**89,112**	**26,314**	**17,131**	**11,938**	**234,101**
Accumulated depreciation and impairment losses						
Balance at 01 January 2013	49,543	51,414	11,786	15,360	9,663	137,766
Depreciation for the year	9,354	8,588	1,374	1,761	3,925	25,002
Balance at 31 December 2013	58,897	60,002	13,160	17,121	13,588	162,768
Balance at 01 January 2014	58,897	60,002	13,160	17,121	13,588	162,768
Depreciation for the year	12,316	7,115	1,176	1,556	1,622	23,785
Scrapped asset	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Balance at 31 December 2014	65,335	66,877	13,856	15,941	15,210	177,219
Balance at 01 January 2015	**65,335**	**66,877**	**13,856**	**15,941**	**15,210**	**177,219**
Depreciation for the year	**6,586**	**7,377**	**2,724**	**403**	**610**	**17,700**
Disposals	**(36)**	**-**	**-**	**-**	**(5,328)**	**(5,364)**
Balance at 31 December 2015	**71,885**	**74,254**	**16,580**	**16,344**	**10,492**	**189,555**
Carrying amounts						
Balance at 31 December 2013	23,849	9,820	1,539	2,409	1,507	39,124
Balance at 31 December 2014	15,210	12,678	9,229	952	1,184	39,253
Balance at 31 December 2015	**17,721**	**14,858**	**9,734**	**787**	**1,446**	**44,546**
2015						
Segment A	**15,775**	**13,704**	**8,628**	**787**	**1,356**	**40,253**
Segment B	**1,946**	**1,154**	**1,106**	**-**	**90**	**4,293**
	17,721	**14,858**	**9,734**	**787**	**1,446**	**44,546**
2014						
Segment A	13,545	11,764	8,178	932	1,123	35,542
Segment B	1,665	914	1,051	20	61	3,711
	15,210	12,678	9,229	952	1,184	39,253
2013						
Segment A	21,232	9,273	1,333	2,291	1,456	35,585
Segment B	2,617	547	206	118	51	3,539
	23,849	9,820	1,539	2,409	1,507	39,124

23. Intangible assets and goodwill
(a) Intangible assets

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Cost						
Balance at 01 January	**99,219**	90,120	89,484	**87,695**	80,326	79,690
Additions	**71,898**	7,672	636	**70,569**	7,589	636
Write-off	**-**	(220)	-	**-**	(220)	-
Foreign currency translation	**(548)**	1,647	-	**-**	-	-
Balance at 31 December	**170,569**	99,219	90,120	**158,264**	87,695	80,326
Accumulated depreciation and impairment losses						
Balance at 01 January	**89,756**	84,360	80,336	**80,250**	78,435	76,774
Amortisation for the year	**5,836**	3,724	4,024	**4,112**	2,035	1,661
Write-off	**-**	(220)	-	**-**	(220)	-
Foreign currency translation	**(452)**	1,892	-	**-**	-	-
Balance at 31 December	**95,140**	89,756	84,360	**84,362**	80,250	78,435
Carrying amounts						
Balance at 31 December	**75,429**	9,463	5,760	**73,902**	7,445	1,891
Carrying amounts at end of year by segments						
Segment A				**65,796**	6,675	1,767
Segment B				**8,106**	770	124
				73,902	7,445	1,891

(b) Goodwill

	Group		
	2015	2014	2013
Balance at 1 January	**75,707**	75,707	75,707
Intangible assets	**75,429**	9,463	5,760
Balance at 31 December	**151,136**	85,170	81,467

No impairment losses on goodwill were recognised during 2015 (2014: Nil).

24. Other assets

Summary

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
Accounts receivable and prepayments	**47,119**	53,289	54,871	**46,170**	52,322	53,581
Accrued interest receivable	**28,350**	34,796	41,358	**28,297**	34,738	41,299
Mandatory deposits with central banks	**789,340**	711,497	546,838	**789,340**	711,497	546,838
Balances due in clearing	**39,996**	20,697	20,789	**1,846**	4,082	2,753
Other	**55,180**	22,828	31,951	**53,003**	21,822	32,337
	959,985	843,107	695,807	**918,656**	824,461	676,808

Segment A	**2015**	2014	2013
Accounts receivable and prepayments	**13,150**	16,479	9,215
Accrued interest receivable	**12,674**	28,319	30,712
Mandatory deposits with central banks	**789,340**	711,497	546,838
Balances due in clearing	**1,846**	4,082	2,753
Other	**52,913**	21,773	30,008
	869,923	782,150	619,526

Segment B	**2015**	2014	2013
Accounts receivable and prepayments	**33,020**	35,843	44,366
Accrued interest receivable	**15,623**	6,419	10,587
Other	**90**	49	2,329
	48,733	42,311	57,282

25. Deposits from banks

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Term Deposits (Segment B)	**1,513,260**	1,297,035	1,130,101	**1,513,260**	1,297,035	1,130,101

26. Deposits from customers

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	RS 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Retail customers						
Current accounts	**2,031,526**	1,887,683	1,852,717	**1,942,444**	1,832,368	1,790,266
Savings accounts	**2,149,380**	1,820,206	1,549,790	**2,050,464**	1,719,307	1,514,156
Time deposits with remaining term to maturity						
Up to 3 months	**362,895**	445,292	416,015	**358,233**	445,292	414,268
Over 3 months and up to 6 months	**358,563**	357,438	226,622	**351,689**	356,398	226,622
Over 6 months and up to 12 months	**425,365**	622,680	533,397	**403,522**	619,835	531,878
Over 1 year and up to 5 years	**730,393**	905,605	776,704	**730,160**	905,360	776,436
Over 5 years	**2,347**	510	22,598	**2,347**	510	22,598
Corporate customers						
Current accounts	**2,073,077**	2,064,777	2,588,236	**1,997,998**	1,989,593	2,505,820
Savings accounts	**808,619**	503,601	700,951	**808,392**	503,358	599,701
Time deposits with remaining term to maturity						
Up to 3 months	**6,400,722**	3,942,386	1,353,793	**6,396,875**	3,941,652	1,373,589
Over 3 months and up to 6 months	**650,447**	712,466	446,020	**647,766**	712,099	446,020
Over 6 months and up to 12 months	**653,445**	298,503	109,829	**652,280**	276,476	109,829
Over 1 year and up to 5 years	**11,276**	277,700	61,655	**11,276**	277,700	61,655
	16,658,055	13,838,847	10,638,327	**16,353,446**	13,579,948	10,372,838

	Bank		
	2015	2014	2013
Segment A	**Rs 000**	Rs 000	Rs 000
Retail customers			
Current accounts	**1,252,366**	1,172,017	1,223,492
Savings accounts	**1,473,983**	1,272,527	1,222,985
Time deposit with remaining term to maturity			
Up to 3 months	**252,501**	319,294	297,453
Over 3 months and up to 6 months	**224,378**	257,101	183,305
Over 6 months and up to 12 months	**250,300**	406,528	377,245
Over 1 year and up to 5 years	**450,871**	572,735	535,929
Over 5 years	**787**	350	14,555
Corporate customers			
Current accounts	**690,475**	830,231	356,649
Savings accounts	**793,202**	490,509	594,260
Time deposit with remaining term to maturity			
Up to 3 months	**988,940**	1,251,717	1,234,752
Over 3 months and up to 6 months	**478,534**	478,240	443,570
Over 6 months and up to 12 months	**618,860**	213,753	35,938
Over 1 year and up to 5 years	**11,176**	272,640	56,494
	7,486,373	7,537,642	6,576,627

26. Deposits from customers (continued)

	Bank		
	2015	2014	2013
Segment B	**Rs 000**	Rs 000	Rs 000
Retail customers			
Current accounts	**690,078**	660,351	566,774
Savings accounts	**576,481**	446,780	291,171
Time deposit with remaining term to maturity			
Up to 3 months	**105,732**	125,998	116,815
Over 3 months and up to 6 months	**127,311**	99,297	43,317
Over 6 months and up to 12 months	**153,222**	213,307	154,633
Over 1 year and up to 5 years	**279,289**	332,625	240,507
Over 5 years	**1,560**	160	8,043
Corporate customers			
Current accounts	**1,307,523**	1,159,362	2,149,171
Savings accounts	**15,190**	12,849	5,441
Time deposit with remaining term to maturity			
Up to 3 months	**5,407,935**	2,689,935	138,837
Over 3 months and up to 6 months	**169,232**	233,859	2,450
Over 6 months and up to 12 months	**33,420**	62,723	73,891
Over 1 year and up to 5 years	**100**	5,060	5,161
	8,867,073	6,042,306	3,796,211

27. Borrowed funds

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Borrowed funds	**1,826,569**	3,193,220	4,192,960	**1,826,569**	3,193,220	4,149,802
Remaining term to maturity						
Up to 3 months	**1,429,968**	2,838,094	4,061,868	**1,429,968**	2,838,094	4,018,710
Over 3 months and up to 6 months	**84,843**	-	31,092	**84,843**	-	31,092
Over 6 months and up to 12 months	**-**	-	100,000	**-**	-	100,000
Over 1 year and up to 5 years	**-**	-	-	**-**	-	-
Over 5 years	**311,758**	355,126	-	**311,758**	355,126	-
	1,826,569	3,193,220	4,192,960	**1,826,569**	3,193,220	4,149,802
Segment A						
Borrowings from financial institutions				**-**	39,508	147,871
Remaining term to maturity						
Up to 3 months				**-**	-	47,871
Over 6 months and up to 12 months				**-**	-	100,000
Over 1 year and up to 5 years				**-**	-	-
Over 5 years				**-**	39,508	-
				-	39,508	147,871
Segment B						
Borrowings from banks abroad				**1,826,569**	3,153,712	4,001,931
Remaining term to maturity						
Up to 3 months				**1,429,968**	2,838,094	3,970,839
Over 3 months and up to 6 month				**84,843**	-	31,092
Over 5 years				**311,758**	315,618	-
				1,826,569	3,153,712	4,001,931

28. Subordinated liabilities

	Group and Bank		
	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Subordinated debt	**528,737**	509,408	619,283
Remaining term to maturity			
Less than 3 years	**155,237**	165,638	215,960
More than 3 years but less than 5 years	**-**	-	122,183
Over 5 years	**373,500**	343,770	281,140
	528,737	509,408	619,283
Segment B			
Subordinated debt	**528,737**	509,408	619,283

Subordinated debt have been contracted from the holding company and qualifies as Tier 2 Capital in line with the Bank of Mauritius guidelines.

