SBM HOLDINGS LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

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NOTES TO THE FINANCIAL STATEMENTS

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

The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The Group's external auditors, Ernst & Young, have full and free access to the board of directors and it committees to discuss the audit matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group while ensuring that: the Financial Statements fairly present the state of affairs of the Group, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards and the Companies Act 2001, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

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

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

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

On behalf of the Board.

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

Subhas THECKA
Chairman, Audit Committee

29 March 2018

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

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D. Ramjug Chumun
Company Secretary

29 March 2018

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SBM Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 11 to 77 which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the Companies Act 2001 and Financial Reporting Act 2004.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances	
The Group has net loans and advances portfolio of MUR 103,129 million as at 31 December 2017. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment (MUR 4,069 million). This provision is accounted for if, at the reporting date, there is objective evidence, for example the existence of payment arrears, that not all the contractually agreed cash flows will be collected. Failure to promptly recognise objective evidence of the risk of uncollectability and/or errors in the provisioning can result in incorrect valuation of the loan and advances portfolio in the financial statements.	We assessed and tested the design and operating effectiveness of the controls over specific and collective impairment calculations including the quality of underlying data and systems. Collective impairment allowances are calculated based on the guidelines imposed by the Bank of Mauritius. Such guidelines require the Group to make portfolio provisions of not less than 1% on unimpaired loans and advances. The Bank of Mauritius also imposes additional macro- prudential provisioning of up to 1% on exposures to certain specific sectors of the economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Impairment of loans and advances (continued)

Refer to Note 8 for accounting policy on loans and advances and allowance for credit impairment. Given the relative size of loans and advances of the Group (53% of total assets), we identified the valuation of loans and advances as a key audit matter.</td><td>As this basis represents a departure from IAS39, the Group also determines what the collective impairment would have been under the standard using the incurred loss model and evaluates the impact of the departure. We reviewed the portfolio provisioning under both bases and assessed the impact of the difference on the overall presentation of the financial statements

In particular we re-performed the calculations of collective impairment under both methods. In respect of the provisioning as per the Bank of Mauritius guidelines, we assessed the appropriateness of the calculation made by management and the identification of loans to be included within the calculation. For collective impairment under IAS39, we assessed the appropriateness of the model used including the inputs and assumptions.

For specific impairments, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cash flows discounted at the original effective interest rate of the loans and advances. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. We thus also assessed the independence and the qualification of the appraisers. Areas of focus included the SME lending portfolios in India and the lending portfolios with loans to large corporates in Mauritius.

We ensured that all loans with objective evidence of impairment have been properly identified by management by:

• Reviewing the minutes of the impaired asset review forum, Management Credit forum, Board Credit Committee;
• Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 90 days are included in the specific impairment analysis;
• Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline.</td></tr>
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances (continued)	For loans showing an indication of impairment, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows. For loans showing an indication of impairment, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows.
Acquisition of Fidelity Commercial Bank Limited On 10 May 2017, the Group acquired 99.99% equity interest in Fidelity Commercial Bank Limited (now "SBM Bank (Kenya) Limited") for a consideration of MUR 35 (refer to Note 41) plus a contingent consideration. The Group has determined the acquisition to be a business combination under IFRS 3 – 'Business Combinations'. The purchase price allocation (PPA) exercise was performed, whereby assets and liabilities acquired were fair valued and allocated to acquisition price to arrive at the goodwill of MUR 417.7 million.	We have checked the purchase price allocation (PPA) exercise which involves recognising and measuring the identifiable assets acquired and liabilities assumed as set out below. We have checked whether the fair valuation of the identifiable assets and liabilities has been properly done. The procedures are as follows: Investment and government securities • *We carried out a fair value reassessment exercise which involved comparing market prices used as at 10 May 2017 to that of the quoted prices.*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Acquisition of Fidelity Commercial Bank Limited (continued)	
The identification of assets and liabilities is critical and their fair value measurement is inherently judgemental and require the use of assumptions and estimates. Therefore, we have considered this area to be a key audit matter.	Loans and advances to customers • *We re-calculated loan loss allowances on an individual and collective basis to test the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collaterals and estimates of recovery on default. We ensured reasonableness of the inputs to impairment, such as recovery rates and discount rates by comparing data and assumptions made to external benchmarks, where available.* Property and equipment and investment properties • *We have checked whether the independent valuer, valuing the properties, has the relevant experience and expertise.* • *We reviewed the basis and significant assumptions for valuation of properties and ensured these were in line with market practice.* • *We corroborated the inputs used in the valuation by comparing them against available industry data.* Other liabilities • *We evaluated the adequacy of the provisions, amounts due to related parties, contingent provisions and assessed the expected settlement of the liabilities.* Credit facilities • *We recalculated fair value of the credit facilities made available to the subsidiary including testing of the discount rate used.*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Acquisition of Fidelity Commercial Bank Limited (continued)	Where assumptions and estimates were used, we performed sensitivity analyses to determine the impact whilst considering the risk of management bias. We have reviewed the purchase agreement to understand the key terms and conditions, and to confirm our understanding of the transaction with the management and to evaluate the assets and liabilities identified in the acquisition accounting against the terms of the agreement. We also evaluated the measurement of the contingent consideration and assessed the probability of meeting the targets as per the Purchase Agreement. We evaluated the appropriateness and completeness of the disclosures under IFRS 3 "Business combination"

Impairment assessment of goodwill
 	
Included in the financial statements is goodwill amounting to MUR 417.7 million (refer to note 41). The goodwill recorded in the financial statements arises from the acquisition of Fidelity Commercial Bank Limited and has been allocated entirely to the operations of the subsidiary, SBM Bank (Kenya) Limited which represents the lowest level of CGU at which the goodwill is monitored.
 	
The carrying amount of goodwill is subject to annual impairment tests using the value-in-use method.
 	
There is inherent uncertainty and significant judgement involved in preparing future cash flow forecasts and applying the appropriate discount rate to determine the value-in-use and recoverable amount of the cash-generating unit. Therefore valuation of goodwill is considered a key audit matter.
	Our audit procedures included, amongst others, the following:
	
	• Assessing the appropriateness of the disclosures in the financial statements in accordance with IAS 36-Impairment of Assets;
	
	• Challenging the assumptions in the Group's impairment testing by:
	    • Evaluating the consistency and appropriateness of assumptions and methodologies used by the Group, in particular those relating to revenue growth rate and the discount rate applied to the forecasted cash flows in the value-in-use method;
	    • Comparing the Group's assumptions with our own assessment in relation to key inputs into the model.
	    • Engaged our internal valuation experts to assist in the testing of the discount factor used.
	
	• Reviewing the sensitivity analysis performed by the directors and assessing the headroom for errors in estimating the key assumptions used in the goodwill impairment calculation

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Disclosure of IFRS 9- impact The Group is adopting IFRS 9 as from 1 January 2018 and have included an estimate of the financial impact of the change in accounting standard in accordance with IAS 8 'Changes in Accounting Estimates and Errors as set out in note 2. This disclosure notes that the Group continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption. Further testing of the financial impact will be performed as part of our 2018 year end audit.	We have performed audit procedures for the purposes of assessing the disclosures made in accordance with IAS 8. Specifically we have : • Considered the appropriateness of the key technical decisions, judgements, assumptions and elections made by management; • Considered key Classification and Measurement decisions, including Business Model Assessments and Sole Payment of Principal and Interest (SPPI) outcomes; • Involved credit risk modelling in the consideration of credit risk modelling decisions and macroeconomic variables, including forward economic guidance and generation of multiple economic scenarios; • Considered transitional controls and governance processes related to the approval of the estimated transitional impact.

Other Information

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SBM HOLDINGS LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

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

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

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

Other matter

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

Financial Reporting Act 2004

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

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

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

Date: ....29 MAR 2018......

		The Group			The Company		
	Notes	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	5	16,331,538	9,490,208	9,174,135	73,223	15,321	178,060
Mandatory balances with Central Banks		8,966,717	7,097,994	6,919,908	-	-	-
Loans to and placements with banks	6	8,897,399	4,645,911	1,208,945	-	-	-
Derivative financial instruments	7	1,356,774	165,998	144,142	-	-	-
Loans and advances to non-bank customers	8	103,128,838	71,624,874	68,784,195	-	-	-
Investment securities	9 (i)	40,000,421	39,430,829	37,375,824	1,461,801	4,305,882	5,896,350
Equity investments	9 (ii)	6,137,779	5,732,722	6,066,176	4,292,925	4,261,347	5,534,324
Investment in subsidiaries	9 (iii)	-	-	-	24,665,178	21,854,773	20,999,183
Investment in associate	9 (iv)	1,336,902	1,275,880	-	1,272,977	1,272,977	-
Property and equipment	10	2,854,218	2,809,777	2,827,601	3,106	4,309	5,512
Goodwill and other intangible assets	11	3,875,613	3,770,271	2,370,629	-	-	-
Deferred tax assets	17b	95,461	215,260	276,756	-	-	-
Other assets	12	1,039,721	635,984	1,013,780	70,448	1,501	126,773
Total assets		194,021,381	146,895,708	136,162,091	31,839,658	31,716,110	32,740,202
LIABILITIES							
Deposits from banks	14	689,265	2,611,669	751,719	-	-	-
Deposits from non-bank customers	15	144,850,676	109,241,194	104,281,103	-	-	-
Other borrowed funds	16	13,686,203	4,486,008	2,132,497	-	-	-
Derivative financial instruments	7	1,334,641	182,413	120,781	-	-	-
Current tax liabilities		124,195	364,670	391,954	1,005	1,354	16,389
Deferred tax liabilities	17b	170,905	-	-	-	64	19
Other liabilities	18	4,299,258	2,339,683	2,433,536	5,501	5,997	3,493
Subordinated debts	19	3,701,466	3,865,371	3,862,138	3,701,466	3,865,371	3,862,138
Total liabilities		168,856,609	123,091,008	113,973,728	3,707,972	3,872,786	3,882,039
SHAREHOLDERS' EQUITY							
Stated capital	20	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings/(accumulated losses)		2,410,007	865,100	(430,006)	1,242,101	1,020,810	2,030,144
Other reserves		(4,870,408)	(4,685,573)	(5,006,804)	(735,588)	(802,659)	(797,154)
		30,039,803	28,679,731	27,063,394	33,006,717	32,718,355	33,733,194
Treasury shares	20	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		25,164,772	23,804,700	22,188,363	28,131,686	27,843,324	28,858,163
Total equity and liabilities		194,021,381	146,895,708	136,162,091	31,839,658	31,716,110	32,740,202

Approved by the Board of Directors and authorised for issue on 29 March 2018.

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

Subhas THECKA
Chairman, Audit Committee

		The Group			The Company		
	Notes	**31 December 2017**	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Interest income		**7,007,347**	6,249,765	6,424,315	**131,045**	227,814	249,758
Interest expense		**(2,239,586)**	(1,866,491)	(2,171,580)	**(149,011)**	(149,307)	(133,221)
Net interest income/(expense)	26	**4,767,761**	4,383,274	4,252,735	**(17,966)**	78,507	116,537
Fee and commission income		**1,268,893**	1,081,945	1,058,126	**-**	-	-
Fee and commission expense		**(29,385)**	(29,346)	(29,340)	**(339)**	-	-
Net fee and commission income/(expense)	27	**1,239,508**	1,052,599	1,028,786	**(339)**	-	-
Profit arising from dealing in foreign currencies		**560,843**	536,831	528,966	**-**	-	-
Net gain on sale of securities		**464,433**	455,500	286,808	**12,765**	13,036	16,224
Dividend income	28	**21,501**	38,864	157,273	**1,270,535**	27,563	2,597,724
Net gain/(loss) from dealing from financial instruments	29	**516,538**	(25,108)	(2,057)	**67,735**	117	3,697
Other operating income	30	**1,221**	4,265	2,782	**-**	-	-
Non-interest income		**2,804,044**	2,062,951	2,002,558	**1,350,696**	40,716	2,617,645
Operating income		**7,571,805**	6,446,225	6,255,293	**1,332,730**	119,223	2,734,182
Personnel expenses	31	**(1,618,992)**	(1,395,895)	(1,237,004)	**(18,843)**	(3,830)	(1,355)
Depreciation and amortisation		**(669,966)**	(350,004)	(161,535)	**(1,203)**	(1,203)	(501)
Other expenses	32	**(1,099,274)**	(995,723)	(871,912)	**(61,566)**	(48,005)	(38,040)
Non-interest expense		**(3,388,232)**	(2,741,622)	(2,270,451)	**(81,612)**	(53,038)	(39,896)
Profit before net impairment loss on financial assets		**4,183,573**	3,704,603	3,984,842	**1,251,118**	66,185	2,694,286
Net impairment loss on financial assets	33	**(1,115,280)**	(716,899)	(1,936,840)	**-**	-	-
Operating profit		**3,068,293**	2,987,704	2,048,002	**1,251,118**	66,185	2,694,286
Share of profit of associate	9(iv)	**92,005**	1,627	-	**-**	-	-
Profit before income tax		**3,160,298**	2,989,331	2,048,002	**1,251,118**	66,185	2,694,286
Tax (expense)/income	17a	**(585,375)**	(680,429)	(440,448)	**2,895**	(16,979)	(16,408)
Profit for the year		**2,574,923**	2,308,902	1,607,554	**1,254,013**	49,206	2,677,878
Earnings per share (Cents)	34	**99.73**	89.43	62.27			

		The Group			The Company		
	Notes	**31 December 2017**	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year		**2,574,923**	2,308,902	1,607,554	**1,254,013**	49,206	2,677,878
Other comprehensive income :							
Items that will not be reclassified subsequently to profit or loss net of deferred tax:							
Movement in net property revaluation reserve		**-**	1,530	(2,680)	**-**	-	-
Underprovision of deferred tax assets on revaluation of property in prior years		**-**	(24,817)	-	**-**	-	-
Share of other comprehensive income of associate	9(iv)	**290**	1,276	-	**-**	-	-
Remeasurement of defined benefit pension plan	13&17(b)	**(32,876)**	1,599	(10,877)	**-**	-	-
		(32,586)	(20,412)	(13,557)	**-**	-	-
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	38	**(65,347)**	(80,866)	202,833	**-**	-	-
Movement in fair value of available-for-sale investments	38	**144,422**	650,541	(575,701)	**52,013**	3,826	(767,410)
Fair value reserve re-cycled on disposal of available-for-sale investments	38	**(228,618)**	(180,697)	(151,166)	**15,058**	(6,740)	(16,225)
Fair value realised on reclassification of available-for-sale investments to investment in associate		**-**	(2,591)	-	**-**	(2,591)	-
		(149,543)	386,387	(524,034)	**67,071**	(5,505)	(783,635)
Total other comprehensive (loss)/income		**(182,129)**	365,975	(537,591)	**67,071**	(5,505)	(783,635)
Total comprehensive income for the year		**2,392,794**	2,674,877	1,069,963	**1,321,084**	43,701	1,894,243

