Annual report 2015

Standard Bank (Mauritius) Limited

Standard Bank Moving Forward™

We capitalise on the business-friendly environment of Mauritius, and the extensive footprint and expert capacity of the Group to offer first-class banking services to our clients.

Photo: Mauritius

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Our values

Our success and growth over the long-term is built on making a difference in the communities in which we operate. We are committed to moving Mauritius forward.

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04	Being proactive
05	Working in teams
06	Constantly raising the bar
07	Respecting each other
08	Upholding the highest levels of integrity

Client centricity

Realising our vision depends on placing our clients at the centre of everything we do. Strong of our knowledge and unique presence in Africa, we create value to clients by understanding their needs and what matters to them, and offering the products, services and solutions they need to grow their business.

Financial highlights

AFRICA IS **OUR HOME**
– we drive her growth

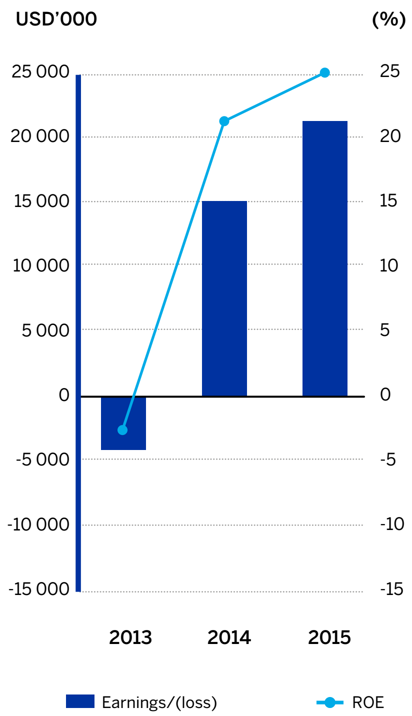
About Standard Bank (Mauritius) Limited

Standard Bank (Mauritius) Limited (the Bank) is a wholly owned subsidiary of the Standard Bank Group (the Group), the largest bank in Africa in terms of assets. In Mauritius, our main pillar of business is corporate and investment banking with a wealth and investment arm. Standard Bank is a leading African financial services group with worldwide banking capabilities. With over 150 years history, Standard Bank now operates in 20 countries on the African continent as well as other selected emerging markets. Our strategy is to deliver sustainable shareholders value by serving the needs of our customers through first class, on-the-ground operations in chosen countries in Africa. Our heritage, footprint and local insight, put us in a strong position to connect our clients to opportunities across Africa and beyond.

The Bank also connects other selected markets to Africa and to each other, applying our sector expertise, particularly in natural resources, globally.

The Bank leverages on the seamless synergy which exists in the Group to connect its customers in, for and across Africa.

Earnings attributable to shareholders



USD21,6 million

Earnings attributable to shareholders
2014: USD15,4 million

USD1,4 million

Total assets
2014: USD3,2 million

25.5%

Return on average equity
2014: 22.2%

43.3%

Cost to income ratio
2014: 46%

	Dec 15	Dec 14	Dec 13
	USD'000	USD'000	USD'000
Earnings/(loss) attributable to shareholders	**21 605**	15 416	(4 263)
Statement of financial position			
Total loans	**106 253**	280 280	399 100
Total assets	**1 418 902**	3 230 923	2 393 970
Total deposits	**1 243 957**	3 048 544	2 132 492
Shareholder's funds	**88 816**	77 187	61 727
Tier 1 capital	**87 211**	74 733	57 747
Risk-weighted assets	**214 015**	450 435	522 145
Performance ratios (%)			
Return on average total assets	**1.52%**	0.71%	(0.16%)
Return on average equity	**25.54%**	22.18%	(6.15%)
Return on average tier 1 capital	**24.77%**	20.63%	(7.38%)
Cost to income ratio	**43.32%**	45.96%	50.63%
Non-interest income to total income	**55.97%**	51.15%	41.22%
Loan to deposit ratio	**9.20%**	12.23%	18.72%
Capital adequacy ratio			
Capital to risk-weighted assets	**50.51%**	22.14%	16.51%
Asset quality			
Non-performing loans	**14 908**	40 222	70 625
NPL ratio (%)	**14.03%**	14.35%	17.70%
Allowance fo loan impairment losses	**(4 949)**	(1 125)	18 738
Credit loss ratio	**(2.46%)**	(0.33%)	4.42%
Number of employees	**120**	116	116

Our business structure

CORPORATE AND INVESTMENT BANKING

We provide services to larger domestic corporates, multinationals, management companies, governments, parastatals and financial institutions. Standard Bank combines the advantages of the business friendly environment of Mauritius, the expertise of a rich in-country talent base and the synergy within its global distribution network to provide tailor-made corporate and investment banking solutions to its clients.

