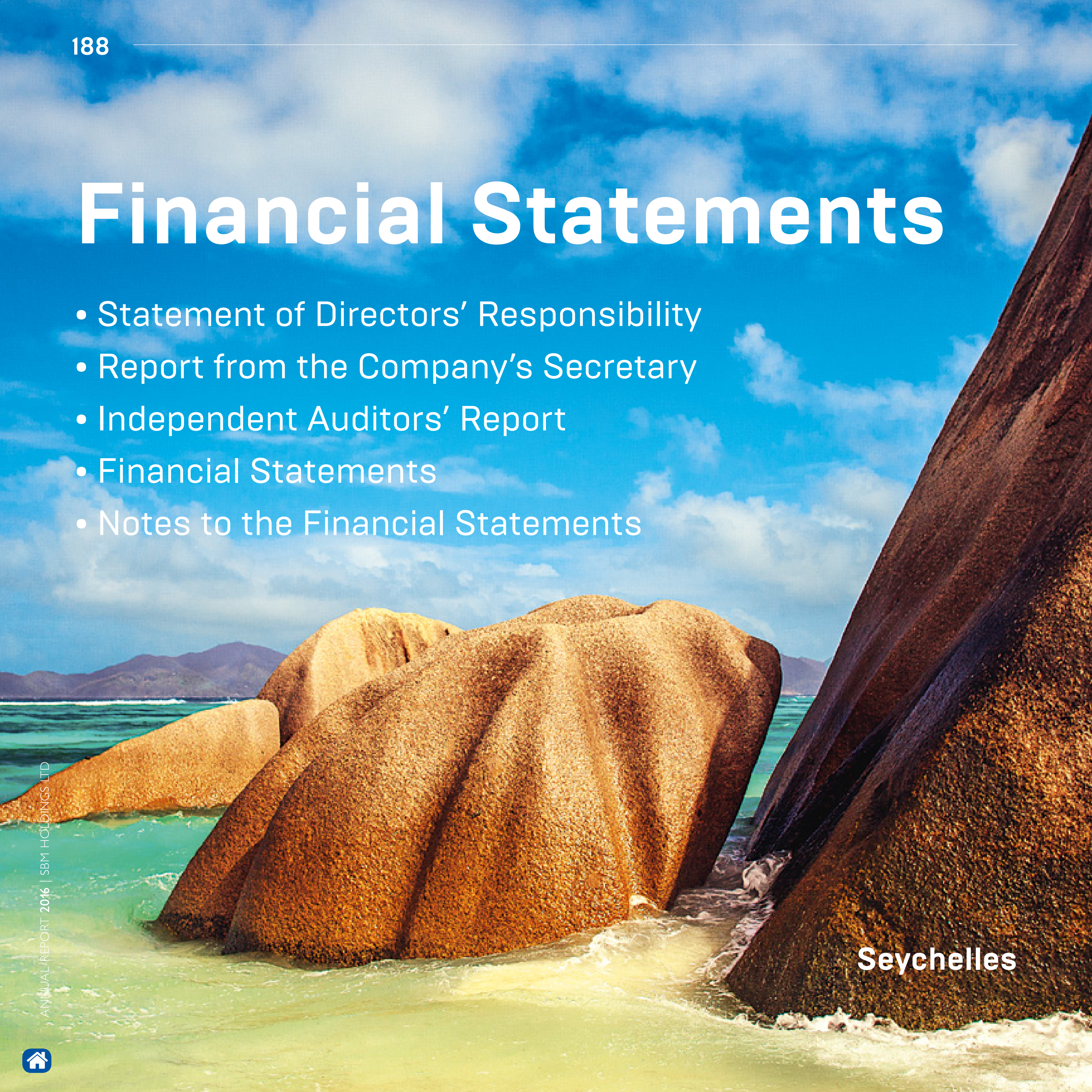

Financial Statements

- Statement of Directors' Responsibility
- Report from the Company's Secretary
- Independent Auditors' Report
- Financial Statements
- Notes to the Financial Statements

...Group **PROFIT** increased by **44%**...

...**DEPOSITS** grew by **6.5%**...

...**CAPITAL** Adequacy Ratio stood at **26%**...

The successful execution of our strategic objectives led to **STRONG** financial performance.

Our quest to maximise stakeholders' value is fully geared...

STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Group. In preparing those Financial Statements, the directors are required to: ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained; select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business. The directors confirm that they have complied with these requirements in preparing the Financial Statements.

The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group while ensuring that: the Financial Statements fairly present the state of affairs of the Group, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards and the Companies Act 2001, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

Directors are also responsible for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and uploading of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group.

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

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

On behalf of the Board.

Kee Chong LI KWONG WING, *G.O.S.K.*
Chairman

Ouma Shankar OCHIT
Chairman, Audit Committee

30 March 2017

REPORT FROM THE COMPANY'S SECRETARY

FOR THE YEAR ENDED 31 DECEMBER 2016

I certify to the best of my knowledge and belief that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 in terms of Section 166 (d).

D. Ramjug Chumun

Company Secretary

30 March 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SBM HOLDINGS LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SBM Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 198 to 273 which comprise the statements of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the Companies Act 2001 and Financial Reporting Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of loans and advances The Group has loans and advances portfolio of MUR 71,625m as at 31 December 2016. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment (MUR 4,151m). This provision is accounted for if, at the reporting date, there is objective evidence, for example the existence of payment arrears, that not all the contractually agreed cash flows will be collected. Failure to promptly recognise objective evidence of the risk of uncollectability and/or errors in the provisioning can result in incorrect valuation of the loan and advances portfolio in the financial statements.	We assessed and tested the design and operating effectiveness of the controls over specific and collective impairment calculations including the quality of underlying data and systems. Collective impairment allowances are calculated based on the guidelines imposed by the Bank of Mauritius. Such guidelines require the Group to make portfolio provisions of not less than 1% on unimpaired loans and advances. The Bank of Mauritius also imposes additional macro-prudential provisioning of up to 1% on exposures to certain specific sectors of the economy.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Refer to Note 8 for accounting policy on loans and advances and allowance for credit impairment. Given the relative size of loans and advances of the Group (49% of total assets), we identified the valuation of loans and advances as a key audit matter.	As this basis represents a departure from IAS39, the Group also determines what the collective impairment would have been under the standard using the incurred loss model and evaluates the impact of the departure. We reviewed the portfolio provisioning under both bases and assessed the impact of the difference on the overall presentation of the financial statements. In particular we re-performed the calculations of collective impairment under both methods. In respect of the provisioning as per the Bank of Mauritius guidelines, we assessed the appropriateness of the calculation made by management and the identification of loans to be included within the calculation. For collective impairment under IAS39, we assessed the appropriateness of the model used including the inputs and assumptions. For specific impairments, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cash flows discounted at the original effective interest rate of the loans and advances. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. We thus also assessed the independence and the qualification of the appraisers. Areas of focus included the SME lending portfolios in India and the lending portfolios with loans to large corporates in Mauritius. We ensured that all loans with objective evidence of impairment have been properly identified by management by: • Reviewing the minutes of the impaired asset review forum, Management Credit forum, Board Credit Committee; • Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 90 days are included in the specific impairment analysis; • Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline. For loans showing an indication of impairment, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Effectiveness of Change Management process and Data Migration Procedures relating to the Group new IT system During the year, Project Flamingo, being the complete re-platforming of the Group's IT system went live (refer to Note 11(a)). Such a system change-over represents a significant risk to the integrity of the Group's management information both in terms of the effectiveness of new application controls and completeness of data.	We identified the accuracy and completeness of the data migration as an area of focus as the Group migrated to new banking applications. Data accuracy and completeness underpin the processes and activities that the bank must undertake in its operations. Therefore, the source data being migrated to the new banking applications have to meet the operational requirements at all times and mechanisms should be in place to sustain it. During the migration, we observed and evaluated the cutover procedures pertaining to the new banking applications. This review included the assessment of the level of accuracy and completeness of the migration of critical data objects, especially those which have a bearing on the accuracy of the financial statements. We independently re-performed the data migration process by mapping the source data from the legacy system to the new system based on migration rules developed by Management. The migrated data was tested based on record level for completeness and field level for accuracy. We investigated differences between the closing and opening balances as per our re-performance and those resulting from Management's migration process and ensured that explanations obtained were appropriate. We also reviewed Management's controls over the change management process including the Governance framework and the various levels of user testing and approvals prior to go-live. We independently tested a number of key application controls to obtain assurance over the accuracy of the data processing by the new system.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibility for financial reporting and the Report from the Company's Secretary as required by the Companies Act 2001, Management Discussion and Analysis and Corporate Governance Report which we obtained prior to the date of this auditor's report. The Annual Report is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001 and Financial Reporting Act 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

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

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

Financial Reporting Act 2004

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

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

ERNST & YOUNG

Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A

Licensed by FRC

Date: 30 March 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		The Group			The Company		
	Notes	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	5	9,490,208	9,174,135	8,194,125	15,321	178,060	3,702
Mandatory balances with Central Banks		7,097,994	6,919,908	6,548,749	-	-	-
Loans to and placements with banks	6	4,645,911	1,208,945	702,133	-	-	-
Trading assets	7	165,998	144,142	205,223	-	-	-
Loans and advances to non-bank customers	8	71,624,874	68,784,195	67,434,536	-	-	-
Investment securities	9 (i)	39,430,829	37,375,824	30,369,883	4,305,882	5,896,350	3,915,754
Equity investments	9 (ii)	5,732,722	6,066,176	6,721,917	4,261,347	5,534,324	6,319,881
Investment in subsidiaries	9 (iii)	-	-	-	21,854,773	20,999,183	20,999,183
Investment in associate	9 (iv)	1,275,880	-	-	1,272,977	-	-
Property and equipment	10	2,809,777	2,827,601	2,753,303	4,309	5,512	-
Intangible assets	11	3,770,271	2,370,629	1,252,333	-	-	-
Deferred tax assets	17b	215,260	276,756	171,431	-	-	-
Other assets	12	635,984	1,013,780	1,248,629	1,501	126,773	287,790
Total assets		146,895,708	136,162,091	125,602,262	31,716,110	32,740,202	31,526,310
LIABILITIES							
Deposits from banks	14	2,611,669	751,719	593,899	-	-	-
Deposits from non-bank customers	15	109,241,194	104,281,103	91,784,990	-	-	-
Other borrowed funds	16	4,486,008	2,132,497	5,113,005	-	-	-
Trading liabilities	7	182,413	120,781	146,634	-	-	-
Current tax liabilities		364,670	391,954	87,953	1,354	16,389	-
Deferred tax liabilities	17b	-	-	-	64	19	-
Other liabilities	18	2,339,683	2,433,536	2,203,910	5,997	3,493	8,919
Subordinated debts	19	3,865,371	3,862,138	3,598,208	3,865,371	3,862,138	3,598,208
Total liabilities		123,091,008	113,973,728	103,528,599	3,872,786	3,882,039	3,607,127
SHAREHOLDERS' EQUITY							
Stated capital	20	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings/(accumulated losses)		865,100	(430,006)	(1,109,410)	1,020,810	2,030,144	307,529
Other reserves	39	(4,685,573)	(5,006,804)	(4,442,100)	(802,659)	(797,154)	(13,519)
		28,679,731	27,063,394	26,948,694	32,718,355	33,733,194	32,794,214
Treasury shares	20	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		23,804,700	22,188,363	22,073,663	27,843,324	28,858,163	27,919,183
Total equity and liabilities		146,895,708	136,162,091	125,602,262	31,716,110	32,740,202	31,526,310

Approved by the Board of Directors and authorised for issue on 30 March 2017.

Kee Chong LI KWONG WING, *G.O.S.K.*
Chairman

Ouma Shankar OCHIT
Chairman, Audit Committee

The notes on page 204 to 273 form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

		The Group			The Company		
	Notes	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income		6,249,765	6,424,315	6,451,246	227,814	249,758	29,631
Interest expense		(1,866,491)	(2,171,580)	(2,400,808)	(149,307)	(133,221)	(32,650)
Net interest income	26	4,383,274	4,252,735	4,050,438	78,507	116,537	(3,019)
Fee and commission income		1,081,945	1,058,126	944,617	-	-	-
Fee and commission expense		(29,346)	(29,340)	(29,345)	-	-	-
Net fee and commission income	27	1,052,599	1,028,786	915,272	-	-	-
Dividend income	28	38,864	157,273	179,339	27,563	2,597,724	6,971,350
Net trading income	29	515,050	527,636	403,700	3,822	3,697	185
Other operating income	30	456,438	288,863	712,116	9,331	16,224	-
Non-interest income		2,062,951	2,002,558	2,210,427	40,716	2,617,645	6,971,535
Operating income		6,446,225	6,255,293	6,260,865	119,223	2,734,182	6,968,516
Personnel expenses	31	(1,395,895)	(1,237,004)	(1,117,287)	(3,830)	(1,355)	(792)
Depreciation and amortisation		(350,004)	(161,535)	(166,022)	(1,203)	(501)	-
Other expenses	32	(995,723)	(871,912)	(1,869,155)	(48,005)	(38,040)	(4,681)
Non-interest expense		(2,741,622)	(2,270,451)	(3,152,464)	(53,038)	(39,896)	(5,473)
Profit before net impairment loss on financial assets		3,704,603	3,984,842	3,108,401	66,185	2,694,286	6,963,043
Net impairment loss on financial assets	33	(716,899)	(1,936,840)	(630,353)	-	-	(6,319,881)
Operating profit		2,987,704	2,048,002	2,478,048	66,185	2,694,286	643,162
Share of profit of associate	9(iv)	1,627	-	62,993	-	-	-
Profit before income tax		2,989,331	2,048,002	2,541,041	66,185	2,694,286	643,162
Tax expense	17a	(680,429)	(440,448)	(672,641)	(16,979)	(16,408)	-
Profit for the year		2,308,902	1,607,554	1,868,400	49,206	2,677,878	643,162
Earnings per share (Cents)	34	89.43	62.27	72.37			

The notes on page 204 to 273 form an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit for the year	2,308,902	1,607,554	1,868,400	49,206	2,677,878	643,162
Other comprehensive income :						
Items that will not be reclassified subsequently to profit or loss net of deferred tax:						
Decrease in revaluation of property	1,530	(2,680)	391	-	-	-
Underprovision of deferred tax assets on revaluation of property in prior years	(24,817)	-	-	-	-	-
Share of other comprehensive income / (loss) of associate	1,276	-	(9,535)	-	-	-
Remeasurement of defined benefit pension plan	1,599	(10,877)	11,855	-	-	-
	(20,412)	(13,557)	2,711	-	-	-
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	(80,866)	202,833	87,574	-	-	-
Movement in fair value of available-for-sale investments	650,541	(575,701)	2,188,203	3,826	(767,410)	(13,519)
Fair value re-cycled on disposal of available-for-sale investments	(180,697)	(151,166)	(461,148)	(6,740)	(16,225)	-
Fair value realised on reclassification of available-for-sale investments to Investment in associate	(2,591)	-	-	(2,591)	-	-
	386,387	(524,034)	1,814,629	(5,505)	(783,635)	(13,519)
Total other comprehensive income / (loss)	365,975	(537,591)	1,817,340	(5,505)	(783,635)	(13,519)
Total comprehensive income for the year	2,674,877	1,069,963	3,685,740	43,701	1,894,243	629,643

The notes on page 204 to 273 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

The Group	Stated capital	Treasury shares	Statutory reserve	Retained earnings/ (Accumulated losses)	Net property revaluation reserve	Other reserves (Note 39)	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2014	303,740	(2,333,286)	572,346	16,125,433	1,370,593	3,304,360	19,343,186
Profit for the year	-	-	-	1,868,400	-	-	1,868,400
Other comprehensive income for the year	-	-	-	11,855	391	1,805,094	1,817,340
Total comprehensive income for the year	-	-	-	1,880,255	391	1,805,094	3,685,740
Transfer to restructure reserve	32,196,464	(2,541,745)	-	(18,155,810)	(1,063,164)	(10,435,745)	-
Transfer to retained earnings	-	-	-	7,086	(34,211)	27,125	-
Transfer to statutory reserve	-	-	11,111	(11,111)	-	-	-
Dividend (Note 21)	-	-	-	(955,263)	-	-	(955,263)
At 31 December 2014	32,500,204	(4,875,031)	583,457	(1,109,410)	273,609	(5,299,166)	22,073,663
At 01 January 2015	32,500,204	(4,875,031)	583,457	(1,109,410)	273,609	(5,299,166)	22,073,663
Profit for the year	-	-	-	1,607,554	-	-	1,607,554
Other comprehensive income for the year	-	-	-	(10,877)	(2,680)	(524,034)	(537,591)
Total comprehensive income for the year	-	-	-	1,596,677	(2,680)	(524,034)	1,069,963
Transfer to retained earnings	-	-	-	46,720	(46,720)	-	-
Transfer to statutory reserve	-	-	8,730	(8,730)	-	-	-
Dividend (Note 21)	-	-	-	(955,263)	-	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	592,187	(430,006)	224,209	(5,823,200)	22,188,363
At 01 January 2016	**32,500,204**	**(4,875,031)**	**592,187**	**(430,006)**	**224,209**	**(5,823,200)**	**22,188,363**
Profit for the year	**-**	**-**	**-**	**2,308,902**	**-**	**-**	**2,308,902**
Other comprehensive income for the year	**-**	**-**	**-**	**1,599**	**(23,287)**	**387,663**	**365,975**
Total comprehensive income for the year	**-**	**-**	**-**	**2,310,501**	**(23,287)**	**387,663**	**2,674,877**
Transfer to retained earnings	**-**	**-**	**-**	**43,145**	**(43,145)**	**-**	**-**
Dividend (Note 21)	**-**	**-**	**-**	**(1,058,540)**	**-**	**-**	**(1,058,540)**
At 31 December 2016	**32,500,204**	**(4,875,031)**	**592,187**	**865,100**	**157,777**	**(5,435,537)**	**23,804,700**