The Group	Stated capital	Treasury shares	Statutory reserve	(Accumulated losses) / Retained earnings	Net property revaluation reserve	Other reserves (Note 38)	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2015	32,500,204	(4,875,031)	583,457	(1,109,410)	273,609	(5,299,166)	22,073,663
Profit for the year	-	-	-	1,607,554	-	-	1,607,554
Other comprehensive loss for the year	-	-	-	(10,877)	(2,680)	(524,034)	(537,591)
Total comprehensive income/(loss) for the year	-	-	-	1,596,677	(2,680)	(524,034)	1,069,963
Transfer to retained earnings	-	-	-	46,720	(46,720)	-	-
Transfer to statutory reserve	-	-	8,730	(8,730)	-	-	-
Dividend (Note 21)	-	-	-	(955,263)	-	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	592,187	(430,006)	224,209	(5,823,200)	22,188,363
At 01 January 2016	32,500,204	(4,875,031)	592,187	(430,006)	224,209	(5,823,200)	22,188,363
Profit for the year	-	-	-	2,308,902	-	-	2,308,902
Other comprehensive income/(loss) for the year	-	-	-	1,599	(23,287)	387,663	365,975
Total comprehensive income/(loss) for the year	-	-	-	2,310,501	(23,287)	387,663	2,674,877
Transfer to retained earnings	-	-	-	43,145	(43,145)	-	-
Dividend (Note 21)	-	-	-	(1,058,540)	-	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	592,187	865,100	157,777	(5,435,537)	23,804,700
At 01 January 2017	**32,500,204**	**(4,875,031)**	**592,187**	**865,100**	**157,777**	**(5,435,537)**	**23,804,700**
Profit for the year	**-**	**-**	**-**	**2,574,923**	**-**	**-**	**2,574,923**
Other comprehensive loss for the year	**-**	**-**	**-**	**(32,876)**	**-**	**(149,253)**	**(182,129)**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**2,542,047**	**-**	**(149,253)**	**2,392,794**
Transfer to statutory reserve	**-**	**-**	**1,779**	**(1,779)**	**-**	**-**	**-**
Transfer to retained earnings	**-**	**-**	**-**	**37,361**	**(37,361)**	**-**	**-**
Dividend (Note 21)	**-**	**-**	**-**	**(1,032,722)**	**-**	**-**	**(1,032,722)**
At 31 December 2017	**32,500,204**	**(4,875,031)**	**593,966**	**2,410,007**	**120,416**	**(5,584,790)**	**25,164,772**

Other reserve in the balance sheet comprise of statutory reserve, net property revaluation reserve and other reserve

The notes on page 17 to 77 form an integral part of these financial statements.

The Company	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2015	32,500,204	(4,875,031)	307,529	(13,519)	27,919,183
Profit for the year	-	-	2,677,878	-	2,677,878
Other comprehensive loss for the year	-	-	-	(783,635)	(783,635)
Total comprehensive income/(loss) for the year	-	-	2,677,878	(783,635)	1,894,243
Dividend (Note 21)	-	-	(955,263)	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
At 01 January 2016	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
Profit for the year	-	-	49,206	-	49,206
Other comprehensive loss for the year	-	-	-	(5,505)	(5,505)
Total comprehensive income/(loss) for the year	-	-	49,206	(5,505)	43,701
Dividend (Note 21)	-	-	(1,058,540)	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,323
At 01 January 2017	**32,500,204**	**(4,875,031)**	**1,020,810**	**(802,659)**	**27,843,323**
Profit for the year	**-**	**-**	**1,254,013**	**-**	**1,254,013**
Other comprehensive income for the year	**-**	**-**	**-**	**67,071**	**67,071**
Total comprehensive income for the year	**-**	**-**	**1,254,013**	**67,071**	**1,321,084**
Dividend (Note 21)	**-**	**-**	**(1,032,722)**	**-**	**(1,032,722)**
At 31 December 2017	**32,500,204**	**(4,875,031)**	**1,242,101**	**(735,588)**	**28,131,686**

Other reserve in the balance sheet comprise of statutory reserve, net property revaluation reserve and other reserve

		The Group			The Company		
	Notes	**31 December 2017**	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Net cash from operating activities	35.	**1,234,721**	1,950,483	6,230,508	**3,801,568**	2,115,295	1,108,974
Cash flows from / (used in) financing activities							
Increase / (decrease) in other borrowed funds		**7,770,802**	2,353,511	(2,980,507)	**-**	-	-
Proceeds from subordinated liabilities debts raised		**2,025**	3,233	26,658	**2,025**	(3,753)	26,660
Dividend paid on ordinary shares		**(1,032,722)**	(1,058,540)	(955,263)	**(1,032,722)**	(1,058,540)	(955,263)
Net cash from / (used in) financing activities		**6,740,105**	1,298,204	(3,909,112)	**(1,030,697)**	(1,062,293)	(928,603)
Cash flows (used in) / from investing activities							
Investment in non-voting redeemable participating shares		**(120,754)**	(359,585)	-	**(120,754)**	(360,151)	-
Acquisition of property and equipment		**(87,653)**	(144,419)	(218,337)	**-**	-	(6,013)
Acquisition of intangible assets		**(173,992)**	(1,596,979)	(1,126,688)	**-**	-	-
Disposal of property and equipment		**7,489**	824	4,565	**-**	-	-
Investment in preference shares		**-**	(350,000)	-	**-**	-	-
Acquisition of business	41c.	**12,398**	-	-	**-**	-	-
Investment in subsidiaries		**-**	-	-	**(2,592,215)**	(855,590)	-
Acquisition of other equity investments		**(459,211)**	(512,364)	(705)	**-**	-	-
Disposal of other equity investments		**-**	118	(221)	**-**	-	-
Net cash used in investing activities		**(821,723)**	(2,962,405)	(1,341,386)	**(2,712,969)**	(1,215,741)	(6,013)
Net change in cash and cash equivalents		**7,153,103**	286,282	980,010	**57,902**	(162,739)	174,358
Net foreign exchange differences		**(311,773)**	29,791	-	**-**	-	-
Cash and cash equivalents at start of year		**9,490,208**	9,174,135	8,194,125	**15,321**	178,060	3,702
Cash and cash equivalents at end of year	5.	**16,331,538**	9,490,208	9,174,135	**73,223**	15,321	178,060

1. GENERAL INFORMATION

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

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

2. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS

In the current year, the Group and the Company have 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 Group and the Company.

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 Group and the Company. The Group and the Company 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 (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 Group and the Company.

The Group and the Company have 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 Group and the Company have 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 Group and the Company will also 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 judgment 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 Group and the Company have 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.

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;

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

Standards issued but not yet effective (Cont'd)

Impairment (Cont'd)

- 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; and

- 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 :

	The Group
Increase in allowance for credit losses	MUR 410 million to MUR 450 million
Increase in deferred tax assets	MUR 69.7 million to MUR 76.5 million
Decrease in shareholder's equity	MUR 340.3 million to MUR 373.5 million

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.

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 new classification and measurement policies as per IFRS 9 on 1 January 2018 is not expected to result in any material changes to the measurement of the Group's and the Company's financial assets and financial liabilities.

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

Standards issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with an entity'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 Group and the Company 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 Group plans to adopt the new standard on the required effective date using the modified retrospective approach.

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

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 Group and the Company do not anticipate early adoption of IFRS 16 and are currently evaluating its impact.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) Fair value of equity investments: Note 9 Investment securities;
(ii) Fair value of other financial assets and liabilities: Note 39 Risk management, Part 1(a) (ii) fair values;
(iii) Specific allowance for credit impairment: Note 8 (c) Allowance for credit impairment;
(iv) Portfolio allowance for credit impairment: Note 8 (c) Allowance for credit impairment;
(v) Defined benefit pension plan: Note 13 Pension liability;
(vi) Assessment of useful lives of intangible assets: Note 11 Intangible assets; and
(vii) Estimated impairment of goodwill: Note 41(d) Impairment assessment of goodwill;

4. ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

4. ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

(b) Statement of compliance

The financial statements have been prepared on the basis of preparation as explained in 4(a) above and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and in compliance with the Companies Act 2001.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2017.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

4. ACCOUNTING POLICIES (CONT'D)

(c) Basis of consolidation (Cont'd)

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

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

(d) Foreign currency translation

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

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

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

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

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

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

(vi) On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupee at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates; in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4. ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation (Cont'd)

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

	31 December 2017	31 December 2016	31 December 2015
USD / MUR	**33.41**	35.90	35.91
INR / MUR	**0.523**	0.529	0.543
100 MGA / MUR	**1.036**	1.082	1.124
KES/MUR	**0.324**	-	-

The average rates for the following years are:

	31 December 2017	31 December 2016	31 December 2015
USD / MUR	**35.54**	36.43	35.69
INR / MUR	**0.529**	0.545	0.559
100 MGA / MUR	**1.116**	1.104	1.126
KES/MUR	**0.328**	-	-

(e) Other financial assets

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

(f) Financial instruments

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

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

(g) Derecognition of financial assets

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

4. ACCOUNTING POLICIES (CONT'D)

(h) Sale and repurchase agreements

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

(i) Impairment of financial assets

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

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

(j) Financial liabilities and equity instruments

(i) Classification as debt or equity

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

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company 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 Group's and/or the Company's obligations are discharged, cancelled or they expire.

4. ACCOUNTING POLICIES (CONT'D)

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

(iv) Financial guarantee contract

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

(v) Derecognition of financial liabilities

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

(k) 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.

(l) Leasing

(i) *The Group as lessor*

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

(m) Borrowing costs

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

(n) Provisions

Provisions are recognised when the Group and/or the Company have a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Provisions are determine by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

4. ACCOUNTING POLICIES (CONT'D)

(o) 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.

(p) 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.

(q) Determination of fair value

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

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

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

5. CASH AND CASH EQUIVALENTS

Accounting policy

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

For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash 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.

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Cash in hand	**1,842,521**	1,706,637	1,893,359	**-**	-	-
Foreign currency notes and coins	**327,026**	320,434	293,586	**-**	-	-
Unrestricted balances with central banks [1]	**1,494,175**	12,216	1,489,085	**-**	-	-
Loans to and placements with banks[2]	**5,819,471**	3,487,058	1,537,714	**-**	-	-
Balances with banks	**6,848,345**	3,963,863	3,960,391	**73,223**	15,321	178,060
	16,331,538	9,490,208	9,174,135	**73,223**	15,321	178,060

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.
[2] The balances include loans to and placements with banks having an original maturity of up to three months.

6. LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

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

	The Group		
	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	**7,793,111**	4,194,082	937,300
	8,897,399	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	**405,513**	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	-
	8,897,399	4,645,911	1,208,945

7. DERIVATIVE FINANCIAL INTRUMENTS

Accounting policy

Derivative financial instruments

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

Fair value hedges

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

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

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Trading Assets			
Derivative assets	**1,356,774**	165,998	144,142
Trading Liabilities			
Derivative liabilities	**1,334,641**	182,413	120,781

7. DERIVATIVE FINANCIAL INTRUMENTS (CONT'D)

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

The Group	Notional Principal Amount	Fair Values Assets	Fair Values Liabilities	Fair Values Net
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017				
Foreign exchange contracts*	**35,771,192**	**268,858**	**(249,755)**	**19,103**
Interest rate swap contracts	**8,348,656**	**5,566**	**(5,426)**	**140**
Cross currency swaps	**-**	**1,220**	**(1,220)**	**-**
Other derivative contracts	**67,643,651**	**1,081,130**	**(1,078,240)**	**2,890**
	111,763,499	**1,356,774**	**(1,334,641)**	**22,133**
31 December 2016				
Foreign exchange contracts*	15,591,473	98,282	(85,395)	12,887
Interest rate swap contracts	2,184,507	7,460	(27,742)	(20,282)
Cross currency swaps	729,218	33,163	(44,218)	(11,055)
Other derivative contracts	1,906,937	27,093	(25,058)	2,035
	20,412,135	165,998	(182,413)	(16,415)
31 December 2015				
Foreign exchange contracts*	14,744,752	85,850	(62,816)	23,034
Interest rate swap contracts	2,904,292	48,930	(48,603)	327
Other derivative contracts	496,200	9,362	(9,362)	-
	18,145,244	144,142	(120,781)	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.

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

		The Group 31 December 2017	The Group 31 December 2016	The Group 31 December 2015
		MUR' 000	MUR' 000	MUR' 000
1.	Governments	**2,458,655**	-	1
2.	Retail customers	**31,990,963**	28,099,055	28,097,413
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	10,296,332
3.	Corporate customers	**38,364,068**	37,012,499	33,935,970
4.	Entities outside Mauritius (including offshore / Global Business Licence Holders)	**34,384,155**	10,664,000	10,262,700
		107,197,841	75,775,554	72,296,084
	Less allowance for credit impairment (Note 8 (c))	**(4,069,003)**	(4,150,680)	(3,511,889)
		103,128,838	71,624,874	68,784,195
a.	**Remaining term to maturity**			
	Up to 3 months	**15,438,380**	12,173,170	12,109,920
	Over 3 months and up to 6 months	**5,618,540**	3,643,474	2,497,659
	Over 6 months and up to 12 months	**11,727,057**	5,095,722	4,728,175
	Over 1 year and up to 2 years	**6,571,306**	5,090,900	4,970,228
	Over 2 years and up to 5 years	**22,833,824**	13,927,875	15,947,835
	Over 5 years	**45,008,734**	35,844,413	32,042,267
		107,197,841	75,775,554	72,296,084

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

b. Net investment in finance leases

Accounting policy

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

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

	The Group			
	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 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 impairment				**(38,373)**
				1,124,382
31 December 2016				
Gross investment in finance leases	451,572	684,966	31,023	1,167,561
Less: Unearned finance income	(62,419)	(72,437)	(1,503)	(136,359)
Present value of minimum lease payments	389,153	612,529	29,520	1,031,202
Allowance for impairment				(70,490)
				960,712
31 December 2015				
Gross investment in finance leases	541,203	930,981	33,928	1,506,112
Less: Unearned finance income	(99,111)	(84,699)	(1,762)	(185,572)
Present value of minimum lease payments	442,092	846,282	32,166	1,320,540
Allowance for impairment				(73,548)
				1,246,992

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 as concern SBM Bank (Mauritius) Ltd (the 'Bank'). 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 specific sectors of the economy. For the other subsidiaries within the group, portfolio allowance is calculated as per IAS 39. The changes in portfolio allowance are charged or credited to the statement of profit or loss at the end of each period.

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

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original 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 EIR .