29. Provisions

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Opening balance	**37,228**	30,736	26,577	**34,384**	24,698	20,785
Provisions made during the year	**110,632**	78,238	79,065	**102,912**	69,372	59,681
Provisions reversed during the year	**(129,303)**	(71,208)	(74,906)	**(119,844)**	(59,686)	(55,768)
Foreign exchange translation	**(134)**	(538)	-	**-**	-	-
Closing balance	**18,423**	37,228	30,736	**17,452**	34,384	24,698
Segment A						
Opening balance				**29,130**	18,803	5,820
Provisions made during the year				**80,786**	45,833	36,613
Provisions reversed during the year				**(93,246)**	(35,506)	(23,630)
Closing balance				**16,670**	29,130	18,803
Segment B						
Opening balance				**5,254**	5,895	14,965
Provisions made during the year				**22,126**	23,539	23,068
Provisions reversed during the year				**(26,598)**	(24,180)	(32,138)
Closing balance				**782**	5,254	5,895

30. Other liabilities

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Recognised liability for defined benefit obligations	**19,063**	9,878	9,107	**19,063**	9,878	9,107
Derivative financial instruments	**170**	1,969	2,999	**170**	1,969	2,999
Creditors and accruals	**171,608**	139,802	148,742	**161,204**	145,804	140,266
Accrued interest payable	**104,924**	105,072	94,199	**103,809**	104,577	93,684
Other	**34,800**	156,812	127,536	**55,771**	173,276	110,132
	330,565	413,533	382,583	**340,017**	435,504	356,188
Segment A						
Recognised liability for defined benefit obligations				**19,063**	9,878	9,107
Derivative financial instruments				**80**	1,907	2,977
Creditors and accruals				**93,013**	105,185	78,578
Accrued interest payable				**85,220**	84,723	70,043
Other				**8,018**	16,531	15,601
				205,394	218,224	176,306
Segment B						
Derivative financial instruments (Forward contracts)				**91**	62	22
Creditors and accruals				**68,191**	40,619	61,688
Accrued interest payable				**18,589**	19,854	23,641
Other				**47,752**	156,745	94,531
				134,623	217,280	179,882

31. Share Capital

	Group and Bank		
	2015	2014	2013
Issued capital	**Rs 000**	Rs 000	Rs 000
At 1 January,	**1,749,016**	1,749,016	1,499,016
Issue of shares	**-**	-	250,000
At 31 December,	**1,749,016**	1,749,016	1,749,016
Number of shares			
At 1 January,	**2,253,760**	2,253,760	1,931,614
Issue of shares	**-**	-	322,146
At 31 December,	**2,253,760**	2,253,760	2,253,760

The issued capital comprises of ordinary shares at no par value.

32. Reserves

Nature and purpose of reserves

Foreign Currency Translation reserve

The Translation Reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The Fair Value Reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

General Banking reserve

The amount of Rs 28.7 million arose as a result of a past amalgamation. The General Banking Reserve qualifies as Tier 1 Capital.

Statutory reserve

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

33. Financial assets and liabilities

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

Group	Loans and receivables Rs 000	Available-for-sale Rs 000	Fair value through profit or loss Rs 000	Amortised cost Rs 000	Carrying amount Rs 000	Fair value Rs 000
31 December 2015					**Total**	**Total**
Assets						
Cash and cash equivalents	3,466,895	-	-	-	3,466,895	3,466,895
Loans and advances to banks	715,800	-	-	-	715,800	715,800
Loans and advances to customers	15,582,847	-	-	-	15,582,847	15,582,847
Investment securities	-	1,491,030	-	-	1,491,030	1,491,030
Other assets	959,985	-	-	-	959,985	959,985
	20,725,527	1,491,030	-	-	22,216,557	22,216,557
Liabilities						
Deposits from banks	-	-	-	1,513,260	1,513,260	1,513,260
Deposits from customers	-	-	-	16,658,055	16,658,055	16,658,055
Borrowed funds	-	-	-	1,826,569	1,826,569	1,826,569
Subordinated liabilities	-	-	-	528,737	528,737	528,737
	-	-	-	20,526,621	20,526,621	20,526,621
31 December 2014						
Assets						
Cash and cash equivalents	1,578,864	-	-	-	1,578,864	1,578,864
Loans and advances to banks	522,184	-	-	-	522,184	522,184
Loans and advances to customers	15,730,769	-	-	-	15,730,769	15,730,769
Investment securities	-	1,941,871	79,719	-	2,021,590	2,021,590
Other assets	843,107	-	-	-	843,107	843,107
	18,674,924	1,941,871	79,719	-	20,696,514	20,696,514
Liabilities						
Deposits from banks	-	-	-	1,297,035	1,297,035	1,297,035
Deposits from customers	-	-	-	13,838,847	13,838,847	13,838,847
Borrowed funds	-	-	-	3,193,220	3,193,220	3,193,220
Subordinated liabilities	-	-	-	509,408	509,408	509,408
	-	-	-	18,838,510	18,838,510	18,838,510

33. Financial assets and liabilities (continued)

Group (continued)	Loans and receivables Rs 000	Available-for-sale Rs 000	Fair value through profit or loss Rs 000	Amortised cost Rs 000	Carrying amount Rs 000	Fair value Rs 000
31 December 2013					**Total**	**Total**
Assets						
Cash and cash equivalents	1,781,282	-	-	-	1,781,282	1,781,282
Loans and advances to banks	466,187	-	-	-	466,187	466,187
Loans and advances to customers	13,464,305	-	-	-	13,464,305	13,464,305
Investment securities	-	1,852,046	32,087	-	1,884,133	1,884,133
Other assets	695,807	-	-	-	695,807	695,807
	16,407,581	1,852,046	32,087	-	18,291,714	18,291,714
Liabilities						
Deposits from banks	-	-	-	1,130,101	1,130,101	1,130,101
Deposits from customers	-	-	-	10,638,327	10,638,327	10,638,327
Borrowed funds	-	-	-	4,192,960	4,192,960	4,192,960
Subordinated liabilities	-	-	-	619,283	619,283	619,283
	-	-	-	16,580,671	16,580,671	16,580,671

Bank						
31 December 2015						
Assets						
Cash and cash equivalents	3,345,550	-	-	-	3,345,550	3,345,550
Loans and advances to banks	715,800	-	-	-	715,800	715,800
Loans and advances to customers	15,453,646	-	-	-	15,453,646	15,453,646
Investment securities	-	1,438,119	-	-	1,438,119	1,438,119
Other assets	918,656	-	-	-	918,656	918,656
	20,433,652	1,438,119	-	-	21,871,771	21,871,771
Liabilities						
Deposits from banks	-	-	-	1,513,260	1,513,260	1,513,260
Deposits from customers	-	-	-	16,353,446	16,353,446	16,353,446
Borrowed funds	-	-	-	1,826,569	1,826,569	1,826,569
Subordinated liabilities	-	-	-	528,737	528,737	528,737
	-	-	-	20,222,012	20,222,012	20,222,012

33. Financial assets and liabilities (continued)

Bank (continued)	Loans and receivables Rs 000	Available-for-sale Rs 000	Fair value through profit or loss Rs 000	Amortised cost Rs 000	Carrying amount Rs 000	Fair value Rs 000
31 December 2014					**Total**	**Total**
Assets						
Cash and cash equivalents	1,440,115	-	-	-	1,440,115	1,440,115
Loans and advances to customers	522,184	-	-	-	522,184	522,184
Loans and advances to banks	15,649,896	-	-	-	15,649,896	15,649,896
Investment securities	-	1,895,053	79,719	-	1,974,772	1,974,772
Other assets	824,461				824,461	824,461
	18,436,656	1,895,053	79,719	-	20,411,428	20,411,428
Liabilities						
Deposits from banks	-	-	-	1,297,035	1,297,035	1,297,035
Deposits from customers	-	-	-	13,579,948	13,579,948	13,579,948
Borrowed funds	-	-	-	3,193,220	3,193,220	3,193,220
Subordinated liabilities	-	-	-	509,408	509,408	509,408
	-	-	-	18,579,611	18,579,611	18,579,611
31 December 2013						
Assets						
Cash and cash equivalents	1,660,937	-	-	-	1,660,937	1,660,937
Loans and advances to customers	13,418,405	-	-	-	13,418,405	13,418,405
Loans and advances to banks	425,870	-	-	-	425,870	425,870
Investment securities	-	1,738,107	32,087	-	1,770,194	1,770,194
Other assets	676,808				676,808	676,808
	16,182,020	1,738,107	32,087	-	17,952,214	17,952,214
Liabilities						
Deposits from banks	-	-	-	1,130,101	1,130,101	1,130,101
Deposits from customers	-	-	-	10,372,838	10,372,838	10,372,838
Borrowed funds	-	-	-	4,149,802	4,149,802	4,149,802
Subordinated liabilities	-	-	-	619,283	619,283	619,283
	-	-	-	16,272,024	16,272,024	16,272,024

34. Contingencies

(a) Commitments

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Undrawn credit facilities	**2,727,126**	1,825,062	949,188	**2,719,624**	1,821,035	947,815
Segment A						
Undrawn credit facilities				**1,768,369**	795,835	946,752
Segment B						
Undrawn credit facilities				**951,255**	1,025,201	1,063

(b) Pledged assets

	Group and Bank		
	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Government Bonds (Segment A)	**200,000**	200,000	150,000

(c) Contingent liabilities

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Acceptances on account of customers	**41,931**	169,351	42,028	**41,931**	169,351	42,028
Guarantees on account of customers	**1,286,359**	1,011,553	1,434,876	**1,280,772**	1,004,004	1,433,102
Letters of credit and other obligations on account of customers	**469,457**	111,911	185,583	**461,955**	111,911	185,583
Foreign exchange contracts	**701,754**	568,764	604,867	**685,458**	568,764	594,055
Other contingent items	**22,500**	71,083	41,007	**7,392**	71,083	39,910
	2,522,001	1,932,662	2,308,361	**2,477,508**	1,925,113	2,294,678
Segment A						
Acceptances on account of customers				**11,866**	3,206	7,414
Guarantees on account of customers				**594,297**	600,884	1,171,606
Letters of credit and other obligations on account of customers				**-**	11,204	15,756
Foreign exchange contracts				**236,297**	321,768	184,620
Other contingent items				**7,212**	32,063	5,241
				849,672	969,125	1,384,637
Segment B						
Acceptances on account of customers				**30,065**	166,145	34,614
Guarantees on account of customers				**686,475**	403,120	261,496
Letters of credit and other obligations on account of customers				**461,955**	100,707	169,827
Foreign exchange contracts				**449,161**	246,996	409,435
Other contingent items				**180**	39,020	34,669
				1,627,836	955,988	910,041

35. Related parties

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with its holding company, BPCE IOM and other entities within BPCE Group.