The notes on page 204 to 273 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

The Company	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2014	125	-	-	-	125
Shares held by SBM Bank (Mauritius) Ltd cancelled	(125)	-	-	-	(125)
Profit for the year	-	-	643,162	-	643,162
Other comprehensive loss for the year	-	-	-	(13,519)	(13,519)
Total comprehensive income for the year	-	-	643,162	(13,519)	629,643
Transfer of shares from SBM Bank (Mauritius) Ltd upon group restructure	32,500,204	-	-	-	32,500,204
Transfer of treasury shares upon group restructure	-	(4,875,031)	-	-	(4,875,031)
Dividend (Note 21)	-	-	(335,633)	-	(335,633)
At 31 December 2014	32,500,204	(4,875,031)	307,529	(13,519)	27,919,183
At 01 January 2015	32,500,204	(4,875,031)	307,529	(13,519)	27,919,183
Profit for the year	-	-	2,677,878	-	2,677,878
Other comprehensive loss for the year	-	-	-	(783,635)	(783,635)
Total comprehensive income for the year	-	-	2,677,878	(783,635)	1,894,243
Dividend (Note 21)	-	-	(955,263)	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
At 01 January 2016	**32,500,204**	**(4,875,031)**	**2,030,144**	**(797,154)**	**28,858,163**
Profit for the year	**-**	**-**	**49,206**	**-**	**49,206**
Other comprehensive loss for the year	**-**	**-**	**-**	**(5,505)**	**(5,505)**
Total comprehensive income for the year	**-**	**-**	**49,206**	**(5,505)**	**43,701**
Dividend (Note 21)	**-**	**-**	**(1,058,540)**	**-**	**(1,058,540)**
At 31 December 2016	**32,500,204**	**(4,875,031)**	**1,020,810**	**(802,659)**	**27,843,324**

The notes on page 204 to 273 form an integral part of these financial statements.

STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		The Group			The Company		
		31 December	31 December	31 December	31 December	31 December	31 December
	Notes	2016	2015	2014	2016	2015	2014
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net cash from / (used in) operating activities	35	1,950,483	6,230,508	(935,300)	2,115,295	1,108,974	(333,881)
Cash flows from / (used in) financing activities							
Increase / (decrease) in other borrowed funds		2,353,511	(2,980,507)	(997,046)	-	-	-
Proceeds from subordinated liabilities debts raised		3,233	26,658	3,594,009	(3,753)	26,660	21,462
Dividend paid on ordinary shares		(1,058,540)	(955,263)	(1,471,621)	(1,058,540)	(955,263)	(335,633)
Buy back and cancellation of own share capital		-	-	-	-	-	(125)
Net cash from / (used in) financing activities		1,298,204	(3,909,112)	1,125,342	(1,062,293)	(928,603)	(314,296)
Cash flows (used in) / from investing activities							
Investment in non-voting redeemable Participating Shares		(359,585)	-	-	(360,151)		-
Acquisition of property and equipment		(144,419)	(218,337)	(281,067)	-	(6,013)	-
Acquisition of intangible assets		(1,596,979)	(1,126,688)	730,123	-	-	-
Disposal of property and equipment		824	4,565	105	-	-	-
Investment in preference shares		(350,000)	-	-	-	-	-
Dividend received from associate and subsidiaries		-	-	-	-	-	651,893
Investment in subsidiaries		-	-	-	(855,590)	-	(125)
Acquisition of other equity investments		(512,364)	(705)	-	-	-	-
Disposal of other equity investments		118	(221)	510,575	-	-	-
Net cash (used in) / from investing activities		(2,962,405)	(1,341,386)	959,736	(1,215,741)	(6,013)	651,768
Net change in cash and cash equivalents		286,282	980,010	1,149,778	(162,739)	174,358	3,591
Net foreign exchange differences		29,791	-	-	-	-	-
Cash and cash equivalents at start of year		9,174,135	8,194,125	7,044,347	178,060	3,702	111
Cash and cash equivalents at end of year	5	9,490,208	9,174,135	8,194,125	15,321	178,060	3,702

The notes on page 204 to 273 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

SBM Holdings Ltd (the "Company") is a public company incorporated on 10 November 2010 and domiciled in Mauritius. The Company was listed on the Stock Exchange of Mauritius on 03 October 2014 pursuant to a Group restructuring approved by the Bank of Mauritius. The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

The Group operates in the financial services sector, principally commercial banking.

2. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS)

In the current year, the Group and Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2016.

Although these new standards and amendments were applied for the first time in 2016, they did not have a material impact on the financial statements of the Group and Company. The nature and the impact of each new standard or amendment are described below:

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

(i) Changes in method of disposal

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(ii) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(iii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report either in the management commentary or risk report.

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

Annual Improvements 2012-2014 Cycle (Cont'd)

IFRS 7 Financial Instruments: Disclosures (Cont'd)

The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group and Company.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements

That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

These amendments do not have any impact on the Group and Company.

IAS 19 Employee Benefits

(i) Discount rate: regional market issue

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

These amendments do not have any impact on the Group and Company.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group and Company's financial statements are disclosed below. The Group and Company intends to adopt these standards, if applicable, when they become effective.

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	01 January 2018
IFRS 15 Revenue from Contracts with Customers	01 January 2018
IFRS 16 Leases	01 January 2019
Amendments to IAS 12 Income Taxes	01 January 2017
Amendments to IAS 7 Statement of Cash Flows	01 January 2017

2. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (CONT'D)

Standards issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group and Company plans to adopt the new standard on the required effective date. During 2016, the Group and Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group and Company in the future. Overall, the Group and Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The bank expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – 01 January 2018

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

2. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (CONT'D)

Standards issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – 01 January 2018 (Cont'd)

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. The Group and Company plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers - effective 01 January 2018

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The Group and Company does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group and Company does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 01 January 2017. The Group and Company is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

2. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (CONT'D)

Standards issued but not yet effective (Cont'd)

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (gains and losses due to foreign currency movements). The amendment is effective from 01 January 2017.

The Group and Company is currently evaluating the impact.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ as a result of changes in these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The notes to the financial statements include areas where management has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into the fair value through profit or loss (FVTPL) category, loans and receivables (L&R) category, held to maturity (HTM) category and available for sale (AFS) category. The estimations 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 include:

(i) Fair value of equity investments: Note 9 Investment securities

(ii) Fair value of other financial assets and liabilities: Note 40 Risk management, Part 1(a) (ii) fair values

(iii) Specific allowance for credit impairment: Note 8 (c) Allowance for credit impairment

(iv) Portfolio allowance for credit impairment: Note 8 (c) Allowance for credit impairment

(v) Defined benefit pension plan: Note 13 Pension liability

(vi) Intangible assets-Useful life (Note 11)

4. ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and the Company are as follows:

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain property, plant and equipment and financial instruments that are measured at revalued amounts or fair value as explained in the accounting policies below . The financial statements are presented in Mauritian Rupee, which is the Group's and the Company's functional and presentation currency. All value are rounded to the nearest thousands (MUR'000), except where otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Group and the Company takes into account the characteristics of the asset or liability if market participants would take into account those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

(b) Statement of compliance

The financial statements have been prepared on the basis of preparation as explained in 4(a) above and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2016.

Control is achieved when the Group is exposed, 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. ACCOUNTING POLICIES (CONT'D)

(c) Basis of consolidation (Cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in statement of profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Foreign currency translation

Assets, liabilities, income and expense items denominated in other currencies are translated into Mauritian Rupees, the currency of the primary economic environment in which the entity operates ('functional currency') in accordance with IAS 21.

(i) Transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange ruling at that date.

(iii) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.

(iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the Statement of profit or loss for the period. When a gain or loss on a non-monetary item is recognised in equity, any exchange component of that gain or loss shall be recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the Statement of profit or loss and other comprehensive income, any exchange component of that gain or loss shall be recognised in the Statement of other comprehensive income.

(v) Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

(vi) On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupee at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation (Cont'd)

(vii) The assets and liabilities of the overseas branches and subsidiaries denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date, as follows:

	31 December 2016	31 December 2015	31 December 2014
USD / MUR	**35.90**	35.91	31.78
INR / MUR	**0.529**	0.543	0.504
100 MGA / MUR	**1.082**	1.124	1.235

The average rates for the following years are:

	31 December 2016	31 December 2015	31 December 2014
USD / MUR	**36.43**	35.69	31.11
INR / MUR	**0.545**	0.559	0.512
100 MGA / MUR	**1.104**	1.126	1.240

Their statements of profit or loss are translated into Mauritian Rupees at weighted average rates. Any translation differences arising are recognised in other comprehensive income and accumulated in equity. Such translation differences are recognised in the *Statement of profit or loss and other comprehensive income* as part of *Other operating income* in the period in which the foreign entity is disposed of.

(e) Other financial assets

Other financial assets, including placements and other receivables, that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the *Statement of profit or loss* as Interest income.

(f) Financial instruments

Financial assets and liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(g) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire or the asset and the risks and rewards of ownership of the assets are transferred to another entity. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

4. ACCOUNTING POLICIES (CONT'D)

(h) Sale and repurchase agreements

Gilt-edged securities sold subject to linked repurchase agreements ("repos") are retained in the *Statement of financial position* and the counterparty liability is included in *Other borrowed funds*. Gilt-edged securities purchased under agreements to resell ("reverse repos") are recorded as balances due from other banks. The differences between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective interest method.

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available for sale (AFS) financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss directly for all financial assets with the exception of loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

Cumulative gains or losses previously recognised in *Other comprehensive income* are reclassified to the *Statement of profit or loss*.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in *Other comprehensive income* and accumulated under the *Net unrealised investment fair value reserve*.

(j) Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

Financial liabilities include deposits from banks and non-bank customers, other borrowed funds, subordinated liabilities and other liabilities. Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognized when the Group's and /or the Company's obligations are discharged, cancelled or they expire.

4. ACCOUNTING POLICIES (CONT'D)

(j) Financial liabilities and equity instruments (Cont'd)

(iv) Financial guarantee contract

Liabilities under financial guarantees are recorded initially at their fair value and subsequently measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

(v) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Derivative financial instruments

Derivative financial instruments are initially recorded at fair value and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in the *Statement of profit or loss* immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(l) Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(m) Leasing

(i) *The Group as lessor*

Amounts due from lessees under finance leases are recorded as loans and advances in the *Statement of financial position* at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

(n) Borrowing costs

All borrowing costs are charged to the *Statement of profit or loss* in the period in which they are incurred.

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. ACCOUNTING POLICIES (CONT'D)

(p) Comparative figures

Where necessary, comparative figures are restated or reclassified to conform to the current year's presentation and to the changes in accounting policies.

(q) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(r) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash, balances with banks and central banks excluding mandatory balances, loans to and placements with banks having an original maturity of up to three months. Cash and cash equivalents are measured at amortised cost.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	1,706,637	1,893,359	1,996,620	-	-	-
Foreign currency notes and coins	320,434	293,586	218,586	-	-	-
Unrestricted balances with central banks [1]	12,216	1,489,085	594,800	-	-	-
Loans to and placements with banks [2]	3,487,058	1,537,714	3,106,483	-	-	-
Balances with banks	3,963,863	3,960,391	2,277,636	15,321	178,060	3,702
	9,490,208	9,174,135	8,194,125	15,321	178,060	3,702

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

[2] The balances include loans to and placements with banks having an original maturity of up to three months.

6. LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

Loans to and placements with banks are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

	The Group		
	31 December 2016	31 December 2015	31 December 2014
Loans to and placements with banks	MUR' 000	MUR' 000	MUR' 000
In Mauritius	451,829	271,645	-
Outside Mauritius	4,194,082	937,300	702,133
	4,645,911	1,208,945	702,133
Remaining term to maturity			
Up to 3 months	179,715	377,467	93,025
Over 3 months and up to 6 months	1,903,777	152,568	152,619
Over 6 months and up to 12 months	71,457	678,910	296,721
Over 1 year and up to 2 years	1,078,904	-	159,768
Over 2 years and up to 5 years	1,052,470	-	-
Over 5 years	359,588	-	-
	4,645,911	1,208,945	702,133

7. TRADING ASSETS / LIABILITIES

Accounting policy

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit-taking. They are recognised on trade date, when the Group enters into contractual arrangements with counterparties and are normally derecognised when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognised in profit or loss in 'Net Trading Income'.

7. TRADING ASSETS/LIABILITIES (CONT'D)

Accounting policy (Cont'd)

The Group designates certain hedging instruments, which include derivatives in respect of interest rate risk, as cash flow hedge. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

(i) Fair value hedges

Fair value hedges are particularly used to hedge interest rate risk on fixed rate assets and liabilities, both for identified financial instruments (loans and deposits) and for portfolios of financial instruments (in particular term deposits and fixed rate loans).

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recognised in the *Statement of profit or loss*, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If a hedging relationship no longer meets the criteria for fair value hedge, the cumulative adjustment to the carrying amount of the hedged item is amortised to the *Statement of profit or loss* over the residual period to maturity based on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is released to the *Statement of profit or loss* immediately.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value and are remeasured at fair value at subsequent reporting dates. The resulting gain or loss is recognised in the *Statement of profit or loss* immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

	The Group		
	31 December 2016	31 December 2015	31 December 2014
Assets	MUR' 000	MUR' 000	MUR' 000
Government securities	-	-	25,591
Equities	-	-	2,887
Derivative assets	165,998	144,142	176,745
	165,998	144,142	205,223
Liabilities			
Derivative liabilities	182,413	120,781	146,634

NOTES TO THE FINANCIAL STATEMENTS
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7. TRADING ASSETS / LIABILITIES (CONT'D)

The fair values of derivative instruments are further analysed as follows:

The Group	Notional Principal Amount	Fair Values Assets	Fair Values Liabilities	Fair Values Net
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2016				
Foreign exchange contracts*	15,591,473	98,282	(85,395)	12,887
Interest rate swap contracts	2,184,507	7,460	(27,742)	(20,282)
Cross currency swaps	729,218	33,163	(44,218)	(11,055)
Other derivative contracts	1,906,937	27,093	(25,058)	2,035
	20,412,135	165,998	(182,413)	(16,415)
31 December 2015				
Foreign exchange contracts*	14,744,752	85,850	(62,816)	23,034
Interest rate swap contracts	295,718	48,930	(48,603)	327
Other derivative contracts	496,200	9,362	(9,362)	-
	15,536,670	144,142	(120,781)	23,361
31 December 2014				
Foreign exchange contracts*	21,225,492	169,098	(139,634)	29,464
Interest rate swap contracts	581,723	647	-	647
Other derivative contracts	2,582,216	7,000	(7,000)	-
	24,389,431	176,745	(146,634)	30,111

* Foreign exchange contracts include forward and spot contracts

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate.