WHAT WE OFFER

- Global markets
- Transactional products and services
- Investment banking
- International wealth and investment

ENABLING FUNCTIONS

These include the support and back office functions facilitating the smooth and effective running of the Bank.

DEPARTMENTS

- Risk
- Compliance
- Finance
- Legal
- Information technology
- Group real estate services
- Operations
- Marketing and communication
- Human capital

Non-financial performance

Strategy

Standard Bank (Mauritius) Limited (the Bank) aspiration to be the leading financial service institution, in, for and across Africa remained a key driver in 2015. The Bank kept on growing in its core markets and made steady progress against the country goals and objectives supporting its strategy. Client centricity and consistent service delivery remained the two main pillars upon which the Bank focused to reinforce and enhance its clients' experience and optimise value to stakeholders.

Client centricity

The Bank renewed its commitment to deliver on its purpose: put the clients at the heart of everything we do. Strong of our knowledge and unique presence in Africa, we create value to customers by understanding their needs through their lives, offering the products, services and solutions they need to grow their business; providing these quickly, efficiently and earning and keeping their trust. This is fully embedded in the initiatives developed throughout the year.

Consistent service delivery

The Bank is committed to deliver a high quality and consistent service to our customers by implementing initiatives that differentiate us from the service rendered by others. We aim to promote a proactive, client focused and confident culture. By creating a significant difference in our efficiency to respond to client needs and consistently exploring possibilities to grow their business in Africa, we optimise value to our shareholders, employees and society at large.

Other highlights

Standard Bank's marketing and communication strategy focuses on building the Standard Bank brand, positioning our strength in Africa, our heritage, our pioneering spirit and our ability to connect customers to the right solutions.

Our marketing and communication initiatives in 2015 supported the continued growth of the brand equity, reinforcing the country's strategy and providing the platform for business to engage with our clients and stakeholders.

Advertising

Our strategy was backed by the Corporate and Investment Banking (CIB) brand image advertising, reinforcing our experience, credibility and presence in Africa. The campaign with the tagline 'They call it Africa. We call it home.' showcased Standard Bank as the partner for growth in Africa with its unique footprint, knowledge and a deep specialisation in natural resources. It also highlighted the accolades received by Standard Bank in Africa.

Sponsorships

Sponsorships are an integral part of Standard Bank's social responsibility and communication strategies. Sponsorships are essential in building our brand and creating relevance in the markets in which we operate by providing the right platform to connect with our customers and stakeholders. We have been a leading sponsor of the arts and sport for many years. The initiatives sponsored in Mauritius during the year were as follows:

Blues dan Jazz

The Bank's collaboration with l'Institut Français de Maurice (IFM) in 2015 saw the creation of 'Blues dan Jazz, IFM & Standard Bank Jazz Series', with African jazz musicians flying to Mauritius in order to open new horizons and opportunities for the local artists. On 11 April 2015, French jazzman Louis Sclavis and the young South African talent Nduduzo Makhathini, winner of the Standard Bank 2015 Young Artist Award for jazz played together with two local jazz prodigies Kersley Pytambar and Kersley Sham in a unique concert at IFM.

Ernest Wiehe Jazz Festival

Standard Bank is regarded by all in the music industry as the leading sponsor and supporter of jazz, having made a major contribution in providing this formerly neglected genre with a much needed boost through annual showcases and music development programmes and workshops.

The Bank's commitment in the promotion of local jazz is in line with Standard Bank Group sponsorship philosophy. Since 2013, the Bank has been the main sponsor of the Ernest Wiehe Jazz Festival (EWJF). This year's edition was held in September 2015 with several well-known jazz artists lined up to participate in this event namely Sébastien Margéot Project, Nicolas Folmer, Gina Jean-Charles and the Blues and Beyond Quartet amongst others.

Standard Bank Championship

The Bank has continuously played a key role in supporting golf in Mauritius over the past few years. This year, the Bank spread its wings to the African golf scene through the Standard Bank Africa Invitational Regional Golf Series which culminated in the Standard Bank Championship.

This event which took place in October 2015 on the Heritage Golf Course was strictly for Standard Bank's guests who qualified through the Standard Bank Africa Regional Golf Series. Ten professional players from the local golf scene also participated in the event.