Significant accounting estimates and judgement

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

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

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

c. Allowance for credit impairment (Cont'd)

	The Group		
	Specific allowance for credit impairment	**Portfolio allowance for credit impairment**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**
At 01 January 2015	811,515	860,662	1,672,177
Exchange differences	7,667	961	8,628
Loans written off	(114,363)	-	(114,363)
Allowance for credit impairment for the year (Note 33)	1,722,242	223,205	1,945,447
At 31 December 2015	2,427,061	1,084,828	3,511,889
At 01 January 2016	2,427,061	1,084,828	3,511,889
Exchange differences	(4,671)	(3,459)	(8,130)
Loans written off	(4,606)	-	(4,606)
Allowance for credit impairment for the year (Note 33)	688,168	(36,641)	651,527
At 31 December 2016	3,105,952	1,044,728	4,150,680
At 01 January 2017	**3,105,952**	**1,044,728**	**4,150,680**
Acquisition of Business	**605,704**	**-**	**605,704**
Exchange differences	**(37,033)**	**(2,400)**	**(39,433)**
Loans written off	**(1,749,383)**	**-**	**(1,749,383)**
Allowance for credit impairment for the year (Note 33)	**815,902**	**285,533**	**1,101,435**
At 31 December 2017	**2,741,142**	**1,327,861**	**4,069,003**

d. Allowance for credit impairment by industry sectors

	31 December 2017					31 December 2016	31 December 2015
Group	**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 **Restated**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000
Agriculture and fishing	**4,224,704**	**9,410**	**6,469**	**42,696**	**49,165**	100,630	79,663
Manufacturing	**6,476,511**	**1,810,127**	**1,120,363**	**87,440**	**1,207,803**	391,843	133,235
of which EPZ	***1,013,525***	***23,207***	***1,014***	***42,529***	***43,543***	*38,542*	*19,282*
Tourism	**11,203,632**	**9,961**	**3,136**	**212,286**	**215,422**	202,253	235,894
Transport	**1,513,115**	**144,485**	**47,859**	**15,415**	**63,274**	497,697	412,170
Construction	**7,185,805**	**525,875**	**138,438**	**128,074**	**266,512**	235,993	238,764
Financial and business services	**13,513,693**	**42,042**	**38,657**	**121,686**	**160,343**	536,235	521,008
Traders	**19,937,146**	**803,105**	**440,891**	**147,856**	**588,747**	320,983	337,905
Personal	**31,125,000**	**1,119,127**	**741,488**	**470,368**	**1,211,856**	1,174,411	1,035,056
of which credit cards	***559,351***	***87,249***	***87,249***	***7,029***	***94,278***	*93,622*	*69,544*
Professional	**1,843,720**	**89,674**	**89,674**	**17,118**	**106,792**	2,086	1,762
Global Business Licence holders	**2,438,163**	**65,498**	**-**	**15,918**	**15,918**	5,354	5,055
Others	**7,736,352**	**167,223**	**114,167**	**69,004**	**183,171**	683,195	511,377
	107,197,841	**4,786,527**	**2,741,142**	**1,327,861**	**4,069,003**	4,150,680	3,511,889

Total impaired loans for 2016 for the Group were MUR 4,998 million (2015: MUR 3,713 million).

9. INVESTMENTS SECURITIES

Accounting policy

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

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

Loans and receivables

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

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 the dividend growth model, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the *Statement of profit or loss*. Other changes in the carrying amount of AFS investment securities are recognised in *Other comprehensive income* and accumulated under the heading of Net unrealised investment fair value reserve.

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

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

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

Investment in subsidiaries

<u>Financial statements of the Company</u>

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

<u>Consolidated financial statements</u>

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

9. INVESTMENTS SECURITIES (CONT'D)

Accounting policy (cont'd)

Investment in associate

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

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

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

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

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

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth model, 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.

9. INVESTMENTS SECURITIES (CONT'D)

Remaining term to maturity

(i) **Investment securities**

The Group	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
	31 December 2017										
	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	16,116	-	-	-	41,807	477,041	1,209,502	-	1,744,466	-	-
Treasury bills	89,504	196,612	378,804	341,005	-	-	-	-	1,005,925	-	-
Bank of Mauritius bills	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	265,117	-	-	1,164,405	-	-
	910,135	1,265,144	444,099	1,913,301	302,959	1,467,322	1,209,502	-	7,512,462	-	-
(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	16,434,695	14,935,624
Treasury bills	2,119,293	2,268,326	197,252	49,086	-	-	-	-	4,633,957	3,616,677	2,382,985
Bank of Mauritius bills / notes	653,610	1,286,433	396,019	204,260	272,175	731,689	-	-	3,544,186	5,523,885	4,034,151
Corporate bonds	-	200,982	-	-	-	1,398,358	965,737	-	2,565,077	1,394,551	400,260
	2,777,589	4,404,198	815,538	253,346	2,717,991	5,620,027	2,819,437	-	19,408,126	26,969,808	21,753,020
(c) Available-for-sale investment securities											
Government bonds	60,168	100,268	202,574	49,923	1,437,042	1,125,876	1,449,050	-	4,424,901	970,160	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	184,085	297,444	125,587	342,903	-	75,391	-	-	1,025,410	-	-
Securities issued by government bodies	-	-	-	-	-	-	-	-	-	-	96
Bank bonds	-	155,572	52,054	-	71,588	254,213	-	-	533,427	8,346,766	11,453,314
Corporate paper and preference shares	232,143	102,169	-	92,407	-	12,672	11,770	-	451,161	2,071,193	2,300,177
Corporate bonds	12,191	94,228	156,930	167,274	618,445	3,179,443	-	-	4,228,511	544,488	410,986
Redeemable participating shares	-	-	-	-	-	-	-	825,925	825,925	350,000	-
	1,136,253	978,440	1,104,688	799,037	2,127,075	4,647,595	1,460,820	825,925	13,079,833	12,461,021	15,622,804
Total investment securities	4,823,977	6,647,782	2,364,325	2,965,684	5,148,025	11,734,944	5,489,759	825,925	40,000,421	39,430,829	37,375,824
The Company											
(a) Loans and receivables											
Government bonds and treasury notes	-	-	-	-	-	-	985,872	-	985,872	2,216,214	3,109,933
Bank of Mauritius bills / notes	-	-	-	-	-	-	-	-	-	181,840	495,557
Treasury bills	-	-	-	-	-	-	-	-	-	9,944	56,765
(b) Available-for-sale investments											
Government bonds and treasury notes	-	-	-	-	-	-	-	-	-	-	-
Bank bonds	-	-	-	-	-	-	-	-	-	1,538,299	2,234,095
Redeemable participating shares	-	-	-	-	-	-	-	475,929	475,929	359,585	-
Total investment securities	-	-	-	-	-	-	985,872	475,929	1,461,801	4,305,882	5,896,350

9. INVESTMENTS SECURITIES (CONT'D)

(ii) Equity investments

The Group	Up to 3 months (31 December 2017)	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
Available-for-sale											
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	6,137,779	6,137,779	5,732,722	6,066,176
	-	-	-	-	-	-	-	6,137,779	6,137,779	5,732,722	6,066,176
The Company											
Available-for-sale											
Equity shares of companies - Other equity investments	-	-	-	-	-	-	-	4,292,925	4,292,925	4,261,347	5,534,324
	-	-	-	-	-	-	-	4,292,925	4,292,925	4,261,347	5,534,324

(iii) Investment in subsidiaries

The Company	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
- SBM (Bank) Holdings Ltd*	-	-	-	-	-	-	-	22,432,485	22,432,485	20,522,112	20,522,112
- SBM (NBFC) Holdings Ltd	-	-	-	-	-	-	-	1,470,895	1,470,895	62,406	62,406
- SBM (NFC) Holdings Ltd	-	-	-	-	-	-	-	761,798	761,798	1,270,255	414,665
	-	-	-	-	-	-	-	24,665,178	24,665,178	21,854,773	20,999,183

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

	31 December 2017	31 December 2016	31 December 2015
Operating companies	MUR' 000	MUR' 000	MUR' 000
- SBM Mauritius Ltd - SBM Bank (Mauritius) Ltd	-	20,384,912	20,384,912
- SBM Madagascar Ltd - Banque SBM Madagascar SA	136,090	136,090	136,090
- SBM Africa Holdings Ltd - SBM Bank (Kenya) Limited	25	-	-
Special Purpose Vehicles			
- SBM India Ltd	500	500	500
- SBM Myanmar Ltd	610	610	610
	137,225	20,522,112	20,522,112

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (Cont'd)

Details of subsidiaries and associate are as follows:

(a) SUBSIDIARIES

		Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding		
					31 December 2017	31 December 2016	31 December 2015
1.0	*Banking Segmental Subsidiaries*						
1.1	***Special Purpose Vehicle for Bank Investments Holding Company***						
1.1.1	SBM (Bank) Holdings Ltd	Mauritius	Bank Investment Holding Company	MUR 75,000	**100**	100	100
1.1.2	SBM Overseas One Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.3	SBM Overseas Two Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.4	SBM Overseas Three Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.5	SBM Overseas Four Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.6	SBM Overseas Five Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.7	SBM Overseas Six Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.2	*Special Purpose Vehicles for single Bank Investment Holding Subsidiaries*						
1.2.1	SBM Madagascar Ltd	Mauritius	Investment in Banque SBM Madagascar SA	MUR 60,960	**100**	100	100
1.2.2	SBM Africa Holdings Ltd	Mauritius	Investment in SBM Bank (Kenya) Limited	MUR 25,000	**100**	-	-
1.3	*Bank Operating Subsidiaries*						
1.3.1	SBM Bank (Mauritius) Ltd	Mauritius	Commercial Banking	MUR 310 million	**100**	100	100
1.3.2	Banque SBM Madagascar SA	Madagascar	Commercial Banking	MGA 7.4 billion	**100**	100	100
1.3.3	SBM Bank (Kenya) Limited	Kenya	Commercial Banking	USD 1	**100**	-	-
2.0	*Non-Bank Financial Segment Subsidiaries*						
2.1	***Special Purpose Vehicle for Non-Bank Investments Holding Company***						
2.1.1	SBM (NBFC) Holdings Ltd	Mauritius	Non-Banking Financial Investments Holding Company	MUR 25,000	**100**	100	100
2.2	*Special Purpose Vehicle*						
2.2.1	SBM E-Business Ltd	Mauritius	In progress	MUR 625,000	**100**	100	100

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (Cont'd)

(a) SUBSIDIARIES

		Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding 31 December 2017	31 December 2016	31 December 2015
2.3	*Non-Bank Operating Subsidiaries*						
2.3.1	SBM Fund Services Ltd	Mauritius	Fiduciary services / Back Office processing	MUR 0.5 million	**100**	100	100
2.3.2	SBM Mauritius Asset Managers Ltd	Mauritius	Asset Management	MUR 1.6 million	**100**	100	100
2.3.3	SBM Securities Ltd	Mauritius	Stockbroking	MUR 1 million	**100**	100	100
2.3.4	SBM Capital Management Limited	Mauritius	Investments	USD 125,000	**100**	100	100
2.3.5	SBM E-Business Ltd	Mauritius	Card Acquiring & Processing	MUR 25,000	**100**	100	100
2.3.6	SBM Custody Services Ltd	Mauritius	Custody Services	MUR 25,000	**100**	100	100
2.3.7	SBM Factors Ltd	Mauritius	Factoring	MUR 15 million	**100**	-	-
3.0	*Non-Financial Segment*						
3.1	SBM (NFC) Holdings Ltd	Mauritius	Non-Financial Holding Company	MUR 25,000	**100**	100	100
4.0	*Indirect Subsidiary*						
4.1	SBM 3S Ltd	Mauritius	Shared Support Services	MUR 25,000	**100**	100	100

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

9. INVESTMENTS SECURITIES (CONT'D)

(iv) Investment in Associate

(a) ASSOCIATE

	Country of Incorporation and Operation	Business Activity	% Holding
State Insurance Company of Mauritius Ltd	Mauritius	Long term insurance business and pensions	20

	The Group 31 December 2017	The Group 31 December 2016	The Group 31 December 2015	**The Company 31 December 2017**	The Company 31 December 2016	The Company 31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
At 01 January	**1,275,880**	-	-	**1,272,977**	-	-
Reclassified from available for sale investment to investment in associate	**-**	1,272,977	-	**-**	1,272,977	-
Share of profit	**92,005**	1,627	-	**-**	-	-
Share of other comprehensive income	**290**	1,276	-	**-**	-	-
Dividend income from associate	**(31,273)**	-	-	**-**	-	-
Carrying amount at 31 December	**1,336,902**	1,275,880	-	**1,272,977**	1,272,977	-

	The Group 31 December 2017
Summarised financial information in respect of the Group's associate is set out below:	**MUR' 000**
Total assets	**16,331,403**
Total liabilities	**13,951,389**
Total revenue	**963,960**
Total profit for the period	**460,027**
Share of profit	**92,005**
Share of other comprehensive income	**290**
Share of net assets	**1,102,159**
Carrying amount at 31 December 2017	**1,336,902**

Total capital commitment of the investee company stood at MUR 35.910 million as at 30 June 2017 (2016:33.152 million). As at 30 June 2017, the investee did not report any contingent liability. (2016: nil)

10. PROPERTY AND EQUIPMENT

Accounting policy

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

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

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

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

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

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

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

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

Assets held under finance leases are recognised as assets at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments and are depreciated over their estimated useful lives. The corresponding liability to the lessor is included in *Other borrowed funds* on the *Statement of financial position* . Lease finance charges are charged to the *Statement of profit or loss* over the term of the leases so as to produce a constant periodic rate of interest on the outstanding obligations under finance leases.

