SBM BANK (MAURITIUS) LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

CONTENTS:

Notes to the financial statements

The Board of Directors of SBM Bank (Mauritius) Ltd is appointed to act on behalf of its sole shareholder, SBM (Bank) Holdings Ltd. A professional management team is appointed to run the business of SBM Bank (Mauritius) Ltd (the 'Bank') under the oversight of the Board of Directors. The Board is directly accountable to the shareholder and each year the Bank holds an Annual Meeting at which the directors report to the shareholder on the performance of the Bank and its future plans and strategies. They also submit themselves for re-election as directors at the Annual Meeting, as laid out in the Constitution and the Code of Corporate Governance for Mauritius.

The Board of Directors' key purpose is to ensure the Bank's prosperity by collectively directing its affairs via delegated authority, whilst meeting the appropriate interests of its stakeholders. In addition to business and financial issues, the Board of Directors is also called upon to deal with the challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. The Board must ensure that appropriate internal controls and risk management processes are set in place for the proper running of the business.

The Risk Management Committee has the responsibility to set the risk strategy, advise the Board on risk issues and monitor the risk management processes. Amongst others, it sets and reviews policies for the management of risks particularly in the areas of credit, market, interest, liquidity, operational and technological risks including legal, reputational and strategic risks, ensuring that adequate procedures and limits as well as appropriate methodologies and systems are in place.

The Audit Committee critically reviews the financial and interim reports, prospectus and other financial circulars/ documents and is responsible, amongst others, for reviewing the systems of internal controls to ascertain their adequacy and effectiveness. It reviews and discusses any material weaknesses identified in controls and deficiencies in system, and if necessary, recommends additional procedures to enhance the system of internal controls.

An internal audit function, whose Head also reports directly to the Audit Committee, is in place to ensure that the Bank's operations are conducted according to the established practices by providing an independent and objective assurance, and by advising on best practices. The Audit Committee reviews reports from internal and external auditors and monitors relevant actions taken by management.

The Risk Management section contained in the Annual Report provides further details on the processes for risk management and internal controls.

The directors confirm, to the best of their knowledge and belief, that:

(i) an effective system of internal controls and robust risk management practices, including compliance, has been put in place to safeguard the assets and for the prevention and detection of fraud and other irregularities;

(ii) the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations in the foreseeable future;

(iii) the Financial Statements give a true and fair view of the state of affairs of the Bank for the year ended 31 December 2017 and have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Banking Act 2004, Companies Act 2001 and the Financial Reporting Act 2004 and applicable Bank of Mauritius (BOM) guidelines and those of other Central Banks, where the Bank has operations, and appropriate accounting policies. These were supported by reasonable and prudent judgments, and estimates have been used consistently;

(iv) they continuously review the implications of corporate governance best practices and are of the opinion that the Bank complies with the requirement of the Code of Corporate Governance for Mauritius in all material aspects or has explained non-compliance; and

(v) proper accounting records have been kept, in accordance with the requirements of the Companies Act 2001 and are free from misstatements.

The external auditors, Ernst & Young have independently given their opinion in their audit report as set out on pages 4 to 6.

Raj Dussoye	Ishwar Anoopum Gaya	Nayen Koomar Ballah
Chief Executive	Chairman, Audit Committee	Chairman, *G.O.S.K.*

22 March 2018

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

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

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

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

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

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

....	....	....
Raj Dussoye	Ishwar Anoopum Gaya	Nayen Koomar Ballah
Chief Executive	Chairman, Audit Committee	Chairman, *G.O.S.K.*

22 March 2018

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

Manuela Permal / Preshnee Ramchurn
Company Secretaries

22 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SBM Bank (Mauritius) Ltd (the "Bank") set out on pages 7 to 69 which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 SBM Bank (Mauritius) Ltd as at 31 December 2017, and of its financial performance and its 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 Bank in accordance with the International Ethics Standards Board for Accountants' 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.

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, Banking Act 2004 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibility, Report from the Company Secretary as required by the Companies Act 2001, Statement of Management's responsibility for financial reporting, Management Discussion and Analysis, Supplementary information as required by Bank of Mauritius and Corporate Governance Report but does not include the financial statements and our auditor's report thereon.

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

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Other matter

This report is made solely for the Bank's member in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's member 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 Bank and the Bank's member, for our audit work, for this report, or for the opinions we have formed.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Bank other than in our capacity as auditors, tax advisors 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 Bank as far as it appears from our examination of those records.

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

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

Financial Reporting Act 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: ......22 MAR 2018.......

	Notes	31 December 2017	31 December 2016	31 December 2015
		MUR' 000	MUR' 000	MUR' 000
ASSETS				
Cash and cash equivalents	5	15,620,778	9,423,941	8,978,486
Mandatory balances with Central Banks		8,712,062	6,945,570	6,894,736
Loans to and placements with banks	6	8,895,860	4,645,911	1,208,945
Derivative financial instruments	7	1,356,774	165,997	144,117
Loans and advances to non-bank customers	8	100,839,231	71,158,114	68,377,264
Investment securities	9	37,150,731	34,410,974	31,079,244
Equity investments	9	370	4,058	370
Property and equipment	10	2,631,782	2,750,051	2,779,766
Intangible assets	11	3,457,061	3,769,919	2,370,391
Deferred tax assets	17b	95,461	215,320	276,767
Other assets	12	923,892	600,752	865,953
Total assets		179,684,002	134,090,607	122,976,039
LIABILITIES				
Deposits from banks	14	739,926	2,711,364	798,636
Deposits from non-bank customers	15	141,695,769	108,302,387	103,577,789
Other borrowed funds	16	13,116,593	4,540,509	2,132,497
Derivative financial instruments	7	1,334,584	182,406	120,756
Current tax liabilities		105,869	358,908	371,242
Deferred tax liabilities	17b	170,905	-	-
Other liabilities	18	4,163,207	2,240,596	2,376,326
Total liabilities		161,326,853	118,336,170	109,377,246
SHAREHOLDERS' EQUITY				
Stated capital	19	310,000	310,000	310,000
Capital contribution	19	9,063,106	8,063,106	8,063,106
Retained earnings		7,855,520	6,193,747	3,940,391
Other reserves	37	1,128,523	1,187,584	1,285,296
Total equity		18,357,149	15,754,437	13,598,793
Total equity and liabilities		179,684,002	134,090,607	122,976,039

Approved by the Board of Directors and authorised for issue on 22 March 2018.

Raj Dussoye	Ishwar Anoopum Gaya	Nayen Koomar Ballah
Chief Executive	Chairman, Audit Committee	Chairman, G.O.S.K.

The notes on pages 12 to 69 form an integral part of these financial statements.

	Notes	31 December 2017	31 December 2016	31 December 2015
		MUR' 000	MUR' 000	MUR' 000
Interest income		6,649,890	5,937,265	6,069,197
Interest expense		(1,929,686)	(1,683,162)	(2,002,186)
Net interest income	25	4,720,204	4,254,103	4,067,011
Fee and commission income		1,023,061	996,119	971,051
Fee and commission expense		(24,621)	(23,367)	(27,330)
Net fee and commission income	26	998,440	972,752	943,721
Other income				
Profit arising from dealing in foreign currencies		455,673	498,180	458,080
Net gain/(loss) from financial instruments	28	516,538	(25,107)	(2,057)
Dividend income	27	-	-	14
Net gain on sale of securities		451,793	442,347	270,584
Other operating income		79	4,200	2,782
		1,424,083	919,620	729,403
Non-interest income		2,422,523	1,892,372	1,673,124
Operating income		7,142,727	6,146,475	5,740,135
Personnel expenses	29	(1,435,185)	(1,323,372)	(1,184,869)
Depreciation and amortisation		(648,027)	(345,840)	(158,991)
Other expenses	30	(900,380)	(898,960)	(769,582)
Non-interest expense		(2,983,592)	(2,568,172)	(2,113,442)
Profit before net impairment loss on financial assets		4,159,135	3,578,303	3,626,693
Net impairment loss on financial assets	31	(987,262)	(716,742)	(1,873,364)
Profit before income tax		3,171,873	2,861,561	1,753,329
Tax expense	17a	(560,580)	(652,949)	(408,801)
Profit for the year		2,611,293	2,208,612	1,344,528

The notes on pages 12 to 69 form an integral part of these financial statements.

	Notes	31 December 2017	31 December 2016	31 December 2015
		MUR' 000	MUR' 000	MUR' 000
Profit for the year		2,611,293	2,208,612	1,344,528
Other comprehensive (loss) / income :				
Items that will not be reclassified subsequently to profit or loss (net of deferred tax):				
Increase / (decrease) in revaluation of property		-	1,480	(2,680)
Adjustment to revaluation reserve on disposal of property		-	(190)	-
Underprovision of deferred tax assets on revaluation of property in prior years		-	(24,817)	-
Remeasurement of defined benefit pension plan	13 & 17(b)	(32,881)	1,599	(10,858)
		(32,881)	(21,928)	(13,538)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		(28,403)	(76,609)	221,053
Movement in fair value of available-for-sale investments		182,180	233,005	62,571
Fair value re-cycled on disposal of available-for-sale investments		(175,477)	(187,436)	(134,940)
		(21,700)	(31,040)	148,684
Total other comprehensive (loss) / income		(54,581)	(52,968)	135,146
Total comprehensive income for the year		2,556,712	2,155,644	1,479,674

The notes on pages 12 to 69 form an integral part of these financial statements.

	Notes	Stated capital	Capital contribution	Retained earnings	Statutory reserve	Available-for-sale reserve	Property revaluation reserve	Foreign currency translation reserve	Total equity
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2015		310,000	8,063,106	4,937,346	528,145	1,385	1,334,322	(680,085)	14,494,219
Profit for the year		-	-	1,344,528	-	-	-	-	1,344,528
Other comprehensive (loss)/income for the year		-	-	(10,858)	-	(72,369)	(2,680)	221,053	135,146
Total comprehensive income/(loss) for the year		-	-	1,333,670	-	(72,369)	(2,680)	221,053	1,479,674
Transfer to retained earnings		-	-	46,720	-	-	(46,720)	-	-
Transfer to statutory reserve		-	-	(2,245)	2,245	-	-	-	-
Dividend	20	-	-	(2,375,100)	-	-	-	-	(2,375,100)
At 31 December 2015		310,000	8,063,106	3,940,391	530,390	(70,984)	1,284,922	(459,032)	13,598,793
At 01 January 2016		310,000	8,063,106	3,940,391	530,390	(70,984)	1,284,922	(459,032)	13,598,793
Profit for the year		-	-	2,208,612	-	-	-	-	2,208,612
Other comprehensive income/(loss) for the year		-	-	1,599	-	45,569	(23,527)	(76,609)	(52,968)
Total comprehensive income/(loss) for the year		-	-	2,210,211	-	45,569	(23,527)	(76,609)	2,155,644
Transfer to retained earnings		-	-	43,145	-	-	(43,145)	-	-
At 31 December 2016		310,000	8,063,106	6,193,747	530,390	(25,415)	1,218,250	(535,641)	15,754,437
At 01 January 2017		310,000	8,063,106	6,193,747	530,390	(25,415)	1,218,250	(535,641)	15,754,437
Profit for the year		-	-	2,611,293	-	-	-	-	2,611,293
Other comprehensive (loss)/income for the year		-	-	(32,881)	-	6,703	-	(28,403)	(54,581)
Total comprehensive income/(loss) for the year		-	-	2,578,412	-	6,703	-	(28,403)	2,556,712
Capital contribution received during the year	19	-	1,000,000	-	-	-	-	-	1,000,000
Transfer to retained earnings		-	-	37,361	-	-	(37,361)	-	-
Dividend	20	-	-	(954,000)	-	-	-	-	(954,000)
At 31 December 2017		310,000	9,063,106	7,855,520	530,390	(18,712)	1,180,889	(564,044)	18,357,149

The notes on pages 12 to 69 form an integral part of these financial statements.

	Note	31 December 2017 MUR' 000	31 December 2016 MUR' 000	31 December 2015 MUR' 000
Net cash (used in) / from operating activities	32	(1,891,999)	(265,084)	7,547,259
Cash flows from / (used in) financing activities				
Increase / (decrease) in other borrowed funds		8,576,084	2,408,011	(2,980,508)
Capital contribution received during the year	19	1,000,000	-	-
Dividend paid on ordinary shares	20	(954,000)	-	(2,375,100)
Net cash from / (used in) financing activities		8,622,084	2,408,011	(5,355,608)
Cash flows used in investing activities				
Acquisition of property and equipment		(37,521)	(126,947)	(208,568)
Acquisition of intangible assets	11	(183,953)	(1,600,238)	(1,126,454)
Disposal of property and equipment		-	824	4,077
Net cash used in investing activities		(221,474)	(1,726,361)	(1,330,945)
Net change in cash and cash equivalents		6,508,610	416,566	860,706
Net foreign exchange difference		(311,773)	28,889	-
Cash and cash equivalents at start of year		9,423,941	8,978,486	8,117,780
Cash and cash equivalents at end of year		15,620,778	9,423,941	8,978,486

The notes on pages 12 to 69 form an integral part of these financial statements.

1. GENERAL INFORMATION

SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) ("the Bank") is a public company incorporated and domiciled in Mauritius. The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius. The Bank operates in the financial services sector, principally commercial banking.

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

In the current year, the Bank 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 2017.

Although these new standards and amendments were applied for the first time in 2017, they did not have a material impact on the financial statements of the Bank.

The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 12 Income Taxes – effective 01 January 2017

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 did not have a material impact on the financial statements.

Amendments to IAS 7 Statement of Cash Flows – effective 01 January 2017

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 were required 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). Amendments were made to the disclosures in the statement of cash flows.

Standards issued but not yet 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

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* and will be effective as from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments for the Bank. The Bank will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 *Financial Instruments: Disclosures*. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

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

Standards issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

Based on analysis performed, the impact of the new classification and measurement requirements under IFRS 9 will have significant impact on the financial statements of the Bank.

The Bank has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. The parallel run of IFRS 9 and IAS 39 impairment models started since September 2017 and it included model, process and output validation, testing, calibration and analysis.

The Bank has exercised the accounting policy choice to continue to apply the rules under IAS 39 hedge accounting until the project on accounting for macro hedging is completed, if not earlier. The Bank will however implement the revised hedge accounting disclosures required by the related amendments to IFRS 7 *Financial Instruments: Disclosures* for the year ending 31 December 2018.

Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise Expected Credit Losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts (these were covered by IAS 37*: Provisions, Contingent Liabilities and Contingent Assets*).

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss will be recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Bank will assess whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets.

Stage 3: Exposures which meet the definition of default. The Bank has aligned its definition of default with the guideline issued by the Bank of Mauritius on Credit Impairment Measurement and Income Recognition, which considers exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses will be recognized for these assets.

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

Standards issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

Impairment (Cont'd)

The revised impairment model is expected to have a material financial impact on the recognition of impairment losses going forward, as well as existing impairment provisions previously recognised in terms of the requirements of IAS 39. Impairment provisions are expected to increase from IAS 39 provisioning as a result of:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12 months expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between 3 to 12 months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The implementation of a default definition for exposures that are more than 90 days past due, as well as for certain indicators that an exposure or obligor is unlikely to pay.
- The inclusion of forecasted macroeconomic scenarios into the expected credit losses of a portfolio;
- The inclusion of expected credit losses on items that typically would not have been impaired under IAS 39, such as loan commitments.

The adoption of IFRS 9 at 01 January 2018, by applying the accounting policies and ECL measurement methodologies outlined above, is expected to result in the following movements:

	MUR'000
Increase in allowance for credit losses	300,000 to 330,000
Increase in deferred tax assets	51,000 to 56,100
Decrease in shareholder's equity	249,000 to 273,900

Classification and measurement

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) The business model within which financial assets are managed; and
2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss.

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

Standards issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

The accounting for financial liabilities is largely unchanged.

An assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for complex financial assets.

The initial application of the Bank's new classification and measurement policies on 1 January 2018 is not expected to result in any material changes to the measurement of the Bank's financial assets and financial liabilities.

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with a bank's risk management strategies and risk management objectives. The new rules would replace the current quantitative effectiveness test with a simpler version, and requires that an economic relationship exist between the hedged item and the hedging instrument. Under the new rules, voluntary hedge de-designations would not be allowed.

The Bank will continue to apply IAS 39 hedge accounting, although it will implement the amended IFRS 7 hedge accounting disclosure requirements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank plans to adopt the new standard on the required effective date using the full retrospective approach.

IFRS 15 will require change to the Bank's accounting policy in respect to "Accounting for loyalty programme". The Bank has assessed the impact of the new standard and there will be no significant effect when applied.

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

Standards issued but not yet effective (Cont'd)

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 of 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 01 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 Bank does not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement 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 for trading (HFT) 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:

a. Fair value of equity investments: Note 9 Investment securities
b. Fair value of other financial assets and liabilities: Note 36 Risk management, Part (a) fair values
c. Specific allowance for credit impairment: Note 8 (c) Allowance for credit impairment
d. Portfolio allowance for credit impairment: Note 8 (c) Allowance for credit impairment
e. Defined benefit pension plan: Note 13 Pension liability
f. Intangible assets: Note 11 Assessment of useful lives

4. ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank are as follows:

(a) Basis of preparation

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

4. ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

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 Bank takes into account the characteristics of the asset or liability if market participants would take into account those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these 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 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) and in compliance with the Companies Act 2001.

(c) 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 and other comprehensive income ('OCI') 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 profit or loss and 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) The assets and liabilities of the overseas branches denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date, as follows:

	31 December 2017	31 December 2016	31 December 2015
USD/MUR	**33.413**	35.902	35.91
INR/MUR	**0.5231**	0.5291	0.543

4. ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (Cont'd)

The average rates for the following years are:

	31 December 2017	31 December 2016	31 December 2015
USD/MUR	**34.46**	36.43	35.69
INR/MUR	**0.529**	0.545	0.559

The statement of profit or loss is translated into Mauritian Rupees at weighted average rates. Any differences arising on retranslation of the foreign operation are recognised in other comprehensive income and accumulated in equity. On disposal of a foreign entity, such translation differences are recognised in the statement of profit or loss as part of other operating income in the period in which the foreign entity is disposed of.

(d) 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.

(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 loans 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) 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 Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(g) 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 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 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.

4. ACCOUNTING POLICIES (CONT'D)

(g) Impairment of financial assets (Cont'd)

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 Available-for-sale reserve.

(h) Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by the Bank 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 the Bank 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 derecognised when the Bank's obligations are discharged, cancelled or they expire.

(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 Bank derecognises financial liabilities when, and only when, the Bank'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.

(i) Borrowing costs

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

(j) Provisions

Provisions are recognised when the Bank 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.

4. ACCOUNTING POLICIES (CONT'D)

(k) 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.

(l) 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.

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 purpose of the *statement of cash flows* , cash and cash equivalents comprise cash and balances with banks and central banks excluding mandatory balances with central banks, loans to and placements with banks having an original maturity of up to 3 months. Cash and cash equivalents are measured at amortised cost.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Cash in hand	1,804,128	1,706,637	1,893,360
Foreign currency notes and coins	294,863	287,812	263,108
Unrestricted balances with central banks [1]	1,286,638	-	1,336,727
Loans and placements with banks[2]	5,895,943	3,453,523	1,537,714
Balances with banks	6,339,206	3,975,969	3,947,577
	15,620,778	9,423,941	8,978,486

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

[2] The balances relate to loans 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. They are measured at amortised cost using the effective interest method, less any impairment.

	31 December 2017	31 December 2016	31 December 2015
Loans to and placements with banks:	MUR' 000	MUR' 000	MUR' 000
- in Mauritius	1,104,288	451,829	271,645
- outside Mauritius	7,791,572	4,194,082	937,300
	8,895,860	4,645,911	1,208,945
Remaining term to maturity			
Up to 3 months	1,438,472	179,715	377,467
Over 3 months and up to 6 months	403,974	1,903,777	152,568
Over 6 months and up to 12 months	1,910,982	71,457	678,910
Over 1 year and up to 2 years	3,150,402	1,078,904	-
Over 2 years and up to 5 years	1,992,030	1,052,470	-
Over 5 years	-	359,588	-
	8,895,860	4,645,911	1,208,945

7. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

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.

7. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Accounting policy (Cont'd)

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 s*tatement 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.

7. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	1,356,774	165,997	144,117
Liabilities			
Derivative liabilities	1,334,584	182,406	120,756

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

	Notional Principal Amount	-------------Fair Values------------- Assets	Liabilities	Net
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017				
Foreign exchange contracts*	33,999,244	268,858	(249,698)	19,160
Interest rate swap contracts	8,348,656	5,566	(5,426)	140
Cross currency swaps	1,747,584	1,220	(1,220)	-
Option contracts	67,643,651	1,081,130	(1,078,240)	2,890
	111,739,135	1,356,774	(1,334,584)	22,190
31 December 2016				
Foreign exchange contracts*	15,578,685	98,281	(85,388)	12,893
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
	20,399,347	165,997	(182,406)	(16,409)
31 December 2015				
Foreign exchange contracts*	14,583,179	85,826	(62,791)	23,035
Interest rate swap contracts	2,878,916	48,930	(48,604)	326
Other derivative contracts	496,200	9,361	(9,361)	-
	17,958,295	144,117	(120,756)	23,361

* Foreign exchange contracts include forward and spot contracts and swaps.

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 method, less any impairment. Interest income is recognised by applying the effective interest rate.

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

Accounting policy (Cont'd)

Loans and advances to non-bank customers are classified under loans and receivables and are measured at amortised cost, less allowance for credit impairment. In cases where, as part of the Bank'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 (Derivative financial instruments) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
1. Governments	2,458,655	-	1
2. Retail customers	31,990,963	28,099,055	28,097,412
2.1. Credit cards	559,351	539,910	529,939
2.2. Mortgages	19,834,763	17,315,922	17,271,142
2.3. Other retail loans	11,596,849	10,243,223	10,296,331
3. Corporate customers	38,364,068	37,012,499	33,935,970
4. Entities outside Mauritius (including offshore/ Global Business license holders)	31,446,393	10,098,489	9,755,334
	104,260,079	75,210,043	71,788,717
Less allowance for credit impairment	(3,420,848)	(4,051,929)	(3,411,453)
	100,839,231	71,158,114	68,377,264

a Remaining term to maturity

	31 December 2017	31 December 2016	31 December 2015
Up to 3 months	13,716,387	11,753,409	11,666,725
Over 3 months and up to 6 months	5,618,303	3,640,541	2,480,940
Over 6 months and up to 12 months	11,677,239	5,085,778	4,727,500
Over 1 year and up to 2 years	6,525,561	5,082,157	4,957,006
Over 2 years and up to 5 years	22,653,075	13,825,322	15,914,279
Over 5 years	44,069,514	35,822,836	32,042,267
	104,260,079	75,210,043	71,788,717

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 Bank'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 included in loans and advances to non-bank customers and the associated allowance for credit impairment are as follows:-

	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 2017				
Gross investment in finance leases	419,939	822,981	78,637	1,321,557
Less: Unearned finance income	(63,613)	(91,106)	(4,083)	(158,802)
Present value of minimum lease payments	356,326	731,875	74,554	1,162,755
Allowance for credit impairment				(38,373)
				1,124,382

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

b **Net investment in finance leases (Cont'd)**

	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 credit 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 credit impairment				(73,548)
				1,246,992

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.

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%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain 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 s*tatement of financial position* . Changes in the carrying amount of the allowance accounts are recognised in the s*tatement 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 "*Net impairment loss on financial assets"* in the s*tatement of profit or loss*.

Where possible, the Bank 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 effective interest rate (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 judgements

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 Bank's allowance for portfolio impairment is determined based on the guidelines of the Bank of Mauritius. The guidelines require the Bank 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 Bank. 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 Bank 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)

	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2015	803,511	827,594	1,631,105
Exchange difference	7,335	3,909	11,244
Loans written off	(114,363)	-	(114,363)
Allowance for credit impairment for the year (Note 31)	1,645,960	237,507	1,883,467
At 31 December 2015	2,342,443	1,069,010	3,411,453
At 01 January 2016	2,342,443	1,069,010	3,411,453
Exchange difference	(1,649)	(3,087)	(4,736)
Loans written off	(4,606)	-	(4,606)
Allowance for credit impairment for the year (Note 31)	688,972	(39,154)	649,818
At 31 December 2016	3,025,160	1,026,769	4,051,929
At 01 January 2017	3,025,160	1,026,769	4,051,929
Exchange difference	(10,212)	(1,148)	(11,360)
Loans written off	(1,749,383)	-	(1,749,383)
Allowance for credit impairment for the year *(Note 31)*	892,335	237,327	1,129,662
At 31 December 2017	2,157,900	1,262,948	3,420,848

d Allowance for credit impairment by industry sectors

	31 December 2017					31 December 2016	31 December 2015
	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	4,209,947	290	62	42,079	42,141	100,355	79,318
Manufacturing	6,087,198	1,551,283	1,075,376	76,220	1,151,596	386,369	130,078
of which EPZ	*1,013,525*	*23,207*	*1,014*	*42,529*	*43,543*	*38,542*	*19,282*
Tourism	11,203,631	9,961	3,136	212,286	215,422	202,253	235,894
Transport	1,320,433	12,731	9,042	13,079	22,121	497,186	412,170
Construction	6,737,120	233,420	105,574	122,203	227,777	235,842	238,764
Financial and business services	13,340,546	11,721	8,335	114,118	122,453	534,665	519,273
Traders	18,660,538	346,768	141,212	114,073	255,285	230,261	242,777
Personal	30,850,053	885,807	627,761	468,332	1,096,093	1,174,362	1,034,983
of which credit cards	*559,351*	*87,249*	*87,249*	*7,029*	*94,278*	*93,622*	*69,544*
Professional	1,756,708	89,674	89,674	16,283	105,957	2,086	1,762
Global Business Licence holders	2,438,163	65,498	-	15,918	15,918	5,354	5,055
Others	7,655,742	124,325	97,728	68,357	166,085	683,196	511,379
	104,260,079	3,331,478	2,157,900	1,262,948	3,420,848	4,051,929	3,411,453

Total impaired loans for 2016 for the Bank were MUR 4,911 million (2015: MUR 3,622 million).

9. INVESTMENT 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, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the *statement of 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.

Held for trading investments

Financial assets are classified in the FVTPL category when they are either held for trading or are designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the s*tatement of profit or loss* . Interest earned on the financial asset is included in *Interest income* line.

The fair values of the investment securities at FVTPL are determined based on quoted market prices in active markets.

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 s*tatement of profit or loss* . Other changes in the carrying amount of AFS investment securities are recognised in o*ther comprehensive in*come and accumulated under the heading of a*vailable-for-sale reserve* .

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the *available-for-sale reserve* is reclassified to the *statement of profit or loss* .

Dividends on AFS equity instruments are recognised in the *statement of profit or loss* when the Bank'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.

Loans and receivables

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

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 model, discounted cash flows and net assets value. 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 based on information available at the reporting date, which may be different from actual.

9. INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity

	31 December 2017										
	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 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Held-for-trading investment securities											
Government bonds and treasury notes	-	-	-	-	-	421,162	549,432	-	970,594	-	-
Treasury bills	89,504	134,508	378,805	341,005	-	-	-	-	943,822	-	-
Bank of Mauritius bills / bonds	153,826	450,043	65,295	1,278,275	-	-	-	-	1,947,439	-	-
Bank bonds	250,978	477,499	-	123,188	73,398	725,164	-	-	1,650,227	-	-
Corporate bonds	399,711	140,990	-	170,833	187,754	265,119	-	-	1,164,407	-	-
	894,019	1,203,040	444,100	1,913,301	261,152	1,411,445	549,432	-	6,676,489	-	-
(b) Loans and receivables - investment securities											
Government bonds and treasury notes	4,686	648,457	222,267	-	2,445,816	3,489,980	1,853,700	-	8,664,906	14,218,481	11,825,692
Treasury bills	1,917,379	2,268,326	197,252	49,086	-	-	-	-	4,432,043	3,242,761	1,925,990
Bank of Mauritius bills / notes	653,610	1,286,433	396,019	204,260	272,175	731,689	-	-	3,544,186	5,342,047	3,538,594
Corporate bonds	-	200,982	-	-	-	1,398,358	965,737	-	2,565,077	1,394,551	400,260
	2,575,675	4,404,198	815,538	253,346	2,717,991	5,620,027	2,819,437	-	19,206,212	24,197,840	17,690,536
(c) Available-for-sale investment securities											
Government bonds	60,168	100,268	202,574	49,923	1,437,042	1,125,876	463,178	-	3,439,029	970,159	1,295,323
Treasury bills / notes	647,666	228,759	567,543	146,530	-	-	-	-	1,590,498	178,414	162,908
Bank of Mauritius bills / bonds	184,085	297,444	125,587	342,903	-	75,390	-	-	1,025,409	-	96
Equity shares of companies:											
- Equity investments	-	-	-	-	-	-	-	370	370	4,058	370
Bank bonds	-	155,572	52,053	-	71,589	254,213	-	-	533,427	6,808,465	9,219,215
Corporate paper and preference shares	232,143	102,169	-	92,406	-	12,672	11,770	-	451,160	2,071,193	2,300,176
Corporate bonds	12,191	94,228	156,930	167,274	618,445	3,179,439	-	-	4,228,507	184,903	410,990
	1,136,253	978,440	1,104,687	799,036	2,127,076	4,647,590	474,948	370	11,268,400	10,217,192	13,389,078
Total investment securities	4,605,947	6,585,678	2,364,325	2,965,683	5,106,219	11,679,062	3,843,817	370	37,151,101	34,415,032	31,079,614

(d) Investment securities - loans and receivables

Analysed as follows:	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
- Investment securities	37,150,731	34,410,974	31,079,244
- Equity investments	370	4,058	370
	37,151,101	34,415,032	31,079,614

10. PROPERTY AND EQUIPMENT

Accounting policy

Property and equipment are stated at cost (except for freehold and leasehold 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 Bank's policy to revalue its freehold land and buildings and leasehold buildings at least every five years by independent valuers. Any revaluation surplus is credited to the P*roperty 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 s*tatement of profit or loss*) and the depreciation based on the asset's original cost is transferred from the *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 s*tatement 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.