Events

The Bank carried out a number of hospitality and business events during the year, including a golf championship, a karting competition, a wine tasting, a football match and a bowling night.

Chairman and chief executive's review

Louis Rivalland / Lakshman Bheenick

The Board of the Standard Bank (Mauritius) Limited (the Bank) is pleased to present its fourteenth Annual Report for the year ended 31 December 2015.

Overview

The Bank has consolidated its African-centric strategy in 2015 and this has enabled the Bank to deliver superior return on equity and growth in earnings. During the year, we have ensured that we remain relevant and responsive to our customers and aligned to our client value proposition to targeted segments.

Performance

The financial performance for 2015 was superior to results delivered in prior years and reflected a robust earnings growth, which translated into a profit of USD21,6 million. Financial metrics were all enhanced with return on equity improving from 22.2% to 25.5% and cost to income ratio at 43.3%, whilst the asset base has declined by 62% in line with our strategy. The Bank has also recovered USD2,9 million as a settlement agreement for one of the non-performing loans.

Strategy

The Bank's strategy has been spanned over a three year period and is aligned to Standard Bank Group (the Group) strategy and risk appetite. Our focus remains strong, aimed at improving the effectiveness of our execution as we continue to progress against the objectives that underpin our strategy.

Corporate governance and directorate

The Bank continues to embed governance and compliance to standards. The Bank has instilled regulatory best practice across its operations and adheres to the requirements of the Bank of Mauritius guidelines on corporate governance as well as the Code of Banking Practice. This further enhances the highest standards of corporate governance in line with local market practices as well as the Group's guidelines. There were no changes to the directorate in 2015.

We would like to extend our thanks to our customers, staff and board members for their continued support throughout 2015.

LAKSHMAN BHEENICK
Chief Executive

LOUIS RIVALLAND
Chairman

16 March 2016

Macroeconomic review

Along with the continued weakness of the European growth, emerging markets being hit by the fall in commodity prices, oil prices hitting an all-time low, the global economic environment has remained uncertain in 2015. External demand has remained weak, dampening the overall GDP growth.

With economic growth remaining sluggish in recent years, hampered by a weak global economy, the Mauritian economy remained under challenge this year. A key contributor to domestic growth was the tourism industry, on the back of diversified markets and improved air access. However weak investment flows from both the public and private sector along with the poor performance of the construction sector which has remained stagnant over the past few years, has continued to fuel the low growth rate. Against a backdrop of economic difficulties and uncertainties, economic growth for 2015 has been revised downward to 3.4%, similar to the past two years. This has raised fears that the country gets stuck in a "middle-income country trap".

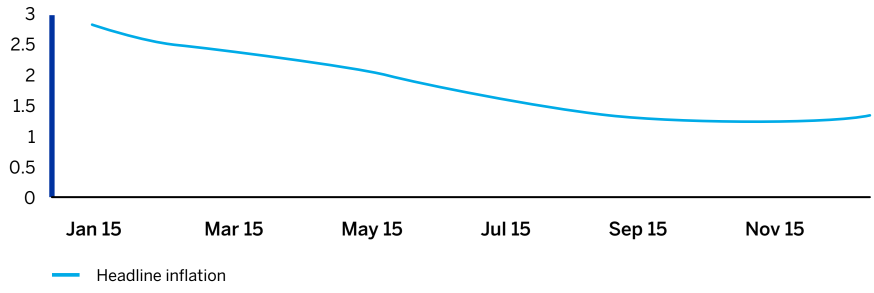
The setting-up of a "high powered committee" by the Mauritian government on 'Achieving Economic Miracle and Vision 2030' is a welcoming move in the current economic environment as it would provide the necessary impetus to boost investment and propel the economy to a high-income status.

The government has also announced its plan to invest MUR75 billion over the next five years for the creation of "Smart Cities" as well as enabling road decongestion, electricity and water supply, and port infrastructure. It is expected that this new economic vision will boost economic growth to an ambitious 5.5% a year from 2017. To deliver this, the challenge for Mauritius will be to develop a more competitive economy, geared towards sectors with strong added value.

Mauritius maintained its credit rating of Baa1, following Moody's Investors Services latest country-wide evaluation report. The 'resilience and diversification of the local economy and robust institutional capacity' were cited as reasons for maintaining its stable outlook on the island economy.