Impairment of non-financial assets

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

The Group	**Freehold land and buildings**	**Buildings on leasehold land**	**Other tangible fixed assets**	**Motor vehicles**	**Total**
Cost or valuation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2015	963,912	1,571,647	1,648,915	20,668	4,205,142
Additions	15,029	-	195,198	6,038	216,265
Disposals	-	-	(22,762)	(12,445)	(35,207)
Revaluation	(2,680)	-	-	-	(2,680)
Translation adjustment	12,657	-	(759)	(116)	11,782
At 31 December 2015	988,918	1,571,647	1,820,592	14,145	4,395,302
Additions	853	1,235	144,561	7,293	153,942
Disposals	-	-	(202,200)	-	(202,200)
Write off	(300)	-	(3,282)	-	(3,582)
Revaluation	-	-	-	-	-
Translation adjustment	(4,383)	-	(2,394)	(117)	(6,894)
At 31 December 2016	**985,088**	**1,572,882**	**1,757,277**	**21,321**	**4,336,568**
Additions	**-**	**41,052**	**53,479**	**11,290**	**105,822**
Disposals	**-**	**-**	**(55,774)**	**(3,601)**	**(59,375)**
Write off	**(37,874)**	**-**	**-**	**-**	**(37,874)**
Acquisition of new business (Note 41)	**95,189**	**53,334**	**131,998**	**-**	**280,521**
Translation adjustment	**(8,777)**	**(2,062)**	**(7,190)**	**(465)**	**(18,494)**
At 31 December 2017	**1,033,626**	**1,665,206**	**1,879,791**	**28,545**	**4,607,168**

10. PROPERTY AND EQUIPMENT (CONT'D)

The Group	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accumulated depreciation					
At 01 January 2015	25,665	17,331	1,452,913	13,706	1,509,615
Charge for the year	15,941	51,949	81,658	3,491	153,039
Disposals	-	-	(22,734)	(10,331)	(33,065)
Translation adjustment	1,650	-	(888)	(123)	639
At 31 December 2015	43,256	69,280	1,510,949	6,743	1,630,228
Charge for the year	13,870	51,976	89,356	2,834	158,036
Write off	-	-	(204,936)	-	(204,936)
Revaluation movement	(1,530)	-	-	-	(1,530)
Translation adjustment	(728)	-	(2,183)	(115)	(3,026)
At 31 December 2016	**54,868**	**121,256**	**1,393,186**	**9,462**	**1,578,772**
Charge for the year	**14,828**	**51,996**	**95,481**	**4,491**	**166,796**
Acquisition of new business (Note 41)	**1,909**	**-**	**91,894**	**7,145**	**100,948**
Disposals	**-**	**-**	**(49,826)**	**(3,282)**	**(53,108)**
Translation adjustment	**(444)**	**-**	**(5,811)**	**(391)**	**(6,646)**
At 31 December 2017	**71,161**	**173,252**	**1,524,924**	**17,425**	**1,786,762**
Net book value					
At 31 December 2017	**962,465**	**1,491,954**	**354,867**	**11,120**	**2,820,406**
Progress payments on tangible fixed assets					**33,812**
					2,854,218
At 31 December 2016	930,220	1,451,626	364,091	11,859	2,757,796
Progress payments on tangible fixed assets					51,981
					2,809,777
At 31 December 2015	945,662	1,502,367	309,643	7,402	2,765,074
Progress payments on tangible fixed assets					62,527
					2,827,601

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

The Company

Cost or valuation	Motor vehicles	Total
	MUR' 000	MUR' 000
At 01 January 2015	-	-
Additions	6,013	6,013
At 31 December 2015	6,013	6,013
At 31 December 2016	6,013	6,013
At 31 December 2017	**6,013**	**6,013**
Accumulated depreciation		
At 01 January 2015	-	-
Charge for the year	501	501
At 31 December 2015	501	501
Charge for the year	1,203	1,203
At 31 December 2016	1,704	1,704
Charge for the year	**1,203**	**1,203**
At 31 December 2017	**2,907**	**2,907**
Net book value		
At 31 December 2017	**3,106**	**3,106**
At 31 December 2016	4,309	4,309
At 31 December 2015	5,512	5,512

10. PROPERTY AND EQUIPMENT (CONT'D)

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
Level 2 fair value	**MUR' 000**	MUR' 000	MUR' 000
Freehold land and buildings	**1,033,626**	985,088	988,918
Buildings on leasehold land	**1,665,206**	1,572,882	1,571,647
	2,698,832	2,557,970	2,560,565

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

	The Group		
	31 December 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

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. GOODWILL AND OTHER INTANGIBLE ASSETS

Accounting policy

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with that disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

Intangible assets with identifiable useful lives are tested for impairment annually as at 31 December at CGU level, as appropriate, and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

Significant accounting estimates and judgements

Assessment of useful lives

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

(a) *Assets under construction*

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

(b) *Intellectual property rights*

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

(c) *WIP Software*

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

11. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

The Group	Software	WIP Software	Intellectual Property	Assets under construction	Goodwill (Note 41)	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost						
At 01 January 2015	884,408	3,317	417,849	806,330	-	2,111,904
Translation adjustment	1,345	-	-	-	-	1,345
Additions	3,132	6,201	107,876	1,013,899	-	1,131,108
Transfers	-	(4,420)	-	-	-	(4,420)
At 31 December 2015	888,885	5,098	525,725	1,820,229	-	3,239,937
Translation adjustment	(478)	-	(5,200)	(36)	-	(5,714)
Additions	16,609	2,450	62,609	1,518,570	-	1,600,238
Disposals	(129,829)	-	-	-	-	(129,829)
Transfer	3,341,410	257,712	(260,359)	(3,338,763)	-	-
At 31 December 2016	4,116,597	265,260	322,775	-	-	4,704,632
Translation adjustment	**(5,776)**	**(2,954)**	**-**	**-**	**(16,159)**	**(24,889)**
Additions	**52,414**	**135,269**	**-**	**-**	**-**	**187,683**
Acquisition of new business (Note 41)	**61,023**	**-**	**-**	**-**	**417,715**	**478,738**
Transfer	**312,963**	**(312,963)**	**-**	**-**	**-**	**-**
At 31 December 2017	**4,537,221**	**84,612**	**322,775**	**-**	**401,556**	**5,346,164**
Accumulated amortisation						
At 01 January 2015	859,571	-	-	-	-	859,571
Translation adjustment	1,241	-	-	-	-	1,241
Charge for the year	8,496	-	-	-	-	8,496
At 31 December 2015	869,308	-	-	-		869,308
Translation adjustment	(344)	-	-	-	-	(344)
Charge for the year	134,985	-	56,983	-	-	191,968
Write off	(129,830)	-	-	-	-	(129,830)
Transfer	3,259	-	-	-	-	3,259
At 31 December 2016	877,378	-	56,983	-	-	934,361
Translation adjustment	**(14,312)**	**-**	**-**	**-**	**-**	**(14,312)**
Charge for the year	**446,187**	**-**	**56,983**	**-**	**-**	**503,170**
Acquisition of new business (Note 41)	**47,332**	**-**	**-**	**-**	**-**	**47,332**
At 31 December 2017	**1,356,585**	**-**	**113,966**	**-**	**-**	**1,470,551**
Net book value						
At 31 December 2017	**3,180,636**	**84,612**	**208,809**	**-**	**401,556**	**3,875,613**
At 31 December 2016	3,239,219	265,260	265,792	-	-	3,770,271
At 31 December 2015	19,577	5,098	525,725	1,820,229	-	2,370,629

12. OTHER ASSETS

Accounting policy

Other assets and other receivables are those that have fixed or determinable payments and that are not quoted in an active market and classified as 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.

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Accounts receivable[1]	**677,651**	347,848	226,705	**-**	-	-
Balances due in clearing	**59,131**	32,679	186,331	**-**	-	-
Tax paid in advance[2]	**106,916**	122,269	107,871	**-**	-	-
Dividend receivable	**-**	-	126,267	**-**	1,000	126,267
Licence fees prepaid	**-**	-	281,674	**-**	-	-
Others	**196,023**	133,189	84,933	**70,448**	501	506
	1,039,721	635,984	1,013,780	**70,448**	1,501	126,773

[1] Amounts receivable are generally receivable within three months.

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

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

13. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

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

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

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

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

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

Employees 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.

13. PENSION LIABILITY (CONT'D)

Accounting policy (cont'd)

(iii) Travel tickets/allowances

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

Significant accounting estimates and judgements

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

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

	The Group		
	31 December 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	**1,037,762**	914,202	873,533
Fair value of planned assets	**(946,010)**	(846,495)	(784,441)
Net liability arising from defined benefit obligation (Note 18)	**91,752**	67,707	89,092
Reconciliation of net defined benefit liability			
Balance at start of the year	**67,707**	89,091	75,573
Amount recognised in statement of profit or loss (Note 31)	**26,471**	30,098	33,414
Amount recognised in other comprehensive income	**39,703**	(2,040)	12,798
Less employer contributions	**(42,129)**	(49,442)	(32,693)
Balance at end of the year (Note 18)	**91,752**	67,707	89,092
Reconciliation of fair value of planned assets			
Balance at start of the year	**846,495**	784,442	761,332
Interest income	**55,063**	55,698	57,438
Employer contributions	**42,129**	49,442	32,693
Benefits paid	**(40,871)**	(26,554)	(23,479)
Return on planned assets excluding interest income	**43,194**	(16,533)	(43,543)
Balance at end of the year	**946,010**	846,495	784,441
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	**914,202**	873,533	836,905
Current service cost	**23,418**	25,563	28,949
Interest expense	**58,116**	60,233	61,903
Other benefits paid	**(40,871)**	(26,554)	(23,479)
Liability experience loss	**-**	84,960	-
Liability gain due to change in demographic assumptions	**-**	(103,596)	-
Liability loss / (gain) due to change in financial assumptions	**82,897**	63	(30,745)
Balance at end of the year	**1,037,762**	914,202	873,533

13. PENSION LIABILITY (CONT'D)

	31 December 2017	31 December 2016	31 December 2015
Components of amount recognised in statement of profit or loss	**MUR' 000**	MUR' 000	MUR' 000
Service cost	**23,418**	25,563	28,949
Net interest on net employee defined benefit liability	**3,053**	4,535	4,465
Total expense (Note 31)	**26,471**	30,098	33,414
Components of amount recognised in other comprehensive income			
Return on planned assets (above)/ below and interest income	**(43,194)**	16,533	43,543
Liability experience loss	**-**	84,960	-
Liability experience gain due to change in demographic assumptions	**-**	(103,596)	-
Liability experience loss/(gain) due to change in financial assumptions	**82,897**	63	(30,745)
Total	**39,703**	(2,040)	12,798

	The Group		
	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

	31 December 2017	31 December 2016	31 December 2015
Allocation of planned assets at end of year			
Reporting entity's own transferable financial instruments	**6%**	6%	7%
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)	**65**	65	62
Average life expentancy for:			
- Male at ARA	**15.9 years**	15.9 years	18.0 years
- Female at ARA	**20.0 years**	20.0 years	22.5 years

	31 December 2017	31 December 2016	31 December 2015
Sensitivity Analysis on defined benefit obligation at end of year	**MUR' 000**	**MUR' 000**	MUR' 000
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)

13. PENSION LIABILITY (CONT'D)

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

Future cashflows

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

The Group expects to make a contribution of around MUR 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 19 February 2018 submitted by an independent firm of Actuaries and Consultants.

The Group sponsors a final salary defined benefit pension plan for a category of its employees. The Group has recognised a net defined benefit liability of MUR 91.75 million as at 31 December 2017 for the plan (31 December 2016: MUR 67.71 million;31 December 2015: MUR 89.09 million).

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

Investment risk

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

Interest risk

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

Longevity risk

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

Salary risk

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

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

14. DEPOSITS FROM BANKS

Accounting policy

Deposits from 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 Group's and /or the Company's obligations are discharged, cancelled or they expire.

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	**689,265**	2,611,669	751,719

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 Group's and /or the Company's obligations are discharged, cancelled or they expire.

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	**16,530,624**	10,488,127	13,649,850
Savings accounts	**51,100,607**	43,166,430	40,720,718
Time deposits with remaining term to maturity:			
- Up to 3 months	**2,503,486**	1,339,913	1,366,017
- Over 3 months and up to 6 months	**2,370,258**	770,196	1,254,137
- Over 6 months and up to 12 months	**6,093,287**	2,452,511	6,306,121
- Over 1 year and up to 5 years	**1,886,990**	3,367,041	2,858,790
- Over 5 years	**1,339,754**	1,054,397	1,400
Total time deposits	**14,193,775**	8,984,058	11,786,465
Total deposits from retail customers	**81,825,006**	62,638,615	66,157,033
(ii) Corporate customers			
Current accounts	**33,787,373**	28,219,696	24,120,500
Savings accounts	**4,428,696**	6,645,085	3,350,325
Time deposits with remaining term to maturity:			
- Up to 3 months	**12,447,635**	2,410,070	4,734,198
- Over 3 months and up to 6 months	**2,126,411**	2,041,533	322,129
- Over 6 months and up to 12 months	**1,698,055**	1,935,567	1,330,657
- Over 1 year and up to 5 years	**667,511**	1,081,791	395,752
- Over 5 years	**273,364**	359	-
Total time deposits	**17,212,976**	7,469,320	6,782,736
Total deposit from corporate customers	**55,429,045**	42,334,101	34,253,561
(iii) Government			
Current accounts	**3,067,666**	1,930,362	1,775,756
Savings accounts	**3,135,643**	2,336,691	2,091,927
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	**734**	100	66
Total time deposits	**1,393,316**	1,425	2,826
Total deposit from the Government	**7,596,625**	4,268,478	3,870,509
Total deposit from non-bank customers	**144,850,676**	109,241,194	104,281,103

16. OTHER BORROWED FUNDS

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	**673,799**	147,921	203,758
Other financial institutions			
- For refinancing	**4,546,841**	687,074	1,885,189
Borrowings from banks			
- In Mauritius	**4,198,169**	1,537,781	43,550
- Abroad	**4,267,394**	2,113,232	-
	13,686,203	4,486,008	2,132,497
Remaining term to maturity			
Up to 3 months	**802,383**	2,273,183	-
Over 3 months and up to 6 months	**3,195,843**	-	-
Over 6 months and up to 12 months	**4,055,012**	211,169	43,550
Over 1 year and up to 5 years	**3,726,968**	530,565	759,518
Over 5 years	**1,905,997**	1,471,091	1,329,429
	13,686,203	4,486,008	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 Group is required for all its companies domiciled in Mauritius 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 Group 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

Bank levy

SBM Bank (Mauritius) Ltd is liable to pay a special levy of 10% on its 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 consolidated 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. The applicable tax rate for India is 43.26% (2016: 43.26% and 2015: 43.26%); for Madagascar is 20% (2016: 20% and 2015: 20%) and for Kenya is 30% (2016: 30% and 2015: 30%). Foreign tax credit of 80 % is applicable for Segment B chargeable income thereby reducing the income tax rate for this particular segment to 3%.