	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
Cost or Valuation					
At 01 January 2015	930,918	1,571,647	1,611,789	18,321	4,132,675
Translation adjustment	12,657	-	2,455	98	15,210
Revaluation	(2,680)	-	-	-	(2,680)
Additions	15,029	-	188,788	-	203,817
Disposals	-	-	(22,762)	(12,445)	(35,207)
At 31 December 2015	955,924	1,571,647	1,780,270	5,974	4,313,815
Translation adjustment	(4,383)	-	(887)	(33)	(5,303)
Transfer	-	-	(3,282)	-	(3,282)
Additions	853	1,235	140,797	5,132	148,017
Disposals	(300)	-	-	-	(300)
Write off	-	-	(202,200)	-	(202,200)
At 31 December 2016	952,094	1,572,882	1,714,698	11,073	4,250,747
Translation adjustment	(1,892)	-	(385)	(14)	(2,291)
Additions	-	-	44,312	901	45,213
Write off	-	-	(58,748)	-	(58,748)
At 31 December 2017	950,202	1,572,882	1,699,877	11,960	4,234,921

10. PROPERTY AND EQUIPMENT (CONT'D)

	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 01 January 2015	25,623	17,321	1,421,210	11,361	1,475,515
Translation adjustment	1,650	-	1,848	90	3,588
Disposals	-	-	(22,734)	(10,331)	(33,065)
Charge for the year	15,769	51,949	79,832	2,988	150,538
At 31 December 2015	43,042	69,270	1,480,156	4,108	1,596,576
Translation adjustment	(778)	-	(949)	(29)	(1,756)
Transfer	-	-	(3,259)	-	(3,259)
Revaluation	(1,480)	-	-	-	(1,480)
Write off	-	-	(201,687)	-	(201,687)
Charge for the year	13,699	51,976	86,780	1,302	153,757
At 31 December 2016	**54,483**	**121,246**	**1,361,041**	**5,381**	**1,542,151**
Translation adjustment	**(370)**	**-**	**(408)**	**(22)**	**(800)**
Write off	**-**	**-**	**(58,687)**	**-**	**(58,687)**
Charge for the year	**14,314**	**51,996**	**86,082**	**1,846**	**154,238**
At 31 December 2017	**68,427**	**173,242**	**1,388,028**	**7,205**	**1,636,902**
Net book value					
At 31 December 2017	**881,775**	**1,399,640**	**311,849**	**4,755**	**2,598,019**
Progress payments on tangible fixed assets					**33,763**
					2,631,782
At 31 December 2016	897,611	1,451,636	353,657	5,692	2,708,596
Progress payments on tangible fixed assets					41,455
					2,750,051
At 31 December 2015	912,882	1,502,377	300,114	1,866	2,717,239
Progress payments on tangible fixed assets					62,527
					2,779,766

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

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

Valuation carried forward:	**31 December 2017**	31 December 2016	31 December 2015
Level 2 fair value	**MUR' 000**	MUR' 000	MUR' 000
Freehold land and buildings	**950,202**	952,094	955,924
Buildings on leasehold land	**1,572,882**	1,572,882	1,571,647
	2,523,084	2,524,976	2,527,571

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:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	**508,905**	515,142	543,381
Buildings on leasehold land	**374,232**	387,557	399,648
	883,137	902,699	943,029

10. PROPERTY AND EQUIPMENT (CONT'D)

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, 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. Management has used historical information relating to the Bank and the industry in which it operates in order to best determine the useful lives of intangible assets.

(a) Assets under construction

The Bank had 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 and are now being amortised over their useful lives.

(b) Intellectual property rights

The Bank entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to align 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 and are being amortised following the project going live in September 2016.

(c) WIP Software

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

	Software	WIP Software (Note c)	Intellectual Property (Note b)	Assets under construction (Note a)	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost					
At 01 January 2015	900,526	3,317	417,848	806,331	2,128,022
Translation adjustment	1,347	-	-	-	1,347
Additions	2,898	6,201	107,876	1,013,899	1,130,874
Transfers	-	(4,420)	-	-	(4,420)
At 31 December 2015	**904,771**	**5,098**	**525,724**	**1,820,230**	**3,255,823**
Translation adjustment	(478)	-	(5,197)	(37)	(5,712)
Additions	16,609	2,450	62,609	1,518,570	1,600,238
Write off	(129,829)	-	-	-	(129,829)
Transfers	3,341,410	257,712	(260,359)	(3,338,763)	-
At 31 December 2016	**4,132,483**	**265,260**	**322,777**	**-**	**4,720,520**
Translation adjustment	**(217)**	**(2,954)**	**-**	**-**	**(3,171)**
Additions	**50,532**	**133,420**	**-**	**-**	**183,953**
Transfers	**312,963**	**(312,963)**	**-**	**-**	**-**
At 31 December 2017	**4,495,761**	**82,763**	**322,777**	**-**	**4,901,301**

11. INTANGIBLE ASSETS (CONT'D)

	Software	WIP Software	Intellectual Property	Assets under construction	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accumulated amortisation					
At 01 January 2015	875,740	-	-	-	875,740
Translation adjustment	1,240	-	-	-	1,240
Charge for the year	8,452	-	-	-	8,452
At 31 December 2015	885,432	-	-	-	885,432
Translation adjustment	(343)	-	-	-	(343)
Write off	(129,830)	-	-	-	(129,830)
Transfers	3,259	-	-	-	3,259
Charge for the year	135,100	-	56,983	-	192,083
At 31 December 2016	893,618	-	56,983	-	950,601
Translation adjustment	(148)	-	-	-	(148)
Charge for the year	436,804	-	56,983	-	493,787
At 31 December 2017	1,330,274	-	113,966	-	1,444,240
Net book value					
At 31 December 2017	3,165,487	82,763	208,811	-	3,457,061
At 31 December 2016	3,238,865	265,260	265,794	-	3,769,919
At 31 December 2015	19,339	5,098	525,724	1,820,230	2,370,391

12. OTHER ASSETS

Accounting policy

Other assets 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.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	547,003	214,873	217,906
Balances due in clearing	56,083	38,166	186,151
Tax paid in advance[2]	75,708	106,085	98,162
Licence fees prepaid	-	-	271,160
Others[3]	245,098	241,628	92,574
	923,892	600,752	865,953

[1] Accounts receivable are generally receivable within three months.
[2] The tax paid in advance relates to the Indian Operations. The amount is shown net of current tax payable.
[3] Under 'others', repossessed assets have been included. It is the Bank's policy to dispose of such assets as rapidly as the Bank 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 Bank'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.

13. PENSION LIABILITY (CONT'D)

Accounting policy (Cont'd)

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 who joined after 31 December 2004 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. The defined contribution benefit replaced the defined benefit pension plan as from 01 January 2005. Employees who were initially in the defined benefit pension plan remained in the said plan.

(iii) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grades. 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 Bank issued to certain employees, phantom share options which are share appreciation rights that require the Bank 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 exercised during the year. There are no phantom share options outstanding.

Significant accounting estimates and judgements

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

	31 December 2017	31 December 2016	31 December 2015
Reconciliation of net defined benefit liability	MUR' 000	MUR' 000	MUR' 000
Present value of funded defined benefit obligation	1,035,648	912,437	871,757
Fair value of planned assets	(943,867)	(844,673)	(782,827)
Net liability arising from defined benefit obligation (Note 18)	91,781	67,764	88,930
Reconciliation of net defined benefit liability			
Balance at start of the year	67,764	88,930	75,573
Amount recognised in statement of profit or loss (Note 29)	26,422	30,030	33,201
Amount recognised in other comprehensive income	39,616	(1,881)	12,774
Less employer contributions	(42,021)	(49,315)	(32,618)
Balance at end of the year	91,781	67,764	88,930
Reconciliation of fair value of planned assets			
Balance at start of the year	844,673	782,827	761,332
Interest income	54,941	55,581	57,323
Employer contributions	42,021	49,315	32,618
Benefits paid	(40,867)	(26,551)	(24,989)
Return on planned assets excluding interest income	43,099	(16,499)	(43,457)
Balance at end of the year	943,867	844,673	782,827
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	912,437	871,757	836,905
Current service cost	23,362	25,502	28,895
Interest expense	58,001	60,109	61,779
Past service cost	-	-	(150)
Other benefits paid	(40,867)	(26,551)	(24,989)
Liability experience loss	-	84,856	-
Liability gain due to change in demographic assumptions	-	(103,306)	-
Liability loss / (gain) due to change in financial assumptions	82,715	70	(30,683)
Balance at end of the year	1,035,648	912,437	871,757
Components of amount recognised in statement of profit or loss			
Service cost	23,362	25,502	28,895
Past service cost	-	-	(150)
Net interest on net defined benefit liability	3,060	4,528	4,456
Total expense as above *(Note 29)*	26,422	30,030	33,201

13. PENSION LIABILITY (CONT'D)

	31 December 2017	31 December 2016	31 December 2015
Components of amount recognised in other comprehensive income	MUR' 000	MUR' 000	MUR' 000
Return on planned assets below interest income	(43,099)	16,499	43,457
Liability experience loss	-	84,856	-
Liability experience gain due to change in demographic assumptions	-	(103,306)	-
Liability experience loss / (gain) due to change in financial assumptions	82,715	70	(30,683)
Total	39,616	(1,881)	12,774

	31 December 2017	31 December 2016	31 December 2015
Allocation of planned assets at end of year	%	%	%
Equity - Overseas quoted	30	30	28
Equity - Local quoted	30	32	34
Equity - Local unquoted	7	-	3
Debt - Overseas quoted	-	3	1
Debt - Overseas unquoted	6	-	-
Debt - Local quoted	2	-	-
Debt - Local unquoted	21	23	23
Property - Local	-	1	-
Cash and other	4	11	11
Total	100	100	100
Allocation of planned assets at end of year			
Reporting entity's own transferable financial instruments	6.0%	6.0%	7.0%
Principal assumptions used at end of year			
Discount rate	5.5%	6.5%	7.0%
Rate of salary increases	4.0%	4.5%	5.0%
Rate of pension increases	1.0%	1.5%	2.0%
Average retirement age (ARA)			
Average life expentancy for:	65	65	62
- Male at ARA	15.9 years	15.9 years	18.0 years
- Female at ARA	20.0 years	20.0 years	22.5 years
Sensitivity Analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	187,452	158,457	183,941
Decrease due to 1% increase in discount rate	150,169	127,506	88,919

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 cashflows

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

The Bank expects to make a contribution of around MUR 67.46 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 12 February 2018 submitted by an independent firm of Actuaries and Consultants.

The Bank sponsors a final salary defined benefit pension plan for a category of its employees. The Bank has recognised a net defined benefit liability of MUR 91.78 million as at 31 December 2017 for the plan (31 December 2016: MUR 67.76 million).

The plan exposes the Bank 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 banks 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 derecognised when the Bank's obligations are discharged, cancelled or they expire.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	739,926	2,711,364	798,636

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 derecognised when the Bank's obligations are discharged, cancelled or they expire.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	16,416,802	10,452,176	13,616,483
Savings accounts	50,728,520	42,858,273	40,405,183
Time deposits with remaining term to maturity:			
Up to 3 months	1,667,654	1,339,913	1,366,017
Over 3 months and up to 6 months	2,285,051	770,196	1,254,137
Over 6 months and up to 12 months	6,037,766	2,452,510	3,485,729
Over 1 year and up to 5 years	3,223,918	4,416,910	5,679,182
Over 5 years	2,826	4,528	1,400
Total time deposits	13,217,215	8,984,057	11,786,465
Total deposits from retail customers	80,362,537	62,294,506	65,808,131
(ii) Corporate customers			
Current accounts	33,252,693	28,071,601	24,089,753
Savings accounts	4,287,772	6,492,061	3,294,850
Time deposits with remaining term to maturity:			
Up to 3 months	12,053,734	2,410,070	4,734,198
Over 3 months and up to 6 months	1,993,033	2,041,533	322,129
Over 6 months and up to 12 months	1,527,776	1,935,567	1,330,658
Over 1 year and up to 5 years	889,135	1,081,791	393,480
Over 5 years	-	359	-
Total time deposits	16,463,678	7,469,320	6,780,465
Total deposits from corporate customers	54,004,143	42,032,982	34,165,068
(iii) Government			
Current accounts	3,027,269	1,895,307	1,747,833
Savings accounts	2,908,506	2,078,167	1,853,931
Time deposits with remaining term to maturity:			
Up to 3 months	22,397	-	112
Over 3 months and up to 6 months	1,357,224	400	406
Over 6 months and up to 12 months	12,961	925	2,242
Over 1 year and up to 5 years	732	100	66
Total time deposits	1,393,314	1,425	2,826
Total deposits from the government	7,329,089	3,974,899	3,604,590
Total deposits from non-bank customers	141,695,769	108,302,387	103,577,789

16. OTHER BORROWED FUNDS

Accounting policy

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.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	104,190	147,921	203,758
Other financial institutions			
- For refinancing	4,546,840	687,074	1,885,189
Borrowings from banks			
- In Mauritius	4,198,169	1,537,781	43,550
- Abroad	4,267,394	2,167,733	-
	13,116,593	4,540,509	2,132,497
Remaining term to maturity			
Up to 3 months	5,537,753	2,273,183	-
Over 3 months and up to 6 months	2,515,486	-	-
Over 6 months and up to 12 months	389,290	211,169	43,550
Over 1 year and up to 5 years	3,979,498	585,067	759,518
Over 5 years	694,566	1,471,090	1,329,429
	13,116,593	4,540,509	2,132,497

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. As from July 2017, following amendments to the Finance Act 2017, the Bank will now be required as from 01 January 2017 to 31 December 2018 to remit to the Director General at least 50% of the CSR contribution. After 01 January 2019, the Bank will be required to remit to the Director General at least 75% of the CSR contribution. 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% (2016 and 2015: 15%). An additional charge is applicable in respect of Corporate Social Responsibility and Special Levy on Banks as mentioned above in the accounting policy. The applicable tax rate for India is 43.26% (2016 and 2015: 43.26%). A deemed tax credit of 80% is applicable for segment B income.