		Group			Bank		
		2015	2014	2013	**2015**	2014	2013
	Nature of relationship	**Rs 000**	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Placements with banks	Group companies	**2,210,591**	-	749,517	**2,210,591**	-	749,517
Loans and advances	Holding company	**373,500**	153,960	160,000	**373,500**	153,960	160,000
	Group companies	**52,065**	252,754	-	**52,065**	252,754	-
	Key management personnel	**172,513**	23,668	22,882	**171,814**	18,633	22,882
Deposits	Holding company	**972,810**	822,510	513,230	**972,810**	822,510	513,230
	Group companies	**540,450**	-	573,610	**540,450**	-	573,610
	Subsidiary	**-**	-	43,261	**-**	-	43,261
	Key management personnel	**55,875**	15,605	12,079	**55,741**	15,079	12,079
Balances due to	Holding company	**15,935**	12,265	8,182	**15,935**	12,265	8,182
	Group companies	**-**	722	240	**-**	722	240
Borrowed funds	Holding company	**1,791,245**	3,153,712	4,001,931	**1,791,245**	3,153,712	4,001,931
Subordinated liabilities	Holding company	**528,737**	509,408	619,283	**528,737**	509,408	619,283
Amounts due to	Holding company	**502**	4,601	404	**502**	4,601	404
Interest income	Holding company	**4,106**	16,520	42,198	**4,106**	16,520	42,198
	Group companies	**8,004**	2,719	7,633	**8,004**	2,719	7,633
	Key management personnel	**1,707**	1,290	1,954	**1,705**	1,244	1,954
Interest expense	Holding company	**9,972**	27,802	37,425	**9,972**	27,802	37,425
	Group companies	**6,673**	16,146	-	**6,673**	16,146	-
	Key management personnel	**147**	458	711	**147**	455	711
Fee and commission	Holding company	**11,018**	-	-	**11,018**	-	-
Management Fee Paid	Holding company	**37,479**	20,297	21,986	**37,479**	20,297	21,986
Management Fee Received	Subsidiary	**-**	-	-	**10,000**	10,000	10,000

35. Related parties (continued)

Key management personnel compensation

Key management personnel compensation comprised the following.

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Short-term employee benefits	**71,258**	70,511	63,591	**64,311**	68,777	63,591
Post-employment benefits	**12,125**	10,357	10,959	**10,997**	10,279	10,959
	83,383	80,868	74,550	**75,308**	79,056	74,550

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans.

36. *Financial risk review*

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Board of Directors is ultimately responsible for risk management. It approves the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Group and the Bank operate.

The principal risks arising from financial instruments to which the Group and the Bank is exposed include credit risk, liquidity risk, market risk and operational risk.

(a) Risk Management framework and governance structure

Effective risk management is fundamental to the sustainability of the Group and the Bank. The role of the risk management function is to identify, assess, measure and manage those risks that arise in the pursuit of the Group's strategic goals.

The Group's and the Bank's approach to managing risk is set out in the various risk and compliance policies as approved by the Risk Management Committee. The policies generally have two components:

- governance committees; and
- governance documents.

Governance committees are in place at both a board and management level. They have clearly defined mandates and delegated authorities which are reviewed regularly. Board subcommittees responsible for the oversight of various aspects of risk are the Risk Management Committee, Corporate Governance Committee and Audit Committee. The management committees responsible for the oversight of risk management are Credit Committee, Provisioning and Excess Committee, Watchlist Committee, Compliance Committee, IT Committee, Risk Committee and Assets and Liabilities Committee.

Governance documents comprise frameworks, policies and procedures which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks.

The Group and the Bank use the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks. The first line of defence is made up of the management of business lines and the originators of risk. The second line of defence functions provides independent oversight of risks. The risk management functions, including compliance, report to the chief risk officer. Group internal audit (GIA) is the third line of defence and reports to and operates under a mandate from the Chief Executive and Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective assurance. It has the authority to independently determine the scope and extent of work to be performed.

36. Financial risk review (continued)

(b) *Credit Risk*

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk and concentration risk.

The Group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from off balance sheet commitments entered into with our clients and market counterparties.

The Group and the Bank manage credit risk through

- maintaining a strong culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk clearly and accurately across the Group, from the level of individual facilities up to the total portfolio;
- defining, implementing and continually re-evaluating our risk appetite under actual and stress conditions;
- monitoring the Group's credit risk relative to limits; and
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

The primary governance committees overseeing credit risk are the Bank's Credit Committee and BPCE / BPCE IOM's Credit Committees, responsible for credit risk and credit concentration risk decision-making, and delegation thereof to credit officers and committees within defined parameters. The committees approve key aspects of rating systems. Regular model validation and reporting to Risk and Audit committees is undertaken.

The Group and the Bank has adopted the standardised approach for credit risk.

Credit Portfolio Analysis – Credit Quality

	Loans and advances to customers					
In Rs 000		**Group**			**Bank**	
	2015	2014	2013	**2015**	2014	2013
Total neither past due nor impaired	**13,343,244**	14,400,988	12,222,563	**13,235,467**	14,347,547	12,176,984
Past due but not impaired						
due up to 30 days	**633,768**	219,269	461,607	**633,410**	209,834	461,607
31-90 days	**103,512**	133,714	6,369	**103,286**	125,317	6,369
91-180 days	**37,199**	9,357	1,858	**37,120**	255	1,757
180 days+	**232**	-	337	**149**	3	168
Total past due but not impaired	**774,711**	362,340	470,171	**773,965**	335,409	469,901
Individually impaired	**2,889,313**	2,517,424	2,265,627	**2,859,129**	2,511,319	2,260,785

	Investment securities					
In Rs 000		**Group**			**Bank**	
	2015	2014	2013	**2015**	2014	2013
Total neither past due nor impaired	**1,491,030**	2,021,590	1,884,133	**1,438,119**	1,974,772	1,770,194

36. Financial risk review (continued)

(b) Credit Risk (continued)

Credit Portfolio Analysis – Credit Quality (continued)

In Rs 000	Loans and advances to customers			
	Group		Bank	
	2015	2014	**2015**	2014
Allowance for impairment				
Individual	**1,286,812**	1,448,552	**1,278,393**	1,442,949
Collective	**137,609**	101,431	**136,522**	101,431
Total allowance for impairment	**1,424,421**	1,549,983	**1,414,915**	1,544,380

Loans and advances with renegotiated terms

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure.

In Rs 000	Loans and advances to customers			
	Group		Bank	
	2015	2014	**2015**	2014
Gross carrying amount	**107,055**	397,914	**107,055**	397,914
Of which Impaired amount	***24,787***	*373,207*	***24,787***	*373,207*
Allowance for impairment	**10,318**	91,724	**10,318**	91,724
Net carrying amount	**96,737**	306,190	**96,737**	306,190

Credit Portfolio Analysis – by Risk Grade

The Group and the Bank rates its credit portfolio, according to the perceived risk level, as follows:

- For its Corporate Portfolio, the Group and the Bank have adopted BPCE / BPCE IOM's rating model [ONI, Outil de Notation International];
- For its Retail portfolio, the Group and the Bank has adopted an internally developed rating scorecard.

With respect to Banks and Financial Institutions, the Group and the Bank have developed a mapping using ratings of eligible External Rating Agencies.

In Rs 000	Loans and advances to customers			
	Group		Bank	
	2015	2014	**2015**	2014
Grade 0-4	**7,967,829**	4,810,225	**7,921,595**	4,790,433
Grade 5-6	**2,969,772**	7,208,695	**2,937,270**	7,179,891
Grade 7-9	**2,924,000**	2,561,422	**2,900,421**	2,530,080
Grade X (impaired)	**2,889,313**	2,517,424	**2,859,129**	2,511,319
No credit grading	**256,354**	182,986	**250,146**	182,553
Total gross amount	**17,007,268**	17,280,752	**16,868,561**	17,194,276
Allowance for impairment (individual and collective)	**(1,424,421)**	(1,549,983)	**(1,414,915)**	(1,544,380)
Net carrying amount	**15,582,847**	15,730,769	**15,453,646**	15,649,896
Off balance sheet				
Grade 0-4	**3,334,475**	997,901	**3,326,066**	990,389
Grade 5-6	**240,130**	1,012,620	**239,300**	1,010,559
Grade 7-9	**935,962**	931,063	**932,111**	929,061
Grade X (impaired)	**31,730**	136,758	**31,730**	136,758
No credit grading	**63,532**	25,172	**63,532**	25,171
Total exposure	**4,605,829**	3,103,514	**4,592,739**	3,091,938

36. Financial risk review (continued)

(b) Credit Risk (Continued)

Credit Portfolio Analysis – by Risk Grade (continued)

	Loans and advances to banks			
	Group		Bank	
In Rs 000	**2015**	2014	**2015**	2014
Outstanding Exposure				
Grade 0-4	**715,800**	522,184	**715,800**	522,184
Grade 5-6	**-**	-	**-**	-
Grade 7-9	**-**	-	**-**	-
Grade X (impaired)	**-**	-	**-**	-
No credit grading	**-**	-	**-**	-
Total gross amount	**715,800**	522,184	**715,800**	522,184
Allowance for impairment (individual and collective)				
Net carrying amount	**715,800**	522,184	**715,800**	522,184

Concentrations of credit risk

The Group and the Bank maintain a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and geographic location.