17a. TAX EXPENSE

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Accounting profit	**3,160,298**	2,989,331	2,048,002	**1,251,118**	66,185	2,694,286
Tax on accounting profit at 15%	**474,045**	448,400	307,200	**187,668**	9,928	404,143
Exchange difference	**-**	-	35	**-**	-	-
Non allowable expenses	**594,287**	2,492	8,001	**3,092**	2,540	19
Exempt income	**(413,623)**	(37,525)	(36,633)	**(195,902)**	-	(387,754)
Deferred tax assets not recognised	**4,792**	-	-	**5,078**		
(Over) / Under provision in previous periods	**(70,008)**	(2,595)	(55,057)	**(3,835)**	2,052	-
Special levy on banks	**142,325**	235,544	219,589	**-**	-	-
Corporate Social Responsibility contribution	**40,412**	79,692	50,088	**1,004**	2,459	-
Withholding tax	**3,292**	4,877	8,843	**-**	-	-
	775,522	730,885	502,066	**(2,895)**	16,979	16,408
Tax refund	**11,608**	-	(10,837)	**-**	-	-
Foreign tax credit	**(201,755)**	(50,456)	(50,781)	**-**	-	-
Total tax (expense)/ income	**585,375**	680,429	440,448	**(2,895)**	16,979	16,408

The total tax expense can also be analysed as being incurred as follows:

Income tax expense	**245,100**	564,490	473,007	**(3,835)**	14,475	16,389
Deferred income tax (*Note 17b*)	**296,571**	31,370	(91,490)	**(64)**	45	19
Corporate Social Responsibility contribution	**40,412**	79,692	50,088	**1,004**	2,459	-
Withholding tax	**3,292**	4,877	8,843	**-**	-	-
Total tax expense	**585,375**	680,429	440,448	**(2,895)**	16,979	16,408

The total tax expense can also be analysed as being incurred as follows:

In Mauritius	**559,042**	654,096	445,197	**(2,895)**	16,979	16,408
Overseas	**26,333**	26,333	(4,749)	**-**	-	-
Total tax expense	**585,375**	680,429	440,448	**(2,895)**	16,979	16,408

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

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

17b. DEFERRED TAX (ASSETS) / LIABILITIES

	The Group	The Company
	MUR' 000	MUR' 000
At 01 January 2015	(171,431)	-
Exchange difference	(11,915)	-
Deferred income tax (Note 17a)	(91,490)	19
Deferred tax on retirement benefit obligations	(1,921)	-
Deferred tax on revaluation of property	-	-
At 31 December 2015	(276,756)	19
At 01 January 2016	(276,756)	19
Exchange difference	4,869	-
Deferred income tax (Note 17a)	31,370	45
Deferred tax on retirement benefit obligations	441	-
Underprovision of deferred tax liability in prior years	24,816	-
At 31 December 2016	(215,260)	64
At 01 January 2017	**(215,260)**	**64**
Exchange difference	**961**	**-**
Deferred income tax (Note 17a)	**296,571**	**(64)**
Deferred tax on retirement benefit obligations	**(6,827)**	**-**
At 31 December 2017	**75,445**	**-**

17. TAXATION (CONT'D)

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Deferred tax assets	**(95,461)**	(215,260)	(276,756)	**-**	-	-
Deferred tax liabilities	**170,905**	-	-	**-**	64	19
	75,444	(215,260)	(276,756)	**-**	64	19
Analysed as resulting from:						
Accelerated capital allowances	**420,080**	134,500	51,021	**-**	64	19
Allowances for credit impairment	**(438,390)**	(433,455)	(373,147)	**-**	-	-
Carried forward losses	**(137,810)**	(139,391)	(137,126)	**-**	-	-
Revaluation of property	**253,118**	241,813	229,448	**-**	-	-
Other provisions	**(21,554)**	(18,727)	(46,952)	**-**	-	-
	75,444	(215,260)	(276,756)	**-**	64	19

18. OTHER LIABILITIES

Accounting policy

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Bills payable	**183,037**	136,655	111,959	**-**	-	-
Accruals for expenses	**408,555**	352,758	332,703	**601**	650	600
Accounts payable	**3,047,964**	1,229,784	1,389,098	**4,900**	5,347	2,893
Deferred income	**43,377**	270,130	202,925	**-**	-	-
Balance due in clearing	**(2,755)**	(3,720)	157,344	**-**	-	-
Balances in transit	**413,459**	66	106,336	**-**	-	-
Pension liability *(Note 13)*	**91,752**	67,707	89,092	**-**	-	-
Others	**113,869**	286,303	44,079	**-**	-	-
	4,299,258	2,339,683	2,433,536	**5,501**	5,997	3,493

19. SUBORDINATED DEBTS

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

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

	The Group and the Company		
	31 December 2017	31 December 2016	31 December 2015
Subordinated Bonds:	**MUR' 000**	MUR' 000	MUR' 000
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024 (level 1)	**1,522,656**	1,524,503	1,521,979
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021(level 1)	**2,178,810**	2,340,868	2,340,159
	3,701,466	3,865,371	3,862,138

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

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

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

20. STATED CAPITAL

Accounting policy

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

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

(ii) ***Treasury shares***

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

	The Group		The Company	
Issued and paid up share capital	**Number**	**MUR' 000**	**Number**	**MUR' 000**
At 31 December 2017	**3,037,402,230**	**32,500,204**	**3,037,402,230**	**32,500,204**
At 31 December 2016	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2015	30,374,022,300	32,500,204	30,374,022,300	32,500,204
Treasury shares held				
At 31 December 2017	**455,610,330**	**4,875,031**	**455,610,330**	**4,875,031**
At 31 December 2016	455,610,330	4,875,031	455,610,330	4,875,031
At 31 December 2015	4,556,103,300	4,875,031	4,556,103,300	4,875,031

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

As at 31 December 2017, the nominal value of the treasury shares amounted to MUR'000 4,875,031 (2016: MUR'000 4,875,031; 2015: MUR'000 4,875,031).

21. DIVIDEND

Accounting policy

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Dividend declared after the reporting date:						
2017: 10 cents (2016: 10 cents) (2015: 11 cents) per share of nominal 10 cents	**258,179**	258,179	283,997	**258,179**	258,179	283,997
Dividend declared in preceeding year and paid in current year:						
2016: 10 cents per share of nominal 10 cents; 2015: 11 cents per share of nominal 10 cents; 2014: 8 cents per share of nominal 10	**258,179**	283,997	206,543	**258,179**	283,997	206,543
Dividend declared paid in current year:						
2017:30 cents ; 2016: 30 cents per share of nominal 10 cent; 2015: 29 cents per share of nominal 10 cent	**774,543**	774,543	748,720	**774,543**	774,543	748,720
	1,032,722	1,058,540	955,263	**1,032,722**	1,058,540	955,263
Less dividend declared and paid during the year	**(1,032,722)**	(1,058,540)	(955,263)	**(1,032,722)**	(1,058,540)	(955,263)
Dividend payable	**-**	-	-	**-**	-	-

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

22. MEMORANDUM ITEMS

Accounting policy

Acceptances

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

Contingent liabilities

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

Financial guarantee contracts

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

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	**804,367**	138,697	207,620
Guarantees on account of customers	**7,565,487**	4,631,643	4,538,566
Letters of credit and other obligations on account of customers	**2,129,501**	1,198,163	799,062
Other contingent items		-	945
	10,499,355	5,968,503	5,546,193
b. Commitments			
Undrawn credit facilities	**14,238,833**	6,787,125	7,472,081
c. Other			
Inward bills held for collection	**188,954**	175,996	253,181
Outward bills sent for collection	**1,929,689**	2,083,674	1,535,424
	2,118,643	2,259,670	1,788,605
Total	**26,856,831**	15,015,298	14,806,879

The Group is subject to various legal claims from former employees and customers with claims totallying MUR 220.70 million (2016: MUR 53.2 million; 2015:MUR 38.2 million). The Group has not made any provision for those claims on the basis that it is not probable that these actions will suceed.

23. ASSETS PLEDGED

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

	The Group		
	31 December 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

24. CAPITAL COMMITMENTS

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	**58,934**	39,752	2,155,594
Approved and not contracted for	**64,757**	138	7,078

25. OPERATING LEASE

Accounting policy

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Leasing arrangements - The Group as lessee			
Operating lease expense	**102,407**	78,573	56,205

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

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Up to 1 year	**92,523**	131,102	109,192
After 1 year and before 5 years	**142,263**	243,563	167,292
After 5 years and up to 25 years	**65,916**	54,216	31,316
	300,702	428,881	307,800

26. NET INTEREST INCOME / (EXPENSES)

Accounting policy

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

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

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

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Interest income						
Cash and cash equivalents	**135,336**	53,666	42,683	**-**	-	-
Loans to and placements with banks	**54,836**	53,496	25,393	**-**	-	-
Loans and advances to non-bank customers	**5,387,346**	4,645,051	4,982,799	**-**	-	-
Investment securities	**1,455,691**	1,542,723	1,409,453	**131,045**	227,814	249,758
Trading assets	**(31,902)**	(46,590)	(38,498)	**-**	-	-
Other	**6,040**	1,419	2,485	**-**	-	-
Total interest income	**7,007,347**	6,249,765	6,424,315	**131,045**	227,814	249,758
Interest expense						
Deposits from non-bank customers	**(1,926,008)**	(1,684,227)	(1,951,739)	**-**	-	-
Other borrowed funds	**(164,567)**	(31,570)	(86,620)	**-**	-	-
Subordinated debts	**(149,011)**	(150,694)	(133,221)	**(149,011)**	(149,307)	(133,221)
Other	**-**	-	-	**-**	-	-
Total interest expense	**(2,239,586)**	(1,866,491)	(2,171,580)	**(149,011)**	(149,307)	(133,221)
Net interest income / (expense)	**4,767,761**	4,383,274	4,252,735	**(17,966)**	78,507	116,537

27. NET FEE AND COMMISSION INCOME/(EXPENSE)

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Fee and commission income						
Retail banking customer fees	**341,847**	311,954	345,084	**-**	-	-
Corporate banking customer fees	**417,851**	272,360	243,173	**-**	-	-
Brokerage income	**76,354**	35,281	36,598	**-**	-	-
Asset management fees	**107,461**	31,432	33,629	**-**	-	-
Card income	**313,941**	429,541	397,665	**-**	-	-
Other	**11,439**	1,377	1,977	**-**	-	-
Total fee and commission income	**1,268,893**	1,081,945	1,058,126	**-**	-	-
Fee and commission expense						
Interbank transaction fees	**(14,099)**	(17,790)	(17,628)	**-**	-	-
Brokerage	**(2,250)**	(3,915)	-	**-**	-	-
Other	**(13,036)**	(7,641)	(11,712)	**(339)**	-	-
Total fee and commission expense	**(29,385)**	(29,346)	(29,340)	**(339)**	-	-
Net fee and commission income/(expen	**1,239,508**	1,052,599	1,028,786	**(339)**	-	-

Accounting policy

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

28. DIVIDEND INCOME

Accounting policy

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Available-for-sale securities	**20,855**	38,268	156,756	**-**	27,563	151,014
Investment in subsidiaries	**-**	-	-	**1,239,262**	-	2,446,710
Investment in associate	**-**	-	-	**31,273**	-	-
Trading securities	**646**	596	517	**-**	-	-
	21,501	38,864	157,273	**1,270,535**	27,563	2,597,724

29. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS

Accounting policy

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**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)	**67,735**	117	3,697
Other	**(373)**	17	19	**-**	-	-
	516,538	(25,108)	(2,057)	**67,735**	117	3,697

30. OTHER OPERATING INCOME

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Gain on disposal of plant and equipment:	**1,221**	4,265	2,782	**-**	-	-

31. PERSONNEL EXPENSES

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

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Wages and salaries	**1,242,870**	1,043,922	883,872	**6,938**	-	-
Other social security obligations	**18,601**	16,672	13,853	**99**	-	-
Contributions to defined contribution plans	**101,808**	79,768	70,178	**603**	-	-
Amount recognised in respect of defined benefit plans (*Notes 13 and 35)*	**26,471**	30,098	33,414	**-**	-	-
Staff welfare cost	**18,335**	14,625	15,862	**-**	-	-
Management and professional charges	**8,828**	18,226	36,843	**-**	-	-
Security and cleaning services	**74,041**	71,867	75,872	**-**	-	-
Other*	**128,038**	120,717	107,110	**11,203**	3,830	1,355
	1,618,992	1,395,895	1,237,004	**18,843**	3,830	1,355

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

32. OTHER EXPENSES

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Software licensing and other information technology cost	**493,556**	505,332	368,616	**19**	50	26
Auditors' remuneration (audit and other services):						
- Principal auditors	**9,715**	9,913	7,099	**468**	733	350
- Other auditors	**5,779**	354	795	**-**	-	-
Utilities	**58,256**	54,968	1,423	**-**	-	-
Professional charges	**104,043**	84,841	163,877	**40,932**	33,764	32,587
Marketing costs	**83,970**	58,541	47,707	**1,517**	1,134	1,513
Rent, repairs and maintenance	**116,350**	165,863	100,890	**-**	-	-
Licence and other registration fees	**37,479**	26,399	24,047	**15,414**	11,538	901
Other*	**190,126**	89,512	157,458	**3,216**	786	2,663
	1,099,274	995,723	871,912	**61,566**	48,005	38,040

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

33. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Accounting policy

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

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

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

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Portfolio and specific provisions:			
- On-balance sheet advances *(Note 8c)*	**1,101,435**	651,527	1,945,447
Bad debts written off for which no provisions were made	**8,720**	70,029	1,347
Recoveries of advances written off	**(142,873)**	(3,725)	(7,231)
Other	**147,998**	(932)	(2,723)
	1,115,280	716,899	1,936,840
Of which:			
Credit exposure	**967,282**	717,831	1,939,563
Other financial assets	**147,998**	(932)	(2,723)
	1,115,280	716,899	1,936,840

34. EARNINGS PER SHARE

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Profit attributable to equity holders of the parent	**2,574,923**	2,308,902	1,607,554
Number of shares entitled to dividend (thousands)	**2,581,792**	2,581,792	2,581,792
Earnings per share (cents)	**99.73**	89.43	62.27