The country remained heavily dependent on imports of food and fuel, which have a heavy weighting in the Consumer Price Index (CPI). Local CPI data showed that inflationary pressures in the economy remained moderate for the year with headline inflation having decreased over 2015, driven by decreasing commodities prices. Headline inflation hit its lowest value since June 1988 at 1.2% in September to rise marginally to 1.3% in December 2015. Latest CPI data showed that inflationary pressures in the economy will remain moderate in 2016 unless we see a significant rise in demand on the back of economic growth. Domestic inflation remained at low levels on the back of subdued domestic demand conditions.

Headline inflation 2015



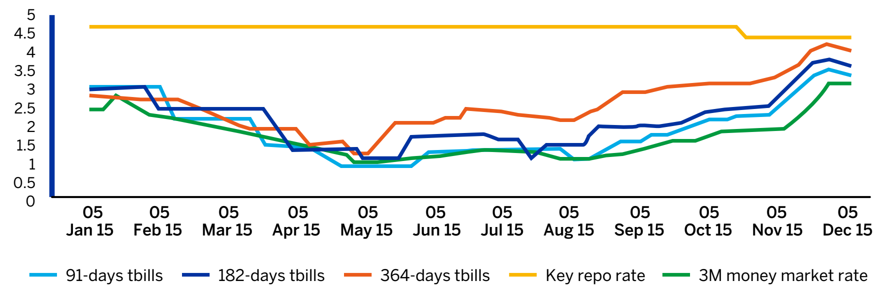
Against this backdrop of low investment, the monetary policy committee has lowered the repo rate for the first time since June 2013 by 25 basis points (bsp) to close at 4.4% in an attempt to boost economic activity.

The monetary policy committee is in favor of having an efficient policy framework in view of bridging the gap between the key repo rate and money market rates. Throughout the year, they highlighted the need for an effective monetary policy transmission mechanism, which would ensure the effectiveness of policy impulses to the real sector.

Significant excess liquidity in the banking system continued to depress money market yields and reflect a distorted interest rate structure. Consequently, the Bank of Mauritius (BoM) has come up with a new monetary policy operational framework and has embarked on a programme of effective liquidity management in the banking system. An array of instruments has been employed in the money market to mop up excess liquidity, with the Central Bank thus increasing issuance of its own paper in an effort to drain excess liquidity. In order not to exacerbate the excess liquidity conditions in the system, the BoM conducted sterilised interventions by way of Rupee deposits placed by banks for a period of one year. Excess liquidity in the domestic money market stood at MUR10 billion in December after peaking at MUR16 billion in May. This liquidity withdrawal process has helped push treasury bill yields higher over the last 6 months of the year.

Although the weighted average yield on 91-day, 182-day and 364-day Government of Mauritius treasury bills (tbills) were on the downside in the first half of 2015, it started to rise in the second half of the year. However, despite the overall reduction in banks' excess reserves and the associated pick-up in yields, interbank money market rates failed to adjust accordingly for the major part of 2015.

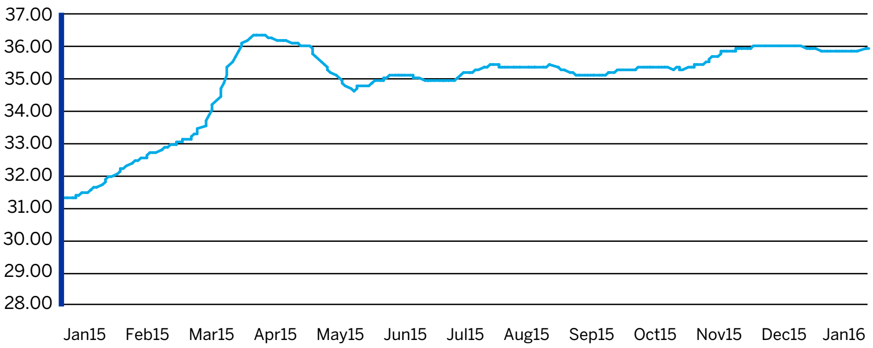
Treasury bills rate, 3M money market rate, repo rate