Large Exposures

The Group and the Bank adopts the definition of "Large exposures", as defined by the Bank of Mauritius Guidelines on Credit Concentration Risk. The table below shows the "Large exposures" as at 31st December 2014

Customer / Group of closely related customers	Total exposures after set offs (MMUR)	% of Bank's capital base
1	1,053	63%
2	532	32%
3	510	30%
4	477	28%
5	476	28%
6	461	28%
7	428	26%
8	405	24%
9	403	24%
10	393	23%
11	372	22%
12	365	22%
13	360	22%
14	360	22%
15	358	21%
16	357	21%
17	337	20%
18	321	19%
19	289	17%
20	144	9%
21	5	0%
Aggregate exposure of "Large Exposures"	**8,406**	**501%**

36. Financial risk review (continued)

(b) Credit Risk (Continued)

Sector wise distribution

	Loans and advances to customers			
	2015		2014	
In Rs 000	**Group**	**Bank**	**Group**	**Bank**
Agriculture & Fishing	**839,897**	**838,751**	317,708	317,708
Manufacturing	**1,573,941**	**1,552,294**	1,809,090	1,808,348
Education	**34,304**	**34,304**	-	-
Tourism	**631,833**	**628,559**	987,036	982,502
Transport	**453,639**	**432,821**	566,071	552,458
Construction	**3,561,735**	**3,556,326**	3,616,071	3,615,055
Financial and Business Services	**2,524,339**	**2,521,534**	2,462,414	2,462,162
Freeport Enterprise Certificate Holders	**92,795**	**92,795**	-	-
Traders	**3,349,574**	**3,278,062**	5,201,128	5,167,103
Personal	**407,774**	**402,955**	337,271	330,365
Professional	**324,076**	**318,900**	321,463	303,722
Global Business Licence Holders	**1,433,657**	**1,433,657**	787,780	787,780
Infrastructure	**1,672,728**	**1,672,727**		
Others	**106,976**	**104,876**	874,720	867,073
Total amount	**17,007,268**	**16,868,561**	17,280,752	17,194,276

Country wise distribution

	Loans and advances to customers			
	2015		2014	
In Rs 000	**Group**	**Bank**	**Group**	**Bank**
Australia	**12,244**	**12,244**	12,935	12,935
Austria	**52,440**	**52,440**	97,295	97,295
Cayman Islands	**93,411**	**93,411**	117,167	117,167
China	**162,135**	**162,135**		
France	**687,180**	**687,180**	664,902	664,902
Gabon	**23,997**	**23,997**	52,331	52,331
Hong Kong SAR of China	**630,525**	**630,525**	237,263	237,263
India	**628,089**	**628,089**	1,357,216	1,357,216
Indonesia	**240,500**	**240,500**	-	-
Isle of Man	**-**	**-**	118,100	118,100
Ivory Coast	**26,621**	**26,621**	17,372	17,372
Luxembourg	**337,470**	**337,470**	192,450	192,450
Madagascar	**721,319**	**583,895**	696,727	611,709
Maldives	**91,644**	**91,644**	126,102	126,102
Mauritius	**11,757,393**	**11,756,110**	11,930,520	11,929,062
Netherlands	**140,987**	**140,987**	161,955	161,955
Nigeria	**324,270**	**324,270**	284,715	284,715
Réunion	**118,175**	**118,175**	85,661	85,661
Seychelles	**-**	**-**	209,887	209,887
Singapore	**510,651**	**510,651**	159,074	159,074
South Africa	**9,895**	**9,895**	72,984	72,984
Sri Lanka	**-**	**-**	129	129
Switzerland	**207,475**	**207,475**	18,070	18,070
Tunisia	**-**	**-**	-	-
United Kingdom	**198,096**	**198,096**	667,897	667,897
Others	**32,751**	**32,751**	-	-
Total amount	**17,007,268**	**16,868,561**	17,280,752	17,194,276

36. Financial risk review (continued)

(b) Credit Risk (Continued)

Country wise distribution (continued)

	Loans and advances to banks			
	2015		2014	
In Rs 000	**Group**	**Bank**	**Group**	**Bank**
Egypt	**262,114**	**262,114**	115,470	115,470
Mauritius	**28,121**	**28,121**	-	-
France	**425,565**	**425,565**	406,714	406,714
Total amount	**715,800**	**715,800**	522,184	522,184

Credit risk mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

The main types of collateral taken are:
- mortgage bonds over residential, commercial and industrial properties;
- cession of book debts;
- floating charge over plant and equipment and the assets of the company.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

As at 31 December 2015, the Group holds financial guarantees amounting to Rs 3.7 billion against an exposure of Rs 4.8 billion to mitigate its credit risk.

General and Portfolio Provisioning

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all "neither past due nor impaired" loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines.

A reconciliation of the level of General Provisions and Macro Prudential Provisions are as follows:

In Rs 000	**2015**	2014
	Bank	Bank
Gross Loans and advances to customers	**16,868,561**	17,194,276
Add Loans and advances to banks not qualified for exemption	**262,114**	115,470
Add Interest receivable	**25,775**	32,899
Add credit balances eligible for set off	**-**	1,155
Less Impaired loans	**2,859,128**	2,511,319
Less Loans secured by cash collateral	**205,622**	164,102
Less Loans secured by bank guarantees	**-**	922,131
Less Loans treated as claims on banks and exempted	**-**	2,153,052
Net adjusted loans and advances	**14,091,700**	11,593,196
1% General Provision	**140,917**	115,932
0.5% Macro Prudential Provision	**24,314**	14,209
Total General and Macro Prudential Provision	**165,231**	130,141

36. Financial risk review (continued)

(b) Credit Risk (Continued)

General and Portfolio Provisioning (Continued)

In Rs 000	**2015 Bank**	2014 Bank
Balance Sheet General Provision	136,522	101,431
General Reserve	28,709	28,709
Balance Sheet General Provision	165,231	130,140

As per Banque Centrale de Madagascar requirements, there is no General Provisioning nor Portfolio Provisioning requirements for the Bank's subsidiary, BM Madagascar.

(c) Liquidity Risk

Liquidity risk is the risk that the Group and the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due. The nature of banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. The Group and the Bank manages liquidity in accordance with approved risk policies, compliant with Bank of Mauritius guideline.

The liquidity risk management framework differentiates between:

- Tactical (shorter-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by the Treasury Committee.

- Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.

- Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

The primary governance committee overseeing this risk is the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

36. Financial risk review (continued)

(c) Liquidity risk

Maturities (contractual) of assets and financials liabilities.

Group 2015	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-maturity Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	**3,446,427**	**20,468**	**-**	**-**	**-**	**-**	**-**	**3,466,895**
Loans and advances to banks	**5**	**-**	**39,967**	**40,218**	**262,110**	**373,500**	**-**	**715,800**
Loans and advances to customers	**6,459,838**	**1,150,176**	**52,228**	**157,215**	**2,221,377**	**6,966,434**	**-**	**17,007,268**
Investment securities	**92,567**	**199,282**	**198,877**	**146,455**	**549,680**	**304,169**	**-**	**1,491,030**
Other assets	**789,340**	**-**	**-**	**-**	**-**	**-**	**170,645**	**959,985**
	10,788,177	**1,369,926**	**291,072**	**343,888**	**3,033,167**	**7,644,103**	**170,645**	**23,640,978**
Less allowances for credit impairment								**(1,424,421)**
Total assets								**22,216,557**
2015								
Liabilities								
Deposits from banks	**540,450**	**900,750**	**72,060**	**-**	**-**	**-**	**-**	**1,513,260**
Deposits from customers	**13,071,011**	**754,844**	**1,007,210**	**1,080,935**	**430,700**	**313,355**	**-**	**16,658,055**
Borrowed funds	**1,180,854**	**249,114**	**84,843**	**-**	**-**	**311,758**	**-**	**1,826,569**
Subordinated liabilities	**-**	**-**	**-**	**96,242**	**58,995**	**373,500**	**-**	**528,737**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**330,565**	**330,565**
	14,792,315	**1,904,708**	**1,164,113**	**1,177,177**	**489,695**	**998,613**	**330,565**	**20,857,186**
Equity								**1,717,858**
Total liabilities								**22,585,044**
Net Liquidity Gap	**(4,004,138)**	**(534,782)**	**(873,041)**	**(833,289)**	**2,543,472**	**6,645,490**	**(159,920)**	

36. Financial risk review (continued)

(c) Liquidity risk (continued)

Maturities (contractual) of assets and financials liabilities. (continued)

Group **2014**	**Up to 1 month Rs 000**	**1-3 months Rs 000**	**3-6 months Rs 000**	**6-12 months Rs 000**	**1-3 years Rs 000**	**Over 3 years Rs 000**	**Non-maturity Rs 000**	**Total Rs 000**
Assets								
Cash and Cash equivalents	1,578,864	-	-	-	-	-	-	1,578,864
Loans and advances to banks	-	-	-	115,470	216,904	189,810	-	522,184
Loans and advances to customers	5,182,866	3,063,388	924,347	919,932	2,792,425	4,397,794	-	17,280,752
Investment securities	145,855	122,400	145,830	-	1,303,705	303,800	-	2,021,590
Other assets	711,497	-	-	-	-	-	131,610	843,107
	7,619,082	3,185,788	1,070,177	1,035,402	4,313,034	4,891,404	131,610	22,246,497
Less allowances for credit impairment								(1,549,983)
Total assets								20,696,514