17a. TAX EXPENSE

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Profit before tax	3,171,873	2,861,561	1,753,329
Tax on accounting profit at 15%	475,781	429,234	262,999
Non-allowable expenses	200,317	630	18,627
Exempt income	(39,062)	(34,001)	(24,179)
Over provision in previous years	(66,445)	(5,004)	(56,619)
Special levy on banks	142,325	235,544	219,589
Corporate Social Responsibility contribution	37,811	77,002	50,002
	750,727	703,405	470,419
Tax paid/(refund)	11,608	-	(10,837)
Foreign tax credit	(201,755)	(50,456)	(50,781)
Total tax expense	560,580	652,949	408,801
The total tax expense can also be analysed as being incurred as follows:			
Income tax expense	226,134	544,629	450,308
Deferred tax charge/(income) (*Note 17b*)	296,635	31,318	(91,509)
Corporate Social Responsibility contribution	37,811	77,002	50,002
Total tax expense	560,580	652,949	408,801
- In Mauritius	494,135	632,160	423,290
- Overseas	66,445	20,789	(14,489)
Total tax expense	560,580	652,949	408,801

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

	MUR' 000
At 01 January 2015	(171,433)
Exchange difference	(11,909)
Deferred tax income *(Note 17a)*	(91,509)
Deferred tax on retirement benefit obligations	(1,916)
At 31 December 2015	(276,767)
At 01 January 2016	(276,767)
Exchange difference	5,030
Deferred tax income *(Note 17a)*	31,318
Deferred tax on retirement benefit obligations	282
Underprovision of deferred tax liability in prior years	24,817
At 31 December 2016	(215,320)
At 01 January 2017	(215,320)
Exchange difference	864
Deferred tax charge *(Note 17a)*	296,635
Deferred tax on retirement benefit obligations	(6,735)
At 31 December 2017	75,444

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

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	(95,461)	(215,320)	(276,767)
Deferred tax liabilities	170,905	-	-
	75,444	(215,320)	(276,767)
Analysed as follows:			
Mauritius Operations	170,905	(52,550)	(88,180)
Indian Operations	(95,461)	(162,770)	(188,587)
	75,444	(215,320)	(276,767)
Analysed as resulting from:			
Accelerated capital allowances	420,080	134,439	51,002
Allowances for credit impairment	(438,390)	(433,455)	(373,149)
Carried forward losses	(137,810)	(139,391)	(137,126)
Revaluation of property	253,118	241,813	229,448
Other provisions	(21,554)	(18,726)	(46,942)
	75,444	(215,320)	(276,767)

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.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Bills payable	171,969	130,464	102,253
Accruals for expenses	352,180	331,740	320,822
Accounts payable	728,973	837,925	486,492
Deferred income	322,876	268,120	227,893
Balance due in clearing	2,110	1,587	147,450
Balances in transit	413,460	52	106,336
Pension liability *(Note 13)*	91,781	67,764	88,930
Others	2,079,858	602,944	896,150
	4,163,207	2,240,596	2,376,326

19. 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 Bank 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.

Issued and paid up share capital	Number	MUR' 000
At 31 December 2015, 2016 and 2017	31,000,000,000	310,000

Capital Contribution	
At 01 January 2017	8,063,106
Capital contribution received during the year	1,000,000
At 31 December 2017	9,063,106
At 31 December 2015 and 2016	8,063,106

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

19. STATED CAPITAL (CONT'D)

The capital contribution refers to additional capital over and above the actual stated capital. It is fully paid up, unsecured, interest free and is perpetual with no maturity date. The shareholder shall not demand, sue for or receive payment of the whole or any part of the capital contribution or claim any set-off which would result in the principal amount of the capital contribution outstanding to be reduced. The Bank reserves the right to issue ordinary shares against the amount of capital contribution at any time at prevailing market rates.

20. 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*.

	--------Dividend payable-------		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Dividend declared during the year:			
2017: 3.08 cents and 2015: 7.7 cents per share of nominal 1 cent	954,000	-	2,375,100
Less dividend paid (2017: 3.08 cents; and 2015: 7.7 cents per share)	(954,000)	-	(2,375,100)
Dividend payable	-	-	-
Dividend declared after the reporting date:			
2017: 1.13 cents & 2016: 0.65 cents per share of nominal 1 cent	350,300	201,500	-

21. 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 the Bank; 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**

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	768,827	138,697	206,639
Guarantees on account of customers	7,443,126	4,598,267	4,543,260
Letters of credit and other obligations on account of customers	1,975,267	1,195,338	775,455
Other contingent items	-	-	945
	10,187,220	5,932,302	5,526,299
b **Commitments**			
Undrawn credit facilities	14,238,833	6,787,125	7,472,081
c **Other**			
Inward bills held for collection	183,979	174,811	251,025
Outward bills sent for collection	1,920,084	2,075,466	1,525,909
	2,104,063	2,250,277	1,776,934
Total	26,530,116	14,969,704	14,775,314

The Bank is subject to various legal claims from former employees and customers with claims totallying MUR 132.3 million (2016: MUR 53.2 million). The Bank has not made any provision for those claims on the basis that it is not probable that these actions will succeed.

22. ASSETS PLEDGED

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

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Treasury bills / Government bonds	2,077,648	549,811	2,000,000
Other	52,909	-	-
	2,130,557	549,811	2,000,000
Analysed as:			
- In Mauritius	1,694,900	400,000	2,000,000
- Overseas	435,657	149,811	-
	2,130,557	549,811	2,000,000

23. CAPITAL COMMITMENTS

	31 December 2017	31 December 2016	31 December 2015
Approved and contracted for	58,934	39,752	2,155,594
Approved and not contracted for	64,757	138	7,078

24. OPERATING LEASE

Accounting policy

Rentals payable under operating leases are charged to the s*tatement 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.

	31 December 2017	31 December 2016	31 December 2015
Leasing arrangements - The Bank as lessee	MUR' 000	MUR' 000	MUR' 000
Operating lease expense	50,465	59,233	41,609

Operating lease payments represent rentals payable for property, equipment and motor vehicles for the entire contract period. Operating lease contracts contain renewal clauses in the event that the Bank exercises its option to renew the contracts. The Bank 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:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Up to 1 year	36,867	35,576	93,022
After 1 year and before 5 years	49,481	55,909	120,952
After 5 years and up to 25 years	42,063	30,363	30,271
	128,411	121,848	244,245

25. NET INTEREST INCOME

Accounting policy

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

For all financial instruments measured at amortised cost and interest-earning financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, 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 Bank 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 Bank 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.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Interest income			
Cash and cash equivalents	129,908	53,166	40,798
Loans to and placements with banks	145,540	53,496	25,393
Loans and advances to non-bank customers	5,159,670	4,588,572	4,911,832
Investment securities	1,253,572	1,287,246	1,127,372
Trading assets	(44,812)	(46,590)	(38,661)
Other	6,012	1,375	2,463
Total interest income	6,649,890	5,937,265	6,069,197

25. NET INTEREST INCOME (CONT'D)

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Interest expense			
Deposits from customers	(1,805,235)	(1,650,631)	(1,915,572)
Other borrowed funds	(109,043)	(31,146)	(86,614)
Other	(15,408)	(1,385)	-
Total interest expense	(1,929,686)	(1,683,162)	(2,002,186)
Net interest income	4,720,204	4,254,103	4,067,011

26. NET FEE AND COMMISSION INCOME

Accounting policy

The Bank 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.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Fee and commission income			
Retail banking customer fees	336,007	304,724	340,651
Corporate banking customer fees	373,531	261,854	232,735
Card income	313,523	429,541	397,665
Total fee and commission income	1,023,061	996,119	971,051
Fee and commission expense			
Interbank transaction fees	(14,099)	(17,688)	(17,545)
Other	(10,522)	(5,679)	(9,785)
Total fee and commission expense	(24,621)	(23,367)	(27,330)
Net fee and commission income	998,440	972,752	943,721

27. DIVIDEND INCOME

Accounting policy

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

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Available-for-sale securities	-	-	14
	-	-	14

28. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS

Accounting policy

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

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Net gain/(loss) from trading instruments	519,417	(25,120)	(1,951)
Investment securities at fair value through profit or loss	(2,506)	(5)	(125)
Other	(373)	18	19
	516,538	(25,107)	(2,057)

29. PERSONNEL EXPENSES

Accounting policy

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 Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank 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.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Wages and salaries	1,104,915	990,950	843,826
Other social security obligations	17,723	16,177	13,494
Contributions to defined contribution plans	94,102	74,957	66,197
Cash-settled share-based payments	-	580	2,542
Increase in liability for defined benefit plans (*Note 13*)	26,422	30,030	33,201
Staff welfare cost	18,072	14,316	15,641
Management and professional charges	8,499	17,895	36,581
Other*	165,452	178,467	173,387
	1,435,185	1,323,372	1,184,869

** Includes mainly travelling expenses, security expenses, cleaning expenses, training and mileage costs.*

30. OTHER EXPENSES

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	461,057	494,988	356,690
Auditors' remuneration (audit and other services):			
-Principal auditors	8,666	8,535	6,202
-Other auditors	-	-	173
Utilities	55,171	52,658	54,897
Professional charges	37,671	58,021	126,772
Marketing costs	69,703	43,702	44,550
Rent, repairs and maintenance	80,739	90,160	87,978
Licence and other registration fees	22,124	17,643	20,547
Other*	165,249	133,253	71,773
	900,380	898,960	769,582

** Includes mainly printing, stationery, subscription and other operational costs.*

31. 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 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 o*ther comprehensive income* are reclassified to the s*tatement 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 o*ther comprehensive income* and accumulated under the *available-for-sale reserve* .

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Portfolio and specific provisions:			
- On-balance sheet advances *(Note 8c)*	1,129,662	649,818	1,883,467
Bad debts written off for which no provisions were made	-	70,029	1,347
Recoveries of advances written off	(142,400)	(3,169)	(6,593)
Other	-	64	(4,857)
	987,262	716,742	1,873,364
Of which:			
Credit exposure	987,262	716,678	1,878,221
Other financial assets	-	64	(4,857)
	987,262	716,742	1,873,364

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

	31 December 2017	31 December 2016	31 December 2015
Cash flows from operating activities	MUR' 000	MUR' 000	MUR' 000
Profit for the year	2,611,293	2,208,612	1,344,528
Adjustments to determine net cash flows:			
Depreciation of property and equipment	154,238	153,757	150,538
Amortisation of intangible assets	493,787	192,083	8,452
Pension expense	26,422	30,030	33,201
Net impairment loss on financial assets	987,262	716,742	1,873,364
Exchange difference	280,049	(89,703)	210,376
Net (gain) / loss from dealings in trading securities	(30,726)	25,486	1,330
Impairment of equity investments	3,413	-	-
Net gain on disposal of property and equipment	(79)	(503)	(1,963)
Tax expense	560,580	652,949	408,801
Dividend income	-	-	(14)
Operating profit before working capital changes	5,086,239	3,889,453	4,028,613
Change in operating assets and liabilities			
(Increase) / decrease in derivative financial assets	(1,160,051)	(47,365)	59,691
Increase in loans to and placements with banks	(4,249,949)	(3,436,966)	(506,812)
Increase in loans and advances to non-bank customers	(30,658,733)	(3,492,897)	(3,310,277)
Increase in gilt-edged investment securities	(5,412,419)	(5,373,200)	(681,585)
Decrease / (increase) in other investment securities	2,679,365	2,087,039	(4,853,294)
Increase in mandatory balances with central banks	(1,766,492)	(50,834)	(560,994)
(Increase) / decrease in other assets	(365,691)	232,933	192,419
(Decrease) / increase in deposits from banks	(1,971,438)	1,912,728	178,302
Increase in deposits from non-bank customers	33,393,382	4,724,598	13,035,356
Increase / (decrease) in derivative financial liabilities	1,152,178	61,650	(25,792)
Increase / (decrease) in other liabilities	1,898,594	(114,564)	216,626
Other dividend received	-	-	14
Income tax paid	(516,984)	(657,659)	(225,008)
Net cash (used in) / from operating activities	(1,891,999)	(265,084)	7,547,259

33. CAPITAL MANAGEMENT

The Bank 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 Bank are disclosed in the *statement of changes in equity*.

The Bank has 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.