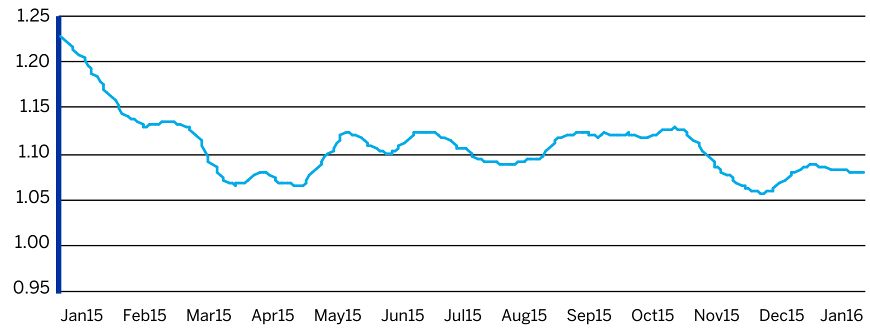
Exchange rates evolution is critical for the economy, given the key role it plays in the export of goods and services. The fluctuations of the Rupee against the Euro and the US Dollar remained a cause for concern this year, with the Rupee appreciating against the Euro and hence weakening export competiveness. The US Dollar has strengthened significantly against the Euro this year, as the European Central Bank (ECB) maintained a loose monetary policy, in response to low inflation and modest growth, while the Federal Reserve Bank (FRB) tightened its monetary stance. Further interest rate hikes are expected in the US going forward.

Given the Mauritian Rupee's past record of tracking the Euro against the Dollar, the USD/MUR was mostly range-bound since July trading between 35 and 36. However this pair moved closer to 36 in December and was mainly attributable to the decline in EUR/USD towards year-end, following ECB policy of further quantitative easing and the FRB hiking rates by a quarter percentage point. The BoM continues to look to stabilise the MUR on a trade-weighted basis, but preferring to manage this via the EUR/MUR pair and thus leaving the EUR/USD as a by-product of EUR/USD moves. Separately, the decision of the State Trading Corporation to purchase 50% or more of its foreign exchange requirements from domestic banks contributed to restore the free interplay of market forces in determining the exchange rate.

USD/MUR Spot



EUR/USD Spot



Overall, the financial system is assessed to be sound and resilient. Looking ahead, a key challenge for the domestic financial system will be related to the process of interest rate and excess liquidity in the banking system as well as decline in asset quality, which need to be carefully monitored to ensure financial stability. Most analysts however expect economic growth to remain sluggish at an annual average of around 3.6% in 2016, hampered by an uncertain global economic environment and slow progress on domestic reforms.

Source: Bank of Mauritius, Statistics Mauritius, Mauritius Statistical Office, Economist Intelligence Unit

Management Discussion and Analysis

The results

Standard Bank (Mauritius) Limited (the Bank) has maintained a strong momentum in business, with a commendable performance of our banking operations for 2015, testament to the Bank's commitment to embed its underlying strategy.

Despite the challenging economic environment, revenue growth was sustained, underpinned by the three pillars of our business: transactional products and services, investment banking and global markets business.

Review by business lines

Corporate and investment banking

The Bank's focus remains in Corporate and Investment Banking (CIB), with a wealth and investment arm. The Bank's client coverage model was key to our strategy which includes a strong focus on clients whose businesses are aligned to our African strategy. This model promotes a deep understanding of our clients' needs and objectives. This enabled us to provide clients with the solutions they require and strengthen our client engagement model and client value proposition. It will ensure that we have increased insight and knowledge of our client base, sectors and industries and in so doing, have an improved understanding of their needs.

Transactional products and services

As a provider of Transactional Products and Services (TPS), the Bank provides amongst other services, cash management structures tailored to meet clients' needs, efficient and secure transactional capabilities and trade finance solutions.

TPS recorded an even better performance in 2015, with revenue growth of 18%. Earnings growth of 423% was further supported by the partial recovery of an impaired asset during the year.

Cash management, trade finance and investor services are the three main revenue drivers of TPS. Although cash management recorded good revenue growth, challenges were faced in the other areas.

Cash management witnessed a 19% growth in the number of registered profiles for our electronic banking platform: business online, as more clients were encouraged to use this payments platform. On the transactional side we have witnessed an increase of 14% for client's instructions channelled through Business Online as compared to prior year. Total payments processed electronically reached an appreciable 73% in December 2015.

Following the balance sheet re-structuring exercise that started off in 2014, a drop of 60% in the asset book was registered, with short-term assets closing at USD27 million. On the other hand, the deposit base was further enhanced with a 15% liability growth to reach USD2 billion on average in 2015. This in turn positively impacted earnings growth, with the average deposits base contributing significantly to the 42% increase in net interest income during the year.

Investor services revised its business strategy and operating model during the year with the aim to improve efficiency and competitive positioning. The roll out of the on-line securities platform to our clients as well as the Bank's strategic alliance with Bank of New York Mellon (BNYM) has allowed our clients to take advantage of the state of the art securities platform of BNYM.