Loans and advances to non-bank customers are classified under loan and receivables and are measured at amortised cost, less allowance for credit impairment. In cases where, as part of the Group's and the Company's asset and liability management activity, fair value hedge accounting is applied to loans and advances measured at amortised cost, their carrying amount is adjusted for changes in fair value related to the hedged exposure refer to note 7 (Trading assets / liabilities) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
1. Governments	-	1	208
2. Retail customers	28,099,055	28,097,413	28,169,350
2.1 Credit cards	539,910	529,939	528,015
2.2 Mortgages	17,315,922	17,271,142	17,043,288
2.3 Other retail loans	10,243,223	10,296,332	10,598,047
3. Corporate customers	37,012,499	33,935,970	30,332,515
4. Entities outside Mauritius (including offshore / Global Business Licence Holders)	10,664,000	10,262,700	10,604,640
	75,775,554	72,296,084	69,106,713
Less allowance for credit impairment (Note 8 (c))	(4,150,680)	(3,511,889)	(1,672,177)
	71,624,874	68,784,195	67,434,536
a. Remaining term to maturity			
Up to 3 months	12,173,170	12,109,920	7,976,879
Over 3 months and up to 6 months	3,643,474	2,497,659	2,317,674
Over 6 months and up to 12 months	5,095,722	4,728,175	6,207,308
Over 1 year and up to 2 years	5,090,900	4,970,228	3,412,193
Over 2 years and up to 5 years	13,927,875	15,947,835	16,951,521
Over 5 years	35,844,413	32,042,267	32,241,138
	75,775,554	72,296,084	69,106,713

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

b. Net investment in finance leases

Accounting policy

Amounts due from lessees under finance leases are recorded as loans and advances at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

The amount of net investment in finance leases is included in loans and advances to non bank customers and the associated allowance for impairment are as follows:-

	The Group			
	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2016				
Gross investment in finance leases	451,572	684,966	31,023	1,167,561
Less: Unearned finance income	(62,419)	(72,437)	(1,503)	(136,359)
Present value of minimum lease payments	389,153	612,529	29,520	1,031,202
Allowance for impairment				(70,490)
				960,712
31 December 2015				
Gross investment in finance leases	541,203	930,981	33,928	1,506,112
Less: Unearned finance income	(99,111)	(84,699)	(1,762)	(185,572)
Present value of minimum lease payments	442,092	846,282	32,166	1,320,540
Allowance for impairment				(73,548)
				1,246,992
31 December 2014				
Gross investment in finance leases	602,352	1,196,106	43,033	1,841,491
Less: Unearned finance income	(133,341)	(122,499)	(2,197)	(258,037)
Present value of minimum lease payments	469,011	1,073,607	40,836	1,583,454
Allowance for impairment				(46,081)
				1,537,373

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the conclusion of the lease arrangements. The term of lease contracts generally ranges from five to seven years. Finance leases are secured mainly by charges on the leased assets and / or corporate/personal guarantees.

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c. Allowance for credit impairment

Accounting policy

Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the original effective interest rate of the advance.

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the bank maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%.The Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain specific sectors of the economy. The changes in portfolio allowance are charged or credited to the statement of profit or loss at the end of each period.

Allowance for credit impairment in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit impairment in respect of off- balance sheet items is included in *Other liabilities* in the *Statement of financial position*. Changes in the carrying amount of the allowance accounts are recognised in the *Statement of profit or loss*. When an advance is uncollectible, it is written off against the specific allowance. Subsequent recoveries of amounts previously written off are credited to the *Net impairment loss on financial assets* in the *Statement of profit or loss*.

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Significant accounting estimates and judgement

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, which is the estimated future cash flows discounted at the original effective interest rate of the advance. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers.

The Group's allowance for portfolio impairment is determined based on the guidelines imposed by the Bank of Mauritius. Such guidelines require the Group to make portfolio provision of not less than 1% on unimpaired loans and advances which is generally higher than the historical loss rate of the loan portfolio of the Group. However, the Directors have estimated that the resulting impairment charge to the *statement of profit or loss* is not materially different from what would have resulted had the Group determined its portfolio provisioning based on the incurred loss model under IAS 39.

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c. Allowance for credit impairment (Cont'd)

	The Group		
	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2014	803,219	691,502	1,494,721
Exchange differences	4,578	5,013	9,591
Loans written off	(474,478)	-	(474,478)
Allowance for credit impairment for the year (Note 33)	478,196	164,147	642,343
At 31 December 2014	811,515	860,662	1,672,177
At 01 January 2015	811,515	860,662	1,672,177
Exchange differences	7,667	961	8,628
Loans written off	(114,363)	-	(114,363)
Allowance for credit impairment for the year (Note 33)	1,722,242	223,205	1,945,447
At 31 December 2015	2,427,061	1,084,828	3,511,889
At 01 January 2016	2,427,061	1,084,828	3,511,889
Exchange differences	(4,671)	(3,459)	(8,130)
Loans written off	(4,606)	-	(4,606)
Allowance for credit impairment for the year (Note 33)	688,168	(36,641)	651,527
At 31 December 2016	3,105,952	1,044,728	4,150,680

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8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

d. Allowance for credit impairment by industry sectors

Group	31 December 2016					31 December 2015	31 December 2014
	Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,504,961	91,649	57,015	43,615	100,630	79,663	78,010
Manufacturing	6,115,374	791,522	312,811	79,032	391,843	133,235	130,373
of which EPZ	*1,102,513*	*3,702*	*3,702*	*34,840*	*38,542*	*19,282*	*27,965*
Tourism	9,974,203	14,844	5,069	197,184	202,253	235,894	178,323
Transport	1,272,969	538,451	490,569	7,128	497,697	412,170	29,771
Construction	4,761,694	612,166	143,331	92,662	235,993	238,764	186,336
Financial and business services	6,553,402	476,022	431,586	104,649	536,235	521,008	26,336
Traders	5,737,592	288,668	259,571	61,412	320,983	337,905	153,637
Personal	26,522,774	1,213,370	774,014	400,397	1,174,411	1,035,056	802,975
of which credit cards	*539,910*	*87,490*	*87,490*	*6,132*	*93,622*	*69,544*	*57,998*
Professional	297,764	-	-	2,086	2,086	1,762	1,747
Global Business Licence holders	2,937,512	-	-	5,354	5,354	5,055	4,703
Others	7,097,309	971,745	631,986	51,209	683,195	511,377	79,966
	75,775,554	4,998,437	3,105,952	1,044,728	4,150,680	3,511,889	1,672,177

Total impaired loans for 2015 for the Group were MUR 3,713 million (2014: MUR 1,462 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9. INVESTMENTS SECURITIES

Accounting policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss ("FVTPL"), loans-and-receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

(i) Loans and receivables

Refer to note 8 for accounting policy on loans and receivables.

(ii) Available-for-sale (AFS) investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using dividend growth, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the *Statement of profit or loss*. Other changes in the carrying amount of AFS investment securities are recognised in *Other comprehensive income* and accumulated under the heading of Net unrealised investment fair value reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Net unrealised investment fair value reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and /or the Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(iii) Investment in subsidiaries

Financial statements of the Company

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

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Business combinations are accounted for using the purchase method of accounting.

9. INVESTMENTS SECURITIES (CONT'D)

Accounting policy (cont'd)

(iv) Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the *statement of profit or loss*.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets. Management has made certain assumptions for inputs in the models, such as risk free rate, risk premium, dividend growth rate, future cash flows, weighted average cost of capital, and earnings before interest depreciation and tax, which may be different from actual. Inputs are based on information available at the reporting date.

As from 01 December 2016, following appointment of one director on the board of State Insurance Company of Mauritius Ltd (SICOM) in addition to the existing ownership of 20%, Management is of view that the Company has significant influence in SICOM and therefore the investment in associate has been reclassified from available for sale investment to investment in associate.

The cost of the investment in associate in the separate company is the fair value of the investment as at 30 November 2016. Any revaluation reserve accumulated has been reclassified from equity to profit or loss.

9. INVESTMENTS SECURITIES (CONT'D)

Remaining term to maturity

(i) Investment securities

The Group	31 December 2016										
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Loans and receivables - Investment securities											
Government bonds and treasury notes	278,774	1,676,000	828,011	629,929	2,103,760	8,349,323	2,568,898	-	16,434,695	14,935,624	10,432,468
Treasury bills	1,916,501	809,807	628,693	261,676	-	-	-	-	3,616,677	2,382,985	5,461,589
Bank of Mauritius bills / notes	-	1,311,793	29,691	620,166	1,553,639	2,008,596	-	-	5,523,885	4,034,151	3,190,346
Corporate bonds	-	-	-	-	200,157	1,194,394	-	-	1,394,551	400,260	336,649
	2,195,275	3,797,600	1,486,395	1,511,771	3,857,556	11,552,313	2,568,898	-	26,969,808	21,753,020	19,421,052
(b) Available-for-sale investment securities											
Government bonds	116,695	5,972	-	-	132,907	332,783	381,803	-	970,160	1,295,323	1,374,117
Treasury bills / notes	52,617	-	-	125,797	-	-	-	-	178,414	162,908	126,007
Securities issued by government bodies	-	-	-	-	-	-	-	-	-	96	354
Bank bonds	242,145	604,304	2,223,861	183,141	2,379,941	1,934,678	778,696	-	8,346,766	11,453,314	8,225,574
Corporate paper and preference shares	854,970	135,797	10,700	286,014	665,075	118,637	-	-	2,071,193	2,300,177	1,222,779
Corporate bonds	-	-	66,386	-	-	-	118,517	359,585	544,488	410,986	-
Redeemable Participating shares	-	-	-	-	-	-	-	350,000	350,000	-	-
	1,266,427	746,073	2,300,947	594,952	3,177,923	2,386,098	1,279,016	709,585	12,461,021	15,622,804	10,948,831
Total investment securities	3,461,702	4,543,673	3,787,342	2,106,724	7,035,479	13,938,411	3,847,914	709,585	39,430,829	37,375,824	30,369,883
The Company											
(a) Loans and receivables											
Government bonds and treasury notes	-	606,514	-	-	-	113,579	1,496,121	-	2,216,214	3,109,933	346,171
Bank of Mauritius bills / notes	-	-	-	-	-	181,840	-	-	181,840	495,557	1,499,384
Treasury bills	9,944	-	-	-	-	-	-	-	9,944	56,765	-
(b) Available-for-sale investments											
Bank bonds	-	-	489,882	-	855,503	-	192,914	-	1,538,299	2,234,095	2,070,199
Redeemable Participating shares	-	-	-	-	-	-	-	359,585	359,585	-	-
Total investment securities	9,944	606,514	489,882	-	855,503	295,419	1,689,035	359,585	4,305,882	5,896,350	3,915,754

9. INVESTMENTS SECURITIES (CONT'D)

(ii) Equity investments

The Group	31 December 2016 Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Available-for-sale											
Equity shares of companies: - Other equity investments	-	-	-	-	-	-	-	5,732,722	5,732,722	6,066,176	6,721,917
	-	-	-	-	-	-	-	5,732,722	5,732,722	6,066,176	6,721,917
The Company											
Available-for-sale											
Equity shares of companies - Other equity investments	-	-	-	-	-	-	-	4,261,347	4,261,347	5,534,324	6,319,881
	-	-	-	-	-	-	-	4,261,347	4,261,347	5,534,324	6,319,881
(iii) Investment in subsidiaries											
The Company											
- SBM (Bank) Holdings Ltd*	-	-	-	-	-	-	-	20,522,112	20,522,112	20,522,112	20,522,112
- SBM (NBFC) Holdings Ltd	-	-	-	-	-	-	-	62,406	62,406	62,406	62,406
- SBM (NFC) Holdings Ltd	-	-	-	-	-	-	-	1,270,255	1,270,255	414,665	414,665
	-	-	-	-	-	-	-	21,854,773	21,854,773	20,999,183	20,999,183
Total investments	9,944	606,514	489,882	-	855,503	295,419	1,689,035	26,475,705	30,422,002	26,533,507	27,319,064

* The indirect investments held by the Company through SBM (Bank) Holdings Ltd (SPV - Bank Investment Holdings Segment) are as follows:

	31 December 2016	31 December 2015	31 December 2014
Operating companies	MUR' 000	MUR' 000	MUR' 000
- SBM Mauritius Ltd - SBM Bank (Mauritius) Ltd	20,384,912	20,384,912	20,384,912
- SBM Madagascar Ltd - Banque SBM Madagascar SA	136,090	136,090	136,090
Special Purpose Vehicles			
- SBM India Ltd	500	500	500
- SBM Myanmar Ltd	610	610	610
	20,522,112	20,522,112	20,522,112

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9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (Cont'd)

Details of subsidiaries and associate are as follows:

(a) SUBSIDIARIES

	Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding		
				31 December 2016	31 December 2015	31 December 2014
1.0 *Banking Segmental Subsidiaries*						
1.1 *Special Purpose Vehicle for Bank Investments Holding Company*						
1.1.1 SBM (Bank) Holdings Ltd	Mauritius	Bank Investment Holding Company	MUR 75,000	100	100	100
1.2 *Special Purpose Vehicles for single Bank Investment Holding Subsidiaries*						
1.2.1 SBM Mauritius Ltd	Mauritius	Investment in SBM Bank (Mauritius) Ltd	MUR 1	100	100	100
1.2.2 SBM Madagascar Ltd	Mauritius	Investment in Banque SBM Madagascar SA	MUR 60,960	100	100	100
1.3 *Bank Operating Subsidiaries*						
1.3.1 SBM Bank (Mauritius) Ltd	Mauritius	Commercial Banking	MUR 310 million	100	100	100
1.3.2 Banque SBM Madagascar SA	Madagascar	Commercial Banking	MGA 7.4 billion	100	100	100
2.0 *Non Bank Financial Segment Subsidiaries*						
2.1 **Special Purpose Vehicle for Non-Bank Investments Holding Company**						
2.1.1 SBM (NBFC) Holdings Ltd	Mauritius	Non Banking Financial Investments Holding Company	MUR 25,000	100	100	100
2.2 *Special Purpose Vehicle*						
2.2.1 SPV-SBM E-Business Ltd	Mauritius	In progress	MUR 625,000	100	100	100

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (Cont'd)

(a) SUBSIDIARIES

	Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding 31 December 2016	31 December 2015	31 December 2014
2.3 *Non Bank Operating Subsidiaries*						
2.3.1 SBM Fund Services Ltd	Mauritius	Fiduciary services / Back Office processing	MUR 0.5 million	100	100	100
2.3.2 SBM Mauritius Asset Managers Ltd	Mauritius	Asset Management	MUR 1.6 million	100	100	100
2.3.3 SBM Securities Limited	Mauritius	Stockbroking	MUR 1 million	100	100	100
2.3.4 SBM Asset Management Limited	Mauritius	Asset Management	USD 40,000	100	100	100
2.3.5 SBM Capital Management Limited	Mauritius	Investments	USD 125,000	100	100	100
2.3.6 SBM E-Business Ltd	Mauritius	Card Acquiring & Processing	MUR 25,000	100	100	100
2.3.7 SBM Custody Services Ltd	Mauritius	Custody Services	MUR 25,000	100	100	100
2.3.8 SBM Overseas One Ltd	Mauritius	Offshore banking	MUR25,000	100	100	100
2.3.9 SBM Overseas Two Ltd	Mauritius	Offshore banking	MUR25,000	100	100	100
2.3.10 SBM Overseas Three Ltd	Mauritius	Offshore banking	MUR25,000	100	100	100
2.3.11 SBM Overseas Four Ltd	Mauritius	Offshore banking	MUR25,000	100	100	100
2.3.12 SBM Overseas Five Ltd	Mauritius	Offshore banking	MUR25,000	100	100	100
2.3.13 SBM Overseas Six Ltd	Mauritius	Offshore banking	MUR25,000	100	100	100
2.3.14 SBM Africa Holdings Ltd	Mauritius	Investment holding	MUR25,000	100	100	100
3.0 *Non Financial Segment*						
3.1 SBM (NFC) Holdings Ltd	Mauritius	Non Financial Holding Company	MUR 25,000	100	100	100
4.0 *Indirect Subsidiary*						
4.1 SBM 3S Ltd	Mauritius	Shared Support Services	MUR 25,000	100	100	100

SBM Holdings Ltd has become the ultimate bank investment holding company after the Group restructuring exercise, with effect from 02 October 2014 .

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9. INVESTMENTS SECURITIES (CONT'D)

(iv) Investment in Associate

	The Group	The Company
	31 December 2016	31 December 2016
	MUR' 000	MUR' 000
At 01 January 2016	-	-
Reclassified from available for sale investment to investment in associate	1,272,977	1,272,977
Share of profit	1,627	-
Share of other comprehensive income	1,276	-
Carrying amount at 31 December 2016	1,275,880	1,272,977

	The Group
	31 December 2016
Summarised financial information in respect of the Group's associate is set out below:	MUR' 000
Total assets	14,623,277
Total liabilities	13,199,320
Total revenue	11,447
Total profit for the period	8,137
Share of profit	1,627
Share of other comprehensive income	1,276
Share of net assets	1,038,554
Carrying amount at 31 December 2016	1,275,880

The other equity investments under "Available for sale investment securities" had been reclassified in December 2016 to investment in associate at fair value as the Group obtained significant influence on the investee company. An amount of MUR 1.63 million has been recognised as the share of profits in associate through the Statement of profit or loss in the financial year 2016 (2014:62.993 million).

Total capital commitment of the investee company stood at MUR 33.152 million as at 30 June 2016 (2015:129.33 million). As at 30 June 2016, the investee did not report any contingent liability.

10. PROPERTY AND EQUIPMENT

Accounting policy

Property and equipment are stated at cost (except for freehold land and buildings) less accumulated depreciation and any cumulative impairment loss. Land is stated at revalued amounts and buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Group's policy to revalue its freehold land and buildings at least every five years by independent valuers. Any revaluation surplus is credited to the property revaluation reserve. Any revaluation decrease is first charged directly against any property revaluation reserve held in respect of the respective asset, and then to the *Statement of profit or loss*.

Work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost or revalued amounts of tangible fixed assets over their estimated useful lives on a straight-line basis. Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

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

Buildings	50 years
Plant, machinery, furniture, fittings and computer equipment	3 to 10 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within Other operating income in the *Statement of profit or loss*.