2014								
Liabilities								
Deposits from banks	1,012,320	-	-	-	284,715	-	-	1,297,035
Deposits from customers	9,887,899	776,046	1,069,537	896,311	873,491	335,563	-	13,838,847
Borrowed funds	2,838,094	-	-	-	-	355,126	-	3,193,220
Subordinated liabilities	-	-	-	-	165,638	343,770	-	509,408
Other liabilities	413,533	-	-	-	-	-	-	413,533
	14,151,846	776,046	1,069,537	896,311	1,323,844	1,034,459	-	19,252,043
Equity								1,705,576
Total liabilities								20,957,619
Net Liquidity Gap	-6,532,764	2,409,742	640	139,091	2,989,190	3,856,945	131,610	
Credit Commitments								1,825,062

36. Financial risk review (continued)

(c) Liquidity Risk (continued)

Bank 2015	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-maturity Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	**3,325,082**	**20,468**	**-**	**-**	**-**	**-**	**-**	**3,345,550**
Loans and advances to banks	**5**	**-**	**39,967**	**40,218**	**262,110**	**373,500**	**-**	**715,800**
Loans and advances to customers	**6,352,452**	**1,150,123**	**52,108**	**156,801**	**2,198,252**	**6,958,825**	**-**	**16,868,561**
Investment securities	**50,000**	**199,282**	**198,877**	**136,111**	**549,680**	**304,169**	**-**	**1,438,119**
Other assets	**789,340**	**-**	**-**	**-**	**-**	**-**	**129,316**	**918,656**
	10,516,878	**1,369,873**	**290,952**	**333,130**	**3,010,042**	**7,636,494**	**129,316**	**23,286,686**
Less allowances for credit impairment								**(1,414,915)**
Total assets								**21,871,771**
Deposits from banks	**540,450**	**900,750**	**72,060**	**-**	**-**	**-**	**-**	**1,513,260**
Deposits from customers	**12,800,133**	**753,911**	**997,655**	**1,057,925**	**430,467**	**313,355**	**-**	**16,353,446**
Borrowed funds	**1,180,854**	**249,114**	**84,843**	**-**	**-**	**311,758**	**-**	**1,826,569**
Subordinated liabilities	**-**	**-**	**-**	**96,242**	**58,995**	**373,500**	**-**	**528,737**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**340,017**	**340,017**
Total liabilities	**14,521,437**	**1,903,775**	**1,154,558**	**1,154,167**	**489,462**	**998,613**	**340,017**	**20,562,029**
Equity								**1,779,203**
Total liabilities								**22,341,232**
Net Liquidity Gap	**(4,004,559)**	**(533,902)**	**(863,606)**	**(821,037)**	**2,520,580**	**6,637,881**	**(210,701)**	

36. Financial risk review (continued)

(c) Liquidity Risk (continued)

Bank **2014**	**Up to 1 month Rs 000**	**1-3 months Rs 000**	**3-6 months Rs 000**	**6-12 months Rs 000**	**1-3 years Rs 000**	**Over 3 years Rs 000**	**Non-maturity Rs 000**	**Total Rs 000**
Assets								
Cash and Cash equivalents	1,440,115	-	-	-	-	-	-	1,440,115
Loans and advances to banks	-	-	-	115,470	216,904	189,810	-	522,184
Loans and advances to customers	5,119,123	3,063,388	924,340	919,932	2,780,984	4,386,509	-	17,194,276
Investment securities	110,051	122,400	144,606	-	1,293,915	303,800	-	1,974,772
Other assets	711,497	-	-	-	-	-	112,963	824,460
	7,380,786	3,185,788	1,068,946	1,035,402	4,291,803	4,880,119	112,963	21,955,807
Less allowances for credit impairment								(1,544,380)
Total assets								20,411,427
Deposits from banks	1,012,320	-	-	-	284,715	-	-	1,297,035
Deposits from customers	9,656,013	775,557	1,068,497	896,311	848,252	335,318	-	13,579,948
Borrowed funds	2,838,094	-	-	-	-	355,126	-	3,193,220
Subordinated liabilities	-	-	-	-	165,638	343,770	-	509,408
Other liabilities	435,504	-	-	-	-	-	-	435,504
Total liabilities	13,941,931	775,557	1,068,497	896,311	1,298,605	1,034,214	-	19,015,115
Equity								1,767,577
Total liabilities								20,782,692
Net Liquidity Gap	(6,561,145)	2,410,231	449	139,091	2,993,198	3,845,905	112,963	
Credit Commitments	1,825,062							1,825,062

36. Financial risk review (continued)

(d) Market Risk

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, caused by adverse movements in market variables such as currency exchange and interest rates, credit spreads, recovery rates, correlations, equity, bond and commodity prices, and implied volatilities in all of these variables.

The Group's and the Bank's key market risks are:

- Trading Book Interest Rate risk;
- Banking Book Interest Rate risk; and
- Foreign currency risk.

The governance committees overseeing market risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

Interest Rate Risk in the Trading Book

Trading Book Interest Rate Risk is represented by financial instruments, namely Treasury Bills and Bonds, held on the trading book, arising out of normal global markets trading activity.

Interest Rate Risk in the Banking Book

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. This is further divided into the following sub risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.

- Yield curve risk: shifts in the yield curve that have adverse effects on the income or underlying economic value.

- Basis risk: hedge price not moving in line with the price of the hedged position.

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Exposure to interest rate risk

Group 2015	Up to 1 month Rs 000	1-3 Months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	2,841,833	5,391	5,372	9,795	2,879	-	601,625	3,466,895
Loans and advances to banks	5	-	2,616	35,305	304,374	373,500	-	715,800
Loans and advances to customers	5,041,440	784,536	1,341,496	508,357	1,145,776	8,185,663	-	17,007,268
Investment securities	-	31,377	235,517	85,052	414,884	724,200	-	1,491,030
Other Assets	-	-	-	-	-	-	959,985	959,985
	7,883,278	821,304	1,585,001	638,509	1,867,913	9,283,363	1,561,610	23,640,978
Less allowances for credit impairment								(1,424,421)
Total assets								22,216,557
Liabilities								
Deposits from banks	-	-	900,750	612,510	-	-	-	1,513,260
Deposits from customers	12,575,191	93,939	534,176	520,062	2,021,977	912,710	-	16,658,055
Borrowed funds	613,676	500,110	108,884	292,141	-	311,758	-	1,826,569
Subordinated liabilities	-	-	-	-	-	528,737	-	528,737
Other Liabilities	-	-	-	-	-	-	330,565	330,565
Total liabilities	13,188,867	594,049	1,543,810	1,424,713	2,021,977	1,753,205	330,565	20,857,186
Net on-balance sheet position	(5,305,589)	227,255	41,191	(786,204)	(154,064)	7,530,158	1,231,045	2,783,792
Less allowances for credit impairment								(1,424,421)
								1,359,371
Equity								1,717,858

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Exposure to interest rate risk (continued)

Group **2014**	**Up to 1 month Rs 000**	**1-3 months Rs 000**	**3-6 months Rs 000**	**6-12 months Rs 000**	**1-3 years Rs 000**	**Over 3 years Rs 000**	**Non-interest bearing Rs 000**	**Total Rs 000**
Assets								
Cash and Cash equivalents	1,409,384	-	-	-	-	-	169,480	1,578,864
Loans and advances to banks	343,770	-	115,470	62,944	-	-	-	522,184
Loans and advances to customers	10,400,486	3,022,656	1,098,022	559,581	1,268,925	931,082	-	17,280,752
Investment securities	145,855	122,400	145,830	-	1,303,705	303,800	-	2,021,590
Other Assets							843,107	843,107
	12,299,495	3,145,056	1,359,322	622,525	2,572,630	1,234,882	1,012,587	22,246,497
Less allowances for credit impairment								(1,549,983)
Total assets								20,696,514
Liabilities								
Deposits from banks	1,012,320	-	-	284,715	-	-	-	1,297,035
Deposits from customers	12,972,825	81,972	345,629	181,559	255,668	1,194	-	13,838,847
Borrowed funds	2,434,395	758,825	-	-	-	-	-	3,193,220
Subordinated liabilities	-	509,408	-	-	-	-	-	509,408
Other Liabilities	-	-	-	-	-	-	413,533	413,533
Total liabilities	16,419,540	1,350,205	345,629	466,274	255,668	1,194	413,533	19,252,043
Net on-balance sheet position	(4,120,045)	1,794,851	1,013,693	156,251	2,316,962	1,233,688	599,054	2,994,454
Less allowances for credit impairment								(1,549,983)
								1,444,471
Equity								1,698,752

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Exposure to interest rate risk (continued)

Bank 2015	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	2,720,488	5,391	5,372	9,795	2,879	-	601,625	3,345,550
Loans and advances to banks	5	-	2,616	35,305	304,374	373,500	-	715,800
Loans and advances to customers	4,934,150	784,536	1,341,496	508,310	1,130,913	8,169,156	-	16,868,561
Investment securities	-	-	224,327	74,708	414,884	724,200	-	1,438,119
Other Assets	-	-	-	-	-	-	918,656	918,656
	7,654,643	789,927	1,573,811	628,118	1,853,050	9,266,856	1,520,281	23,286,686
Less allowances for credit impairment								(1,414,915)
Total assets								21,871,771
Liabilities								
Deposits from banks	-	-	900,750	612,510	-	-	-	1,513,260
Deposits from customers	12,311,890	93,939	530,679	515,050	1,989,411	912,477	-	16,353,446
Borrowed funds	613,676	500,110	108,884	292,141	-	311,758	-	1,826,569
Subordinated liabilities	-	-	-	-	-	528,737	-	528,737
Other Liabilities	-	-	-	-	-	-	340,017	340,017
Total liabilities	12,925,566	594,049	1,540,313	1,419,701	1,989,411	1,752,972	340,017	20,562,029
Net on-balance sheet position	(5,270,923)	195,878	33,498	(791,583)	(136,361)	7,513,884	1,180,264	2,724,657
Less allowances for credit impairment								(1,414,915)
								1,309,742
Equity								1,779,203