Shrinkage of Assets Under Custody (AUC) was registered, attributable to declining market prices and early redemptions from investors due to an adverse market environment. The AUC at year end stood at USD210 million, representing a 28% decrease compared to prior year, which resulted in a 16% decline in our fees income.

Reduced activity was noted from our main Trade Finance clients on the back of the economic slowdown and lower commodities prices which has adversely impacted the business activities of our clients who are mostly African focused. Although trade finance assets grew marginally by 1% to close at USD6,7 million, revenues delivered negative growth of 28% compared to prior year, on account of a drop of 35% in trade finance fees on account of reduced LC activities and guarantees.

Focus for 2016 will remain on the Standard Bank Group's (the Group) clients who can benefit of using Mauritius' jurisdiction as their procurement and treasury centre.

Global markets

Global markets gives Standard Bank's clients access to the market using various funding, risk mitigation and yield enhancement strategies. Given the Group's expanding African footprint, our value proposition remains our ability to provide access to markets unavailable from other sources and be a leading provider of African products across a number of asset classes.

Global markets total revenues were down by 3% this year, on the back of lower interest earned as a result of a change in funds transfer pricing profiling methodology, while earnings registered a marginal growth of 2%. However despite a volatile environment during the year, Global markets performed well with trading revenues up by 19%, closing at USD10,7 million, underpinned by client driven revenues. The main contributor was the sales desk which grew year on year by 40%, with the desk benefitting from existing and new client flows. Moreover, given the high volatility prevailing in the forex markets, demand for hedging solutions was strong and the desk was able to convert a number of opportunities. The high volatility was also positive for the FX flow trading desk which ended the year with a 26% growth. During the year, the Bank continued its efforts of optimising its balance sheet in a bid to boost net interest income. The Bank will continue its efforts in diversifying revenues with sustained growth in forex and other markets.

Investment banking

Investment banking was mainly impacted by the change in strategy implemented in 2013 with the exit of some cross-border facilities originated through the Bank's African franchise and partly by a few early prepayments of some loans originated in country. The total revenue saw a drop of 19% year on year, driven by a reduction of 62% in the structured debt portfolio from prior year to close at USD69 million. The implementation of a performing portfolio provisioning during the year, coupled with assets repayments has released some credit provisioning, which translated into an earnings growth of 13% compared to prior year.

The Bank's focus is to continue to pursue investment banking opportunities in Mauritius as well as the pan-African market.

International wealth and investment

A wealth management product offer has been crafted and has been rolled out in 2015, which saw a greater alignment of the offering to clients of International Wealth and Investment (IWI) to the Mauritian franchise. The services offering has expanded from banking and transactional services to include trust & fiduciary services, specialised lending and investment services. These services are all offered out of the Jersey office, but the Mauritius platform helps deliver these services through a single point of contact.

Other African mandate has taken form with a focused sales & marketing effort and quarterly visits to our target markets in Southern Africa. Based on the engagement with local stakeholders, in particular the introductions from CIB, have led to new client acquisitions that meet the IWI thresholds.

Income for IWI was flat compared to the prior year and stood at USD550 000 at year end. Focus is on driving client acquisition and as a result, liabilities growth edged at 40% to reach USD123 million.

Enablers

Human capital

Human Capital (HC) covers a wide-ranging of functions such as resourcing, learning & development, talent management, succession planning, amongst others. The highlights of the year were the implementation of various HC projects to ensure alignment with the Group's best practices. The transformation project was implemented to ensure that HC is aligned to the business and enabling more capacity of the HC business partners and effectively partnering business. A comprehensive plan was implemented for 2015 to 2017 with deliverables to be tracked.

To further embed the talent management framework, a focused assessment and development plan for executive committee members and identified talent was introduced. The individual development plans will be rolled out during the course of 2016 to ensure the retention of talent.

2015 saw the implementation of HC systems to streamline processes and enhance the service delivery to business and ensure operational excellence within HC. The systems implemented were the Recruitment Management System (RMS) to assist the HC team to track the resourcing process from the time the vacancy arises until the appointment is made. The Learning Management System (LMS) replaced the previous e-learning system to provide an improved learning platform.

There was also the implementation of the employee benefits & tax project to ensure alignment of employee benefits across the rest of Africa operations as well as tax compliance, this project was successfully completed with minor recommendations to enhance employee benefits such as implementing long service awards.

All HC policies and procedures were updated and aligned with local legislation and centre policies were finalised. The staff handbook was also reviewed and will be distributed during 2016. There was further roll out of the Employee Value Proposition (EVP) deliverables such as a salary survey presentation to all staff to position Bank's remuneration philosophy and rating in the market.