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the *Statement of profit or loss*) and the depreciation based on the asset's original cost is transferred from the net property revaluation reserve to retained earnings.

Assets held under finance leases are recognised as assets at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments and are depreciated over their estimated useful lives. The corresponding liability to the lessor is included in Other borrowed funds on the *Statement of financial position*.

Lease finance charges are charged to the *Statement of profit or loss* over the term of the leases so as to produce a constant periodic rate of interest on the outstanding obligations under finance leases.

Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Group

Cost or valuation	Freehold land and buildings MUR' 000	Buildings on leasehold land MUR' 000	Other tangible fixed assets MUR' 000	Motor vehicles MUR' 000	Total MUR' 000
At 31 December 2013	645,845	1,908,071	1,619,141	21,302	4,194,359
Additions	245,841	-	40,641	-	286,482
Disposals	-	-	(8,756)	(479)	(9,235)
Revaluation	66,170	(336,424)	-	-	(270,254)
Translation adjustment	6,056	-	(2,111)	(155)	3,790
At 31 December 2014	963,912	1,571,647	1,648,915	20,668	4,205,142
Additions	15,029	-	195,198	6,038	216,265
Disposals	-	-	(22,762)	(12,445)	(35,207)
Revaluation	(2,680)	-	-	-	(2,680)
Translation adjustment	12,657	-	(759)	(116)	11,782
At 31 December 2015	**988,918**	**1,571,647**	**1,820,592**	**14,145**	**4,395,302**
Additions	853	1,235	144,561	7,293	153,942
Disposals	-	-	(202,200)	-	(202,200)
Write off	(300)	-	-	-	(300)
Revaluation	-	-	-	-	-
Translation adjustment	(4,383)	-	(2,394)	(117)	(6,894)
Transfer	-	-	(3,282)	-	(3,282)
At 31 December 2016	985,088	1,572,882	1,757,277	21,321	4,336,568

NOTES TO THE FINANCIAL STATEMENTS
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10. PROPERTY AND EQUIPMENT (CONT'D)

The Group

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accumulated depreciation					
At 31 December 2013	41,836	198,955	1,383,196	10,498	1,634,485
Charge for the year	12,883	54,337	79,892	3,839	150,951
Disposals	-	-	(8,302)	(479)	(8,781)
Revaluation	(29,896)	(235,961)	-	-	(265,857)
Translation adjustment	842	-	(1,873)	(152)	(1,183)
At 31 December 2014	25,665	17,331	1,452,913	13,706	1,509,615
Charge for the year	15,941	51,949	81,658	3,491	153,039
Disposals	-	-	(22,734)	(10,331)	(33,065)
Translation adjustment	1,650	-	(888)	(123)	639
At 31 December 2015	43,256	69,280	1,510,949	6,743	1,630,228
Charge for the year	13,870	51,976	89,356	2,834	158,036
Write off	-	-	(201,677)	-	(201,677)
Revaluation movement	(1,530)	-	-	-	(1,530)
Translation adjustment	(728)	-	(2,183)	(115)	(3,026)
Transfer	-	-	(3,259)	-	(3,259)
At 31 December 2016	54,868	121,256	1,393,186	9,462	1,578,772
Net book value					
At 31 December 2016	930,220	1,451,626	364,091	11,859	2,757,796
Progress payments on tangible fixed assets					51,981
					2,809,777
At 31 December 2015	945,662	1,502,367	309,643	7,402	2,765,074
Progress payments on tangible fixed assets					62,527
					2,827,601
At 31 December 2014	938,247	1,554,316	196,002	6,962	2,695,527
Progress payments on tangible fixed assets					57,776
					2,753,303

Other tangible fixed assets, included within Property and equipment, consist of plant, machinery, furniture, fittings and computer equipment.

The Company

Cost or valuation	Motor vehicles	Total
	MUR' 000	MUR' 000
At 31 December 2014	-	-
Additions	6,013	6,013
At 31 December 2015	6,013	6,013
At 31 December 2015	6,013	6,013
Additions	-	-
At 31 December 2016	6,013	6,013
Accumulated depreciation		
At 31 December 2014	-	-
Charge for the year	501	501
At 31 December 2015	501	501
At 31 December 2015	501	501
Charge for the year	1,203	1,203
At 31 December 2016	1,704	1,704
Net book value		
At 31 December 2016	4,309	4,309
At 31 December 2015	5,512	5,512

NOTES TO THE FINANCIAL STATEMENTS
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10. PROPERTY AND EQUIPMENT (CONT'D)

Other tangible fixed assets, included within property and equipment, consist of plant, machinery, furniture, fittings and computer equipment.

Details of the Group's land and buildings and information about the fair value hierarchy are as follows:

	The Group		
	31 December 2016	31 December 2015	31 December 2014
Level 2 fair value	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	985,088	988,918	963,912
Buildings on leasehold land	1,572,882	1,571,647	1,571,647
	2,557,970	2,560,565	2,535,559

The carrying amounts of land and buildings, that would have been included in the financial statements had the assets been carried at cost, are as follows:

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	515,142	543,381	531,724
Buildings on leasehold land	387,557	399,648	412,947
	902,699	943,029	944,671

The freehold land and buildings are periodically valued based on market value by independent valuation surveyor. Buildings on leasehold land in Mauritius were revalued in September 2014 by an independent Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were revalued in March 2014 by independent Chartered Valuation Surveyors on an open market value basis.

11. INTANGIBLE ASSETS

Accounting policy

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives of 3 to 10 years. Costs directly associated with the production of identifiable and software products controlled by the banking segment, that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

Significant accounting estimates and judgements

Assessment of useful lives

Determining the carrying amount of intangible assets requires an estimation of the useful lives of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Group and the industry in which it operates in order to best determine the useful lives of intangible assets.

(a) *Assets under construction*

The Group has embarked on a business aligned technology transformation programme since 2012. All costs incurred in respect of this project; namely the "Flamingo Project" were capitalised under "asset under construction". In September 2016, all the assets under construction were transferred to "Software" as the project went live.

(b) *Intellectual property rights*

The Group entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to aligh both its strategies and processes with the Technology Transformation Initiative namely Flamingo Project and also high performance banks. The costs incurred in respect of these initiatives were capitalised as intellectual property rights are now being amortised after the project went live in September 2016.

(c) *WIP Software*

The Group is developing some softwares. These costs will be transferred under "Software" as soon as they will be in use at the Group.

11. INTANGIBLE ASSETS (CONT'D)

The Group

	Software	WIP Software	Intellectual Property	Assets under construction	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost					
At 01 January 2014	879,346	5,288	238,537	743,986	1,867,157
Translation adjustment	596	-	-	-	596
Additions	4,466	1,989	441,455	974,275	1,422,185
Transfers	-	(3,960)	(8,650)	8,650	(3,960)
Amount expensed to statement of profit or loss	-	-	(253,493)	(920,581)	(1,174,074)
At 31 December 2014	884,408	3,317	417,849	806,330	2,111,904
At 01 January 2015	884,408	3,317	417,849	806,330	2,111,904
Translation adjustment	1,345	-	-	-	1,345
Additions	3,132	6,201	107,876	1,013,899	1,131,108
Transfer	-	(4,420)	-	-	(4,420)
At 31 December 2015	888,885	5,098	525,725	1,820,229	3,239,937
At 01 January 2016	888,885	5,098	525,725	1,820,229	3,239,937
Translation adjustment	(478)	-	(5,200)	(36)	(5,714)
Additions	16,609	2,450	62,609	1,518,570	1,600,238
Write off	(129,829)	-	-	-	(129,829)
Transfer	3,341,410	257,712	(260,359)	(3,338,763)	-
At 31 December 2016	4,116,597	265,260	322,775	-	4,704,632
Accumulated amortisation					
At 31 December 2013	843,885	-	-	-	843,885
Translation adjustment	615	-	-	-	615
Charge for the year	15,071	-	-	-	15,071
At 31 December 2014	859,571	-	-	-	859,571
Translation adjustment	1,240	-	-	-	1,240
Charge for the year	8,497	-	-	-	8,497
At 31 December 2015	869,308	-	-	-	869,308
Translation adjustment	(344)	-	-	-	(344)
Charge for the year	134,985	-	56,983	-	191,968
Write off	(129,830)	-	-	-	(129,830)
Transfer	3,259	-	-	-	3,259
At 31 December 2016	877,378	-	56,983	-	934,361
Net book value					
At 31 December 2016	3,239,219	265,260	265,792	-	3,770,271
At 31 December 2015	19,577	5,098	525,725	1,820,229	2,370,629
At 31 December 2014	24,837	3,317	417,849	806,330	1,252,333

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12. OTHER ASSETS

Accounting policy

Other assets and other receivables are those that have fixed or determinable payments and that are not quoted in an active market and classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the *Statement of profit or loss* as 'Interest income'.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	347,848	226,705	354,827	-	-	-
Balances due in clearing	32,679	186,331	238,838	-	-	-
Tax paid in advance[2]	122,269	107,871	93,087	-	-	-
Dividend receivable	-	126,267	148,732	1,000	126,267	281,532
Non-banking assets acquired in satisfaction of debts[3]	6,613	6,613	63	-	-	-
Licence fees prepaid	-	281,674	322,675	-	-	-
Others	126,575	78,319	90,407	501	506	6,258
	635,984	1,013,780	1,248,629	1,501	126,773	287,790

1 Amounts receivable are generally receivable within three months.

2 The tax paid in advance is incurred by the Indian Operations. The amount is shown net of current tax payable.

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

13. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The average retirement age is 65. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets, is reflected immediately in the *Statement of financial position* with a charge or credit recognised in *other comprehensive income* in the period in which they occur. Remeasurement recognised in *other comprehensive income* is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the *Statement of profit or loss* in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Pension benefits for employees under term contracts and all employees who joined after 31 December 2004

Employees under term contracts are entitled to defined contribution retirement benefit pension arrangements. Employer contributions are expensed in the *Statement of profit or loss* in the period in which they fall due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. PENSION LIABILITY (CONT'D)

Accounting policy (cont'd)

(iii) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grade. The expected costs of these benefits are recognised in the *statement of profit or loss* on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

(iv) Equity compensation benefits for senior executives

The Group issues to certain employees, phantom share options which are share appreciation rights that require the Group to pay the intrinsic value of the phantom share option at the date of exercise. A phantom share option liability equal to the portion of the services received is recognised at the current fair value determined at each reporting date. No such options have been issued since the year 2008 and all options vested were fully excercised during the year. There are no phantom share options outstanding.

Significant accounting estimates and judgements

The Group operates a defined benefit pension plan for its employees. The amount shown in the *Statement of financial position* in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund is based on report submitted by an independent actuarial firm on an annual basis.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	The Group		
	31 December 2016	31 December 2015	31 December 2014
Reconciliation of net defined benefit liability	**MUR' 000**	MUR' 000	MUR' 000
Present value of funded defined benefit obligation	**914,202**	873,533	836,905
Fair value of planned assets	**(846,495)**	(784,441)	(761,332)
Net liability arising from defined benefit obligation (Note 18)	**67,707**	89,092	75,573
Reconciliation of net defined benefit liability			
Balance at start of the year	**89,091**	75,573	96,941
Amount recognised in statement of profit or loss (Note 31)	**30,098**	33,414	33,089
Amount recognised in other comprehensive income	**(2,040)**	12,798	(13,947)
Less employer contributions	**(49,442)**	(32,693)	(40,510)
Balance at end of the year (Note 18)	**67,707**	89,092	75,573
Reconciliation of fair value of planned assets			
Balance at start of the year	**784,442**	761,332	672,727
Interest income	**55,698**	57,438	51,314
Employer contributions	**49,442**	32,693	40,510
Benefits paid	**(26,554)**	(23,479)	(17,166)
Return on planned assets excluding interest income	**(16,533)**	(43,543)	13,947
Balance at end of the year	**846,495**	784,441	761,332
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	**873,533**	836,905	769,668
Current service cost	**25,563**	28,949	27,310
Interest expense	**60,233**	61,903	57,093
Other benefits paid	**(26,554)**	(23,479)	(17,166)
Liability experience loss	**84,960**	-	-
Liability gain due to change in demographic assumptions	**(103,596)**	-	-
Liability loss /gain due to change in financial assumptions	**63**	(30,745)	-
Balance at end of the year	**914,202**	873,533	836,905

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FOR THE YEAR ENDED 31 DECEMBER 2016

13. PENSION LIABILITY (CONT'D)

	31 December 2016	31 December 2015	31 December 2014
Components of amount recognised in statement of profit or loss	MUR' 000	MUR' 000	MUR' 000
Service cost	25,563	28,949	27,310
Net interest on net employee defined benefit liability	4,535	4,465	5,779
Total expense (Note 31)	30,098	33,414	33,089
Components of amount recognised in other comprehensive income			
Return on planned assets below / (above) interest income	16,533	43,543	(13,947)
Liability experience loss	84,960	-	-
Liability experience gain due to change in demographic assumptions	(103,596)	-	-
Liability experience loss/(gain) due to change in financial assumptions	63	(30,745)	-
Total	(2,040)	12,798	(13,947)

	The Group		
	31 December 2016	31 December 2015	31 December 2014
Allocation of planned assets at end of year	%	%	%
Equity - Overseas quoted	30	28	34
Equity - Local quoted	32	34	31
Equity - Local unquoted	-	3	3
Debt - Overseas quoted	3	1	-
Debt - Local unquoted	23	23	25
Property - Local	1	-	-
Cash and other	11	11	7
Total	100	100	100

	31 December 2016	31 December 2015	31 December 2014
Allocation of planned assets at end of year	%	%	%
Reporting entity's own transferable financial instruments	6	7	8
Principal assumptions used at end of year			
Discount rate	6.5%	7.0%	7.5%
Rate of salary increases	4.5%	5.0%	6.0%
Rate of pension increases	1.5%	2.0%	2.5%
Average retirement age (ARA)	65	62	62
Average life expectancy for:			
- Male at ARA	15.9 years	18.0 years	18.0 years
- Female at ARA	20.0 years	22.5 years	22.5 years

	31 December 2016	31 December 2015	31 December 2014
Sensitivity Analysis on defined benefit obligation at end of year	MUR' 000	MUR' 000	MUR' 000
Increase due to 1% decrease in discount rate	158,457	183,941	151,019
Decrease due to 1% increase in discount rate	127,506	88,919	121,907

NOTES TO THE FINANCIAL STATEMENTS
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13. PENSION LIABILITY (CONT'D)

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

Future cash flows

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

The Group expects to make a contribution of around MUR 55 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 16 years.

Pension amounts and disclosures have been based on the report dated 27 January 2017 submitted by an independent firm of Actuaries and Consultants.

The Group sponsors a final salary defined benefit pension plan for a category of its employees. The Group has recognised a net defined benefit liability of MUR 67.71 million as at 31 December 2016 for the plan (31 December 2015: MUR 89.09 million;31 December 2014: MUR 75.57 million).

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary rise risks.

Investment risk

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

Interest risk

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

Longevity risk

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

Salary risk

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

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

14. DEPOSITS FROM BANKS

Accounting policy

Deposits from group are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognized when the Group's and /or the Company's obligations are discharged, cancelled or they expire.

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	2,611,669	751,719	593,899

15. DEPOSITS FROM NON-BANK CUSTOMERS

Accounting policy

Deposits from non-bank customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognized when the Group's and /or the Company's obligations are discharged, cancelled or they expire.

		The Group		
		31 December 2016	31 December 2015	31 December 2014
		MUR' 000	MUR' 000	MUR' 000
(i)	Retail customers			
	Current accounts	10,488,127	13,649,850	11,400,384
	Savings accounts	43,166,430	40,720,718	34,572,522
	Time deposits with remaining term to maturity:			
	- Up to 3 months	1,339,913	1,366,017	1,471,621
	- Over 3 months and up to 6 months	770,196	1,254,137	1,133,352
	- Over 6 months and up to 12 months	2,452,511	6,306,121	2,365,906
	- Over 1 year and up to 5 years	3,367,041	2,858,790	6,195,927
	- Over 5 years	1,054,397	1,400	1,261
	Total time deposits	8,984,058	11,786,465	11,168,067
	Total deposits from retail customers	62,638,615	66,157,033	57,140,973
(ii)	Corporate customers			
	Current accounts	28,219,696	24,120,500	20,440,097
	Savings accounts	6,645,085	3,350,325	6,025,231
	Time deposits with remaining term to maturity:			
	- Up to 3 months	2,410,070	4,734,198	2,316,605
	- Over 3 months and up to 6 months	2,041,533	322,129	414,240
	- Over 6 months and up to 12 months	1,935,567	1,330,657	618,294
	- Over 1 year and up to 5 years	1,081,791	395,752	625,256
	- Over 5 years	359	-	-
	Total time deposits	7,469,320	6,782,736	3,974,395
	Total deposit from corporate customers	42,334,101	34,253,561	30,439,723
(iii)	Government			
	Current accounts	1,930,362	1,775,756	1,903,416
	Savings accounts	2,336,691	2,091,927	2,161,330
	Time deposits with remaining term to maturity:			
	- Up to 3 months	-	112	136,729
	- Over 3 months and up to 6 months	400	406	407
	- Over 6 months and up to 12 months	925	2,242	2,245
	- Over 1 year and up to 5 years	100	66	167
	Total time deposits	1,425	2,826	139,548
	Total deposit from the Government	4,268,478	3,870,509	4,204,294
	Total deposit from non-bank customers	109,241,194	104,281,103	91,784,990

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16. OTHER BORROWED FUNDS

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	147,921	203,758	250,967
Other financial institutions			
- For refinancing	687,074	1,885,189	1,959,843
- Other	-	-	2,385,460
Borrowings from banks			
- In Mauritius	1,537,781	43,550	428,535
- Abroad	2,113,232	-	88,200
	4,486,008	2,132,497	5,113,005
Remaining term to maturity			
Up to 3 months	2,273,183	-	927,430
Over 3 months and up to 6 months	-	-	54,120
Over 6 months and up to 12 months	211,169	43,550	2,447,265
Over 1 year and up to 5 years	530,565	759,518	704,714
Over 5 years	1,471,091	1,329,429	979,476
	4,486,008	2,132,497	5,113,005

NOTES TO THE FINANCIAL STATEMENTS
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17. TAXATION

Accounting policy

Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Corporate social responsibility (CSR)

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 Segment A chargeable income of the preceding financial year to government approved CSR NGOs. This is recorded as part of income tax expense.