The Bank has also met its respective minimum capital adequacy ratio requirements. Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India the minimum ratio is set at 9%.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	13,623,736	10,550,945	9,666,712
Eligible capital base	15,418,085	12,119,233	11,184,196
Risk weighted assets	112,111,396	81,606,009	75,141,544
Capital adequacy ratio (%)	13.75	14.85	14.88

34. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard SBM Holdings Ltd, a company incorporated in Mauritius as its ultimate holding company and SBM (Bank) Holdings Ltd, a company incorporated in Mauritius as its immediate holding company. SBM Holdings Ltd is a public company, domiciled in Mauritius and listed on the Stock Exchange of Mauritius. The address of the registered office of both SBM Holdings Ltd and SBM (Bank) Holdings is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

35. RELATED PARTY DISCLOSURES

Accounting policy

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

		Key management personnel including directors			Associates and other entities in which the Group has significant influence			Immediate holding company and entities under common control			Entities in which directors, key management personnel and their close family members have significant influence		
		31 Dec 2017	31 Dec 2016	31 Dec 2015	**31 Dec 2017**	31 Dec 2016	31 Dec 2015	**31 Dec 2017**	31 Dec 2016	31 Dec 2015	**31 Dec 2017**	31 Dec 2016	31 Dec 2015
		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	**100,297**	30,901	20,279	**-**	-	-	**-**	-	-	**1,320,812**	194,906	224,882
	Loans of directors / entities who ceased to be related parties during the year	**(3,799)**	(7,961)	(7,492)	**-**	-	-	**-**	-	-	**-**	(194,906)	(98,305)
	Existing loans of new related parties	**-**	9,256	448	**2,868,421**	-	-	**3,205**	-	-	**4,101,901**	63,701	-
	Other net movements	**74,445**	68,101	17,666	**-**	-	-	**-**	-	-	**27,692**	1,257,111	68,329
	Balance at end of year	**170,943**	100,297	30,901	**2,868,421**	-	-	**3,205**	-	-	**5,450,405**	1,320,812	194,906
(ii)	*Off-balance sheet obligations*												
	Balance at end of year	**100**	100	-	**768,315**	-	-	**12,000**	-	-	**50,600**	23,414	-
(b)	Deposits at end of year	**154,318**	99,057	109,831	**2,142,657**	546,792	323,732	**284,721**	250,952	352,740	**3,948,271**	59,247	36,250
(c)	Interest income	**8,054**	3,493	1,616	**54,306**	-	-	**83,239**	404	15	**260,205**	49,020	13,862
(d)	Interest expense	**1,251**	644	1,336	**27,239**	498	3,405	**2,126**	2,976	3,831	**11,345**	-	89
(e)	Other income	**36**	225	127	**13,828**	1,803	9,018	**1**	2,011	2,752	**44,384**	6,430	1,943
(f)	Purchase of goods and services	**9,264**	6,143	433	**-**	-	-	**-**	-	-	**-**	-	-
(g)	Emoluments	**31,749**	34,566	108,632	**-**	-	-	**-**	-	-	**-**	-	-
(h)	Dividends paid	**-**	-	-	**-**	-	-	**954,000**	-	2,375,100	**-**	-	-

Short term benefits amounted to MUR 31.75 million at the reporting date (2016: MUR 34.57 million and 2015: MUR 108.63 million) and long term benefits was nil at the reporting date (2016 and 2015: nil).

35. RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions in relation to Post Employment Benefit plans are as follows:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	63,809	148,576	136,606
Interest expense	-	250	782
Other income	-	213	463
Contributions paid	100,591	88,052	84,017
Transactions of the Bank with the ultimate holding company and the subsidiaries within the Group are disclosed below:			
Non-interest expense	900	900	900
Transfer / disposal of investment securities	-	-	2,335,207

Credit facilities to key management personnel and executive directors are as per their contract of employment. All other transactions with key management personnel and directors, whether credit facilities, deposits or purchase of goods and services, are at market terms and conditions and will be settled in cash. 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.

36. 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 Bank 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 Bank is exposed include credit risk, liquidity risk, market risk, operational risk, strategic risk and reputational risk.

a (i) Categories of financial assets and liabilities

	31 December 2017	31 December 2016	31 December 2015
Financial assets	**MUR' 000**	MUR' 000	MUR' 000
Loans and receivables*	**153,950,460**	116,751,433	103,560,955
Held-for-trading (Note 9(a))	**6,676,489**	-	-
Available-for-sale (Note 9 (b))	**11,268,398**	10,217,192	13,389,078
Fair value through profit or loss (Note 7)	**1,356,774**	165,997	144,117
	173,252,123	127,134,622	117,094,150
Financial liabilities			
Measured at amortised cost	**157,497,195**	117,689,000	108,769,054
Fair value through profit or loss (Note 7)	**1,334,584**	182,406	120,756
	158,831,779	117,871,406	108,889,810

* Include cash and cash equivalents, mandatory balances with central banks, loans to and placements with banks, loans and advances to non-bank customers, investments securities and other assets classified as loans and receivables.

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 2017		31 December 2016		31 December 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	**15,620,778**	**15,620,778**	9,423,941	9,423,941	8,978,486	8,978,486
Mandatory balances with central banks	**8,712,062**	**8,712,062**	6,945,570	6,945,570	6,894,736	6,894,736
Loans to and placements with banks	**8,895,860**	**8,895,860**	4,645,911	4,645,911	1,208,945	1,208,945
Derivative financial instruments	**1,356,774**	**1,356,774**	165,997	165,997	144,117	144,117
Loans and advances to non-bank customers	**100,839,231**	**100,768,119**	71,158,114	71,605,501	68,377,264	68,305,190
Investment securities	**37,150,731**	**39,582,150**	34,410,974	34,264,654	31,079,244	30,801,570
Equity investments	**370**	**370**	4,058	4,058	370	370
Other assets	**676,317**	**676,317**	380,057	380,057	410,988	410,988
	173,252,123	175,612,430	127,134,622	127,435,689	117,094,150	116,744,402
Financial liabilities						
Deposits from banks	**739,926**	**739,926**	2,711,364	2,711,364	798,636	798,636
Deposits from non-bank customers	**141,695,769**	**141,700,386**	108,302,387	108,308,034	103,577,789	103,632,974
Other borrowed funds	**13,116,593**	**13,116,593**	4,540,509	4,540,509	2,132,497	2,132,497
Derivative financial instruments	**1,334,584**	**1,334,584**	182,406	182,406	120,756	120,756
Other liabilities	**1,944,907**	**1,944,907**	2,134,740	2,134,740	2,260,132	2,260,132
	158,831,779	**158,836,396**	117,871,406	117,877,053	108,889,810	108,944,995

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 Bank of Mauritius 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 36 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised 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.

36. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy

Significant accounting estimates and judgments

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.

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.

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.

	Level 1	Level 2	Level 3	Total
31 December 2017	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Derivative assets	-	1,356,774	-	1,356,774
Loans and advances at fair value	-	-	39,201	39,201
Investment securities - available-for-sale	7,035,681	3,439,029	793,690	11,268,400
Investment securities - held-for-trading	5,705,895	970,594	-	6,676,489
	12,741,576	5,766,397	832,891	19,340,864
Derivative liabilities	-	1,334,584	-	1,334,584
31 December 2016				
Derivative assets	-	165,997	-	165,997
Loans and advances at fair value	-	-	856	856
Investment securities - available-for-sale	8,141,942	-	2,075,251	10,217,193
	8,141,942	165,997	2,076,107	10,384,046
Derivative liabilities	-	182,406	-	182,406
31 December 2015				
Derivative assets	-	144,117	-	144,117
Loans and advances at fair value	-	-	5,438	5,438
Investment securities - available-for-sale	11,088,532	-	2,300,546	13,389,078
	11,088,532	144,117	2,305,984	13,538,633
Derivative liabilities	-	120,756	-	120,756

Loans and advances at fair value relate to the fair value of hedged assets (Note 36(d)(ii)).

Except for the equity investment of MUR 0.37 million as disclosed in note 9, the level 3 available-for-sale investment securities are carried at cost due to absence of market and track records for such similar instruments.

Reconciliation for Level 3 fair value measurements:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	2,076,107	2,305,984	1,236,705
Additions	39,093	3,688	1,077,400
Disposals	(1,277,873)	(231,911)	-
Impairment	(3,688)	-	-
Movement in fair value	(748)	(1,654)	(8,121)
Balance at end of year	832,891	2,076,107	2,305,984

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

36. RISK MANAGEMENT (CONT'D)

b Credit risk

The Bank 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 Bank'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 Bank 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:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Fund-based exposures:			
Cash and cash equivalents	13,521,787	7,429,491	6,822,018
Mandatory balances with central banks	8,712,062	6,945,570	6,894,736
Loans to and placements with banks	8,895,860	4,645,911	1,208,945
Derivative financial instruments	1,356,774	165,997	144,117
Loans and advances to non-bank customers	104,260,079	74,698,412	70,533,003
Investment securities including equity investments	37,151,101	34,410,974	31,079,244
Other assets	676,317	380,057	410,988
	174,573,980	128,676,412	117,093,051
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	12,291,283	8,182,579	7,303,233
Credit commitments	14,238,833	6,787,125	7,472,081
	26,530,116	14,969,704	14,775,314

(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 Bank's credit grading system is given below:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - Strong	53,443,458	30,689,604	39,694,942
4 to 6 - Satisfactory	36,472,979	32,521,214	24,821,639
7 to 10 (including unrated) - weak	33,344,743	17,722,958	14,735,322
	123,261,180	80,933,776	79,251,903

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 4,082.77 million** (2016: MUR 2,952.1 million and 2015: MUR 5,548.1 million) for the Bank.

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.

36. 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 Bank 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:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	458,128	108,109	149,022
Over 1 month and up to 3 months	96,517	121,561	119,235
	554,645	229,670	268,257

(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:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8d)	3,331,478	4,911,294	3,621,971
Specific allowance held in respect of impaired advances (Note 8d)	2,157,900	3,025,160	2,342,443
Fair value of collaterals of impaired advances	3,137,676	1,715,886	1,227,730

(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 Bank to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Portfolio			
Agriculture	2,478,382	2,509,798	2,695,992
Building Contractors	1,339,133	-	2,039,169
Commerce- Wholesale	5,737,095	4,292,431	3,287,651
Manufacturing Non Textiles	6,824,441	-	-
Manufacturing Textiles	-	-	1,809,589
Real Estate	5,396,668	2,850,895	3,066,204
Services	4,666,734	-	-
Tourism	7,937,415	4,839,141	5,622,342
	34,379,868	14,492,265	18,520,947

36. 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 Bank 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 Bank, slotted as per the rules defined by the Bank of Mauritius.

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non Maturity	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017								
Financial Assets								
Cash and cash equivalents	15,617,137	-	3,641	-	-	-	-	15,620,778
Mandatory balances with central banks	722,018	460,563	341,585	382,030	229,542	6,576,324	-	8,712,062
Loans to and placements with banks	1,262,067	170,400	421,797	1,919,980	4,787,486	334,130	-	8,895,860
Derivative financial instruments	-	-	-	-	-	-	1,356,774	1,356,774
Loans and advances to non-bank customers	8,823,609	13,242,178	7,449,780	7,861,906	21,799,715	42,281,274	(619,231)	100,839,231
Investment securities	5,534,858	3,675,260	5,130,547	3,279,502	8,290,520	11,240,044	-	37,150,731
Equity investments	-	-	-	-	-	-	370	370
Other assets	676,317	-	-	-	-	-	-	676,317
	32,636,006	17,548,401	13,347,350	13,443,418	35,107,263	60,431,772	737,913	173,252,123
Financial liabilities								
Deposits from banks	739,926	-	-	-	-	-	-	739,926
Deposits from non-bank customers	12,369,821	8,000,945	5,772,211	7,517,625	3,968,162	104,067,005	-	141,695,769
Other borrowed funds	455,561	5,073,881	2,704,546	531,128	3,676,334	675,143	-	13,116,593
Derivative financial instruments	-	-	-	-	-	-	1,334,584	1,334,584
Other liabilities	1,944,907	-	-	-	-	-	-	1,944,907
Total financial liabilities	15,510,215	13,074,826	8,476,757	8,048,753	7,644,496	104,742,148	1,334,584	158,831,779
Liquidity Gap	17,125,791	4,473,575	4,870,593	5,394,665	27,462,767	(44,310,376)	(596,671)	14,420,344
31 December 2016								
Financial assets	15,776,190	8,756,059	11,211,736	12,496,159	32,905,099	45,815,710	173,669	127,134,622
Financial liabilities	10,320,927	4,149,429	3,451,668	4,595,800	7,227,079	87,944,097	182,406	117,871,406
Liquidity Gap	5,455,263	4,606,630	7,760,068	7,900,359	25,678,020	(42,128,387)	(8,737)	9,263,216
31 December 2015								
Financial assets	17,312,753	6,593,852	7,222,060	12,990,487	32,932,586	43,309,378	(3,266,966)	117,094,150
Financial liabilities	11,746,773	2,988,055	2,269,544	5,166,261	6,994,336	79,604,085	120,756	108,889,810
Liquidity Gap	5,565,980	3,605,797	4,952,516	7,824,226	25,938,250	(36,294,707)	(3,387,722)	8,204,340

(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
Financial liabilities							
Deposits	110,515,561	14,248,415	5,770,667	7,517,625	2,048,627	1,594,874	141,695,769
Derivative financial instruments	-	1,334,584	-	-	-	-	1,334,584
Other borrowed funds	-	5,529,442	2,682,563	531,128	3,438,047	935,413	13,116,593
Other liabilities	-	1,944,907	-	-	-	-	1,944,907
31 December 2017	110,515,561	23,057,348	8,453,230	8,048,753	5,486,674	2,530,287	158,091,853
31 December 2016	91,849,699	8,960,126	2,778,732	4,438,995	4,770,435	2,935,581	115,733,568
31 December 2015	85,004,764	1,394,831	136,476	365,599	10,673,057	5,409,593	102,984,320

36. RISK MANAGEMENT (CONT'D)

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 Bank'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 Bank's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Bank 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 Bank's interest rate risk exposure 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.