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Exposure to interest rate risk (continued)

Bank **2014**	**Up to 1 month Rs 000**	**1-3 months Rs 000**	**3-6 months Rs 000**	**6-12 months Rs 000**	**1-3 Years Rs 000**	**Over 3 years Rs 000**	**Non-interest bearing Rs 000**	**Total Rs 000**
Assets								
Cash and Cash equivalents	1,311,242	-	-	-	-	-	128,873	1,440,115
Loans and advances to banks	343,770	-	115,470	62,944	-	-	-	522,184
Loans and advances to customers	10,315,171	3,022,656	1,098,015	559,581	1,268,382	930,471	-	17,194,276
Investment securities	110,051	122,400	144,606	-	1,293,915	303,800	-	1,974,772
Other Assets	-	-	-	-	-	-	824,461	824,461
	12,080,234	3,145,056	1,358,091	622,525	2,562,297	1,234,271	953,334	21,955,808
Less allowances for credit impairment								(1,544,380)
Total assets								20,411,428
Liabilities								
Deposits from banks	1,012,320	-	-	284,715	-	-	-	1,297,035
Deposits from customers	12,740,033	81,238	344,589	157,471	255,668	949	-	13,579,948
Borrowed funds	2,434,395	758,825	-	-	-	-	-	3,193,220
Subordinated liabilities	-	509,408	-	-	-	-	-	509,408
Other Liabilities	-	-	-	-	-	-	435,504	435,504
Total liabilities	16,186,748	1,349,471	344,589	442,186	255,668	949	435,504	19,015,115
Net on-balance sheet position	(4,106,514)	1,795,585	1,013,502	180,339	2,306,629	1,233,322	517,830	2,940,693
Less allowances for credit impairment								(1,544,380)
								1,396,313
Equity								1,767,575
2013								
Net on-balance sheet position – Group	(2,434,373)	(2,508,901)	85,275	(382,656)	2,668,939	4,968,443	105,148	2,501,875
Net on-balance sheet position – Bank	(3,465,361)	1,318,186	593,060	438,565	2,502,974	993,758	(105,452)	2,275,731

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Currency risk

The Group's and the Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Group 2015	**RS Rs 000**	**USD Rs 000**	**GBP Rs 000**	**EUR Rs 000**	**Other Rs 000**	**Total Rs 000**
Assets						
Cash and Cash equivalents	**525,653**	**2,552,059**	**101,804**	**51,014**	**236,365**	**3,466,895**
Loans and advances to banks	**28,120**	**360,300**	**13,545**	**275,315**	**38,520**	**715,800**
Loans and advances to customers	**6,997,025**	**5,787,791**	**28,195**	**4,006,558**	**187,699**	**17,007,268**
Investment securities	**1,438,119**	**-**	**-**	**-**	**52,911**	**1,491,030**
Other assets	**817,283**	**39,146**	**3,421**	**56,440**	**43,695**	**959,985**
	9,806,200	**8,739,296**	**146,965**	**4,389,327**	**559,190**	**23,640,978**
Less allowances for credit impairment						**1,424,421**
Total assets						**22,216,557**
Liabilities						
Deposits from banks	**-**	**1,513,260**	**-**	**-**	**-**	**1,513,260**
Deposits from customers	**7,707,638**	**6,751,766**	**137,052**	**1,721,311**	**340,288**	**16,658,055**
Borrowed funds	**-**	**-**	**-**	**1,784,103**	**42,466**	**1,826,569**
Subordinated liabilities	**-**	**271,126**	**-**	**257,611**	**-**	**528,737**
Other liabilities	**330,565**	**-**	**-**	**-**	**-**	**330,565**
Total liabilities	**8,038,203**	**8,536,152**	**137,052**	**3,763,025**	**382,754**	**20,857,186**
Net on-balance sheet position	**1,767,997**	**203,144**	**9,913**	**626,302**	**176,436**	**2,783,792**
Less allowances for credit impairment						**1,424,421**
						1,359,371

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Currency risk (continued)

Group 2014	**RS Rs 000**	**USD Rs 000**	**GBP Rs 000**	**EUR Rs 000**	**Other Rs 000**	**Total Rs 000**
Assets						
Cash and Cash equivalents	1,258,506	71,810	19,349	53,168	176,031	1,578,864
Loans and advances to banks	-	189,810	-	269,430	62,944	522,184
Loans and advances to customers	6,466,160	6,693,312	103,864	3,832,111	185,305	17,280,752
Investment securities	1,974,772	-	-	-	46,818	2,021,590
Other assets	745,657	36,842	4,110	37,851	18,647	843,107
	10,445,095	6,991,774	127,323	4,192,560	489,745	22,246,497
Less allowances for credit impairment						(1,549,983)
Total assets	10,445,095	6,991,774	127,323	4,192,560	489,745	20,696,514
Liabilities						
Deposits from banks	-	1,297,035	-	-	-	1,297,035
Deposits from customers	7,771,924	3,602,959	118,527	2,008,372	337,065	13,838,847
Borrowed funds	-	1,980,351	-	1,118,623	94,247	3,193,221
Subordinated liabilities	-	238,053	-	271,355	-	509,408
Other liabilities	380,843	-	-	-	32,691	413,534
Total liabilities	8,152,767	7,118,398	118,527	3,398,350	464,003	19,252,045
Net on-balance sheet position	2,292,328	(126,624)	8,796	794,210	25,742	2,994,452
Less allowances for credit impairment						(1,549,983)
						1,444,469

36. Financial risk review (continued)

(d) Market Risk (continued)

Currency risk (continued)

Bank 2015	**RS Rs 000**	**USD Rs 000**	**GBP Rs 000**	**EUR Rs 000**	**Other Rs 000**	**Total Rs 000**
Assets						
Cash and Cash equivalents	**525,653**	**2,551,878**	**101,804**	**48,332**	**117,883**	**3,345,550**
Loans and advances to banks	**28,120**	**360,300**	**13,545**	**275,315**	**38,520**	**715,800**
Loans and advances to customers	**6,997,025**	**5,787,729**	**28,195**	**4,006,545**	**49,067**	**16,868,561**
Investment securities	**1,438,119**	**-**	**-**	**-**	**-**	**1,438,119**
Other assets	**817,283**	**39,146**	**3,421**	**56,440**	**2,366**	**918,656**
	9,806,200	**8,739,053**	**146,965**	**4,386,632**	**207,836**	**23,286,686**
Less allowances for credit impairment						**(1,414,915)**
Total assets						**21,871,771**
Liabilities						
Deposits from banks	**-**	**1,513,260**	**-**	**-**	**-**	**1,513,260**
Deposits from customers	**7,674,848**	**6,744,623**	**137,052**	**1,719,054**	**77,869**	**16,353,446**
Borrowed funds	**-**	**-**	**-**	**1,784,103**	**42,466**	**1,826,569**
Subordinated liabilities	**-**	**271,126**	**-**	**257,611**	**-**	**528,737**
Other liabilities	**340,017**	**-**	**-**	**-**	**-**	**340,017**
Total liabilities	**8,014,865**	**8,529,009**	**137,052**	**3,760,768**	**120,335**	**20,562,029**
Net on-balance sheet position	**1,791,335**	**210,044**	**9,913**	**625,864**	**87,501**	**2,724,657**
Less allowances for credit impairment						**(1,414,915)**
						1,309,742

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Currency risk (continued)

Bank 2014	**RS Rs 000**	**USD Rs 000**	**GBP Rs 000**	**EUR Rs 000**	**OTHER Rs 000**	**TOTAL Rs 000**
Assets						
Cash and Cash equivalents	1,283,056	71,810	19,349	29,249	36,651	1,440,115
Loans and advances to banks	-	189,810	-	269,430	62,944	522,184
Loans and advances to customers	6,466,655	6,693,312	103,864	3,832,109	98,336	17,194,276
Investment securities	1,974,772	-	-	-	-	1,974,772
Other assets	745,658	36,842	4,110	37,851	-	824,461
	10,470,141	6,991,774	127,323	4,168,639	197,931	21,955,808
Less allowances for credit impairment						(1,544,380)
Total assets						20,411,428
Liabilities						
Deposits from banks	-	1,297,035	-	-	-	1,297,035
Deposits from customers	7,746,592	3,602,959	118,527	1,984,763	127,107	13,579,948
Borrowed funds	-	1,980,351	-	1,118,623	94,247	3,193,221
Subordinated liabilities	-	351,939	-	271,355	-	623,294
Other liabilities	435,504	-	-	-	-	435,504
Total liabilities	8,182,096	7,232,284	118,527	3,374,741	221,354	19,129,002
Net on-balance sheet position	2,288,045	(240,510)	8,796	793,898	(23,423)	2,826,806
Less allowances for credit impairment						(1,544,380)
						1,282,426

36. Financial risk review (continued)

(d) *Market Risk (continued)*

Currency Risk (continued)

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in MUR equivalent, resulting from a 1% shock to foreign currency risk exposures, with respect to designated financial instruments, foreign-denominated cash balances and accruals and intragroup foreign-denominated debt.

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Effect of +/- 1% change	**8,394**	6,812	6,298	**8,458**	1,477	6,698

(e) Capital Management

The Group's and the Bank's objective in its capital management function is designed to ensure that regulatory requirements are met at all times and that the Group and the Bank are capitalised in line with the regulatory requirements. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

At the regulatory level, the minimum capital adequacy ratio set by the Bank of Mauritius for banks presently stands at 10% of risk-weighted assets, with newly-unveiled Basel III rules which came into force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks.