Another key project was the job grading and evaluation exercise to ensure that grades and jobs are aligned with similar jobs at centre and across Africa. This has resulted in reviewing job descriptions and grading the jobs accordingly. The organisational effectiveness team at centre is key in ensuring the finalisation of this project, which is expected to be in the first quarter of 2016.

Operations

Operations covers a wide range of critical enablement functions within the Bank, consisting of operations support, payments, trade services, global markets operations, reconciliations, facilities, procurement, and client services.

Operations focus for the year was to provide top quality services supporting both our internal and external stakeholders. The successful implementation during the year of the salesforce service cloud now enables a consolidated approach in the delivery on the strategic initiative of a consistent client service experience. It enables the logging and tracking of client's queries and requests, facilitating the measurement of resolution against service level agreements. The system also facilitates the gathering of clients query management data for analysis and any remedial action.

To improve on operational efficiency and with a view to introduce digitisation, the teams have been working on an imaging workflow system for two operational processes, namely customer payments and the anti money laundering alerts handling. This will also result in a paperless environment and promote the smooth retrieval of information and documents for regulatory investigations.

The team has been continuously working in a mature control environment and early warning capability resulting in satisfactory audit ratings obtained for the different departments, namely the global market operations, payments, client service, reconciliations and operations processing centre.

Following the implementation of the automated Know Your Client (KYC) solution known as GoldTier, the teams have made good progress in refining the data contained therein.

The regulatory environment has been quite dynamic in 2015, with the Central Bank directing its requirements on two main areas namely:

- Regulatory reporting: whereby a new platform (XBRL) has been identified for the Bank of Mauritius (BoM) daily and monthly reporting.
- Direct Debit system: this is a four-party arrangement for collection of money between a payer and an originator through their respective banks.

The Bank has also been conferred the Deutsche Bank Straight-Through-Processing (STP) awards for the excellent quality of payments instructions sent.

A high-risk committee was constituted early in the year, mandated to review, approve or decline high risk accounts for both CIB and IWI. All new accounts having a high-risk element will require approval by the high-risk committee before on boarding.

A Business Control Unit (BCU), responsible for all risk and compliance aspects for both IWI and CIB, was set up during the year to reflect best practice, thereby acting as the first line of defence for the business.

Looking ahead

In 2016, we will continue to focus on growing our client franchise with a relentless focus on client excellence, leveraging our unique footprint and product capabilities, and optimising cross-selling opportunities.

We will maintain cost discipline, absorbing increasing regulatory and compliance requirements. Our focus on managing the risks in our business will continue, while investing in technology that enables greater efficiency and consistency in delivering services to our clients.

External forces review

Legal and institutional environment

The powers of the BoM have been extended since the last budget speech. BoM is responsible for the regulation, licensing, registration and overseeing of the payment systems, clearing houses and the issuance and quality of payment instruments and may impose administrative penalties on a financial institution.

Moreover BoM will also participate in the launching of a gold fund, it is empowered to purchase and sell gold or shares or units in gold funds. It is also possible for the BoM, with the Board's approval, to create, out of its net profits, reserves for monetary policy purposes or such other specific purposes as the BoM may determine in conformity with accounting principles applicable to central banks and best international practices. The BoM may also meet any loss incurred in a financial year from that general reserve Fund.

The Banking Act 2004 has also been amended to cater for the following:

Subject to the BoM's approval, authenticated copies of license and audited latest financial statements can be displayed instead of originals. Further, an anomaly in the law has been corrected in adding Section 124 of Income Tax Act where banks will not be breaching confidentiality if there is a request from the Mauritius Revenue Authority (MRA) to furnish information for the purpose of making an assessment or to collect tax or for MRA to comply with any request for exchange of information under a double taxation/exchange of information agreement with a government of a foreign country.

Following an amendment in the Borrower Protection Act 2007, the Bank is now required to perform its due diligence on debt repayment capacity not only of the borrower but also of his guarantor.

The Financial Services Act 2007 has been amended to cater, amongst others, for the establishment of a financial services promotion agency to conduct promotional activities for the development of the financial services industry, while enhancing the image of Mauritius as a clean and reputable financial centre.

The Asset Recovery Act has been amended to allow the Financial Intelligence Unit (FIU) to take over the functions and powers conferred on the director of public prosecutions with respect to the enforcement authority. The Bank will thus be replying to the FIU rather than to the Enforcement Authority Unit (EAU) under the director of prosecution office with respect to account monitoring orders or restraining orders.