Bank levy

SBM Bank (Mauritius) Ltd is liable to pay a special levy of 10% on chargeable income of segment A operations and 3.4% on book profit plus 1% on operating income of segment B operations. The special levy is included in the income tax expense and current tax liabilities in the financial statements.

The applicable income tax rate in Mauritius is 15% (2015 and 2014: 15%). An additional charge is applicable in respect of Corporate Social Responsibility and Special Levy on banks. The applicable tax rate for India is 43.26% (2015: 43.26% and 2014: 43.26%), whereas that of Madagascar is 20% (2015: 20% and 2014: 20%). A foreign tax credit is applied for revenue derived from Segment B.

17a. TAX EXPENSE

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounting profit	2,989,331	2,048,002	2,541,041	66,185	2,694,286	643,162
Tax on accounting profit at 15%	448,400	307,200	381,156	9,928	404,143	96,474
Exchange difference	-	35	4	-	-	-
Non allowable expenses	2,492	8,001	174,945	2,540	19	-
Exempt income	(37,525)	(36,633)	(136,198)	-	(387,754)	(96,474)
Over provision in previous periods	(2,595)	(55,057)	(20,473)	2,052	-	-
Special levy on banks	235,544	219,589	319,314	-	-	-
Corporate Social Responsibility contribution	79,692	50,088	49,830	2,459	-	-
Withholding tax	4,877	8,843	18,216	-	-	-
	730,885	502,066	786,794	16,979	16,408	-
Tax refund	-	(10,837)	-	-	-	-
Foreign tax credit	(50,456)	(50,781)	(114,153)	-	-	-
Total tax expense	680,429	440,448	672,641	16,979	16,408	-
The total tax expense can also be analysed as being incurred as follows:						
Income tax expense	564,490	473,007	674,179	14,475	16,389	-
Deferred income tax (Note 17b)	31,370	(91,490)	(69,584)	45	19	-
Corporate Social Responsibility contribution	79,692	50,088	49,830	2,459	-	-
Withholding tax	4,877	8,843	18,216	-	-	-
Total tax expense	680,429	440,448	672,641	16,979	16,408	-
The total tax expense can also be analysed as being incurred as follows:						
In Mauritius	654,096	445,197	682,252	16,979	16,408	-
Overseas	26,333	(4,749)	(9,611)	-	-	-
Total tax expense	680,429	440,448	672,641	16,979	16,408	-

NOTES TO THE FINANCIAL STATEMENTS
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17. TAXATION (CONT'D)

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

  Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.
Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in *other comprehensive income* or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

17b. DEFERRED TAX (ASSETS) / LIABILITIES

	The Group	The Company
	MUR' 000	MUR' 000
At 01 January 2014	(93,908)	-
Exchange difference	(5,243)	-
Deferred income tax (Note 17a)	(69,584)	-
Deferred tax on retirement benefit obligations	2,092	-
Deferred tax on revaluation of property	(4,788)	-
At 31 December 2014	(171,431)	-
At 01 January 2015	(171,431)	-
Exchange difference	(11,909)	-
Deferred income tax (Note 17a)	(91,490)	19
Deferred tax on retirement benefit obligations	(1,926)	-
At 31 December 2015	(276,756)	19
At 01 January 2016	**(276,756)**	**19**
Exchange difference	**5,028**	**-**
Deferred income tax (Note 17a)	**31,370**	**45**
Deferred tax on retirement benefit obligations	**282**	**-**
Underprovision of deferred tax liability in prior years	**24,816**	**-**
At 31 December 2016	**(215,260)**	**64**

17. TAXATION (CONT'D)

17b. DEFERRED TAX (ASSETS) / LIABILITIES (CONT'D)

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	(215,260)	(276,756)	(171,431)	-	-	-
Deferred tax liabilities	-	-	-	64	19	-
	(215,260)	(276,756)	(171,431)	64	19	-
Analysed as resulting from:						
Accelerated capital allowances	134,500	51,021	41,610	64	19	-
Allowances for credit impairment	(433,455)	(373,147)	(263,270)	-	-	-
Carried forward losses	(139,391)	(137,126)	(167,328)	-	-	-
Revaluation of property	241,813	229,448	235,925	-	-	-
Other provisions	(18,727)	(46,952)	(18,368)	-	-	-
	(215,260)	(276,756)	(171,431)	64	19	-

18. OTHER LIABILITIES

Accounting policy

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Bills payable	136,655	111,959	150,719	-	-	-
Accruals for expenses	352,758	332,703	475,021	650	600	2,875
Accounts payable	1,229,784	1,389,098	907,438	5,347	2,893	-
Deferred income	270,130	202,925	219,005	-	-	-
Balance due in clearing	(3,720)	157,344	201,874	-	-	-
Balances in transit	66	106,336	122,345	-	-	-
Pension liability (Note 13)	67,707	89,092	75,573	-	-	-
Others	286,303	44,079	51,935	-	-	6,044
	2,339,683	2,433,536	2,203,910	5,997	3,493	8,919

19. SUBORDINATED DEBTS

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the *statement of profit or loss* when the liabilities are derecognised as well as through the EIR amortisation process.

	The Group and the Company		
	31 December 2016	31 December 2015	31 December 2014
Subordinated Bonds:	MUR' 000	MUR' 000	MUR' 000
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024 (level 1)	1,524,503	1,521,979	1,527,750
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021(level 1)	2,340,868	2,340,159	2,070,458
	3,865,371	3,862,138	3,598,208

The public offer for the issue of subordinated senior unsecured multicurrency floating interest rate bonds for Class A 1 series Bond of MUR 1,000 million opened on 20 December 2013, was oversubscribed and a maximum amount of MUR 1.5 billion, of MUR 10,000 notes with half yearly Floating coupon payment of Repo rate + 1.35% per annum maturing in 2024, was retained including the optional amount. Similarly an amount of USD 65.0 million, of USD 1,000 notes with half yearly payment of floating coupon 6-months LIBOR + 175bps per annum maturing in 2021, was retained for the issue of Class B 1 series bond of USD 50 million on 15 February 2014 including the optional amount. The public offer was issued by the State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) and the bonds are eligible as Tier II Capital.

As at 02 October 2014, on the appointed day of the Group restructure, all the bondholders of Class A 1 series and Class B 1 series Bonds of MUR 1.5 billion and USD 65.0 million repectively were transferred to the Company (SBM Holdings Ltd) with corresponding matching assets (investments).

These bonds are quoted on the Official Market of the Stock Exchange of Mauritius (SEM) pre and post restructure.

NOTES TO THE FINANCIAL STATEMENTS
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20. STATED CAPITAL

Accounting policy

(i) ***Share issue costs***

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ii) ***Treasury shares***

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

	The Group		The Company	
	Number	MUR' 000	Number	MUR' 000
Issued and paid up share capital				
At 31 December 2016	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2015	30,374,022,300	32,500,204	30,374,022,300	32,500,204
At 31 December 2014	30,374,022,300	32,500,204	30,374,022,300	32,500,204
Treasury shares held				
At 31 December 2016	455,610,330	4,875,031	455,610,330	4,875,031
At 31 December 2015	4,556,103,300	4,875,031	4,556,103,300	4,875,031
At 31 December 2014	4,556,103,300	4,875,031	4,556,103,300	4,875,031

Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.

As at 31 December 2016, the nominal value of the treasury shares amounted to MUR'000 4,875,031 (2015: MUR'000 4,875,031; 2014: MUR'000 4,875,031).

Subsequent to the shareholder approval at the Annual Meeting of Shareholders of SBM Holdings Ltd (SBMH) held on 28 June 2016 to proceed with the reverse share split, whereby each shareholder of SBMH shall receive 1 ordinary share for every 10 ordinary shares held on the record date, the Board of SBMH at its meeting held on 01 August 2016 has resolved to fix the effective date of the reverse split of shares on the 19th October 2016.

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21. DIVIDEND

Accounting policy

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the directors. Dividends that are declared after the reporting date are dealt with in the notes to the financial statements.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Dividend declared after the reporting date:						
2016: 10 cent (2015: 11 cent) (2014: 8 cent) per share of nominal 10 cent	387,269	283,997	206,543	387,269	283,997	206,543
Dividend declared :						
2015: 11 cent per share of nominal 10 cent ; 2014: 8 cent per share of nominal 10 cent	283,997	206,543	-	283,997	206,543	-
2016: 30 cents per share of nominal 10 cent; 2015: 29 cents per share of nominal 10 cent; 2014:37 cents per share of nominal 10 cent	774,543	748,720	955,263	774,543	748,720	335,633
	1,058,540	955,263	955,263	1,058,540	955,263	335,633
Less dividend declared and paid during the year / period	(1,058,540)	(955,263)	(955,263)	(1,058,540)	(955,263)	(335,633)
Dividend payable	-	-	-	-	-	-

Dividend declared after the reporting date is not recognised as a liability in the financial statements as at 31 December .

22. MEMORANDUM ITEMS

Accounting policy

Acceptances

Acceptances are obligations to pay on due date the bills of exchange drawn on customers. It is expected most of these acceptances will be honoured by the customers on due dates. Acceptances are accounted for as off-balance sheet items and are disclosed under memorandum items.

Contingent liabilities

Contingent liabilities which include certain guarantees and letters of credit pledged are possible obligations that arise from past events whose existence will be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of SBM Holdings Ltd; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at fair value, which is generally the fee received or present value of the fee receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation and the best estimate of the expenditure required to settle the obligations.

a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	138,697	207,620	593,887
Guarantees on account of customers	4,631,643	4,538,566	4,992,142
Letters of credit and other obligations on account of customers	1,198,163	799,062	997,808
Other contingent items	-	945	437,398
	5,968,503	5,546,193	7,021,235
b. Commitments			
Undrawn credit facilities	6,787,125	7,472,081	7,469,380
c. Other			
Inward bills held for collection	175,996	253,181	86,514
Outward bills sent for collection	2,083,674	1,535,424	1,671,089
	2,259,670	1,788,605	1,757,603
Total	15,015,298	14,806,879	16,248,218

The Group is subject to various legal claims from former employees and customers with claims totallying MUR 53.2 million (2015:MUR 38.2 million). The group has not made any provision for those claims on the basis that it is not probable that these actions will suceed.

NOTES TO THE FINANCIAL STATEMENTS
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23. ASSETS PLEDGED

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Group with Central Banks and of the Group's Indian Operations with Clearing Corporation of India Limited are as follows:

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Treasury bills / Government bonds	549,811	2,000,000	3,549,240
Analysed as:			
- In Mauritius	400,000	2,000,000	2,448,000
- Overseas	149,811	-	1,101,240
	549,811	2,000,000	3,549,240

24. CAPITAL COMMITMENTS

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	39,752	2,155,594	2,605,430
Approved and not contracted for	138	7,078	17,048

25. OPERATING LEASE

Accounting policy

Rentals payable under operating leases are charged to the *Statement of profit or loss* on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Leasing arrangements - The Group as lessee			
Operating lease expense	78,573	56,205	65,214

Operating lease payments represent rentals payable for property, equipment and motor vehicles. Operating lease contracts contain renewal clauses in the event that the Group exercises its option to renew the contracts. The Group does not have an option to purchase the assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Up to 1 year	131,102	109,192	151,358
After 1 year and before 5 years	243,563	167,292	174,577
After 5 years and up to 25 years	54,216	31,316	18,768
	428,881	307,800	344,703

26. NET INTEREST INCOME / (EXPENSES)

Accounting policy

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

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group and the Company revise their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Group and the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Interest income						
Cash and cash equivalents	**53,666**	42,683	40,058	**-**	-	-
Loans to and placements with banks	**53,496**	25,393	26,170	**-**	-	-
Loans and advances to non-bank customers	**4,645,051**	4,982,799	5,257,649	**-**	-	-
Investment securities	**1,542,723**	1,409,453	1,110,707	**227,814**	249,758	29,631
Trading assets	**(46,590)**	(38,498)	(8,131)	**-**	-	-
Other	**1,419**	2,485	24,793	**-**	-	-
Total interest income	**6,249,765**	6,424,315	6,451,246	**227,814**	249,758	29,631
Interest expense						
Deposits from non-bank customers	**(1,684,227)**	(1,951,739)	(2,189,671)	**-**	-	-
Other borrowed funds	**(31,570)**	(86,620)	(113,336)	**-**	-	-
Subordinated debts	**(150,694)**	(133,221)	(97,552)	**(149,307)**	(133,221)	(32,650)
Other	**-**	-	(249)	**-**	-	-
Total interest expense	**(1,866,491)**	(2,171,580)	(2,400,808)	**(149,307)**	(133,221)	(32,650)
Net interest income / (expense)	**4,383,274**	4,252,735	4,050,438	**78,507**	116,537	(3,019)

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27. NET FEE AND COMMISSION INCOME

Accounting policy

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan processing fees are deferred and recognised accordingly.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Fee and commission income						
Retail banking customer fees	**311,954**	345,084	348,565	**-**	-	-
Corporate banking customer fees	**272,360**	243,173	238,394	**-**	-	-
Brokerage income	**35,281**	36,598	16,015	**-**	-	-
Asset management fees	**31,432**	33,629	24,069	**-**	-	-
Card income	**429,541**	397,665	316,617	**-**	-	-
Other	**1,377**	1,977	957	**-**	-	-
Total fee and commission income	**1,081,945**	1,058,126	944,617	**-**	-	-
Fee and commission expense						
Interbank transaction fees	**(17,790)**	(17,628)	(13,931)	**-**	-	-
Brokerage	**(3,915)**	-	-	**-**	-	-
Other	**(7,641)**	(11,712)	(15,414)	**-**	-	-
Total fee and commission expense	**(29,346)**	(29,340)	(29,345)	**-**	-	-
Net fee and commission income	**1,052,599**	1,028,786	915,272	**-**	-	-

28. DIVIDEND INCOME

Accounting policy

Dividend is recognised when the Group's and Company right to receive the payment is established, which is generally when the dividend is declared.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Available-for-sale securities	**38,268**	156,756	179,338	**27,563**	151,014	173,036
Investment in subsidiaries	**-**	-	-	**-**	2,446,710	6,798,314
Trading securities	**596**	517	1	**-**	-	-
	38,864	157,273	179,339	**27,563**	2,597,724	6,971,350

29. NET TRADING INCOME

Accounting policy

Results arising from trading activities and includes all gains and losses from changes in fair value for financial assets and financial liabilities held-for-trading.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Fixed income securities	**4,190**	(837)	602	**3,705**	-	-
Equities	**145**	(125)	(266)	**-**	-	-
Foreign exchange gain	**536,831**	528,968	403,522	**117**	3,697	185
Other	**(26,116)**	(370)	(158)	**-**	-	-
	515,050	527,636	403,700	**3,822**	3,697	185

30. OTHER OPERATING INCOME

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Gain from sale of investment securities:						
Investment securities	**448,470**	287,664	255,270	**6,740**	16,224	-
Equity investments	**2,708**	-	456,704	**2,591**	-	-
Other	**5,260**	1,199	142		-	-
	456,438	288,863	712,116	**9,331**	16,224	-

Included in gains/(losses) from sales of available -for-sale securities are the amounts transferred from equity to profit or loss on derecognition of available-for-sale securities.