35. NET CASH FROM OPERATING ACTIVITIES

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
Cash flows from operating activities	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year	**2,574,923**	2,308,902	1,607,554	**1,254,013**	49,206	2,677,878
Adjustments to determine net cash flows:						
Depreciation of property and equipment	**166,796**	158,036	153,038	**1,203**	1,203	501
Amortisation of intangible assets	**503,170**	191,968	8,497	**-**	-	-
Write off of property plant and equipment	**37,874**	-	-	**-**	-	-
Pension expense (Note 31)	**26,471**	30,098	33,414	**-**	-	-
Net impairment loss on financial assets (Note 33)	**1,115,280**	716,899	1,936,840	**-**	-	-
Exchange difference	**27,852**	(122,420)	420,722	**(163,914)**	(814)	237,272
Net loss/ (gain) on sale of available-for-sale equity investments	**83**	(2,708)	221	**67,071**	2,591	-
Net (gain) / loss from dealings in trading securities	**(30,726)**	21,781	1,330	**-**	-	-
Net (gain) / loss on disposal of property and equipment	**(1,222)**	(508)	(2,451)	**-**	-	-
Net loss / (gain) on loans and advances at fair value through profit or loss	**1,608**	(995)	1,583	**-**	-	-
Interest income	**-**	-	-	**(131,045)**	(227,814)	(249,758)
Interest expense	**-**	-	-	**149,011**	149,307	133,221
Tax expense	**585,375**	680,429	440,448	**(2,895)**	16,979	16,408
Share of profit of associate	**(92,296)**	(1,627)	-	**-**	-	-
Dividend income (Note 28)	**(21,501)**	(38,864)	(157,273)	**(1,270,535)**	(27,563)	(2,597,724)
Operating profit / (loss) before working capital changes	**4,893,687**	3,940,991	4,443,923	**(97,091)**	(36,905)	217,798
Change in operating assets and liabilities						
(Decrease) / increase in trading assets	**(1,160,049)**	(43,637)	59,751	**-**	-	-
(Increase) / decrease in loans to and placements with banks	**(4,251,489)**	(3,436,965)	(506,812)	**-**	-	-
(Increase) / decrease in loans and advances to non bank customers	**(31,101,876)**	(3,549,386)	(3,299,432)	**-**	-	-
(Increase) / decrease in gilt-edged investment securities	**(3,837,429)**	(4,082,685)	(2,056,264)	**1,422,126**	1,254,257	483,328
Decrease / (increase) in other investment securities	**4,234,496**	2,778,203	(5,015,268)	**1,439,879**	646,076	-
Increase in mandatory balances with central banks	**(1,798,338)**	(178,086)	(371,159)	**-**	-	-
(Increase) / decrease in other assets	**(399,544)**	216,729	188,855	**(68,947)**	(1)	-
(Decrease) / increase in deposits from banks	**(1,922,404)**	1,859,950	157,820	**-**	-	-
Increase in deposits from non-bank customers	**34,335,239**	4,960,091	12,496,113	**-**	-	-
Increase / (decrease) in trading liabilities	**1,152,228**	61,632	(25,853)	**-**	-	-
Increase / (decrease) in other liabilities	**1,587,959**	(72,468)	216,108	**(495)**	2,504	5,426
Interest received	**-**	-	-	**202,313**	274,053	237,951
Interest paid	**-**	-	-	**(151,036)**	(145,554)	(92,895)
Other dividend received	**52,774**	164,200	180,670	**1,052,273**	152,834	257,366
Income tax paid	**(550,533)**	(668,086)	(237,944)	**2,546**	(31,969)	-
Net cash from operating activities	**1,234,721**	1,950,483	6,230,508	**3,801,568**	2,115,295	1,108,974

36. RELATED PARTY DISCLOSURES

Accounting policy

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

The Group

		Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities (including their subsidiaries) in which the Group has significant influence			Entities in which directors, key management personnel and their close family members have significant influence		
		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)	<u>Credit facilities</u>												
(i)	*Loans*												
	Balance at beginning of year	**100,296**	30,901	20,279	**-**	-	-	**-**	-	-	**1,320,812**	194,906	224,882
	Loans to 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	**170,942**	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	109,041	**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)	Dividend income		-	-	**-**	-	-		11,000	2,446,710	**-**	-	-
(g)	Purchase of goods and services	**9,264**	6,143	433	**-**	-	-	**-**	-	-	**-**	-	-
(h)	Emoluments	**31,749**	34,566	108,632	**-**	-	-	**-**	-	-	**-**	-	-

36. RELATED PARTY DISCLOSURES (CONT'D)

	The Group		
	31 Dec 2017	31 Dec 2016	31 Dec 2015
Related party transactions in relation to Post Employment Benefit Plans are as follows:	**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	**104,823**	90,151	86,470

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

37. CAPITAL MANAGEMENT

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

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

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

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

	The Group		
	31 Dec 2017	31 Dec 2016	31 Dec 2015
	MUR' 000	MUR' 000	MUR' 000
Tier 1 Capital	**20,010,395**	18,598,479	18,253,567
Eligible capital	**25,109,218**	24,027,477	23,717,553
Risk weighted assets	**125,684,007**	93,479,869	83,935,326
Capital adequacy ratio (%)	**19.98**	25.70	28.26

38. OTHER RESERVES

The Group	Net unrealised investment fair value reserve	Net translation reserve	Net other reserve	Earnings reserve	Restructure reserve	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2015	27,947	53,227	-	2,935,807	(8,316,147)	(5,299,166)
Other comprehensive income for the year	(726,867)	202,833	-	-	-	(524,034)
At 31 December 2015	(698,920)	256,060	-	2,935,807	(8,316,147)	(5,823,200)
At 01 January 2016	(698,920)	256,060	-	2,935,807	(8,316,147)	(5,823,200)
Other comprehensive income for the year	467,253	(80,866)	1,276	-	-	387,663
At 31 December 2016	(231,667)	175,194	1,276	2,935,807	(8,316,147)	(5,435,537)
At 01 January 2017	**(231,667)**	**175,194**	**1,276**	**2,935,807**	**(8,316,147)**	**(5,435,537)**
Other comprehensive income for the year	**(84,196)**	**(65,347)**	**290**	**-**	**-**	**(149,253)**
At 31 December 2017	**(315,863)**	**109,847**	**1,566**	**2,935,807**	**(8,316,147)**	**(5,584,790)**

Net unrealised investment fair value reserve

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

Net translation reserve

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

Statutory reserve

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

Net other reserve

Net other reserve is used to record the share of other comprehensive income of the associate.

Earnings reserve

The earnings reserve represents retained earnings earmarked towards capital contribution upon transfer of the Indian Operations of SBM Bank (Mauritius) Ltd to SBM Holdings Ltd. We have received approval from the Reserve Bank of India (RBI) for the conversion of SBM Bank(Mauritius) Ltd's indian branch into a wholly owned subsidiary. This reserve will be converted into capital upon successful completion of the conversion.

Restructuring reserve

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

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

a (i) Categories of financial assets and liabilities

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Loans and receivables	157,497,942	120,232,334	108,375,988	143,670	2,424,820	3,966,582
Held-for-trading	7,512,462	-	-	-	-	-
Available-for-sale financial assets	19,217,612	18,193,742	21,688,980	5,754,726	6,159,231	7,768,419
Fair value through profit or loss (Note 7)	1,356,774	165,998	144,142	-	-	-
	185,584,790	138,592,074	130,209,110	5,898,396	8,584,051	11,735,001
Financial liabilities						
Measured at amortised cost	165,004,316	122,437,406	113,342,048	3,706,889	3,871,368	3,865,631
Fair value through profit or loss (Note 7)	1,334,641	182,413	120,781	-	-	-
	166,338,957	122,619,819	113,462,829	3,706,889	3,871,368	3,865,631

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
The Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	16,331,538	16,331,538	9,490,208	9,490,208	9,174,135	9,174,135
Mandatory balances with Central banks	8,966,717	8,966,717	7,097,994	7,097,994	6,919,908	6,919,908
Loans to and placements with banks	8,897,399	8,897,399	4,645,911	4,645,911	1,208,945	1,208,945
Derivative financial instruments	1,356,774	1,356,774	165,998	165,998	144,142	144,142
Loans and advances to non-bank customers	103,128,838	103,057,726	71,624,874	72,072,262	68,784,195	68,712,121
Investment securities	40,000,421	42,525,808	39,430,829	39,344,593	37,375,824	37,018,354
Equity investments	6,137,779	6,137,779	5,732,722	5,732,722	6,066,176	6,066,176
Other assets	765,324	765,324	403,538	403,538	535,785	535,785
	185,584,790	188,039,065	138,592,074	138,953,226	130,209,110	129,779,566
Financial liabilities						
Deposits from banks	689,265	689,265	2,611,669	2,611,669	751,719	751,719
Deposits from non-bank customers	144,850,676	144,855,080	109,241,194	109,246,841	104,281,103	104,336,288
Other borrowed funds	13,686,203	13,686,203	4,486,008	4,486,008	2,132,497	2,132,497
Trading liabilities	1,334,641	1,334,641	182,413	182,413	120,781	120,781
Other liabilities	2,076,706	2,076,706	2,233,164	2,233,164	2,314,591	2,314,591
Subordinated debts	3,701,466	3,701,466	3,865,371	3,865,371	3,862,138	3,862,138
	166,338,957	166,343,361	122,619,819	122,625,466	113,462,829	113,518,014
The Company						
Financial assets						
Cash and cash equivalents	73,223	73,223	15,321	15,321	178,060	178,060
Investment securities	1,461,801	1,508,806	4,305,882	4,365,967	5,896,350	5,816,554
Equity investments	4,292,925	4,292,925	4,261,347	4,261,347	5,534,324	5,534,324
Other assets	70,448	70,448	1,501	1,501	126,267	126,267
	5,898,397	5,945,402	8,584,051	8,644,136	11,735,001	11,655,205
Financial liabilities						
Other liabilities	5,423	5,423	5,997	5,997	3,493	3,493
Subordinated debts	3,701,466	3,701,466	3,865,371	3,865,371	3,862,138	3,862,138
	3,706,889	3,706,889	3,871,368	3,871,368	3,865,631	3,865,631

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

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

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

Except for the levels in which the financial assets and financial liabilities are shown in table 39(a)(iii), the fair values of the other financial assets and financial liabilities are categorized in level 3.

Significant accounting estimates and judgements

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

39. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy

Fair value measurements of financial instruments can be grouped into level 1 to 3 based on the degree to which the fair value is observable, namely:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017								
Derivative financial instruments	**-**	**1,356,774**	**-**	**1,356,774**	**-**	**-**	**-**	**-**
Held-for-trading financial assets	**5,767,996**	**1,744,466**	**-**	**7,512,462**	**-**	**-**	**-**	**-**
Loans and advances at fair value	**-**	**-**	**39,201**	**39,201**	**-**	**-**	**-**	**-**
Investment securities - available-for-sale	**8,024,317**	**4,424,901**	**630,615**	**13,079,833**	**-**	**475,929**	**-**	**475,929**
Equity investments - available-for-sale	**150,289**	**784,139**	**5,203,530**	**6,137,958**	**-**	**-**	**4,292,925**	**4,292,925**
	13,942,602	**8,310,280**	**5,873,346**	**28,126,228**	**-**	**475,929**	**4,292,925**	**4,768,854**
Derivative financial instruments	**-**	**1,334,641**	**-**	**1,334,641**	**-**	**-**	**-**	**-**
31 December 2016								
Derivative financial instruments	-	165,998	-	165,998	-	-	-	-
Loans and advances at fair value	-	-	856	856	-	-	-	-
Investment securities - available-for-sale	11,156,442	970,160	334,420	12,461,022	1,538,299	359,585	-	1,897,884
Equity investments - available-for-sale	-	-	5,732,722	5,732,722	-	-	4,261,347	4,261,347
	11,156,442	1,136,158	6,067,998	18,360,598	1,538,299	359,585	4,261,347	6,159,231
Derivative financial instruments	-	182,413	-	182,413	-	-	-	-
31 December 2015								
Derivative financial instruments	-	144,142	-	144,142	-	-	-	-
Loans and advances at fair value	-	-	5,438	5,438	-	-	-	-
Investment securities - available-for-sale	14,327,481	1,295,323	-	15,622,804	2,234,095	-	-	2,234,095
Equity investments - available-for-sale	-	-	6,066,176	6,066,176	-	-	5,534,324	5,534,324
	14,327,481	1,439,465	6,071,614	21,838,560	2,234,095	-	5,534,324	7,768,419
Derivative financial instruments	-	120,781	-	120,781	-	-	-	-

Loans and advances at fair value relate to the fair value of hedged assets (Note 39(d)(ii)).

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

Equity available-for-sale investments

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

Reconciliation for Level 3 fair value measurements:

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Balance at start of year	**6,067,998**	6,071,614	6,735,928	**4,261,347**	5,534,324	6,319,881
Additions	**614,249**	1,221,929	-	**-**	-	-
Impairment	**(3,688)**	-	-			
Disposals	**-**	(232,589)	-	**-**	-	-
Transfer to associate	**-**	(1,273,430)	-	**-**	(1,273,430)	-
Transfer to Level 2	**(784,139)**	(147,189)	-	**-**	-	-
Exchange difference	**(14)**	(10)	(25)	**-**	-	-
Movement in fair value	**(21,060)**	427,673	(664,289)	**31,578**	453	(785,557)
Balance at end of year	**5,873,346**	6,067,998	6,071,614	**4,292,925**	4,261,347	5,534,324

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

39. RISK MANAGEMENT (CONT'D)

b Credit risk

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

(i) Maximum credit exposure

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
Fund-based exposures:	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Cash and cash equivalents	**14,161,991**	7,463,137	6,987,190	**73,223**	15,321	178,060
Mandatory balances with Central Banks	**8,966,717**	7,097,994	6,919,908	**-**	-	-
Loans to and placements with banks	**8,897,399**	4,645,911	1,208,945	**-**	-	-
Derivative financial instruments	**1,356,774**	165,998	-	**-**	-	-
Loans and advances to non-bank customers	**107,197,841**	75,775,554	72,296,084	**-**	-	-
Investment securities	**40,000,421**	39,430,829	37,375,824	**1,461,801**	4,305,882	5,896,350
Other assets	**765,324**	403,538	535,785	**70,448**	1,501	126,267
	181,346,467	134,982,961	125,323,736	**1,605,472**	4,322,704	6,200,677
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**12,617,998**	8,228,173	12,880,991	**-**	-	-
Credit commitments	**14,238,833**	6,787,125	7,472,081	**-**	-	-
	26,856,831	15,015,298	20,353,072	**-**	-	-

(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 Group is in the process of enhancing its rating model as part of the business-aligned technology transformation, which would better reflect the economic environment.

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
Grades:	**MUR' 000**	MUR' 000	MUR' 000
1 to 3 - Strong	**53,825,569**	30,857,635	39,845,329
4 to 6 - Satisfactory	**36,694,096**	32,741,310	24,991,499
7 to 10 (including unrated) - weak	**33,776,743**	17,888,994	14,865,732
	124,296,408	81,487,939	79,702,560

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 5,558.9 million) for the Group.

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

39. RISK MANAGEMENT (CONT'D)

b Credit risk (Cont'd)

(iii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:
- Fixed / floating charge on assets of borrowers;
- Pledge of deposits / securities / life insurance policy / shares;
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee;
- Lien on vehicle; and
- Letter of comfort.