31 December 2017	Up to 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Non-Interest Sensitive	Total
Assets	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	5,528,646	334,264	-	-	-	-	9,757,868	15,620,778
Mandatory balances with central banks	-	-	-	-	-	-	8,712,062	8,712,062
Loans to and placements with banks	2,535,094	565,881	1,422,930	3,146,852	1,202,121	-	22,982	8,895,860
Derivative financial instruments	-	-	-	-	-	-	1,356,774	1,356,774
Loans and advances to non-bank customers	70,623,026	15,153,563	3,882,084	848,017	8,015,204	2,284,169	33,168	100,839,231
Investment securities	5,173,775	6,604,435	5,295,095	5,030,955	11,102,665	3,674,374	269,432	37,150,731
Equity investments	-	-	-	-	-	-	370	370
Other assets	-	-	-	-	-	-	676,317	676,317
Total assets	83,860,541	22,658,143	10,600,109	9,025,824	20,319,990	5,958,543	20,828,973	173,252,123
Liabilities								
Deposits from banks	20,185	-	-	-	-	-	719,741	739,926
Deposits from non-bank customers	77,788,682	4,849,926	4,097,166	490,214	901,366	6,971	53,561,444	141,695,769
Other borrowed funds	7,655,680	1,939,946	360,636	3,103,703	-	-	56,628	13,116,593
Derivative financial instruments	-	-	-	-	-	-	1,334,584	1,334,584
Other liabilities	-	-	-	-	-	-	1,944,907	1,944,907
Total liabilities	85,464,547	6,789,872	4,457,802	3,593,917	901,366	6,971	57,617,304	158,831,779
On balance sheet interest rate sensitivity gap	(1,604,006)	15,868,271	6,142,307	5,431,907	19,418,624	5,951,572	(36,788,331)	14,420,344
Off balance sheet interest rate sensitivity gap	2,908,933	(1,822,351)	299,689	(1,654,476)	(1,008,871)	(106,064)	-	(1,383,140)
	1,304,927	14,045,920	6,441,996	3,777,431	18,409,753	5,845,508	(36,788,331)	13,037,204
31 December 2016								
Total assets	62,719,959	13,423,198	6,867,932	10,036,612	17,385,764	2,490,872	14,210,285	127,134,622
Total liabilities	19,624,879	3,450,951	2,838,013	190,071	2,805,861	51,272,240	37,689,391	117,871,406
On balance sheet interest rate sensitivity gap	43,095,080	9,972,247	4,029,919	9,846,541	14,579,903	(48,781,368)	(23,479,106)	9,263,216
Off balance sheet interest rate sensitivity gap	691,753	19,644	47,392	(39,212)	-	-	-	719,577
	43,786,833	9,991,891	4,077,311	9,807,329	14,579,903	(48,781,368)	(23,479,106)	9,982,793
31 December 2015								
Total assets	62,806,530	6,674,898	5,973,872	5,591,330	19,299,099	5,020,783	11,727,638	117,094,150
Total liabilities	59,903,139	2,112,620	2,068,258	2,529,205	302,438	1,461	41,972,689	108,889,810
On balance sheet interest rate sensitivity gap	2,903,391	4,562,278	3,905,614	3,062,125	18,996,661	5,019,322	(30,245,051)	8,204,340
Off balance sheet interest rate sensitivity gap	507,882	-	(296,864)	(157,004)	(54,014)	-	-	-
	3,411,273	4,562,278	3,608,750	2,905,121	18,942,647	5,019,322	(30,245,051)	8,204,340

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

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Increase/(decrease) in profit	230,620	9,647	136,902

(ii) Fair value hedges

The Bank establishes fair value hedge accounting relationships for interest rate risk on some of its fixed rate customer loans. At 31 December 2017, the aggregate notional principal of interest rate swaps designated as fair value hedges was **MUR 1,989.13 million** (2016: MUR 161.5 million and 2015: MUR 540.6 million) with a net fair value liability of **MUR 1.72 million** (2016: MUR 0.96 million and 2015: MUR 6.5 million). The hedge was more than 80% 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 1.71 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.

36. 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 Bank exercises strict control over its foreign currency exposures. The Bank 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 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:

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2017	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	2,236,147	8,749,056	925,116	1,802,694	1,106,045	801,720	15,620,778
Mandatory balances with central banks	7,570,026	632,256	46,743	245,411	217,626	-	8,712,062
Loans to and placements with banks	1,104,066	3,736,329	-	4,055,465	-	-	8,895,860
Derivative financial instruments	1,213,730	50,905	2,834	-	78,133	11,172	1,356,774
Loans and advances to non-bank customers	52,050,123	31,274,057	787,892	11,549,498	5,123,531	54,130	100,839,231
Investment securities	26,820,966	6,808,128	-	403,254	3,117,171	1,212	37,150,731
Equity investments	-	-	-	370	-	-	370
Other assets	505,254	63,019	2,784	47,547	41,560	16,153	676,317
Total monetary financial assets	91,500,312	51,313,750	1,765,369	18,104,239	9,684,066	884,387	173,252,123
LIABILITIES							
Deposits from banks	342,958	351,152	3,046	37,488	5,282	-	739,926
Deposits from non-bank customers	85,522,163	39,602,209	1,994,587	8,793,129	5,285,002	498,679	141,695,769
Other borrowed funds	159,355	10,702,645	-	1,586,411	622,022	46,160	13,116,593
Derivative financial instruments	1,158,687	110,882	2,417	-	43,313	19,285	1,334,584
Other liabilities	(1,612,161)	(1,224,074)	(219,236)	4,395,254	471,097	134,027	1,944,907
Total monetary financial liabilities	85,571,002	49,542,814	1,780,814	14,812,282	6,426,716	698,151	158,831,779
On balance sheet position	5,929,310	1,770,936	(15,445)	3,291,957	3,257,350	186,236	14,420,344
Off balance sheet position	669,316	3,600,673	11,227	(439,675)	(3,746,111)	(95,430)	-
Net currency position	6,598,626	5,371,609	(4,218)	2,852,282	(488,761)	90,806	14,420,344
31 December 2016							
Total monetary financial assets	79,841,919	27,766,865	2,253,967	9,705,293	6,852,780	713,798	127,134,622
Total monetary financial liabilities	78,377,602	27,886,890	2,157,035	8,818,556	72,261	559,062	117,871,406
On balance sheet position	1,464,317	(120,025)	96,932	886,737	6,780,519	154,736	9,263,216
Off balance sheet position	685,112	3,247	134,314	(334,535)	(404,233)	(83,905)	-
Net currency position	2,149,429	(116,778)	231,246	552,202	6,376,286	70,831	9,263,216
31 December 2015							
Total monetary financial assets	77,319,620	22,532,304	2,026,411	7,872,929	6,560,948	781,938	117,094,150
Total monetary financial liabilities	73,927,822	23,288,593	2,702,331	8,305,783	6,925	658,356	108,889,810
On balance sheet position	3,391,798	(756,289)	(675,920)	(432,854)	6,554,023	123,582	8,204,340
Off balance sheet position	(1,423,201)	952,862	620,230	43,343	(67,961)	(125,273)	-
Net currency position	1,968,597	196,573	(55,690)	(389,511)	6,486,062	(1,691)	8,204,340

36. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(iii) Currency risk (Cont'd)

Value-at-Risk Analysis

The Bank 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 Bank 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 Bank 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 Bank 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 Bank's VAR amounted to:

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	630	168	206
Maximum for the year	7,331	4,993	2,593
Year - End	1,231	730	747

(iv) Equity price sentivity analysis

The Bank 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 Bank 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.

	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Statement of comprehensive income	18	9,245	18
Statement of profit or loss	-	-	-
	18	9,245	18

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 *Note 4* to the financial statements (accounting policies).

37. OTHER RESERVES

Available-for-sale reserve

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

Foreign currency translation reserve

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

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.

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 relates to an increase on the same asset previously recognised in equity.

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS

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

a. Statement of financial position

	Notes	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000	Segment A 31-Dec 2016 MUR' 000	Segment B 31-Dec 2016 MUR' 000	Bank 31-Dec 2016 MUR' 000	Segment A 31-Dec 2015 MUR' 000	Segment B 31-Dec 2015 MUR' 000	Bank 31-Dec 2015 MUR' 000
ASSETS										
Cash and cash equivalents	38k	5,283,090	10,337,688	15,620,778	2,110,776	7,313,165	9,423,941	3,328,419	5,650,067	8,978,486
Mandatory balances with Central Banks		8,494,436	217,626	8,712,062	6,808,269	137,301	6,945,570	6,758,533	136,203	6,894,736
Loans to and placements with banks	38l	1,104,288	7,791,572	8,895,860	451,829	4,194,082	4,645,911	271,645	937,300	1,208,945
Derivative financial instruments	38m	1,244,946	111,828	1,356,774	100,808	65,189	165,997	66,251	77,866	144,117
Loans and advances to non-bank customers	38n	66,810,412	34,028,819	100,839,231	58,173,886	12,984,228	71,158,114	57,748,804	10,628,460	68,377,264
Investment securities	38o	27,224,221	9,926,510	37,150,731	24,197,840	10,213,134	34,410,974	17,690,536	13,388,708	31,079,244
Equity investment	38o	-	370	370	-	4,058	4,058	-	370	370
Property and equipment	38p	2,493,316	138,466	2,631,782	2,607,635	142,416	2,750,051	2,629,946	149,820	2,779,766
Intangible assets	38q	3,422,881	34,180	3,457,061	3,509,064	260,855	3,769,919	2,166,157	204,234	2,370,391
Deferred tax assets		-	95,461	95,461	21,817	193,503	215,320	66,356	210,411	276,767
Other assets	38r	656,951	266,941	923,892	296,970	303,782	600,752	637,177	228,776	865,953
Total assets		116,734,541	62,949,461	179,684,002	98,278,894	35,811,713	134,090,607	91,363,824	31,612,215	122,976,039
LIABILITIES										
Deposits from banks	38s	372,709	367,217	739,926	1,948,906	762,458	2,711,364	462,152	336,484	798,636
Deposits from non-bank customers	38t	98,447,966	43,247,803	141,695,769	81,396,999	26,905,388	108,302,387	78,431,300	25,146,489	103,577,789
Other borrowed funds	38u	4,461,913	8,654,680	13,116,593	1,685,702	2,854,807	4,540,509	247,308	1,885,189	2,132,497
Derivative financial instruments	38m	1,174,527	160,057	1,334,584	121,665	60,741	182,406	68,672	52,084	120,756
Current tax liabilities		60,106	45,763	105,869	358,908	-	358,908	371,242	-	371,242
Deferred tax liabilities		184,679	(13,774)	170,905	-	-	-	-	-	-
Other liabilities	38v	1,705,657	2,457,550	4,163,207	1,442,112	798,484	2,240,596	1,259,162	1,117,164	2,376,326
Total liabilities		106,407,557	54,919,296	161,326,853	86,954,292	31,381,878	118,336,170	80,839,836	28,537,410	109,377,246
SHAREHOLDER'S EQUITY										
Stated capital				310,000			310,000			310,000
Capital contribution				9,063,106			8,063,106			8,063,106
Retained earnings				7,855,520			6,193,747			3,940,391
Other reserves				1,128,523			1,187,584			1,285,296
Total equity				18,357,149			15,754,437			13,598,793
Total equity and liabilities				179,684,002			134,090,607			122,976,039

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

b. Statement of profit or loss

	Notes	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000	Segment A 31-Dec 2016 MUR' 000	Segment B 31-Dec 2016 MUR' 000	Bank 31-Dec 2016 MUR' 000	Segment A 31-Dec 2015 MUR' 000	Segment B 31-Dec 2015 MUR' 000	Bank 31-Dec 2015 MUR' 000
Interest income		4,803,869	1,846,021	6,649,890	4,794,366	1,142,899	5,937,265	4,875,712	1,193,485	6,069,197
Interest expense		(1,318,156)	(611,530)	(1,929,686)	(1,236,578)	(446,584)	(1,683,162)	(1,533,643)	(468,543)	(2,002,186)
Net interest income	38c	3,485,713	1,234,491	4,720,204	3,557,788	696,315	4,254,103	3,342,069	724,942	4,067,011
Fee and commission income		707,878	315,183	1,023,061	598,870	397,249	996,119	584,779	386,272	971,051
Fee and commission expense		(4,472)	(20,149)	(24,621)	(1,401)	(21,966)	(23,367)	(8,845)	(18,485)	(27,330)
Net fee and commission income	38d	703,406	295,034	998,440	597,469	375,283	972,752	575,934	367,787	943,721
Other income										
Profit arising from dealing in foreign currencies		309,245	146,428	455,673	414,955	83,225	498,180	351,473	106,607	458,080
Net gain/(loss) from financial instruments	38f	15,066	501,472	516,538	(39,358)	14,251	(25,107)	(1,563)	(494)	(2,057)
Dividend income	38e	-	-	-	-	-	-	-	14	14
Net gain on sale of securities		379,225	72,568	451,793	254,293	188,054	442,347	136,722	133,862	270,584
Other operating income		60	19	79	4,204	(4)	4,200	2,784	(2)	2,782
		703,596	720,487	1,424,083	634,094	285,526	919,620	489,416	239,987	729,403
Non interest income		1,407,002	1,015,521	2,422,523	1,231,563	660,809	1,892,372	1,065,350	607,774	1,673,124
Operating income		4,892,715	2,250,012	7,142,727	4,789,351	1,357,124	6,146,475	4,407,419	1,332,716	5,740,135
Personnel expenses	38g	(1,192,958)	(242,227)	(1,435,185)	(1,135,736)	(187,636)	(1,323,372)	(1,025,944)	(158,925)	(1,184,869)
Depreciation and amortisation		(591,261)	(56,766)	(648,027)	(315,835)	(30,005)	(345,840)	(144,826)	(14,165)	(158,991)
Other expenses	38h	(756,795)	(143,585)	(900,380)	(756,642)	(142,318)	(898,960)	(621,276)	(148,306)	(769,582)
Non-interest expense		(2,541,014)	(442,578)	(2,983,592)	(2,208,213)	(359,959)	(2,568,172)	(1,792,046)	(321,396)	(2,113,442)
Profit before net impairment loss on financial assets		2,351,701	1,807,434	4,159,135	2,581,138	997,165	3,578,303	2,615,373	1,011,320	3,626,693
Net impairment loss on financial assets	38i	8,074	(995,336)	(987,262)	(117,930)	(598,812)	(716,742)	(1,044,098)	(829,266)	(1,873,364)
Profit before income tax		2,359,775	812,098	3,171,873	2,463,208	398,353	2,861,561	1,571,275	182,054	1,753,329
Tax expense	38j	(423,787)	(136,793)	(560,580)	(612,691)	(40,258)	(652,949)	(396,702)	(12,099)	(408,801)
Profit for the year		1,935,988	675,305	2,611,293	1,850,517	358,095	2,208,612	1,174,573	169,955	1,344,528