31. PERSONNEL EXPENSES

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
(a) wages, salaries and social security contributions;
(b) paid annual leave and paid sick leave;
(c) bonuses; and
(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

The Group operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. Refer to note 13 for accounting policy on defined benefit plans.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Wages and salaries	**1,043,922**	883,872	779,356	**-**	-	641
Other social security obligations	**16,672**	13,853	12,632	**-**	-	5
Contributions to defined contribution plans	**79,768**	70,178	65,158	**-**	-	135
Cash-settled share-based payments	**-**	-	6,471	**-**	-	-
Increase in liability for defined benefit plans (Notes 13 and 35)	**30,098**	33,414	33,089	**-**	-	-
Staff welfare cost	**14,625**	15,862	18,357	**-**	-	-
Management and professional charges	**18,226**	36,843	37,429	**-**	-	-
Security and cleaning services	**71,867**	75,872	55,496	**-**	-	-
Other*	**120,717**	107,110	109,299	**3,830**	1,355	11
	1,395,895	1,237,004	1,117,287	**3,830**	1,355	792

* *Includes mainly travelling expenses, training and mileage cost*

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32. OTHER EXPENSES

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Software licensing and other information technology cost	**505,332**	368,616	1,275,807	**50**	26	-
Auditors' remuneration (audit and other services):						
- Principal auditors	**9,913**	7,099	20,819	**733**	350	3,542
- Other auditors	**354**	795	962	**-**	-	-
Utilities	**54,968**	1,423	53,872	**-**	-	-
Professional charges	**84,841**	163,877	284,236	**33,764**	32,587	323
Marketing costs	**58,541**	47,707	37,869	**1,134**	1,513	9
Rent, repairs and maintenance	**165,863**	100,890	81,499	**-**	-	-
Licence and other registration fees	**26,399**	24,047	20,216	**11,538**	901	152
Other*	**89,512**	157,458	93,875	**786**	2,663	655
	995,723	871,912	1,869,155	**48,005**	38,040	4,681

* *Includes mainly printing,stationary,subscription and other operational cost*

33. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Accounting policy

Financial assets, other than those at Fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For available for sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss for loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

For AFS financial assets the cumulative gains or losses previously recognised in *Other comprehensive income* are reclassified to the *Statement of profit or loss*.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in *Other comprehensive income* and accumulated under the Net unrealised investment fair value reserve.

	The Group		
	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Portfolio and specific provisions:			
- On-balance sheet advances (Note 8c)	**651,527**	1,945,447	642,343
Bad debts written off for which no provisions were made	**70,029**	1,347	123
Recoveries of advances written off	**(3,725)**	(7,231)	(11,750)
Other	**(932)**	(2,723)	(363)
	716,899	1,936,840	630,353
Of which:			
Credit exposure	**717,831**	1,939,563	630,716
Other financial assets	**(932)**	(2,723)	(363)
	716,899	1,936,840	630,353

The Company

The Company received dividend in specie of MUR 6.3 billion from its subsidiaries during the year ended 31 December 2014. The dividend received in specie was adjusted against the investments held by the Company.

34. EARNINGS PER SHARE

Earnings per share is calculated by dividing profit attributable to equity holders of the parent by the number of shares outstanding during the year, excluding treasury shares.

	The Group		
	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Profit attributable to equity holders of the parent	**2,308,902**	1,607,554	1,868,400
Number of shares entitled to dividend (thousands)	**2,581,792**	2,581,792	2,581,792
Earnings per share (cents)	**89.43**	62.27	72.37

Subsequent to the shareholder approval at the Annual Meeting of Shareholders of SBM Holdings Ltd (SBMH) held on 28 June 2016 to proceed with the reverse share split, whereby each shareholder of SBMH shall receive 1 ordinary share for every 10 ordinary shares held on the record date, the Board of SBMH at its meeting held on 01 August 2016 has resolved to fix the effective date of the reverse split of shares on the 19th October 2016.

The earnings per share has been retrospectively adjusted for the year 2014 and 2015 to reflect the new number of shares.

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35. NET CASH FROM / (USED IN) OPERATING ACTIVITIES

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	**31 December 2016**	31 December 2015	31 December 2014
Cash flows from operating activities	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year	**2,308,902**	1,607,554	1,868,400	**49,206**	2,677,878	643,162
Adjustments to determine net cash flows:						
Depreciation of property and equipment	**158,036**	153,038	150,951	**1,203**	501	-
Amortisation of intangible assets	**191,968**	8,497	15,071	**-**	-	-
Pension expense (Note 31)	**30,098**	33,414	33,089	**-**	-	-
Net impairment loss on financial assets (Note 33)	**716,899**	1,936,840	630,353	**-**	-	6,319,881
Exchange difference	**(122,420)**	420,722	84,476	**(814)**	237,272	-
Net (gain) / loss on sale of available-for-sale equity investments	**(2,708)**	221	(456,704)	**2,591**	-	-
Net loss / (gain) from dealings in trading securities	**21,781**	1,330	(179)	**-**	-	-
Net (gain) / loss on disposal of property and equipment	**(508)**	(2,451)	349	**-**	-	-
Net loss / (gain) on loans and advances at fair value through profit or loss	**(995)**	1,583	-	**-**	-	-
Interest income		-	-	**(227,814)**	(249,758)	(29,631)
Interest expense		-	-	**149,307**	133,221	32,650
Tax expense	**680,429**	440,448	672,641	**16,979**	16,408	-
Share of profit of associate	**(1,627)**	-	(62,993)	**-**	-	-
Dividend income (Note 28)	**(38,864)**	(157,273)	(179,339)	**(27,563)**	(2,597,724)	(6,971,350)
Operating profit / (loss) before working capital changes	**3,940,991**	4,443,923	2,756,115	**(36,905)**	217,798	(5,288)
Change in operating assets and liabilities						
(Decrease) / increase in trading assets	**(43,637)**	59,751	44,527	**-**	-	-
(Increase) / decrease in loans to and placements with banks	**(3,436,965)**	(506,812)	230,295	**-**	-	-
(Increase) / decrease in loans and advances to non bank customers	**(3,549,386)**	(3,299,432)	1,554,913	**-**	-	-
(Increase) / decrease in gilt-edged investment securities	**(4,082,685)**	(2,056,264)	(5,543,430)	**1,254,257**	483,328	(353,627)
Decrease / (Increase) in other investment securities	**2,778,203**	(5,015,268)	(6,610,498)	**646,076**	-	-
Increase in mandatory balances with central banks	**(178,086)**	(371,159)	(1,053,768)		-	-
Decrease / (increase) in other assets	**216,729**	188,855	(275,682)	**(1)**		(6,245)
Increase in deposits from banks	**1,859,950**	157,820	376,618		-	-
Increase in deposits from non-bank customers	**4,960,091**	12,496,113	8,768,355		-	-
Increase / (decrease) in trading liabilities	**61,632**	(25,853)	(91,921)		-	-
(Increase) / decrease in other liabilities	**(72,468)**	216,108	(220,995)	**2,504**	5,426	8,919
Interest received	**-**	-	-	**274,053**	237,951	19,242
Interest paid	**-**	-	-	**(145,554)**	(92,895)	(21,187)
Other dividend received	**164,200**	180,670	30,607	**152,834**	257,366	24,305
Income tax paid	**(668,086)**	(237,944)	(900,436)	**(31,969)**	-	-
Net cash from / (used in) operating activities	**1,950,483**	6,230,508	(935,300)	**2,115,295**	1,108,974	(333,881)

36. RELATED PARTY DISCLOSURES

Accounting policy

For the purposes of these financial statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or if they and the Group are subject to common control. Related parties may be individuals or other entities.

The Group

	Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities (including their subsidiaries) in which the Group has significant influence			Entities in which directors, key management personnel and their close family members have significant influence		
As at 31 December	**2016**	2015	2014	**2016**	2015	2014	**2016**	2015	2014	**2016**	2015	2014
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
(a) Credit facilities												
(i) Loans												
Balance at beginning of year	**30,901**	20,279	12,659	**-**	-	-	**-**	-	-	**194,906**	224,882	280,518
Loans to directors / entities who ceased to be related parties during the year	**(7,961)**	(7,492)	-	**-**	-	-	**-**	-	-	**(194,906)**	(98,305)	98,305
Existing loans of new related parties	**9,256**	448	-	**-**	-	-	**-**	-	-	**63,701**	-	-
Other net movements	**68,101**	17,666	7,620	**-**	-	-	**-**	-	-	**1,257,111**	68,329	(153,941)
Balance at end of year	**100,297**	30,901	20,279	**-**	-	-	**-**	-	-	**1,320,812**	194,906	224,882
(ii) Off-balance sheet obligations												
Balance at end of year	**100**	-	-	**-**	-	-	**-**	-	-	**23,414**	-	-
(b) Deposits at end of year	**99,057**	109,041	69,083	**546,792**	323,732	-	**250,952**	352,740	191,286	**59,247**	36,250	90,978
(c) Interest income	**3,493**	1,616	1,194	**-**	-	56,486	**404**	15	1	**49,020**	13,862	11,879
(d) Interest expense	**644**	1,336	1,803	**498**	3,405	58,059	**2,976**	3,831	2,394	**-**	89	1,666
(e) Other income	**225**	127	76	**1,803**	9,018	13,611	**2,011**	2,752	1,157	**6,430**	1,943	5,933
(f) Dividend income	**-**	-	-	**-**	-	-	**11,000**	2,446,710	1,259,147	**-**	-	-
(g) Purchase of goods and services	**6,143**	433	-	**-**	-	-	**-**	-	-	**-**	-	-
(h) Emoluments	**34,566**	108,632	100,064	**-**	-	-	**-**	-	-	**-**	-	-

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36. RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions in relation to Post Employment Benefit Plans are as follows:	The Group		
	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Deposits at end of year	**148,576**	136,606	82,422
Interest expense	**250**	782	1,183
Other income	**213**	463	287
Contributions paid	**90,151**	86,470	82,657

Credit facilities to key management personnel and executive directors are as per their contract of employment. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

37. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern and maximise returns to shareholders. It also ensures that adequate capital is maintained to support its growth strategies, its risk appetite and depositors' confidence, while complying with statutory and regulatory requirements. The capital resources of the Group are disclosed in the Statement of changes in equity.

All entities within the Group have met the respective minimum capital requirements set out by the relevant regulatory body and, where applicable, appropriate transfers have also been made to statutory reserves, ranging from 10% to 25% of annual profits.

Pursuant to the Group restructuring approved by the Bank of Mauritius under Section 32A of the Banking Act, which became effective on 02 October 2014, SBM Holdings Ltd is now the ultimate holding company of the SBM Group. Surplus capital held by SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) have been streamed up to SBM Holdings Ltd which in turn invested in SBM (Bank) Holdings Ltd, the holding company for the Banking segment. As per the constitution of SBM Holdings Ltd, not less than 90% of its capital, reserves and borrowings shall be invested in banking activities/operations. SBM Holdings Ltd and also SBM (Bank) Holdings Ltd are supervised by the Bank of Mauritius (BOM) as per the conditions of BOM approval of the SBM Group Restructuring and BOM approval is required whenever capital will be injected in the operating companies in accordance with the order of priority specified under Section 36 of the Banking Act to ensure planned growth and regulatory compliance.

Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India and Madagascar, the minimum ratio is set at 9% and 8% respectively.

	The Group		
	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Tier 1 Capital	**18,598,479**	18,253,567	20,376,298
Eligible capital	**24,027,477**	23,717,553	24,926,957
Risk weighted assets	**93,479,869**	83,935,326	79,365,707
Capital adequacy ratio (%)	**25.70**	28.26	31.41

38. PHANTOM SHARE OPTIONS

In November 2012, the shareholders on the recommendation of the Board of Directors approved an Employee Share Option Plan "ESOP" which replaced the Phantom Shares Option Scheme implemented by the bank since the last 15 years died out in 2016..

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39. OTHER RESERVES

The Group	Reserve arising on share buy back MUR' 000	Net unrealised investment fair value reserve MUR' 000	Net translation reserve MUR' 000	Net other reserve MUR' 000	Earnings reserve MUR' 000	Restructure reserve MUR' 000	Total MUR' 000
At 01 January 2014	236,071	3,676,010	(680,411)	72,690	-	-	3,304,360
Other comprehensive income for the year	-	1,727,055	87,574	(9,535)	-	-	1,805,094
Transfer to restructure reserve	(236,071)	(5,402,243)	646,064	-	2,935,807	(8,379,302)	(10,435,745)
Transfer to retained earnings	-	27,125	-	(63,155)	-	63,155	27,125
At 31 December 2014	-	27,947	53,227	-	2,935,807	(8,316,147)	(5,299,166)
At 01 January 2015	-	27,947	53,227	-	2,935,807	(8,316,147)	(5,299,166)
Other comprehensive income for the year	-	(726,867)	202,833	-	-	-	(524,034)
At 31 December 2015	-	(698,920)	256,060	-	2,935,807	(8,316,147)	(5,823,200)
At 01 January 2016	-	(698,920)	256,060	-	2,935,807	(8,316,147)	(5,823,200)
Other comprehensive income for the year	-	467,253	(80,866)	1,276	-	-	387,663
At 31 December 2016	-	(231,667)	175,194	1,276	2,935,807	(8,316,147)	(5,435,537)

Net unrealised investment fair value reserve

This reserve comprise of fair value movements recognised on available-for-sale financial assets.

Net translation reserve

The net translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries and associates.

Net other reserves

Net other reserves include statutory reserve, capital conservation reserve, net property revaluation reserve and associated reserve. These are described below:

Statutory reserve

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

Net property revaluation reserve

The net property revaluation reserve is used to record increases in the fair value of land and buildings (net of deferred tax on the revalued asset) and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Associate's Reserve

The Associate reserve is used to record the other comprehensive share of the investee company.

Earnings reserve

The earnings reserve represents retained earnings earmarked towards capital contribution upon transfer of the Indian Operations of SBM Bank (Mauritius) Ltd to SBM Holdings Ltd which is awaiting approval of a Wholly Owned Subsidiary license from the Reserve Bank of India. This amount will be adjusted against the restructure reserve on receipt of the licence.

Restructuring reserve

Restructuring reserve includes net unrealized investment fair value reserve of MUR 5,401 million, net translation reserve of MUR 646 million and net property revaluation reserve of MUR 1,063 million and shall be reclassified to the *statement of profit or loss* upon disposal of the related asset.

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40. RISK MANAGEMENT

The Board of Directors oversees the risk management framework and ensures decision making is aligned with the Board-driven strategic risk objectives and risk appetite. Boards approve the risk policies and a set of prudential limits and risk tolerance limits, besides regulatory limits, within which the Group operates. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite approved framework. Any deviation and non-compliance are reported to Board Risk Committee. The principal risks arising from financial instruments to which the Group is exposed include credit risk, liquidity risk, market risk, operational risk, strategic risk and reputational risk.

a (i) Categories of financial assets and liabilities

	The Group			The Company		
	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000	**31 December 2016 MUR' 000**	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Financial assets						
Loans and receivables	**120,232,334**	108,375,988	103,043,699	**2,424,820**	3,966,582	2,137,047
Available-for-sale	**18,193,742**	21,688,980	17,670,747	**6,159,231**	7,768,419	8,390,080
Fair value through profit or loss (Note 7)	**165,998**	144,142	205,223	**-**	-	-
	138,592,074	130,209,110	120,919,669	**8,584,051**	11,735,001	10,527,127
Financial liabilities						
Measured at amortised cost	**122,437,406**	113,342,048	103,181,752	**3,871,368**	3,865,631	3,607,127
Fair value through profit or loss (Note 7)	**182,413**	120,781	146,634	**-**	-	-
	122,619,819	113,462,829	103,328,386	**3,871,368**	3,865,631	3,607,127

40. RISK MANAGEMENT (CONT'D)

a (ii) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

	31 December 2016		31 December 2015		31 December 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
The Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	9,490,208	9,490,208	9,174,135	9,174,135	8,194,125	8,194,125
Mandatory balances with Central banks	7,097,994	7,097,994	6,919,908	6,919,908	6,548,749	6,548,749
Loans to and placements with banks	4,645,911	4,645,911	1,208,945	1,208,945	702,133	702,133
Trading assets	165,998	165,998	144,142	144,142	205,223	205,223
Loans and advances to non-bank customers	71,624,874	72,072,262	68,784,195	68,712,121	67,434,536	67,447,362
Investment securities	39,430,829	39,344,593	37,375,824	37,018,354	30,369,883	30,358,167
Equity investments	5,732,722	5,732,722	6,066,176	6,066,176	6,721,917	6,721,917
Other assets	403,538	403,538	535,785	535,785	743,103	743,103
	138,592,074	138,953,226	130,209,110	129,779,566	120,919,669	120,920,779
Financial liabilities						
Deposits from banks	2,611,669	2,611,669	751,719	751,719	593,899	593,899
Deposits from non-bank customers	109,241,194	109,246,841	104,281,103	104,336,288	91,784,990	91,827,586
Other borrowed funds	4,486,008	4,486,008	2,132,497	2,132,497	5,113,005	5,113,005
Trading liabilities	182,413	182,413	120,781	120,781	146,634	146,634
Other liabilities	2,233,164	2,233,164	2,314,591	2,314,591	2,091,650	2,091,650
Subordinated debts	3,865,371	3,865,371	3,862,138	3,862,138	3,598,208	3,598,208
	122,619,819	122,625,466	113,462,829	113,518,014	103,328,386	103,370,982
The Company						
Financial assets						
Cash and cash equivalents	15,321	15,321	178,060	178,060	3,702	3,702
Investment securities	4,305,882	4,365,967	5,896,350	5,816,554	3,915,754	3,924,601
Equity investments	4,261,347	4,261,347	5,534,324	5,534,324	6,319,881	6,319,881
Other assets	1,501	1,501	126,267	126,267	287,790	287,790
	8,584,051	8,644,136	11,735,001	11,655,205	10,527,127	10,535,974
Financial liabilities						
Other liabilities	5,997	5,997	3,493	3,493	8,919	8,919
Subordinated debts	3,865,371	3,865,371	3,862,138	3,862,138	3,598,208	3,598,208
	3,871,368	3,871,368	3,865,631	3,865,631	3,607,127	3,607,127

For loans and advances to non-bank customers, all the fixed loans and advances maturing after one year has been fair valued based on the current prevailing lending rate.