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	**458,267**	115,589	150,012
Over 1 month and up to 3 months	**102,881**	121,561	136,115
	561,148	237,150	286,127

(v) Impaired financial assets

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

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8d)	**4,786,527**	4,998,437	3,712,740
Specific allowance held in respect of impaired advances (Note 8d)	**2,741,142**	3,105,952	2,427,061
Fair value of collaterals of impaired advances	**3,137,676**	1,721,767	1,233,883

(vi) Credit concentration of risk by industry sectors

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
Portfolio	**MUR' 000**	MUR' 000	MUR' 000
Agriculture	**2,478,382**	2,509,798	2,695,992
Commerce	**3,732,318**	4,292,431	3,287,651
Real estate	**5,396,668**	2,850,895	3,066,204
Manufacturing Non- Textiles	**5,458,419**	-	-
Tourism	**6,212,128**	4,839,141	5,622,342
	23,277,915	14,492,265	14,672,189

39. RISK MANAGEMENT (CONT'D)

c Liquidity risk

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

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

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
The Group	**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	**16,327,897**	**-**	**3,641**	**-**	**-**	**-**	**-**	**16,331,538**
Mandatory balances with Central Banks	**976,672**	**460,562**	**341,585**	**382,030**	**229,542**	**6,576,326**	**-**	**8,966,717**
Loans to and placements with banks	**1,263,606**	**170,402**	**421,797**	**1,919,980**	**4,787,486**	**334,128**	**-**	**8,897,399**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**1,356,774**	**1,356,774**
Loans and advances to non-bank customers	**9,533,621**	**13,485,332**	**7,665,432**	**8,288,008**	**22,009,711**	**42,886,823**	**(740,089)**	**103,128,838**
Investment securities	**5,797,787**	**3,675,260**	**5,201,641**	**3,279,502**	**8,333,283**	**12,887,019**	**825,929**	**40,000,421**
Equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**6,137,779**	**6,137,779**
Other assets	**765,324**	**-**	**-**	**-**	**-**	**-**	**-**	**765,324**
Total financial assets	**34,664,907**	**17,791,556**	**13,634,096**	**13,869,520**	**35,360,022**	**62,684,296**	**7,580,393**	**185,584,790**
Financial liabilities								
Deposits from banks	**689,265**	**-**	**-**	**-**	**-**	**-**	**-**	**689,265**
Deposits from non-bank customers	**13,008,399**	**9,638,611**	**6,180,076**	**7,924,880**	**4,031,705**	**104,067,005**	**-**	**144,850,676**
Other borrowed funds	**1,025,170**	**5,073,881**	**2,704,546**	**531,128**	**3,676,334**	**675,144**	**-**	**13,686,203**
Trading liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**1,334,641**	**1,334,641**
Subordinated debts	**-**	**-**	**28,388**	**-**	**-**	**3,673,078**	**-**	**3,701,466**
Other liabilities	**2,076,706**	**-**	**-**	**-**	**-**	**-**	**-**	**2,076,706**
Total financial liabilities	**16,799,540**	**14,712,492**	**8,913,010**	**8,456,008**	**7,708,039**	**108,415,227**	**1,334,641**	**166,338,957**
Liquidity Gap	**17,865,367**	**3,079,064**	**4,721,086**	**5,413,512**	**27,651,983**	**(45,730,931)**	**6,245,752**	**19,245,833**
31 December 2016								
Financial assets	16,087,022	9,220,286	11,931,110	13,113,864	34,179,128	47,547,494	6,513,170	138,592,074
Financial liabilities	10,726,398	4,310,391	3,642,819	4,907,546	7,227,079	91,623,174	182,412	122,619,819
Liquidity Gap	5,360,624	4,909,895	8,288,291	8,206,318	26,952,049	(44,075,680)	6,330,758	15,972,255
31 December 2015								
Financial assets	16,103,389	6,073,381	8,406,420	13,432,323	28,236,156	43,413,688	14,543,754	130,209,110
Financial liabilities	12,774,024	5,220,284	5,882,749	9,658,177	13,234,283	55,721,499	10,971,813	113,462,829
Liquidity Gap	3,329,365	853,097	2,523,671	3,774,146	15,001,873	(12,307,811)	3,571,941	16,746,281

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
The Company	**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	**73,223**	**-**	**-**	**-**	**-**	**-**	**-**	**73,223**
Investment securities	**-**	**-**	**8,872**	**-**	**-**	**977,000**	**475,929**	**1,461,801**
Equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**4,292,925**	**4,292,925**
Other assets	**70,448**	**-**	**-**	**-**	**-**	**-**	**-**	**70,448**
Total financial assets	**143,671**	**-**	**8,872**	**-**	**-**	**977,000**	**4,768,854**	**5,898,396**
Financial liabilities								
Subordinated debts	**-**	**28,388**	**-**	**-**	**-**	**3,673,078**	**-**	**3,701,465**
Other liabilities	**5,423**	**-**	**-**	**-**	**-**	**-**	**-**	**5,423**
Total financial liabilities	**5,423**	**28,388**	**-**	**-**	**-**	**3,673,078**	**-**	**3,706,889**
Liquidity Gap	**138,247**	**(28,387)**	**8,872**	**-**	**-**	**(2,696,077)**	**-**	**2,191,508**
31 December 2016								
Financial Assets	341,267	-	515,382	718,858	1,556,797	3,068,373	2,383,374	8,584,051
Financial liabilities	3,493	21,979	4,681	-	-	3,835,478	5,737	3,871,368
Liquidity Gap	337,774	(21,979)	510,701	718,858	1,556,797	(767,105)	2,377,637	2,335,047
31 December 2015								
Financial assets	291,493	179,369	-	164,867	1,667,968	1,903,550	7,527,754	11,735,001
Financial liabilities	8,919	27,750	3,583	-	-	3,566,876	258,503	3,865,631
Liquidity Gap	282,574	151,619	(3,583)	164,867	1,667,968	(1,663,326)	7,269,251	7,869,370

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

39. RISK MANAGEMENT (CONT'D)

c Liquidity risk (Cont'd)

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

	On Demand	Up to 3 months	3-6 months	6-12 months	1-2 years	Over 2 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
The Group							
Financial liabilities							
Deposits	111,385,488	15,641,462	6,113,585	8,003,098	2,112,169	1,594,874	144,850,676
Trading Liabilities	1,334,641	-	-	-	-	-	1,334,641
Other borrowed funds	-	6,099,053	2,682,563	531,128	3,438,047	935,413	13,686,204
Subordinated debts	-	-	28,388	-	-	3,673,078	3,701,466
Other liabilities	-	2,076,706	-	-	-	-	2,076,706
31 December 2017	112,720,129	23,817,220	8,824,536	8,534,226	5,550,216	6,203,364	165,649,692
31 December 2016	92,003,698	9,447,757	2,963,975	4,750,741	4,770,435	2,935,581	116,872,187
31 December 2015	85,159,719	6,486,074	1,993,862	5,274,411	5,141,778	7,722,051	111,777,895
The Company							
Financial liabilities							
Subordinated debts	-	-	28,388	-	-	3,673,078	3,701,466
Other liabilities	-	5,423	-	-	-	-	5,423
31 December 2017	-	5,423	28,388	-	-	3,673,078	3,706,889
31 December 2016	-	5,997	-	-	-	-	5,997
31 December 2015	-	46,618	28,083	71,208	142,416	4,592,684	4,881,009

d Market risk

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

(i) Interest rate risk

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

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

The Group	Up to 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Non-Interest Sensitive	Total
31 December 2017	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
equivalents	5,471,461	334,264	-	-	-	-	10,525,813	16,331,538
Central Banks							8,966,717	8,966,717
Loans to and placements with banks	2,536,634	565,881	1,422,930	3,146,852	1,202,121	-	22,981	8,897,399
Derivative financial instruments	-	-	-	-	-	-	1,356,774	1,356,774
Loans and advances to non-bank customers	71,467,929	15,427,092	4,308,185	1,058,013	8,355,340	2,512,279	-	103,128,838
Investment securities	5,797,787	3,675,260	5,192,769	3,279,502	8,333,283	12,887,019	834,801	40,000,421
Equity investmnets	-	-	-	-	-	-	6,137,779	6,137,779
Other assets	-	-	-	-	-	-	765,324	765,324
Total assets	85,273,811	20,002,497	10,923,884	7,484,367	17,890,744	15,399,298	28,610,189	185,584,790
Liabilities								
Deposits from banks	24,695	-	-	-	-	-	664,570	689,265
Deposits from non-bank customers	78,693,703	6,638,754	4,504,421	553,757	901,366	6,971	53,551,704	144,850,676
Other borrowed funds	7,655,680	1,939,946	360,636	3,103,703	-	-	626,238	13,686,203
Derivative financial instruments	-	-	-	-	-	-	1,334,641	1,334,641
Other liabilities							2,076,706	2,076,706
Subordinated debts	-	-	-	-	2,173,078	1,500,000	28,388	3,701,466
Total liabilities	86,374,078	8,578,700	4,865,057	3,657,460	3,074,444	1,506,971	58,282,247	166,338,957
On balance sheet interest rate sensitivity gap	(1,100,267)	11,423,797	6,058,827	3,826,907	14,816,300	13,892,327	(29,672,058)	19,245,833
Off balance sheet interest rate sensitivity gap	(12,670,421)	(1,844,470)	(427,923)	(997,797)	(2,873,514)	(112,278)	-	(18,926,403)
	(13,770,688)	9,579,327	5,630,904	2,829,111	11,942,786	13,780,048	(29,672,058)	319,430
31 December 2016								
Total assets	63,339,961	14,120,687	7,445,162	11,022,639	17,726,434	4,179,907	20,757,283	138,592,073
Total liabilities	72,792,170	5,922,421	3,023,064	501,817	2,752,008	1,923	37,626,417	122,619,820
On balance sheet interest rate sensitivity gap	(9,452,209)	8,198,266	4,422,098	10,520,822	14,974,426	4,177,984	(16,869,134)	15,972,253
Off balance sheet interest rate sensitivity gap	691,753	19,644	47,392	(39,212)	-	-	-	719,577
	(8,760,456)	8,217,910	4,469,490	10,481,610	14,974,426	4,177,984	(16,869,134)	16,691,830
31 December 2015								
Total assets	63,428,295	7,349,481	6,744,071	6,843,427	20,512,063	7,293,121	18,038,652	130,209,110
Total liabilities	61,728,435	4,617,671	2,379,068	2,582,329	106,739	1,461	42,047,126	113,462,829
On balance sheet interest rate sensitivity gap	1,699,860	2,731,810	4,365,003	4,261,098	20,405,324	7,291,660	(24,008,474)	16,746,281
Off balance sheet interest rate sensitivity gap	507,882	-	(296,864)	(157,004)	(54,014)	-	-	-
	2,207,742	2,731,810	4,068,139	4,104,094	20,351,310	7,291,660	(24,008,474)	16,746,282

39. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(i) Interest rate risk (Cont''d)

The Company	Up to 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Non-Interest Sensitive	Total
31 December 2017	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets								
Cash and cash equivalents	-	-	-	-	-	-	73,223	73,223
Investment securities	-	-	-	-	-	977,000	484,801	1,461,801
Equity investments	-	-	-	-	-	-	4,292,925	4,292,925
Other assets	-	-	-	-	-	-	70,448	70,448
Total assets	-	-	-	-	-	977,000	4,921,397	5,898,397
Liabilities								
Subordinated debts	-	-	-	-	2,173,078	1,500,000	28,388	3,701,466
Total liabilities	-	-	-	-	2,173,078	1,500,000	28,388	3,701,466
On balance sheet interest rate sensitivity gap	-	-	-	-	(2,173,078)	(523,000)	4,893,010	2,196,931
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	-	-	-	-	(2,173,078)	(523,000)	4,893,010	2,196,931
31 December 2016								
Total assets	9,944	606,514	489,882	855,503	295,419	1,689,035	4,637,755	8,584,052
Total liabilities	1,500,000	2,334,958	-	-	-	-	36,409	3,871,367
On balance sheet interest rate sensitivity gap	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	4,601,346	4,712,685
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,490,056)	(1,728,444)	489,882	855,503	295,419	1,689,035	4,601,346	4,712,686
31 December 2015								
Total assets	36,940	515,382	718,858	1,190,377	1,162,455	2,272,338	5,838,651	11,735,001
Total liabilities	1,500,000	2,335,479	-	-	-	-	30,152	3,865,631
On balance sheet interest rate sensitivity gap	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	5,808,499	7,869,370
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	5,808,499	7,869,370

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

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Increase/ (decrease) in profit	**200,235**	(29,195)	94,504

(ii) Fair value hedges

The Group

The Group establishes fair value hedge accounting relationships for interest rate risk on some of its fixed rate customer loans. At 31 December 2016, the aggregate notional principal of interest rate swaps designated as fair value hedges was **MUR 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 85% effective in hedging the fair value exposure to interest rates movements and as a result the carrying amount of the loans being hedged was adjusted by MUR 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.

39. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(iii) Currency risk

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

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

The Group	**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	**2,174,977**	**9,139,415**	**944,931**	**1,885,380**	**1,134,056**	**1,052,779**	**16,331,538**
Mandatory balances with Central Banks	**7,570,026**	**632,256**	**46,743**	**245,411**	**217,626**	**254,655**	**8,966,717**
Loans to and placements with banks	**1,105,606**	**3,736,329**	**-**	**4,055,464**	**-**	**-**	**8,897,399**
Derivative financial instruments	**1,213,729**	**50,905**	**2,834**	**-**	**78,133**	**11,173**	**1,356,774**
Loans and advances to non-bank customers	**52,050,121**	**31,507,759**	**787,914**	**11,600,917**	**7,127,912**	**54,215**	**103,128,838**
Investment securities	**27,801,913**	**6,806,762**	**-**	**403,624**	**3,117,171**	**1,870,951**	**40,000,421**
Equity investments	**6,137,779**	**-**	**-**	**-**	**-**	**-**	**6,137,779**
Other assets	**793,907**	**325,395**	**2,884**	**47,566**	**41,349**	**(445,777)**	**765,324**
Total monetary financial assets	**98,848,058**	**52,198,821**	**1,785,306**	**18,238,362**	**11,716,247**	**2,797,996**	**185,584,790**
LIABILITIES							
Deposits from banks	**241,279**	**351,152**	**3,046**	**37,488**	**51,756**	**4,544**	**689,265**
Deposits from customers	**86,057,347**	**39,990,959**	**2,010,427**	**8,926,276**	**5,285,002**	**2,580,663**	**144,850,675**
Other borrowed funds	**1,095,751**	**10,786,151**	**-**	**1,586,411**	**622,022**	**(404,132)**	**13,686,203**
Derivative financial instruments	**1,158,687**	**110,882**	**2,417**	**-**	**43,313**	**19,342**	**1,334,641**
Subordinated debts	**1,488,235**	**2,213,231**	**-**	**-**	**-**	**-**	**3,701,466**
Other liabilities	**(1,278,427)**	**(1,055,915)**	**(217,542)**	**4,393,800**	**471,097**	**(236,308)**	**2,076,706**
Total monetary financial liabilities	**88,762,872**	**52,396,460**	**1,798,348**	**14,943,975**	**6,473,190**	**1,964,109**	**166,338,954**
On balance sheet net position	**10,085,186**	**(197,639)**	**(13,042)**	**3,294,387**	**5,243,057**	**833,887**	**19,245,836**
Off balance sheet net position	**669,316**	**3,600,673**	**11,227**	**(439,675)**	**(3,746,111)**	**(95,430)**	**-**
Net currency position	**10,754,502**	**3,403,034**	**(1,815)**	**2,854,712**	**1,496,946**	**738,457**	**19,245,836**
31 December 2016							
Total monetary financial assets	95,295,412	30,241,557	2,254,493	9,774,463	400,185	625,964	138,592,074
Total monetary financial liabilities	80,730,769	30,262,990	2,155,211	8,878,763	34,507	557,579	122,619,819
On balance sheet net position	14,564,643	(21,433)	99,283	895,699	365,678	68,385	15,972,255
Off balance sheet net position	685,112	3,247	134,314	(334,535)	(404,234)	(83,905)	-
Net currency position	15,249,756	(18,186)	233,597	561,165	(38,556)	(15,520)	15,972,255
31 December 2015							
Total monetary financial assets	87,014,869	24,976,369	2,026,384	7,893,073	6,560,952	1,737,462	130,209,110
Total monetary financial liabilities	72,851,986	25,645,864	2,702,236	8,324,281	2,377,661	1,560,802	113,462,829
On balance sheet net position	14,162,884	(669,495)	(675,851)	(431,208)	4,183,291	176,661	16,746,281
Off balance sheet net position	(1,423,199)	952,898	620,230	43,305	(67,961)	(125,273)	0.00
Net currency position	12,739,685	283,403	(55,621)	(387,903)	4,115,330	51,388	16,746,281

The Company

The Company is exposed to currency risk only in USD in relation to investment securities (financial assets) amounting to **MUR NIL** (2016: MUR 2,438 million and 2015: MUR 2,233 million) and subordinated debts (financial liabilities) amounting to **MUR 2,213 million** (2016: MUR 2,373 million and 2015: MUR 2,340 million).