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III, the following limits and minima are applicable:

- A minimum Core Equity Tier 1 ratio of 5.5% ;
- A minimum Tier 1 ratio of 6.5%; and
- A Minimum Capital Adequacy Ratio of 10%.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

Implementation of new capital requirements under Basel III

The below reflects the minimum capital requirements and phase-in periods applicable to banks in Mauritius.

	July 2014	2015	2016	2017	2018	2019	2020
		(All dates are as of 1 January)					
Minimum CET 1 CAR	5.5 %	6.0 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %
Capital Conservation							
Buffer				0.625 %	1.25 %	1.875 %	2.5 %
Minimum CET 1 CAR							
plus Capital							
Conservation Buffer	5.5 %	6.0%	6.5 %	7.125 %	7.75 %	8.375 %	9.0 %
Phase in of deductions							
from CET 1			50%	60%	80%	100%	100%
Minimum Tier 1 CAR	6.5 %	7.5 %	8.0 %	8.0 %	8.0 %	8.0%	8.0 %
Minimum Total CAR	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
Minimum Total CAR							
Plus Capital							
Conservation Buffer	10.0 %	10.0 %	10.0 %	10.625 %	11.25 %	11.875%	12.5 %

Capital instruments that no longer qualify as AT1 capital or Tier 2capital — Phased out over 10 year horizon beginning 1 July 2014

36. Financial risk review (continued)

(e) Capital Management (continued)

Capital Structure

Regulatory capital adequacy is measured through three risk-based ratios:

- CET I: ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.
- Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements.
- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

As at 31st December 2015, the Bank's and Group's capital instruments comprised of only

- Ordinary Shares issued;
- Subordinated Debt availed by the Bank from its holding company (BPCE IOM).

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below :

BASEL III	GROUP		BANK	
	Dec-15	Dec-14	Dec-15	Dec-14
	Rs M	Rs M	Rs M	Rs M
Tier 1 Capital				
Paid up or assigned capital *(note 32)*	1,749	1,749	1,749	1,749
Statutory reserve	83	83	83	83
Other disclosed free reserves, including undistributed balance in income statement	(223)	(269)	(121)	(162)
Current year's retained profits				
Minority interests	12	15	-	-
Deduct:			-	-
Goodwill *(note 24)*	(76)	(76)		
Investment in Subsidiary *(note 22)*			(95)	(96)
Other Intangible assets *(note 24)*	(75)	(9)	(74)	(8)
Deferred Tax *(note 17)*	(180)	(173)	(178)	(170)
CET 1 Capital	1,290	1,320	1,364	1,396
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	1,290	1,320	1,364	1,396
Tier 2 Capital				
Portfolio Provision *(note 20)*	166	130	165	130
Subordinated debts *(note 29)*	245	418	245	418
Deduct:				
Investment in Subsidiary *(note 22)*	-	-	(95)	(96)
Total Tier 2 Capital	411	548	315	452
Total Capital Base	1,701	1,868	1,679	1,848

36. Financial risk review (continued)

(e) Capital Management (continued)

Risk Weighted Assets for Credit Risk

The Bank has adopted the Standardised Approach for credit risk capital allocation.

		GROUP		BANK	
Risk Weighted On-Balance Sheet Assets	***Risk Weight***	**Exposures after CRM**	**Risk Weighted Assets**	**Exposures after CRM**	**Risk Weighted Assets**
	%		**Rs M**		
Cash items	*0 - 20*	176	-	145	-
Claims on Sovereigns	*0 - 150*	1,452	57	1,414	-
Claims on Central banks	*0*	1,329	154	1,273	70
Claims on Multilateral development banks	*0 - 150*	65	32	65	32
Claims on banks	*20 - 150*	3,225	114	3,224	114
Claims on non-central government public sector entities	*0 - 150*	365	183	365	183
Claims on corporates	*20 - 150*	7,709	7,720	7,687	7,687
Claims included in the regulatory retail portfolio	*75*	189	142	189	142
Claims secured by residential property	*35-100*	2,617	2,641	2,617	2,641
Claims secured by commercial real estate	*100*	563	628	563	628
Past due claims	*50-150*	1,259	1,755	1,244	1,732
Other assets	*100*	560	560	454	454
Total Risk Weighted On-Balance Sheet Assets		**19,509**	**13,986**	**19,240**	**13,683**

Risk Weighted Off-Balance Sheet Assets	***Credit Conversion Factor***	***Risk Weight***	**Exposures after CRM**	**Risk Weighted Assets**	**Exposures after CRM**	**Risk Weighted Assets**
Transaction-related contingent items	*50*	*0-100*	1,108	554	1,104	552
Trade-related contingencies	*20*	*0-100*	504	101	504	101
Other commitments	*20*	*0-100*	2,529	1,183	2,524	1,182
Foreign exchange contracts	*2*	*100*	724	14	692	14
Total Risk Weighted Off-Balance Sheet Assets			**4,865**	**1,852**	**4,824**	**1,849**

Total Risk Weighted On & Off Balance Sheet Assets	**24,374**	**15,838**	**24,064**	**15,532**

Risk Weighted Assets for Operational Risk

The Group applies the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

The Capital Charge for the Group has been computed as follows:

- Annual gross income: Rs 654 million
- Average gross income over 3 years: Rs 642 million
- Capital charge for operational risk: Rs 96 million

The Capital Charge for the Bank has been computed as follows:

- Annual gross income: Rs 607 million
- Average gross income over 3 years: Rs 613 million
- Capital charge for operational risk: Rs 92 million

36. Financial risk review (continued)

(e) Capital Management (continued)

Risk Weighted Capital Adequacy Ratio

The regulatory Capital Adequacy Ratio is as follows:

	Group			Bank		
	2015	2014	2013	**2015**	2014	2013
	Rs M	Rs M	Rs M	**Rs M**	Rs M	Rs M
Core Equity Tier 1 Capital	**1,290**	1,320	1,266	**1,364**	1,396	1,340
Total Tier 1 Capital	**1,290**	1,320	1,266	**1,364**	1,396	1,340
Total Tier 2 Capital	**411**	548	523	**315**	452	438
Total Capital Base	**1,701**	1,868	1,789	**1,679**	1,848	1,778
Risk Weighted Assets	**16,818**	16,376	15,144	**16,466**	16,071	14,720
CET 1 Ratio	**7.67%**	8.06%	8.36%	**8.28%**	8.69%	9.10%
Tier 1 Ratio	**7.67%**	8.06%	8.36%	**8.28%**	8.69%	9.10%
Capital Adequacy Ratio	**10.12%**	11.41%	11.81%	**10.20%**	11.50%	12.08%

(f) Fair values of financial instruments

The tables that follow analyse the Group's and Bank's financial assets and liabilities that are measured at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS. The different levels are based on the extent to which observable market data and inputs are used in the calculation of the fair value of the financial assets and liabilities. The levels of the hierarchy are defined as follows:

Level 1 – fair values are based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair values are calculated using valuation techniques based on observable inputs, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes financial assets and liabilities valued using quoted market prices in active markets for similar financial assets or liabilities, quoted prices for identical or similar financial assets or liabilities in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly derived or corroborated from observable market data.

Level 3 – fair values are based on valuation techniques using significant unobservable inputs. This category includes financial assets and liabilities where the valuation technique includes unobservable inputs that have a significant effect on the financial asset or liability's valuation. This category includes financial assets and liabilities that are valued based on quoted prices for similar financial assets or liabilities and for which significant unobservable adjustments or assumptions are required to reflect differences between the financial assets or liabilities.

36. Financial risk review (continued)

(f) Fair values of financial instruments (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group
2015

	Fair Value			
In Rs 000	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Assets				
Cash and cash equivalents	**-**	**3,466,895**	**-**	**3,466,895**
Loans and advances to banks	**-**	**715,800**	**-**	**715,800**
Loans and advances to customers	**-**	**15,582,847**	**-**	**15,582,847**
Investment securities	**-**	**1,491,030**	**-**	**1,491,030**
Liabilities				
Deposits from banks	**-**	**1,513,260**	**-**	**1,513,260**
Deposits from customers	**-**	**16,658,055**	**-**	**16,658,055**
Borrowed funds	**-**	**1,826,569**	**-**	**1,826,569**
Subordinated liabilities	**-**	**528,737**	**-**	**528,737**

Group
2014

	Fair Value			
In Rs 000	Level 1	Level 2	Level 3	Carrying amount
Assets				
Cash and cash equivalents	-	1,578,864	-	1,578,864
Loans and advances to banks	-	522,184	-	522,184
Loans and advances to customers	-	15,730,769	-	15,730,769
Investment securities	-	2,021,590	-	2,021,590
Liabilities				
Deposits from banks	-	1,297,035	-	1,297,035
Deposits from customers	-	13,838,847	-	13,838,847
Borrowed funds	-	3,193,220	-	3,193,220
Subordinated liabilities	-	509,408	-	509,408

36. Financial risk review (continued)

(f) Fair values of financial instruments (continued)

Group
2013

In Rs 000	Fair Value Level 1	Level 2	Level 3	Carrying amount
Assets				
Cash and cash equivalents	-	1,781,282	-	1,781,282
Loans and advances to banks	-	466,187	-	466,187
Loans and advances to customers	-	13,464,305	-	13,464,305
Investment securities	-	1,884,133	-	1,884,133
Liabilities				
Deposits from banks	-	1,130,101	-	1,130,101
Deposits from customers	-	10,638,327	-	10,638,327
Borrowed funds	-	4,192,960	-	4,192,960
Subordinated liabilities	-	619,283	-	619,283

Bank
2015

In Rs 000	Fair Value **Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Assets				
Cash and cash equivalents	**-**	**3,345,550**	**-**	**3,345,550**
Loans and advances to banks	**-**	**715,800**	**-**	**715,800**
Loans and advances to customers	**-**	**15,453,646**	**-**	**15,453,646**
Investment securities	**-**	**1,438,119**	**-**	**1,438,119**
Investment in subsidiary	**-**	**190,201**	**-**	**190,201**
Liabilities				
Deposits from banks	**-**	**1,513,260**	**-**	**1,513,260**
Deposits from customers	**-**	**16,353,446**	**-**	**16,353,446**
Borrowed funds	**-**	**1,826,569**	**-**	**1,826,569**
Subordinated liabilities	**-**	**528,737**	**-**	**528,737**