For investment securities, all the government bonds and BOM bonds have been fair valued based on the latest weighted yield rate.

For deposits from non-bank customers, all the term deposits maturing after one year has been fair valued based on the current prevailing savings rate.

Except for the levels in which the financial assets and financial liabilities are shown in table 40(a)(iii), the fair values of the other financial assets and financial liabilities are categorized in level 3.

Significant accounting estimates and judgements

The determination of fair values, estimated by discounting future cash flows and by determining the relative interest rates, is subjective. The estimated fair value was calculated according to interest rates prevailing at the reporting date and does not consider interest rate fluctuations. Given other interest rate assumptions, fair value estimates may differ.

40. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy

Fair value measurements of financial instruments can be grouped into level 1 to 3 based on the degree to which the fair value is observable, namely:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2016								
Trading assets	**-**	**165,998**	**-**	**165,998**	**-**	**-**	**-**	**-**
Loans and advances at fair value	**-**	**-**	**856**	**856**	**-**	**-**	**-**	**-**
Investment securities - available-for-sale	**9,826,429**	**-**	**2,634,591**	**12,461,020**	**-**	**-**	**-**	**-**
Equity investments - available-for-sale	**-**	**-**	**5,732,722**	**5,732,722**	**-**	**-**	**4,261,347**	**4,261,347**
	9,826,429	**165,998**	**8,368,169**	**18,360,596**	**-**	**-**	**4,261,347**	**4,261,347**
Trading liabilities	**-**	**182,413**	**-**	**182,413**	**-**	**-**	**-**	**-**
31 December 2015								
Trading assets	-	144,142	-	144,142	-	-	-	-
Loans and advances at fair value	-	-	5,438	5,438	-	-	-	-
Investment securities - available-for-sale	13,469,821	-	2,152,983	15,622,804	-	-	-	-
Equity investments - available-for-sale	-	-	6,066,176	6,066,176	-	-	5,534,324	5,534,324
	13,469,821	144,142	8,224,597	21,838,560	-	-	5,534,324	5,534,324
Trading liabilities	**-**	**120,781**	**-**	**120,781**	**-**	**-**	**-**	**-**
31 December 2014								
Trading assets	28,478	176,745	-	205,223	-	-	-	-
Loans and advances at fair value	-	-	13,556	13,556	-	-	-	-
Investment securities - available-for-sale	9,873,491	-	1,075,340	10,948,831	-	-	-	-
Equity investments - available-for-sale	-	-	6,721,917	6,721,917	-		6,319,881	6,319,881
	9,901,969	176,745	7,810,813	17,889,527	-	-	6,319,881	6,319,881
Trading liabilities	**-**	**146,634**	**-**	**146,634**	**-**	**-**	**-**	**-**

Loans and advances at fair value relate to the fair value of hedged assets (Note 40(d)(ii)).

The level 3 available-for-sale investment securities are carried at cost due to absence of market and track record for such similar instruments.

The table below summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of the Group's Level 3 available-for-sale equity investments.

40. RISK MANAGEMENT (CONT'D)

Equity available-for-sale investments

Valuation technique	Significant unobservable inputs	Range of input
Discounted projected cash flow	Weighted Average Cost of Capital (WACC)	11.70%
	Favourable changes	Unfavourable changes
0.25% change in WACC (MUR'000)	39,286	39,795

Reconciliation for Level 3 fair value measurements:

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	8,224,597	7,810,813	4,666,577	5,534,324	6,319,881	-
Additions	1,221,929	1,078,098	250,327	-	-	6,319,881
Disposals	(232,589)	-	(66,282)	-	-	-
Transfer to associate	(1,273,430)	-	-	(1,273,430)	-	-
Transfer from subsidiary	-	-	1,270,386	-	-	-
Exchange difference	(10)	(25)	(26)	-	-	-
Movement in fair value	427,672	(664,289)	1,689,831	453	(785,557)	-
Balance at end of year	8,368,169	8,224,597	7,810,813	4,261,347	5,534,324	6,319,881

There was no transfer between Level 1 and 2 during the year.

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40. RISK MANAGEMENT (CONT'D)

b Credit risk

The Group is exposed to credit risk through its lending, trade finance, treasury, asset management and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the bank as and when they fall due. The Group's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The credit risk team, independent of the origination process, ensures the accumulation of assets within acceptable risk norms using internal and external rating systems for the standardisation of credit assessment. The Group has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and reported regularly to the Board Risk Management Committee.

(i) Maximum credit exposure

The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
Fund-based exposures:	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	7,463,137	6,987,190	5,978,919	15,321	178,060	3,702
Mandatory balances with Central Banks	7,097,994	6,919,908	6,548,749	-	-	-
Loans to and placements with banks	4,645,911	1,208,945	702,133	-	-	-
Trading assets	-	-	28,478	-	-	-
Loans and advances to non-bank customers	75,109,646	71,060,407	67,617,045	-	-	-
Investment securities	39,430,828	37,375,824	30,369,883	4,305,882	5,896,350	3,915,754
Other assets	403,538	535,785	743,103	1,501	126,267	287,790
	134,151,054	124,088,059	111,988,310	4,322,704	6,200,677	4,207,246
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	5,091,939	5,168,941	6,025,492	-	-	-
Credit commitments	6,787,125	7,472,081	7,469,380	-	-	-
	11,879,064	12,641,022	13,494,872	-	-	-

(ii) Credit quality

Corporate borrowers are assigned a Customer Risk Rating using Moody's Risk Advisor which is based on the borrower's financial condition and outlook, industry and economic conditions, access to capital and management strength. For the small and medium enterprises, the rating is derived from the Small Business Underwriting Matrix which is primarily based on the customer's financial position / debt repayment capacity and quality of collateral. Individuals are rated using LOS origination system based on a set of personal attributes including income and repayment capacity. The bank is in the process of enhancing its rating model as part of the business-aligned technology transformation, which would better reflect the economic environment.

An analysis of credit exposures, including non-fund based facilities, for advances to non-bank customers that are neither past due nor impaired using the Group's credit grading system is given below:

	The Group		
	31 December 2016	31 December 2015	31 December 2014
Grades:	MUR' 000	MUR' 000	MUR' 000
1 to 3 - Strong	30,857,635	39,845,329	42,047,396
4 to 6 - Satisfactory	32,741,310	24,991,499	25,083,713
7 to 10 (including unrated) - weak	17,888,994	14,865,732	11,711,268
	81,487,939	79,702,560	78,842,377

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes unrated customers which have been defaulted to 10 on a prudent basis.

The carrying amounts of loans and advances whose terms have been renegotiated during the year amounted to MUR 2,952.1 million (2015: MUR 5,558.9 million and 2014: MUR 4,969.0 million) for the Group.

All cash and cash equivalents, loans and placements with banks and loans and receivables – investment securities are held with financial institutions having grades 1 to 5.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (Cont'd)

(iii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of borrowers
- Pledge of deposits / securities / life insurance policy / shares
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee
- Lien on vehicle
- Letter of comfort

(iv) Ageing of receivables that are past due but not impaired:

	The Group		
	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Up to 1 month	115,589	150,012	433,508
Over 1 month and up to 3 months	121,561	136,115	374,364
	237,150	286,127	807,872

(v) Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, indicate that the account may be impaired.

The carrying amount of impaired financial assets and specific allowance held are shown below:

	The Group		
	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Loans and advances (Note 8d)	4,998,437	3,712,740	1,461,668
Specific allowance held in respect of impaired advances (Note 8d)	3,105,952	2,427,061	811,515
Fair value of collaterals of impaired advances	1,721,767	1,233,883	633,990

(vi) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Group to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	The Group		
Portfolio	31 December 2016 MUR' 000	31 December 2015 MUR' 000	31 December 2014 MUR' 000
Agriculture	2,509,798	2,695,992	3,071,913
Commerce	4,292,431	3,287,651	-
Real Estate	2,850,895	3,066,204	-
Tourism	4,839,141	5,622,342	3,450,210
	14,492,265	14,672,189	6,522,123

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40. RISK MANAGEMENT (CONT'D)

c Liquidity risk

Liquidity risk is the potential earnings volatility arising from being unable to fund assets at reasonable rates over required maturities. The Group ensures that sufficient liquidity is maintained to fund its day-to-day operations, meet deposit withdrawals and loan disbursements. Liquidity risk is managed by setting prudential limits on maturity mismatches, liquid assets ratios, concentration of deposits by type and by entity. Liquidity gap analysis is used to measure and monitor the mismatches by time bucket and currency under realistic and stress scenarios.

(i) The tables below show the expected timing of cash flows for financial assets and liabilities of the Group and the Company, slotted as per the rules defined by the Bank of Mauritius.

The Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2016							
Financial Assets							
Cash and cash equivalents	8,541,707	948,501	-	-	-	-	9,490,208
Mandatory balances with Central Banks	381,646	189,330	219,776	319,466	407,844	5,579,932	7,097,994
Loans to and placements with banks	179,715	1,522	1,904,396	142,287	2,036,533	381,459	4,645,911
Loans and advances to non-bank customers	5,277,295	5,922,352	5,263,265	6,758,047	16,502,704	31,996,347	71,720,010
Investment securities	1,303,121	2,158,581	4,543,673	5,894,064	15,232,047	9,589,756	38,721,242
Other assets	403,538	-	-	-	-	-	403,538
Total financial assets	16,087,022	9,220,286	11,931,110	13,113,864	34,179,128	47,547,494	132,078,903
Financial liabilities							
Deposits from banks	1,707,316	542,489	361,864	-	-	-	2,611,669
Deposits from non-bank customers	5,428,446	2,776,829	3,188,942	4,580,874	6,359,516	86,906,587	109,241,194
Other borrowed funds	1,357,472	966,569	86,104	326,672	867,563	881,629	4,486,009
Subordinated debts	-	24,504	5,909	-	-	3,834,958	3,865,371
Other liabilities	2,233,164	-	-	-	-	-	2,233,164
Total financial liabilities	10,726,398	4,310,391	3,642,819	4,907,546	7,227,079	91,623,174	122,437,407
Liquidity Gap	5,360,624	4,909,895	8,288,291	8,206,318	26,952,049	(44,075,680)	9,641,496
31 December 2015							
Financial Assets	18,036,906	6,822,179	7,901,285	13,769,194	34,555,207	46,425,910	127,510,681
Financial liabilities	12,012,757	3,126,776	2,443,818	5,477,071	6,851,761	83,429,865	113,342,048
Liquidity Gap	6,024,149	3,695,403	5,457,467	8,292,123	27,703,446	(37,003,955)	14,168,633
31 December 2014							
Financial assets	16,103,389	6,073,381	8,406,420	13,432,323	28,236,156	43,413,688	115,665,357
Financial liabilities	12,774,024	5,220,284	5,882,749	9,658,177	13,234,283	55,721,499	102,491,016
Liquidity Gap	3,329,365	853,097	2,523,671	3,774,146	15,001,873	(12,307,811)	13,174,341

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40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (Cont'd)

The Company	Up to 1 month MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Total MUR' 000
31 December 2016							
Financial Assets							
Cash and cash equivalents	15,321	-	-	-	-	-	15,321
Investment securities	-	9,944	606,514	489,882	1,150,923	1,689,035	3,946,298
Other assets	1,501	-	-	-	-	-	1,501
Total financial assets	16,822	9,944	606,514	489,882	1,150,923	1,689,035	3,963,120
Financial liabilities							
Subordinated debts	-	5,909	-	-	-	3,834,958	3,840,867
Other liabilities	5,997	-	-	-	-	-	5,997
Total financial liabilities	5,997	5,909	-	-	-	3,834,958	3,846,864
Liquidity Gap	10,825	4,035	606,514	489,882	1,150,923	(2,145,923)	116,256
31 December 2015							
Financial Assets	341,267	-	515,382	718,858	1,556,797	3,068,373	6,200,677
Financial liabilities	3,493	21,979	4,681	-	-	3,835,478	3,865,631
Liquidity Gap	337,774	(21,979)	510,701	718,858	1,556,797	(767,105)	2,335,046
31 December 2014							
Financial assets	291,493	179,369	-	164,867	1,667,968	1,903,550	4,207,247
Financial liabilities	8,919	27,750	3,583	-	-	3,566,876	3,607,128
Liquidity Gap	282,574	151,619	(3,583)	164,867	1,667,968	(1,663,326)	600,119

The expected timing of cash flows is based on management's estimates and the behavioural analysis of customer's deposits.

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40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (Cont'd)

(ii) The table below shows the remaining contractual maturities of financial liabilities:

	On Demand	Up to 3 months	3-6 months	6-12 months	1-2 years	Over 2 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
The Group							
Financial liabilities							
Deposits	92,003,698	4,701,909	2,880,853	4,400,165	4,429,450	1,418,587	109,834,662
Trading Liabilities	-	182,413	-	-	-	-	182,413
Other borrowed funds	-	2,330,271	83,122	350,576	340,985	1,516,994	4,621,948
Other liabilities	-	2,233,164	-	-	-	-	2,233,164
31 December 2016	92,003,698	9,447,757	2,963,975	4,750,741	4,770,435	2,935,581	116,872,187
31 December 2015	85,159,719	6,486,074	1,993,862	5,274,411	5,141,778	7,722,051	111,777,895
31 December 2014	76,363,292	6,214,425	2,350,575	5,700,054	4,492,746	12,461,890	107,582,982
The Company							
Financial liabilities							
Subordinated debts	-	-	-	-	-	-	-
Other liabilities	-	5,997	-	-	-	-	5,997
31 December 2016	-	5,997	-	-	-	-	5,997
31 December 2015	-	46,618	28,083	71,208	142,416	4,592,684	4,881,009
31 December 2014	-	53,919	21,454	66,454	132,908	4,434,769	4,709,504

d Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group's market risks are monitored by the Market Risk Team and reported to the Market Risk Forum and Board Risk Committee on a regular basis.

(i) Interest rate risk

The Group's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Group uses an interest rate gap analysis to measure and monitor the interest rate risk. Prudential limits for currency wise gaps, expressed as a percentage of assets, have been set for specific time buckets and earnings at risk is calculated based on different shock scenarios across major currencies.