39. RISK MANAGEMENT (CONT'D)

d Market risk (Cont'd)

(iii) Currency risk (Cont'd)

Value-at-Risk Analysis

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

The Group's VAR amounted to:

	The Group		
	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	**651**	170	207
Maximum for the year	**7,579**	5,170	2,771
Year - end	**1,282**	756	750

(iv) Equity price sentivity analysis

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

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

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	**31 December 2017**	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Statement of comprehensive income	**306,889**	286,636	303,309	**214,646**	213,067	276,716
Statement of profit or loss	**-**	-	-	**-**	-	-
	306,889	286,636	303,309	**214,646**	213,067	276,716

e Accounting policies

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

40. SEGMENT INFORMATION - THE GROUP

Accounting policy

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

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

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

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

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

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

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017						
Interest income from external customers	6,863,369	24	12,909	131,045	-	7,007,347
Non-interest income from external customers	2,540,088	194,959	17,582	80,800	-	2,833,429
Revenue from external customers	9,403,456	194,983	30,491	211,845	-	9,840,776
Interest income from internal customers	-	-	-	-	-	-
Non interest income from internal customers	961,168	3,150	219,161	1,270,535	(2,454,014)	-
Revenue from other segments of the entity	961,168	3,150	219,161	1,270,535	(2,454,014)	-
Total gross revenue	10,364,624	198,133	249,652	1,482,380	(2,454,014)	9,840,776
Interest and fee and commission expense to external customers	(2,117,353)	(2,269)	-	(149,350)	-	(2,268,971)
Interest expense to internal customers	-	-	-	-	-	-
	(2,117,353)	(2,269)	-	(149,350)	-	(2,268,971)
Operating income	8,247,271	195,865	249,652	1,333,030	(2,454,013)	7,571,805
Depreciation and amortisation	(667,696)	(455)	(604)	(1,211)	-	(669,967)
Other non-interest expenses	(2,536,129)	(105,408)	(2,427)	(80,734)	6,432	(2,718,267)
Net impairment loss on financial assets	(967,287)	(3,210)	(147,998)	-	3,215	(1,115,280)
Operating profit	4,076,159	86,792	98,623	1,251,085	(2,444,367)	3,068,291
Share of profit of associate	-	-	-	92,005	-	92,005
Profit before income tax	4,076,159	86,792	98,623	1,343,089	(2,444,367)	3,160,296
Tax expense	(568,144)	(17,436)	(2,690)	2,895	-	(585,375)
Profit for the year	3,508,014	69,356	95,933	1,345,985	(2,444,367)	2,574,921
Segment assets	187,165,686	1,654,359	737,420	31,839,977	(27,376,061)	194,021,381
Segment liabilities	165,328,706	53,339	353,050	3,708,298	(586,788)	168,856,604
Additions to tangible and intangible assets	290,567	2,939	-	-	-	293,505

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

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group Total (Restated)
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2016						
Interest income from external customers	6,021,927	25	-	227,813	-	6,249,765
Non interest income from external customers	1,962,597	79,184	9,344	41,172	-	2,092,297
Revenue from external customers	7,984,524	79,209	9,344	268,985	-	8,342,062
Interest income from internal customers	285	(313)	-	-	28	-
Non-interest income from internal customers	79	(16,287)	(900)	1	17,107	-
Revenue from other segments of the entity	364	(16,600)	(900)	1	17,135	-
Total gross revenue	7,984,888	62,609	8,444	268,986	17,135	8,342,062
Interest and fee and commission expense to external customers	(1,742,606)	(3,924)	-	(149,307)	-	(1,895,837)
Interest expense to internal customers	(313)	-	-	-	313	-
	(1,742,919)	(3,924)	-	(149,307)	313	(1,895,837)
Operating income	6,241,969	58,685	8,444	119,679	17,448	6,446,225
Depreciation and amortisation	(348,077)	(230)	(496)	(1,201)	-	(350,004)
Other non interest expenses	(2,292,698)	(53,648)	-	(51,835)	6,563	(2,391,618)
Net impairment loss on financial assets	(717,896)	997	-	-	-	(716,899)
	(3,358,671)	(52,881)	(496)	(53,036)	6,563	(3,458,521)
Operating profit	2,883,298	5,804	7,948	66,643	24,011	2,987,704
Share of profit of associate	-	-	-	1,627	-	1,627
Profit before income tax	2,883,298	5,804	7,948	68,270	24,011	2,989,331
Tax expense	(658,493)	(4,957)	-	(16,979)	-	(680,429)
Profit for the year	2,224,805	847	7,948	51,291	24,011	2,308,902
Segment assets	135,122,768	186,978	1,737,106	9,848,856	-	146,895,708
Segment liabilities	118,782,870	81,980	353,426	3,872,732	-	123,091,008
Additions to tangible and intangible assets	1,753,673	507	-	-	-	1,754,180
31 December 2015						
Interest income from external customers	6,174,133	(37)	461	249,758	-	6,424,315
Non interest income from external customers	1,753,246	105,268	2,448	170,936	-	2,031,898
Revenue from external customers	7,927,379	105,231	2,909	420,694	-	8,456,213
Interest income from internal customers	-	261	-	-	(261)	-
Non interest income from internal customers	-	-	-	2,446,711	(2,446,711)	-
Revenue from other segments of the entity	-	261	-	2,446,711	(2,446,972)	-
Total gross revenue	7,927,379	105,492	2,909	2,867,405	(2,446,972)	8,456,213
Interest and fee and commission expense to external customers	(2,067,640)	(60)	-	(133,220)	-	(2,200,920)
Interest expense to internal customers	(261)	-	-	-	261	-
	(2,067,901)	(60)	-	(133,220)	261	(2,200,920)
Operating income	5,859,478	105,432	2,909	2,734,185	(2,446,711)	6,255,293
Depreciation and amortisation	(160,763)	(99)	(171)	(502)	-	(161,535)
Other non interest expenses	(2,013,004)	(60,231)	(1,330)	(39,396)	5,045	(2,108,916)
Net impairment loss on financial assets	(1,934,708)	(2,132)	-	-	-	(1,936,840)
	(4,108,476)	(62,463)	(1,501)	(39,898)	5,045	(4,207,292)
Operating profit	1,751,003	42,970	1,408	2,694,287	(2,441,666)	2,048,002
Share of profit of associate	-	-	-	-	-	-
Profit before income tax	1,751,003	42,970	1,408	2,694,287	(2,441,666)	2,048,002
Tax expense	(419,866)	(3,740)	(434)	(16,408)	-	(440,448)
Profit for the year	1,331,137	39,230	974	2,677,879	(2,441,666)	1,607,554
Segment assets	142,759,951	157,976	468,690	48,265,255	(55,489,781)	136,162,091
Segment liabilities	110,333,804	22,223	1,221	3,882,019	(265,539)	113,973,728
Additions to tangible and intangible assets	1,346,809	564	-	-	-	1,347,373

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

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

	Banking		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	**5,798,567**	4,887,031	5,215,410
Loans to and placements with banks	**190,172**	107,161	57,937
Exchange income	**560,843**	361,723	524,861
Card income	**381,191**	416,821	387,837
Trade finance services	**427,305**	206,356	197,067
Deposit and other products /services	**176,006**	123,741	136,637
	7,534,084	6,102,833	6,519,749

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

	Banking		
	Mauritius	**Other countries**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**
31 December 2017			
Revenue from external customers	**4,805,309**	**2,058,059**	**6,863,369**
Tangible and intangible assets	**5,916,197**	**367,492**	**6,283,689**
31 December 2016			
Revenue from external customers	6,731,322	1,253,203	7,984,525
Tangible and intangible assets	6,116,697	423,412	6,540,109
31 December 2015			
Revenue from external customers	6,052,500	1,874,881	7,927,381
Tangible and intangible assets	4,796,104	363,205	5,159,309

41. BUSINESS COMBINATIONS

Significant accounting policies

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:
> fair values of the assets transferred;
> liabilities incurred to the former owners of the acquired business;
> equity interests issued by the Group if any;
> fair value of any asset or liability resulting from a contingent consideration arrangement; and
> fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the
> consideration transferred,
> amount of any non-controlling interest in the acquired entity, and
> acquisition-date fair value of any previous equity interest in the acquired entity
over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Significant accounting estimates and judgement

Management has made an assessment in accordance with the criteria set out in IFRS3 –Business Combinations-of whether the acquisition of SBM Bank (Kenya) Limited previouly know as Fidelity Commercial Bank Limited has to be considered as a business combination or an asset acquisition. The Group concluded that the acquisition meets the definition of a business combination which consists of inputs and processes applied to those inputs that have the ability to create outputs.

Management determined that the inputs relate to equipment and human resources, processes relate to operational processes associated with Banking services delivery and output relates to revenues from Banking services delivery.

The identification of assets and liabilities is critical and their fair value measurement id inherently judgemental and require the use of assumptions and estimates.

Estimated impairment of goodwill

In determining the carrying amount of goodwill, the Group carries out the test on impairment of goodwill on an annual basis. This exercise requires the estimation of value in use of the cash generating units ("CGU") to which goodwill is allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value.

These calculations use cash flow projections based on financial budgets approved by management. Cash flows are extrapolated using the estimated growth rates. Management believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Management have reviewed the carrying amount of the goodwill at the end of the reporting period and is in the opinion, they have not been impaired.

41. BUSINESS COMBINATIONS (CONT'D)

On 10 May 2017, the group acquired through SBM Africa Holdings Ltd, 99.99% of the share capital and preference share capital of Fidelity Commercial Bank Limited for a total consideration of KES 100 (MUR 35).

As a result of the acquisition, SBM (Bank) Holdings Ltd is expected to expand its banking business in the African market.

The following tables summarise the consideration paid, the fair value of the assets acquired, liabilities assumed and the non- controlling interest at the acquisition date.

Subsidiary acquired during the year

Name of Entity	**Principal activity**	**Date of acquisition**	**Proportion of voting equity interest acquired (%)**	**Consideration transferred**
				MUR
Fidelity Commercial Bank Limited (now known as "SBM Bank (Kenya) Limited")	Banking	10-May-17	99.99%	**35**

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	MUR'000
Cash paid	*

**: Amount being below MUR 1,000.*

Fair value of recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition

	MUR'000
Assets:	
Cash and cash equivalents	12,398
Mandatory balances with Central Bank	70,385
Loans and advances to customers	1,483,139
Investment securities	835,061
Property,plant and equipment (Note 10)	179,573
Intangible assets (Note 11)	13,691
Income tax receivable	20,625
Other assets	18,620
	2,633,492
Liabilities:	
Deposits from non-bank customers	(1,274,243)
Other borrowed funds (including loan capital)	(1,429,392)
Other liabilities	(347,571)
	(3,051,206)
Fair value of identifiable net assets	(417,715)
Add: goodwill (Note 11)	417,715
Net assets acquired	-

41. BUSINESS COMBINATIONS (CONT'D)

(b) The goodwill of MUR 417.7 million is largely based on estimated future income, synergies and non-recognisable intangible assets generated by the acquisition. The goodwill is entirely allocated to the operations of SBM Bank (Kenya) Limited which represent the lowest level of Cash Generating Unit ("CGU") at which the goodwill is measured.

Acquistion related costs amounting to MUR 28.05 million, have been excluded from the cost of investment and has been recognised as an expense in profit or loss in the current period, within "other expenses".

From the date of acquisition, SBM Bank (Kenya) Limited contributed MUR 16 million of net interest income and accounted for a loss after tax of MUR 64 million to the profit before tax of the Group.

As the initial accounting of the business combination can be determined provisionally by the end of this financial year, the goodwill calculation is based on provisional amounts. Adjustment to provisional amounts, and recognised of the new identified assets and liabilities if any, will be made within one year from the acquisition date.

(c) **Purchase consideration - cash outflow**

	MUR'000
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration	*
Less: Balances acquired	
- Cash and cash equivalents	12,398
Net inflow of cash - investing activities	**12,398**

(d) **Impairment assessment of goodwill**

As at 31 December 2017, the carrying amount of the goodwill acquired following the business combination mentioned above is as follows:

	MUR'000
Goodwill on acquisition of SBM Bank (Kenya) Limited (previously known as "Fidelity Commercial Bank Limited")	417,715
Foreign exchange differences	(16,159)
Carrying value as at 31 December 2017	**401,556**
Carrying value as at 31 December 2016 and 2015	-

The recoverable amount of the investment in SBM Bank (Kenya) Limited has been determined based on value in use calculation using the cash flow projections from financial budgets approved by senior management covering a period of five years. The pre-tax discount rate applied to cash flow projections is at 22%. As a result of the analysis, management did not identify any impairment.

The key assumptions used for the Value-In-Use (VIU) impairment calculation are:

Net interest margin: Net interest margin is based on the average achieved in the preceding years.

Discount rate: Discount rate represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and specific risk of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Kenyan Bank and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity. The cost of equity is derived by using comparable industries data adjusted for country risk and size of the bank. The cost of debt is based on the interest-bearing borrowings.

Growth rate estimates: Rates are based on management's best estimates of the Group's and industry's growth rate.

Sensitivity to changes in assumptions:

Increase in 5% of the discount rate will not result in an impairment of goodwill.