36. Financial risk review (continued)

(f) Fair values of financial instruments (continued)

Bank
2014

In Rs 000	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Carrying amount
Assets				
Cash and cash equivalents	-	1,440,115	-	1,440,115
Loans and advances to banks	-	522,184	-	522,184
Loans and advances to customers	-	15,649,896	-	15,649,896
Investment securities	-	1,974,772	-	1,974,772
Investment in subsidiary	-	191,896	-	191,896
Liabilities				
Deposits from banks	-	1,297,035	-	1,297,035
Deposits from customers	-	13,579,948	-	13,579,948
Borrowed funds	-	3,193,220	-	3,193,220
Subordinated liabilities	-	509,408	-	509,408

Bank
2013

In Rs 000	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Carrying amount
Assets				
Cash and cash equivalents	-	1,660,937	-	1,660,937
Loans and advances to banks	-	425,870	-	425,870
Loans and advances to customers	-	13,418,405	-	13,418,405
Investment securities	-	1,770,194	-	1,770,194
Investment in subsidiary	-	170,386	-	170,386
Liabilities				
Deposits from banks	-	1,130,101	-	1,130,101
Deposits from customers	-	10,372,838	-	10,372,838
Borrowed funds	-	4,149,802	-	4,149,802
Subordinated liabilities	-	619,283	-	619,283

36. Financial risk review (continued)

(f) Fair values of financial instruments (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 December 2015 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

Type	Valuation technique	Significant unobservable inputs
Investment securities	The fair values are based on market yields.	Not applicable
Loans and advances to banks	Discounted cash flow model	Not applicable
Loans and advances to customers	Discounted cash flow model	Not applicable
Deposit from banks	Discounted cash flow model	Not applicable
Borrowed funds	Discounted cash flow model	Not applicable
Subordinated liabilities	Discounted cash flow model	Not applicable

37. Supplementary information as required by the Bank of Mauritius

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into segments A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

37. Supplementary information as required by Bank of Mauritius (continued)

Statements of profit or loss

Bank Rs'000	*Note*	**Segment A** **Rs 000**	**Segment B** **Rs 000**	**2015** **Rs 000**	Segment A Rs 000	Segment B Rs 000	2014 Rs 000	Segment A Rs 000	Segment B Rs 000	2013 Rs 000
Interest income		**553,555**	**207,931**	**761,486**	586,014	211,590	797,604	553,854	258,810	812,664
Interest expense		**(243,275)**	**(94,175)**	**(337,450)**	(262,583)	(85,151)	(347,734)	(279,007)	(121,809)	(400,816)
Net interest income	*8*	**310,280**	**113,756**	**424,036**	323,431	126,439	449,870	274,847	137,001	411,848
Fee and commission income		**68,173**	**52,615**	**120,788**	68,235	68,206	136,441	58,686	71,440	130,126
Fee and commission expense		**(13,455)**	**(12,712)**	**(26,167)**	(11,363)	(13,277)	(24,640)	(18,041)	(14,120)	(32,161)
Net fee and commission income	*9*	**54,718**	**39,903**	**94,621**	56,872	54,929	111,801	40,645	57,320	97,965
Net trading income	*10*	**70,389**	**6,041**	**76,430**	48,961	27,785	76,746	35,556	26,248	61,804
Net income from other financial instruments at fair value through profit or loss	*11*	**(49)**	**-**	**(49)**	(8)	-	(8)	(414)	-	(414)
Other revenue	*12*	**1,100**	**10,410**	**11,510**	891	10,024	10,915	3,231	10,000	13,231
		126,158	**56,354**	**182,512**	106,716	92,738	199,454	79,018	93,568	172,586
Revenue		**436,438**	**170,110**	**606,548**	430,147	219,177	649,324	353,865	230,569	584,434
Personnel expenses	*13*	**(223,709)**	**(41,491)**	**(265,200)**	(199,571)	(62,401)	(261,972)	(186,416)	(57,576)	(243,992)
Operating lease expenses	*14*	**(40,999)**	**(4,600)**	**(45,599)**	(35,466)	(4,803)	(40,269)	(30,408)	(6,346)	(36,754)
Depreciation and amortization	*22 & 23*	**(18,573)**	**(3,239)**	**(21,812)**	(22,074)	(3,746)	(25,820)	(22,794)	(3,869)	(26,663)
Other expenses	*15*	**(119,920)**	**(32,124)**	**(152,044)**	(122,919)	(31,619)	(154,538)	(147,965)	(5,547)	(153,512)
		(403,201)	**(81,454)**	**(484,655)**	(380,030)	(102,569)	(482,599)	(387,583)	(73,338)	(460,921)
Operating profit		**33,237**	**88,656**	**121,893**	50,117	116,608	166,725	(33,718)	157,231	123,513
Net impairment loss on financial assets	19	**(72,734)**	**(4,692)**	**(77,426)**	(97,564)	(3,752)	(101,316)	21,614	(11,466)	10,148
Profit / (Loss) before tax		**(39,497)**	**83,964**	**44,467**	(47,447)	112,856	65,409	(12,104)	145,765	133,661
Income tax (Expense) / Credit	*16(i)*	**4,157**	**(3,148)**	**1,009**	19,918	(3,311)	16,607	(14,420)	(8,033)	(22,453)
Profit / (Loss)		**(35,340)**	**80,816**	**45,476**	(27,529)	109,545	82,016	(26,524)	137,732	111,208

37. Supplementary information as required by Bank of Mauritius (continued)

Statement of financial position as at 31 December 2015

	Note	**Segment A Rs 000**	**Segment B Rs 000**	**2015 Rs 000**	Segment A Rs 000	Segment B Rs 000	2014 Rs 000	Segment A Rs 000	Segment B Rs 000	2013 Rs 000
ASSETS										
Cash and cash equivalents	*17*	**600,018**	**2,745,532**	**3,345,550**	1,243,335	196,780	1,440,115	615,004	1,045,933	1,660,937
Loans and advances to banks	*18*	**28,121**	**687,679**	**715,800**	-	522,184	522,184	-	425,870	425,870
Loans and advances to customers	*19*	**9,398,015**	**6,055,631**	**15,453,646**	8,339,235	7,310,661	15,649,896	7,443,857	5,974,548	13,418,405
Investment securities	*20*	**1,438,119**	**-**	**1,438,119**	1,974,772	-	1,974,772	1,770,194	-	1,770,194
Investment in subsidiary	*21*	**-**	**190,201**	**190,201**	-	191,896	191,896	-	170,386	170,386
Property and equipment	*22*	**40,253**	**4,293**	**44,546**	35,542	3,711	39,253	35,585	3,539	39,124
Intangible assets	*23*	**65,796**	**8,106**	**73,902**	6,675	770	7,445	1,767	124	1,891
Deferred tax assets	*16 (ii)*	**160,919**	**17,345**	**178,264**	153,053	17,190	170,243	141,459	17,043	158,502
Other assets	*24*	**869,923**	**48,733**	**918,656**	782,150	42,311	824,461	619,526	57,282	676,808
Total assets		**12,601,164**	**9,757,520**	**22,358,684**	12,534,762	8,285,503	20,820,265	10,627,392	7,694,725	18,322,117
LIABILITIES										
Deposits from banks	*25*	**-**	**1,513,260**	**1,513,260**	-	1,297,035	1,297,035	-	1,130,101	1,130,101
Deposits from customers	*26*	**7,486,373**	**8,867,073**	**16,353,446**	7,537,642	6,042,306	13,579,948	6,576,627	3,796,211	10,372,838
Borrowed funds	*27*	**-**	**1,826,569**	**1,826,569**	39,508	3,153,712	3,193,220	147,871	4,001,931	4,149,802
Subordinated liabilities	*28*	**-**	**528,737**	**528,737**	-	509,408	509,408	-	619,283	619,283
Provisions	*29*	**16,670**	**782**	**17,452**	29,130	5,254	34,384	18,803	5,895	24,698
Current tax liabilities	*16 (iii)*	**-**	**-**	**-**	3,754	6,259	10,013	9,466	2,799	12,265
Other liabilities	*30*	**205,394**	**134,623**	**340,017**	218,224	217,280	435,504	176,306	179,882	356,188
Total liabilities		**7,708,437**	**12,871,044**	**20,579,481**	7,828,258	11,231,254	19,059,512	6,929,073	9,736,102	16,665,175
Equity										
Share capital	*31*			**1,749,016**			1,749,016			1,749,016
Retained earnings	*32*			**(121,299)**			(162,434)			(246,139)
Reserves	*32*			**151,486**			174,171			154,065
Total equity attributable to the equity holders of the Bank				**1,779,203**			1,760,753			1,656,942
Total liabilities and equity				**22,358,684**			20,820,265			18,322,117

38. Subsequent event

At year end, the Capital Adequacy ratio of the Group and the Bank were 10.12% and 10.20% respectively, as disclosed in note 36(e). Subsequent to year end, with a view to ensuring that the Capital Adequacy ratio is at all times in excess of the required minimum level of 10%, the Bank together with its shareholder BPCE IOM submitted a proposed capital structure to the Bank of Mauritius. This remains subject to the approval of the Bank of Mauritius at the date that the financial statements were approved.

Notwithstanding the above, BPCE IOM has undertaken in a letter dated 25 March 2016 to Banque des Mascareignes Ltée that it will provide the Bank, for a period of not less than twelve months, with the necessary funding and other support in the form of financial guarantees, capital, or otherwise, needed for the Bank to meet its ongoing financial obligations and to comply with the minimum Capital Adequacy Ratio required by the Mauritius Banking Act. Accordingly, the financial statements continue to be prepared on the basis of accounting policies applicable to a going concern.

39. Ultimate holding company

The immediate and ultimate holding company are BPCE International et Outre-Mer and BPCE respectively, both incorporated in France.