The table below analyses the Group's interest rate risk exposure, mainly cash flow interest rate risk, in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column include the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont"d)

The Group	Up to 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Total
31 December 2016	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets							
Cash and cash equivalents	2,754,058	-	-	-	-	-	2,754,058
Loans to and placements with banks	2,381,867	1,667,322	70,960	358,948	151,750	-	4,630,847
Loans and advances to non-bank customers	54,742,335	7,909,692	1,480,138	3,628,211	3,636,273	331,995	71,728,644
Investment securities	3,461,702	4,543,673	5,894,064	7,035,480	13,938,411	3,847,912	38,721,242
Total assets	63,339,962	14,120,687	7,445,162	11,022,639	17,726,434	4,179,907	117,834,791
Liabilities							
Deposits from banks	1,265,664	361,337	-	-	-	-	1,627,001
Deposits from non-bank customers	66,981,610	1,966,193	2,844,655	501,817	2,752,008	1,923	75,048,206
Other borrowed funds	3,044,896	1,259,933	178,409	-	-	-	4,483,238
Subordinated debts	1,500,000	2,334,958	-	-	-	-	3,834,958
Total liabilities	72,792,170	5,922,421	3,023,064	501,817	2,752,008	1,923	84,993,403
On balance sheet interest rate sensitivity gap	(9,452,209)	8,198,266	4,422,098	10,520,822	14,974,426	4,177,984	32,841,388
Off balance sheet interest rate sensitivity gap	691,753	19,644	47,392	(39,212)	-	-	719,577
	(8,760,456)	8,217,910	4,469,490	10,481,610	14,974,426	4,177,984	33,560,965
31 December 2015							
Total assets	63,428,295	7,349,481	6,744,071	6,843,427	20,512,063	7,293,121	112,170,458
Total liabilities	61,728,435	4,617,671	2,379,068	2,582,329	106,739	1,461	71,415,703
On balance sheet interest rate sensitivity gap	1,699,860	2,731,810	4,365,003	4,261,098	20,405,324	7,291,660	40,754,755
Off balance sheet interest rate sensitivity gap	507,882	-	(296,864)	(157,004)	(54,014)	-	-
	2,207,742	2,731,810	4,068,139	4,104,094	20,351,310	7,291,660	40,754,755
31 December 2014							
Total assets	68,056,829	5,373,394	6,677,842	5,018,999	14,712,980	3,126,636	102,966,680
Total liabilities	82,173,521	6,521,674	1,192,163	343,805	3,099,307	1,323	93,331,793
On balance sheet interest rate sensitivity gap	(14,116,692)	(1,148,280)	5,485,679	4,675,194	11,613,673	3,125,313	9,634,887
Off balance sheet interest rate sensitivity gap	610,242	-	9,924	(342,930)	(277,236)	-	-
	(13,506,450)	(1,148,280)	5,495,603	4,332,264	11,336,437	3,125,313	9,634,887

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FOR THE YEAR ENDED 31 DECEMBER 2016

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont"d)

The Company

	Up to 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Total
31 December 2016	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets							
Investment securities	9,944	606,514	489,882	855,503	295,419	1,689,035	3,946,297
Total assets	9,944	606,514	489,882	855,503	295,419	1,689,035	3,946,297
Liabilities							
Subordinated debts	1,500,000	2,334,958	-	-	-	-	3,834,958
Total liabilities	1,500,000	2,334,958	-	-	-	-	3,834,958
On balance sheet interest rate sensitivity gap	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	111,339
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	111,339
31 December 2015							
Total assets	36,940	515,382	718,858	1,190,377	1,162,455	2,272,338	5,896,350
Total liabilities	1,500,000	2,335,479	-	-	-	-	3,835,479
On balance sheet interest rate sensitivity gap	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	2,060,871
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	2,060,871
31 December 2014							
Total assets	179,369	-	164,867	915,772	2,340,030	315,716	3,915,754
Total liabilities	1,527,750	2,070,459	-	-	-	-	3,598,209
On balance sheet interest rate sensitivity gap	(1,348,381)	(2,070,459)	164,867	915,772	2,340,030	315,716	317,545
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,348,381)	(2,070,459)	164,867	915,772	2,340,030	315,716	317,545

Various scenarios are used to measure the effect of the changing interest rates on net interest income including the standardized approach of 200bp parallel shock over a 12-month period assuming a static balance sheet, as shown below.

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
(Decrease)/increase in profit	**(29,195)**	94,504	(236,437)

(ii) **Fair value hedges**

The Group

The Group establishes fair value hedge accounting relationships for interest rate risk on some of its fixed rate customer loans. At 31 December 2016, the aggregate notional principal of interest rate swaps designated as fair value hedges was MUR 161.5 million (2015: MUR 540.6 million and 2014: MUR 626.7 million) with a net fair value liability of MUR 0.96 million (2015: MUR 6.5 million and 2014: MUR 13.1 million). The hedge was more than 85% effective in hedging the fair value exposure to interest rates movements and as a result the carrying amount of the loans being hedged was adjusted by MUR 0.86 million, which was included in the *statement of profit or loss* at the same time that the fair value of the interest rate swap was included.

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont"d)

The Company	Up to 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Total
31 December 2016	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets							
Investment securities	9,944	606,514	489,882	855,503	295,419	1,689,035	3,946,297
Total assets	9,944	606,514	489,882	855,503	295,419	1,689,035	3,946,297
Liabilities							
Subordinated debts	1,500,000	2,334,958	-	-	-	-	3,834,958
Total liabilities	1,500,000	2,334,958	-	-	-	-	3,834,958
On balance sheet interest rate sensitivity gap	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	111,339
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	111,339
31 December 2015							
Total assets	36,940	515,382	718,858	1,190,377	1,162,455	2,272,338	5,896,350
Total liabilities	1,500,000	2,335,479	-	-	-	-	3,835,479
On balance sheet interest rate sensitivity gap	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	2,060,871
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	2,060,871
31 December 2014							
Total assets	179,369	-	164,867	915,772	2,340,030	315,716	3,915,754
Total liabilities	1,527,750	2,070,459	-	-	-	-	3,598,209
On balance sheet interest rate sensitivity gap	(1,348,381)	(2,070,459)	164,867	915,772	2,340,030	315,716	317,545
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,348,381)	(2,070,459)	164,867	915,772	2,340,030	315,716	317,545

Various scenarios are used to measure the effect of the changing interest rates on net interest income including the standardized approach of 200bp parallel shock over a 12-month period assuming a static balance sheet, as shown below.

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
(Decrease)/increase in profit	**(29,195)**	94,504	(236,437)

(ii) **Fair value hedges**

The Group

The Group establishes fair value hedge accounting relationships for interest rate risk on some of its fixed rate customer loans. At 31 December 2016, the aggregate notional principal of interest rate swaps designated as fair value hedges was **MUR 161.5 million** (2014: MUR 540.6 million and 2014: MUR 626.7 million) with a net fair value liability of **MUR 0.96 million** (2015: MUR 6.5 million and 2014: MUR 13.1 million). The hedge was more than 85% effective in hedging the fair value exposure to interest rates movements and as a result the carrying amount of the loans being hedged was adjusted by MUR 0.86 million, which was included in the *statement of profit or loss* at the same time that the fair value of the interest rate swap was included.

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40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(iii) Currency risk

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Group exercises strict control over its foreign currency exposures. The Group reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/overnight open exposures, stop loss and authorised currencies. These trading limits for Mauritius, Madagascar and Indian Operations are reviewed at least once annually by the Board / Board Risk Management Committee. The Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Market Risk Forum and to the Board Risk Management Committee.

The tables below show the carrying amounts of the monetary assets and liabilities, denominated in currencies other than the functional currency of each entity.

The Group	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2016	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
Cash and cash equivalents	2,198,638	783,225	3,740,874	27,534	346,905	7,097,176
Mandatory balances with Central Banks	304,105	66,069	194,093	-	-	564,267
Loans to and placements with banks	3,987,193	-	-	-	-	3,987,193
Trading assets	62,908	3,187	5,324	21,435	16,135	108,989
Loans and advances to non-bank customers	16,457,673	628	5,079,660	-	5,763	21,543,724
Investment securities	7,144,701	1,395,868	717,234	350,750	201,968	9,810,521
Other assets	86,339	5,516	37,278	466	55,193	184,792
Total monetary financial assets	30,241,557	2,254,493	9,774,463	400,185	625,964	43,296,662
LIABILITIES						
Deposits from banks	2,221,753	4,856	76,805	-	77	2,303,491
Deposits from customers	21,238,612	2,106,741	6,863,310	26	473,532	30,682,221
Other borrowed funds	3,313,271	-	1,108,050	-	-	4,421,321
Trading liabilities	54,159	2	8,622	33,091	31,669	127,543
Subordinated debts	2,373,338	-	-	-	-	2,373,338
Other liabilities	1,061,857	43,612	821,976	1,390	52,302	1,981,137
Total monetary financial liabilities	30,262,990	2,155,211	8,878,763	34,507	557,580	41,889,051
On balance sheet net position	(21,433)	99,282	895,700	365,678	68,384	1,407,611
Off balance sheet net position	3,247	134,314	(334,535)	(404,234)	(83,905)	(685,113)
Net currency position	(18,186)	233,596	561,165	(38,556)	(15,521)	722,498
31 December 2015						
Total monetary financial assets	24,976,369	2,026,384	7,893,073	76,795	734,707	35,707,328
Total monetary financial liabilities	25,645,864	2,702,236	8,324,281	3,450	656,784	37,332,615
On balance sheet net position	(669,495)	(675,852)	(431,208)	73,345	77,923	(1,625,287)
Off balance sheet net position	952,898	620,230	43,305	(67,961)	(125,273)	1,423,199
Net currency position	283,403	(55,622)	(387,903)	5,384	(47,350)	(202,088)
31 December 2014						
Total monetary financial assets	20,175,036	2,421,279	7,156,482	9,712	1,329,995	31,092,504
Total monetary financial liabilities	20,253,760	2,468,783	7,485,577	8,036	1,265,992	31,482,148
On balance sheet net position	(78,724)	(47,504)	(329,095)	1,676	64,003	(389,644)
Off balance sheet net position	(309,363)	42,818	176,469	98,782	(64,111)	(55,405)
Net currency position	(388,087)	(4,686)	(152,626)	100,458	(108)	(445,049)

The Company

The Company is exposed to currency risk only in USD in relation to investment securities (financial assets) amounting to **MUR 2,438 million** (2015: MUR 2,233 million and 2014: MUR 2,070 million) and subordinated debts (financial liabilities) amounting to **MUR 2,373 million** (2015: MUR 2,340 million and 2014: MUR 2,070 million).

40. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(iii) Currency risk (Cont'd)

Value-at-Risk Analysis

The Group uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, the Group uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. The Group calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, the group would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Group's VAR amounted to:

	The Group		
	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	170	207	242
Maximum for the year	5,170	2,771	4,046
Year - end	756	750	1,271

(iv) Equity price sentivity analysis

The Group is exposed to equity price risks arising from equity investments. Available-for-sale equity investments are held for strategic rather than for trading purposes and the Group does not actively trade in these investments. Changes in prices / valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the statement of profit or loss. Changes in prices of held-for-trading investments are reflected in the statement of profit or loss.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or statement of profit or loss as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

	The Group			The Company		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statement of comprehensive income	286,636	303,309	336,096	213,067	276,716	315,994
Statement of profit or loss	-	-	144	-	-	-
	286,636	303,309	336,240	213,067	276,716	315,994

e Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in the notes to the financial statements.

41. SEGMENT INFORMATION - THE GROUP

Accounting policy

Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance. The operating segments are the banking, the non-bank financial institution, the non-financial institutions and the other institutions segments. Only the banking segment is a reportable segment.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has only one reportable operating segment based on its business activities, which is the Banking segment. Its revenues mainly arise from advances to customers and banks, investment in gilt-edged securities and equity instruments, bank placements, services provided on deposit products, provision of card and other electronic channel services, trade finance facilities, trading activities and foreign currency operations.

The accounting policies of the operating segment are the same as those described in the notes to these financial statements.

(a) Information about the reportable segment profit, assets and liabilities

Information about the reportable segment and the reconciliation of the reportable segment information to Group total is shown below:

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2016						
Interest income from external customers	6,021,927	25	-	227,813	-	6,249,765
Non interest income from external customers	1,962,597	79,184	9,344	41,172	-	2,092,297
Revenue from external customers	7,984,524	79,209	9,344	268,985	-	8,342,062
Interest income from internal customers	285	(313)	-	-	28	-
Non interest income from internal customers	79	(16,287)	(900)	1	17,107	-
Revenue from other segments of the entity	364	(16,600)	(900)	1	17,135	-
Total gross revenue	7,984,888	62,609	8,444	268,986	17,135	8,342,062
Interest and fee and commission expense to external customers	(1,742,606)	(3,924)	-	(149,307)	-	(1,895,837)
Interest expense to internal customers	(313)	-	-	-	313	-
	(1,742,919)	(3,924)	-	(149,307)	313	(1,895,837)
Operating income	6,241,969	58,685	8,444	119,679	17,448	6,446,225
Depreciation and amortisation	(348,077)	(230)	(496)	(1,201)	-	(350,004)
Other non interest expenses	(2,292,698)	(53,648)	-	(51,835)	6,563	(2,391,618)
Net impairment loss on financial assets	(717,896)	997	-	-	-	(716,899)
Operating profit	2,883,298	5,804	7,948	66,643	24,011	2,987,704
Share of profit of associate	-	-	-	1,627	-	1,627
Profit before income tax	2,883,298	5,804	7,948	68,270	24,011	2,989,331
Tax expense	(658,493)	(4,957)	-	(16,979)	-	(680,429)
Profit for the year	2,224,805	847	7,948	51,291	24,011	2,308,902
Segment assets	81,992,771	31,449,757	1,737,106	31,716,074	-	146,895,708
Segment liabilities	118,782,870	81,980	353,426	3,872,732	-	123,091,008
Additions to tangible and intangible assets	1,753,673	507	-	-	-	1,754,180

41. SEGMENT INFORMATION - THE GROUP (CONT'D)

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2015						
Interest income from external customers	6,174,133	(37)	461	249,758	-	6,424,315
Non interest income from external customers	1,753,246	105,268	2,448	170,936	-	2,031,898
Revenue from external customers	7,927,379	105,231	2,909	420,694	-	8,456,213
Interest income from internal customers	-	261	-	-	(261)	-
Non interest income from internal customers	-	-	-	2,446,711	(2,446,711)	-
Revenue from other segments of the entity	-	261	-	2,446,711	(2,446,972)	-
Total gross revenue	7,927,379	105,492	2,909	2,867,405	(2,446,972)	8,456,213
Interest and fee and commission expense to external customers	(2,067,640)	(60)	-	(133,220)	-	(2,200,920)
Interest expense to internal customers	(261)	-	-	-	261	-
	(2,067,901)	(60)	-	(133,220)	261	(2,200,920)
Operating income	5,859,478	105,432	2,909	2,734,185	(2,446,711)	6,255,293
Depreciation and amortisation	(160,763)	(99)	(171)	(502)	-	(161,535)
Other non interest expenses	(2,013,004)	(60,231)	(1,330)	(39,396)	5,045	(2,108,916)
Net impairment loss on financial assets	(1,934,708)	(2,132)	-	-	-	(1,936,840)
Operating profit	1,751,003	42,970	1,408	2,694,287	(2,441,666)	2,048,002
Share of profit of associate	-	-	-	-	-	-
Profit before income tax	1,751,003	42,970	1,408	2,694,287	(2,441,666)	2,048,002
Tax expense	(419,866)	(3,740)	(434)	(16,408)	-	(440,448)
Profit for the year	1,331,137	39,230	974	2,677,879	(2,441,666)	1,607,554
Segment assets	142,759,951	157,976	468,690	48,265,255	(55,489,781)	136,162,091
Segment liabilities	110,333,804	22,223	1,221	3,882,019	(265,539)	113,973,728
Additions to tangible and intangible assets	1,346,809	564	-	-	-	1,347,373
31 December 2014						
Interest income from external customers	6,420,937	29	649	29,631	-	6,451,246
Non interest income from external customers	1,937,772	48,552	80,226	173,222	-	2,239,772
Revenue from external customers	8,358,709	48,581	80,875	202,853	-	8,691,018
Interest income from internal customers	-	2,394	-	-	(2,394)	-
Non interest income from internal customers	61,904	13,394	899	6,798,314	(6,874,511)	-
Revenue from other segments of the entity	61,904	15,788	899	6,798,314	(6,876,905)	-
Total gross revenue	8,420,613	64,369	81,774	7,001,167	(6,876,905)	8,691,018
Interest and fee and commission expense to external customers	(2,397,441)	(62)	-	(32,650)	-	(2,430,153)
Interest expense to internal customers	(2,394)	-	-	-	2,394	-
	(2,399,835)	(62)	-	(32,650)	2,394	(2,430,153)
Operating income	6,020,778	64,307	81,774	6,968,517	(6,874,511)	6,260,865
Depreciation and amortisation	(165,833)	(52)	(137)	-	-	(166,022)
Other non interest expenses	(2,940,252)	(39,605)	(2,493)	(5,474)	1,382	(2,986,442)
Net impairment loss on financial assets	(630,353)	-	-	(6,319,881)	6,319,881	(630,353)
Operating profit	2,284,340	24,650	79,144	643,162	(553,248)	2,478,048
Share of profit of associate	-	62,993	-	-	-	62,993
Profit before income tax	2,284,340	87,643	79,144	643,162	(553,248)	2,541,041
Tax expense	(668,705)	(3,969)	33	-	-	(672,641)
Profit for the year	1,615,635	83,674	79,177	643,162	(553,248)	1,868,400
Segment assets	149,154,985	119,702	500,326	31,526,336	(55,699,087)	125,602,262
Segment liabilities	99,995,945	8,590	134,633	3,607,128	(217,697)	103,528,599
Additions to tangible and intangible assets	1,638,365	86	-	-	-	1,638,451

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

41. SEGMENT INFORMATION - THE GROUP (CONT'D)

(b) Information about the reportable segment revenue from products and services

	Banking		
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	4,887,031	5,215,410	5,481,890
Loans to and placements with banks	107,161	57,937	59,662
Exchange income	361,723	524,861	402,994
Card income	416,821	387,837	306,757
Trade finance services	206,356	197,067	192,733
Deposit and other products /services	123,741	136,637	153,264
	6,102,833	6,519,749	6,597,300

(c) Information about revenue of the reportable segment by geographical areas

	Banking		
	Mauritius	Other countries	Total
	MUR' 000	MUR' 000	MUR' 000
31 December 2016			
Revenue from external customers	6,731,322	1,253,203	7,984,525
Tangible and intangible assets	6,116,697	423,412	6,540,109
31 December 2015			
Revenue from external customers	6,052,500	1,874,881	7,927,381
Tangible and intangible assets	4,796,104	363,205	5,159,309
31 December 2014			
Revenue from external customers	5,508,280	2,850,429	8,358,709
Tangible and intangible assets	3,723,646	248,938	3,972,584