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2017	31-Dec 2017	31-Dec 2017	31-Dec 2016	31-Dec 2016	31-Dec 2016	31-Dec 2015	31-Dec 2015	31-Dec 2015
c. Net interest income	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income									
Cash and cash equivalents	9,529	120,379	129,908	5,363	47,803	53,166	6,531	34,267	40,798
Loans to and placements with banks	18,271	127,269	145,540	3,480	50,016	53,496	-	25,393	25,393
Loans and advances to non-bank customers	3,873,066	1,286,604	5,159,670	3,974,200	614,372	4,588,572	4,249,603	662,229	4,911,832
Investment securities	875,982	377,590	1,253,572	811,316	475,930	1,287,246	619,578	507,794	1,127,372
Trading assets	27,021	(71,833)	(44,812)	-	(46,590)	(46,590)	-	(38,661)	(38,661)
Other	-	6,012	6,012	7	1,368	1,375	-	2,463	2,463
Total interest income	4,803,869	1,846,021	6,649,890	4,794,366	1,142,899	5,937,265	4,875,712	1,193,485	6,069,197
Interest expense									
Deposits from customers	(1,271,078)	(534,157)	(1,805,235)	(1,232,858)	(417,773)	(1,650,631)	(1,530,287)	(385,285)	(1,915,572)
Other borrowed funds	(47,078)	(61,965)	(109,043)	(3,720)	(27,426)	(31,146)	(3,356)	(83,258)	(86,614)
Other	-	(15,408)	(15,408)	-	(1,385)	(1,385)	-	-	-
Total interest expense	(1,318,156)	(611,530)	(1,929,686)	(1,236,578)	(446,584)	(1,683,162)	(1,533,643)	(468,543)	(2,002,186)
Net interest income	3,485,713	1,234,491	4,720,204	3,557,788	696,315	4,254,103	3,342,069	724,942	4,067,011
d. Net fee and commission income									
Fee and commission income									
Retail banking customer fees	307,788	28,219	336,007	287,419	17,305	304,724	334,991	5,660	340,651
Corporate banking customer fees	168,412	205,119	373,531	114,982	146,872	261,854	153,600	79,135	232,735
Card income	231,678	81,845	313,523	196,469	233,072	429,541	96,188	301,477	397,665
Total fee and commission income	707,878	315,183	1,023,061	598,870	397,249	996,119	584,779	386,272	971,051
Fee and commission expense									
Interbank transaction fees	-	(14,099)	(14,099)	(1)	(17,687)	(17,688)	-	(17,545)	(17,545)
Other	(4,472)	(6,050)	(10,522)	(1,400)	(4,279)	(5,679)	(8,845)	(940)	(9,785)
Total fee and commission expense	(4,472)	(20,149)	(24,621)	(1,401)	(21,966)	(23,367)	(8,845)	(18,485)	(27,330)
Net fee and commission income	703,406	295,034	998,440	597,469	375,283	972,752	575,934	367,787	943,721

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A 31-Dec 2017	Segment B 31-Dec 2017	Bank 31-Dec 2017	Segment A 31-Dec 2016	Segment B 31-Dec 2016	Bank 31-Dec 2016	Segment A 31-Dec 2015	Segment B 31-Dec 2015	Bank 31-Dec 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
e. Dividend income									
Available-for-sale securities	-	-	-	-	-	-	-	14	14
	-	-	-	-	-	-	-	14	14
f. Net gain/(loss) from financial instruments									
Net gain/(loss) from derivatives financial instruments	1,331	518,086	519,417	(39,376)	14,256	(25,120)	(1,582)	(369)	(1,951)
Investment securities at fair value through profit or loss	13,723	(16,229)	(2,506)	-	(5)	(5)	-	(125)	(125)
Other	12	(385)	(373)	18	-	18	19	-	19
	15,066	501,472	516,538	(39,358)	14,251	(25,107)	(1,563)	(494)	(2,057)
g. Personnel expenses									
Wages and salaries	904,212	200,703	1,104,915	837,697	153,253	990,950	721,317	122,509	843,826
Other social security obligations	15,581	2,142	17,723	14,440	1,737	16,177	12,148	1,346	13,494
Contributions to defined contribution plans	78,349	15,753	94,102	64,008	10,949	74,957	56,961	9,236	66,197
Cash-settled share-based payments	-	-	-	580	-	580	2,542	-	2,542
Increase in liability for defined benefit plans	24,500	1,922	26,422	28,399	1,631	30,030	31,611	1,590	33,201
Staff welfare cost	16,587	1,485	18,072	13,889	427	14,316	14,526	1,115	15,641
Management and professional charges	7,097	1,402	8,499	16,712	1,183	17,895	33,478	3,103	36,581
Other	146,632	18,820	165,452	160,011	18,456	178,467	153,361	20,026	173,387
	1,192,958	242,227	1,435,185	1,135,736	187,636	1,323,372	1,025,944	158,925	1,184,869

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
h. Other expenses	31-Dec 2017	31-Dec 2017	31-Dec 2017	31-Dec 2016	31-Dec 2016	31-Dec 2016	31-Dec 2015	31-Dec 2015	31-Dec 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	371,606	89,451	461,057	404,554	90,434	494,988	259,612	97,078	356,690
Auditors' remuneration (audit and other services):									
-Principal auditors	6,169	2,497	8,666	6,518	2,017	8,535	5,189	1,013	6,202
-Other auditors	-	-	-	-	-	-	150	23	173
Utilities	49,550	5,621	55,171	47,105	5,553	52,658	48,843	6,054	54,897
Professional charges	14,943	22,728	37,671	37,037	20,984	58,021	108,341	18,431	126,772
Marketing costs	69,672	31	69,703	43,541	161	43,702	44,220	330	44,550
Rent, repairs and maintenance	75,460	5,279	80,739	83,761	6,399	90,160	81,602	6,376	87,978
Licence and other registration fees	20,662	1,462	22,124	15,983	1,660	17,643	18,874	1,673	20,547
Other	148,733	16,516	165,249	118,143	15,110	133,253	54,445	17,328	71,773
	756,795	143,585	900,380	756,642	142,318	898,960	621,276	148,306	769,582
i. Net impairment loss on financial assets									
Portfolio and specific provisions:									
- On-balance sheet advances	108,569	1,021,093	1,129,662	118,674	531,144	649,818	1,055,040	828,427	1,883,467
Bad debts written off for which no provisions were made	-	-	-	1,260	68,769	70,029	370	977	1,347
Recoveries of advances written off	(116,643)	(25,757)	(142,400)	(2,068)	(1,101)	(3,169)	(6,593)	-	(6,593)
Other	-	-	-	64	-	64	(4,719)	(138)	(4,857)
	(8,074)	995,336	987,262	117,930	598,812	716,742	1,044,098	829,266	1,873,364
Of which:									
Credit exposure	(8,074)	995,336	987,262	117,866	598,812	716,678	1,048,817	829,404	1,878,221
Other financial assets	-	-	-	64	-	64	(4,719)	(138)	(4,857)
	(8,074)	995,336	987,262	117,930	598,812	716,742	1,044,098	829,266	1,873,364
j. Tax expense									
Income tax expense	210,557	53,388	263,945	593,253	28,378	621,631	473,722	26,588	500,310
Deferred tax income	213,230	83,405	296,635	19,438	11,880	31,318	(77,020)	(14,489)	(91,509)
	423,787	136,793	560,580	612,691	40,258	652,949	396,702	12,099	408,801

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

k. Cash and cash equivalents

	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000	Segment A 31-Dec 2016 MUR' 000	Segment B 31-Dec 2016 MUR' 000	Bank 31-Dec 2016 MUR' 000	Segment A 31-Dec 2015 MUR' 000	Segment B 31-Dec 2015 MUR' 000	Bank 31-Dec 2015 MUR' 000
Cash in hand	1,804,128	-	1,804,128	1,706,638	-	1,706,638	1,893,360	-	1,893,360
Foreign currency notes and coins	293,161	1,702	294,863	-	287,812	287,812	-	263,108	263,108
Unrestricted balances with central banks [1]	1,279,680	6,958	1,286,638	-	-	-	1,336,689	38	1,336,727
Loans and placements with banks [2]	1,906,121	3,989,822	5,895,943	404,153	3,049,370	3,453,523	98,370	1,439,344	1,537,714
Balances with banks	-	6,339,206	6,339,206	(15)	3,975,983	3,975,968	-	3,947,577	3,947,577
	5,283,090	10,337,688	15,620,778	2,110,776	7,313,165	9,423,941	3,328,419	5,650,067	8,978,486

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

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

l. Loans to and placements with banks

	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000	Segment A 31-Dec 2016 MUR' 000	Segment B 31-Dec 2016 MUR' 000	Bank 31-Dec 2016 MUR' 000	Segment A 31-Dec 2015 MUR' 000	Segment B 31-Dec 2015 MUR' 000	Bank 31-Dec 2015 MUR' 000
Loans to and placements with banks									
- in Mauritius	1,104,288	-	1,104,288	451,829	-	451,829	271,645	-	271,645
- outside Mauritius	-	7,791,572	7,791,572	-	4,194,082	4,194,082	-	937,300	937,300
	1,104,288	7,791,572	8,895,860	451,829	4,194,082	4,645,911	271,645	937,300	1,208,945
Remaining term to maturity									
Up to 3 months	393,748	1,044,724	1,438,472	-	179,715	179,715	271,645	105,822	377,467
Over 3 months and up to 6 months	336,387	67,587	403,974	380,372	1,523,405	1,903,777	-	152,568	152,568
Over 6 months and up to 12 months	221,363	1,689,619	1,910,982	71,457	-	71,457	-	678,910	678,910
Over 1 year and up to 2 years	152,790	2,997,612	3,150,402	-	1,078,904	1,078,904	-	-	-
Over 2 years and up to 5 years	-	1,992,030	1,992,030	-	1,052,470	1,052,470	-	-	-
Over 5 years	-	-	-	-	359,588	359,588	-	-	-
	1,104,288	7,791,572	8,895,860	451,829	4,194,082	4,645,911	271,645	937,300	1,208,945

m. Derivative financial instruments

	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000	Segment A 31-Dec 2016 MUR' 000	Segment B 31-Dec 2016 MUR' 000	Bank 31-Dec 2016 MUR' 000	Segment A 31-Dec 2015 MUR' 000	Segment B 31-Dec 2015 MUR' 000	Bank 31-Dec 2015 MUR' 000
Derivative assets	1,244,946	111,828	1,356,774	100,808	65,189	165,997	66,251	77,866	144,117
Derivative liabilities	1,174,527	160,057	1,334,584	121,665	60,741	182,406	68,672	52,084	120,756

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

n. Loans and advances to non-bank customers

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2017	31-Dec 2017	31-Dec 2017	31-Dec 2016	31-Dec 2016	31-Dec 2016	31-Dec 2015	31-Dec 2015	31-Dec 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Governments	2,458,655	-	2,458,655	-	-	-	1	-	1
Retail customers	30,468,689	1,522,274	31,990,963	27,079,943	1,019,112	28,099,055	28,090,823	6,589	28,097,412
Credit cards	555,413	3,938	559,351	533,788	6,122	539,910	523,350	6,589	529,939
Mortgages	19,500,247	334,516	19,834,763	17,051,622	264,300	17,315,922	17,271,142	-	17,271,142
Other retail loans	10,413,029	1,183,820	11,596,849	9,494,533	748,690	10,243,223	10,296,331	-	10,296,331
Corporate customers	35,925,905	2,438,163	38,364,068	33,681,272	3,331,227	37,012,499	32,129,887	1,806,083	33,935,970
Entities outside Mauritius	-	31,446,393	31,446,393	-	10,098,489	10,098,489	-	9,755,334	9,755,334
	68,853,249	35,406,830	104,260,079	60,761,215	14,448,828	75,210,043	60,220,711	11,568,006	71,788,717
Less allowance for credit impairment	(2,042,837)	(1,378,011)	(3,420,848)	(2,587,329)	(1,464,600)	(4,051,929)	(2,471,907)	(939,546)	(3,411,453)
	66,810,412	34,028,819	100,839,231	58,173,886	12,984,228	71,158,114	57,748,804	10,628,460	68,377,264
Remaining term to maturity:									
Up to 3 months	10,159,091	3,557,296	13,716,387	8,230,905	3,522,504	11,753,409	9,092,403	2,574,322	11,666,725
Over 3 months and up to 6 months	1,311,550	4,306,753	5,618,303	3,046,522	594,019	3,640,541	2,085,810	395,130	2,480,940
Over 6 months and up to 12 months	3,843,591	7,833,648	11,677,239	3,746,182	1,339,596	5,085,778	3,006,775	1,720,725	4,727,500
Over 1 year and up to 2 years	3,360,098	3,165,463	6,525,561	3,002,591	2,079,566	5,082,157	3,792,645	1,164,361	4,957,006
Over 2 year and up to 5 years	14,533,348	8,119,727	22,653,075	10,332,575	3,492,747	13,825,322	11,763,741	4,150,538	15,914,279
Over 5 years	35,645,571	8,423,943	44,069,514	32,402,440	3,420,396	35,822,836	30,479,337	1,562,930	32,042,267
	68,853,249	35,406,830	104,260,079	60,761,215	14,448,828	75,210,043	60,220,711	11,568,006	71,788,717

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

n. Loans and advances to non-bank customers (Cont'd)

Allowance for credit impairment by industry sectors

	31-Dec-2017					31-Dec-16	31-Dec-15
Segment A	Gross amount of loans MUR' 000	Impaired loans MUR' 000	Specific allowance for credit impairment MUR' 000	Portfolio allowance for credit impairment MUR' 000	Total allowances for credit impairment MUR' 000	Total allowances for credit impairment MUR' 000	Total allowance for credit impairment MUR' 000
Agriculture and Fishing	3,567,060	290	62	35,650	35,712	35,904	30,758
Manufacturing	2,828,247	163,838	92,602	59,278	151,880	149,825	78,130
of which EPZ	*1,013,525*	*23,207*	*1,014*	*42,529*	*43,543*	*38,542*	*18,639*
Tourism	10,054,894	9,961	3,136	200,799	203,935	194,475	229,101
Transport	247,118	12,731	9,042	2,346	11,388	13,596	63,356
Construction	6,142,098	233,420	105,574	115,803	221,377	235,842	238,764
Financial and business services	8,811,661	11,721	8,335	32,697	41,032	468,208	456,509
Traders	4,833,818	346,768	141,212	43,050	184,262	229,378	228,408
Personal	28,114,006	844,737	597,878	447,892	1,045,770	1,052,101	1,027,122
of which credit cards	*555,413*	*87,050*	*87,050*	*6,990*	*94,040*	*93,561*	*69,516*
Professional	207,815	89,674	89,674	794	90,468	2,086	1,762
Others	4,046,532	45,623	22,280	34,733	57,013	205,914	117,997
	68,853,249	1,758,763	1,069,795	973,042	2,042,837	2,587,329	2,471,907
Segment B							
Agriculture and Fishing	642,887	-	-	6,429	6,429	64,451	48,561
Manufacturing	3,258,951	1,387,445	982,774	16,942	999,716	236,545	51,947
of which EPZ	-	-	-	-	-	-	*643*
Tourism	1,148,737	-	-	11,487	11,487	7,778	6,792
Transport	1,073,315	-	-	10,733	10,733	483,590	348,815
Construction	595,022	-	-	6,400	6,400	-	-
Financial and business services	4,528,885	-	-	81,421	81,421	66,457	62,764
Traders	13,826,720	-	-	71,023	71,023	883	14,370
Personal	2,736,047	41,070	29,883	20,440	50,323	122,261	7,861
of which credit cards	*3,938*	*199*	*199*	*39*	*238*	*61*	*27*
Professional	1,548,893	-	-	15,489	15,489	-	-
Global Business Licence holders	2,438,163	65,498	-	15,918	15,918	5,354	5,055
Others	3,609,210	78,702	75,448	33,624	109,072	477,281	393,381
	35,406,830	1,572,715	1,088,105	289,906	1,378,011	1,464,600	939,546

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Investment securities

Remaining term to maturity

Segment A	Up to 3 months MUR' 000	3-6 months MUR' 000	6-9 months MUR' 000	9-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	No specific maturity MUR' 000	Total MUR' 000	31-Dec-16 MUR' 000	31-Dec-15 MUR' 000
	31-Dec-2017										
(a) Held-for-trading investment securities											
Government bonds and treasury notes	-	-	-	-	-	421,162	549,432	-	970,594	-	-
Treasury bills	89,504	134,508	378,805	341,005	-	-	-	-	943,822	-	-
Bank of Mauritius bills / bonds	153,826	450,043	65,295	1,278,275	-	-	-	-	1,947,439	-	-
	243,330	584,551	444,100	1,619,280	-	421,162	549,432	-	3,861,855	-	-
(b) Loans and receivables - investment securities											
Government bonds and treasury notes	-	569,968	222,267	-	2,445,816	3,445,019	1,609,012	-	8,292,082	14,218,481	11,825,692
Treasury bills	1,917,379	2,268,326	197,252	49,086	-	-	-	-	4,432,043	3,242,761	1,925,990
Bank of Mauritius bills / bonds	653,610	1,286,433	396,019	204,260	272,175	731,689	-	-	3,544,186	5,342,047	3,538,594
Corporate bonds	-	200,982	-	-	-	1,398,358	965,737	-	2,565,077	1,394,551	400,260
	2,570,989	4,325,709	815,538	253,346	2,717,991	5,575,066	2,574,749	-	18,833,388	24,197,840	17,690,536
(c) Available-for-sale investment securities											
Government bonds	-	100,268	202,574	49,923	1,384,604	1,018,771	354,093	-	3,110,233	-	-
Treasury bills / notes	-	49,584	197,220	146,530	-	-	-	-	393,334	-	-
Bank of Mauritius bills / bonds	184,085	297,444	125,587	342,903	-	75,390	-	-	1,025,409	-	-
Total Segment A	184,085	447,296	525,381	539,355	1,384,604	1,094,161	354,093	-	4,528,976	-	-
Total Segment A	2,998,403	5,357,555	1,785,019	2,411,982	4,102,595	7,090,389	3,478,274	-	27,224,219	24,197,840	17,690,536

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Investment securities (Cont'd)

Remaining term to maturity (Cont'd)

Segment B	Up to 3 months MUR' 000	3-6 months MUR' 000	6-9 months MUR' 000	9-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	No specific maturity MUR' 000	Total MUR' 000	31-Dec-16 MUR' 000	31-Dec-15 MUR' 000
	-31-Dec-2017-										
(a) Held-for-trading investment securities											
Bank bonds	250,978	477,499	-	123,188	73,398	725,164	-	-	1,650,227	-	-
Corporate bonds	399,711	140,990	-	170,833	187,754	265,119	-	-	1,164,407	-	-
	650,689	618,489	-	294,021	261,152	990,283	-	-	2,814,634	-	-
(b) Loans and receivables - investment securities											
Corporate bonds	4,686	78,489	-	-	-	44,961	244,688	-	372,824	-	-
	4,686	78,489	-	-	-	44,961	244,688	-	372,824	-	-
(c) Available-for-sale investment securities											
Government bonds	60,168	-	-	-	52,438	107,105	109,085	-	328,796	970,159	1,295,323
Treasury bills / notes	647,666	179,175	370,323	-	-	-	-	-	1,197,164	178,414	162,908
Securities issued by government bodies	-	-	-	-	-	-	-	-	-	-	96
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	370	370	4,058	370
Bank bonds	-	155,572	52,053	-	71,589	254,213	-	-	533,427	6,808,465	9,219,215
Corporate bonds	12,191	94,228	156,930	167,274	618,445	3,179,439	-	-	4,228,507	2,071,193	2,300,176
Corporate paper and preference shares	232,143	102,169	-	92,406	-	12,672	11,770	-	451,160	184,903	410,990
Total investment securities	952,168	531,144	579,306	259,680	742,472	3,553,429	120,855	370	6,739,424	10,217,192	13,389,078
Total Segment B	1,607,543	1,228,122	579,306	553,701	1,003,624	4,588,673	365,543	370	9,926,882	10,217,192	13,389,078
Total investment securities	4,605,947	6,585,678	2,364,325	2,965,683	5,106,219	11,679,062	3,843,817	370	37,151,101	34,415,032	31,079,614

Analysed into:	31 December 2017 MUR' 000	31 December 2016 MUR' 000	31 December 2015 MUR' 000
Investment securities:			
- Segment A	27,224,219	24,197,840	17,690,536
- Segment B	9,926,512	10,213,134	13,388,708
	37,150,731	34,410,974	31,079,244
Equity investments:			
- Segment B	370	4,058	370
Total	37,151,101	34,415,032	31,079,614

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p. Property and equipment

	Freehold land and buildings	Leasehold buildings	Other tangible fixed assets	Motor vehicles	Progress payments	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net book value at 31 December 2017						
Segment A	749,087	1,399,640	306,082	4,744	33,763	2,493,316
Segment B	132,688	-	5,767	11	-	138,466
Bank	881,775	1,399,640	311,849	4,755	33,763	2,631,782
Net book value at 31 December 2016						
Segment A	759,832	1,451,636	349,117	5,678	41,372	2,607,635
Segment B	137,779	-	4,540	14	83	142,416
Bank	897,611	1,451,636	353,657	5,692	41,455	2,750,051
Net book value at 31 December 2015						
Segment A	770,013	1,502,377	293,249	1,866	62,441	2,629,946
Segment B	142,869	-	6,865	-	86	149,820
Bank	912,882	1,502,377	300,114	1,866	62,527	2,779,766

q. Intangible assets

SOFTWARE	31-Dec 2017	31-Dec 2016	31-Dec 2015
Net Book Value	MUR' 000	MUR' 000	MUR' 000
Segment A	3,422,881	3,509,064	2,166,157
Segment B	34,180	260,855	204,234
Total	3,457,061	3,769,919	2,370,391

r. Other assets

	Segment A 31-Dec 2017	Segment B 31-Dec 2017	Bank 31-Dec 2017	Segment A 31-Dec 2016	Segment B 31-Dec 2016	Bank 31-Dec 2016	Segment A 31-Dec 2015	Segment B 31-Dec 2015	Bank 31-Dec 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable	482,167	64,836	547,003	163,923	50,950	214,873	129,124	88,782	217,906
Balances due in clearing	1,065	55,018	56,083	3,682	34,484	38,166	148,011	38,140	186,151
Tax paid in advance	-	75,708	75,708	-	106,085	106,085	-	98,162	98,162
Licence fees prepaid	-	-	-	-	-	-	271,019	141	271,160
Others	173,719	71,379	245,098	129,365	112,263	241,628	89,023	3,551	92,574
	656,951	266,941	923,892	296,970	303,782	600,752	637,177	228,776	865,953

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000	Segment A 31-Dec 2016 MUR' 000	Segment B 31-Dec 2016 MUR' 000	Bank 31-Dec 2016 MUR' 000	Segment A 31-Dec 2015 MUR' 000	Segment B 31-Dec 2015 MUR' 000	Bank 31-Dec 2015 MUR' 000
s. Deposits from banks									
Demand deposits	372,709	367,217	739,926	1,948,906	762,458	2,711,364	462,152	336,484	798,636
t. Deposits from non-bank customers									
(i) Retail customers									
Current accounts	13,038,356	3,378,446	16,416,802	9,357,769	1,094,407	10,452,176	11,245,991	2,370,492	13,616,483
Savings accounts	49,133,607	1,594,913	50,728,520	41,407,303	1,450,970	42,858,273	39,064,212	1,340,971	40,405,183
Time deposits with remaining term to maturity:									
Up to 3 months	977,521	690,133	1,667,654	887,190	452,723	1,339,913	967,646	398,371	1,366,017
Over 3 months and up to 6 months	779,619	1,505,432	2,285,051	623,638	146,558	770,196	834,252	419,885	1,254,137
Over 6 months and up to 12 months	1,441,907	4,595,859	6,037,766	1,261,826	1,190,684	2,452,510	1,710,998	1,774,731	3,485,729
Over 1 year and up to 5 years	2,720,835	503,083	3,223,918	2,465,706	1,951,204	4,416,910	3,083,631	2,595,551	5,679,182
Over 5 years	2,752	74	2,826	3,100	1,428	4,528	-	1,400	1,400
Total time deposits	5,922,634	7,294,581	13,217,215	5,241,460	3,742,597	8,984,057	6,596,527	5,189,938	11,786,465
	68,094,597	12,267,940	80,362,537	56,006,532	6,287,974	62,294,506	56,906,730	8,901,401	65,808,131
(ii) Corporate customers									
Current accounts	13,802,626	19,450,067	33,252,693	11,845,761	16,225,840	28,071,601	11,478,210	12,611,543	24,089,753
Savings accounts	4,276,387	11,385	4,287,772	6,204,319	287,742	6,492,061	3,286,960	7,890	3,294,850
Time deposits with remaining term to maturity:									
Up to 3 months	3,396,254	8,657,480	12,053,734	1,134,215	1,275,855	2,410,070	2,527,571	2,206,627	4,734,198
Over 3 months and up to 6 months	563,132	1,429,901	1,993,033	1,195,373	846,160	2,041,533	26,651	295,478	322,129
Over 6 months and up to 12 months	663,607	864,169	1,527,776	353,922	1,581,645	1,935,567	246,674	1,083,984	1,330,658
Over 1 year and up to 5 years	322,274	566,861	889,135	681,619	400,172	1,081,791	353,914	39,566	393,480
Over 5 years	-	-	-	359	-	359	-	-	-
Total time deposits	4,945,267	11,518,411	16,463,678	3,365,488	4,103,832	7,469,320	3,154,810	3,625,655	6,780,465
	23,024,280	30,979,863	54,004,143	21,415,568	20,617,414	42,032,982	17,919,980	16,245,088	34,165,068
(iii) Government									
Current accounts	3,027,269	-	3,027,269	1,895,307	-	1,895,307	1,747,833	-	1,747,833
Savings accounts	2,908,506	-	2,908,506	2,078,167	-	2,078,167	1,853,931	-	1,853,931
Time deposits with remaining term to maturity:									
Up to 3 months	22,397	-	22,397	-	-	-	112	-	112
Over 3 months and up to 6 months	1,357,224	-	1,357,224	400	-	400	406	-	406
Over 6 months and up to 12 months	12,961	-	12,961	925	-	925	2,242	-	2,242
Over 1 year and up to 5 years	732	-	732	100	-	100	66	-	66
Total time deposits	1,393,314	-	1,393,314	1,425	-	1,425	2,826	-	2,826
	7,329,089	-	7,329,089	3,974,899	-	3,974,899	3,604,590	-	3,604,590
	98,447,966	43,247,803	141,695,769	81,396,999	26,905,388	108,302,387	78,431,300	25,146,489	103,577,789

38. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A 31-Dec 2017 MUR' 000	Segment B 31-Dec 2017 MUR' 000	Bank 31-Dec 2017 MUR' 000	Segment A 31-Dec 2016 MUR' 000	Segment B 31-Dec 2016 MUR' 000	Bank 31-Dec 2016 MUR' 000	Segment A 31-Dec 2015 MUR' 000	Segment B 31-Dec 2015 MUR' 000	Bank 31-Dec 2015 MUR' 000
u. Other borrowed funds									
Borrowings from central banks - for refinancing	104,190	-	104,190	147,921	-	147,921	203,758	-	203,758
Other financial institutions									
- for refinancing	159,554	4,387,286	4,546,840	-	687,074	687,074	-	1,885,189	1,885,189
Borrowings from banks									
- in Mauritius	4,198,169	-	4,198,169	1,537,781	-	1,537,781	43,550	-	43,550
- abroad	-	4,267,394	4,267,394	-	2,167,733	2,167,733	-	-	-
	4,461,913	8,654,680	13,116,593	1,685,702	2,854,807	4,540,509	247,308	1,885,189	2,132,497
v. Other liabilities									
Bills payable	153,727	18,242	171,969	107,916	22,548	130,464	92,584	9,669	102,253
Accruals for expenses	333,015	19,165	352,180	321,264	10,476	331,740	310,797	10,025	320,822
Accounts payable	496,527	232,446	728,973	658,896	179,029	837,925	284,737	201,755	486,492
Deferred income	205,816	117,060	322,876	193,587	74,533	268,120	202,925	24,968	227,893
Balance due in clearing	-	2,110	2,110	-	1,587	1,587	142,504	4,946	147,450
Balances in transit	413,460	-	413,460	25	27	52	106,336	-	106,336
Pension liability	91,781	-	91,781	67,764	-	67,764	88,930	-	88,930
Others	11,331	2,068,527	2,079,858	92,660	510,284	602,944	30,349	865,801	896,150
	1,705,657	2,457,550	4,163,207	1,442,112	798,484	2,240,596	1,259,162	1,117,164	2,376,326
w. Memorandum items									
a Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers									
Acceptances on account of customers	184,494	584,333	768,827	138,697	-	138,697	201,825	4,814	206,639
Guarantees on account of customers	6,421,528	1,021,598	7,443,126	3,794,867	803,400	4,598,267	3,829,432	713,828	4,543,260
Letters of credit and other obligations on account of customers	846,547	1,128,720	1,975,267	471,096	724,242	1,195,338	393,509	381,946	775,455
Other contingent items	-	-	-	-	-	-	-	945	945
	7,452,569	2,734,651	10,187,220	4,404,660	1,527,642	5,932,302	4,424,766	1,101,533	5,526,299
b Commitments									
Undrawn credit facilities	8,171,121	6,067,712	14,238,833	6,354,415	432,710	6,787,125	6,506,626	965,455	7,472,081
	8,171,121	6,067,712	14,238,833	6,354,415	432,710	6,787,125	6,506,626	965,455	7,472,081