Following the recent upheavals in the financial industry, i.e. the existence of various ponzi scheme, the minister of financial services, good governance and institutional reforms has introduced the Good Governance and Integrity Reporting Act. The main objective of the Act is to encourage and foster a culture of integrity and good governance in Mauritius and stimulate integrity reporting in the public and private sectors. It also encourages positive reports of acts of good governance and discloses and deters malpractices. Last but not the least, is to recover unexplained wealth as well as protect and reward persons making genuine disclosures and reports of malpractices.

A notable development is the change in fiscal year which now runs from 1 July to 30 June instead of a calendar year.

In terms of the mandatory Corporate Social Responsibility (CSR) contribution, corporates can now choose their own programme in accordance with their own CSR framework.

Codes and guidelines

In 2013, the Government of the United States of America and the Government of Mauritius signed an Inter-Governmental Agreement (IGA) to improve international tax compliance and to implement FATCA. The IGA requires, in particular, the exchange of certain information with respect to the United States of America and Mauritius reportable accounts on an automatic basis, pursuant to the provisions of Article 6 of the tax information exchange agreement between the two countries. This was followed by the signing of another agreement known as the model 1 IGA to further improve international tax compliance. The MRA issued its guidance note on FATCA in May 2015 which was intended to provide practical assistance to financial institutions, businesses and officials in dealing with the application of FATCA. In August 2015, the Bank submitted its first FATCA return.

Mauritius, as a member of the early adopters group, has made a commitment to early implementation of the new global standard for automatic exchange of information for tax purposes (the CRS developed by the OECD). Mauritius has also signed the multilateral competent authority agreement in October 2014 which provides for automatic exchange of information with other early adopter competent authorities.

The MRA has recently issued a draft guideline on the requirements of the common reporting standards. The first exchange of information under the common reporting standards will take place as from September 2018. Consequently the requirement to apply due diligence procedures to record tax residence of clients opening new accounts will take effect as from 1 January 2017.

The BoM is currently considering the coverage limit of a deposit insurance scheme in Mauritius. As such they are busy collating data on aggregate of Rupee deposits and Rupee equivalent of foreign currency deposit for both segment A and B.

The BoM has amended the guideline on credit concentration risk to allow large credit exposure limits to be increased from 600% to 800% of the Bank's capital base with immediate effect.

Financial review

Table 1: Performance against objectives by key areas

Note: As part of the strategic positioning, Standard Bank has exited most cross-border assets during 2015 and is focusing solely on growing its originating exposures in 2016.

	Objectives 2015	Performance 2015	Objectives 2016
Return on Equity (ROE)	ROE expected to be at 19%.	ROE was ahead of planned results at 26%, driven by robust revenue growth, further supported by credit recovery of one impaired asset of USD2,9 million as well as a 16% drop in total operating costs.	Following the revamp of the asset book, ROE is expected to be around 20%.
Return on Average Assets (ROA)	ROA was expected to be maintained at 0.77%.	ROA has edged up to 1.5% as a result of reduction in total assets coupled with higher earnings earned.	ROA is expected to decrease to 0.68% on account of reduced profitability.
Operating income	Following the change in strategy, Net Interest Income (NII) was expected to decrease by 7% and Non-Interest Revenue (NIR) expected to grow marginally by 1%.	NII was only 3% lower, driven by delays in exiting term assets book and lower interest rate environment compared to budget. NIR rose by 9%, enhanced by strong performance from trading income and transactional fees.	NII is expected to increase by 7% on account of enhanced margins and increased term lending. NIR is expected to increase slightly by 2%.
Operating expenses	Costs expected to increase by 12%.	Operating costs have improved by 16% on account of operational efficiencies as well as benefitting from the weakening of the MUR/USD rate.	Operating cost is expected to increase by 15% driven mainly by additional headcount and increased IT costs.

	Objectives 2015	Performance 2015	Objectives 2016
Cost to income	The ratio expected to be contained at 53%.	Cost to income ratio improved to 43% on the back of improved trading revenue, enhanced net interest income resulting from delays in transferring cross-border assets and lower operational expenses due to the weakening of the MUR/USD rate.	Additional IT support and systems costs are expected to increase the cost to income ratio to 51%.
Loans & advances growth	Expected decrease of 31% in loan and advances following new strategy refinement.	Loan and advances were 47% behind target due to delays encountered in converting new assets in the pipeline, coupled with the early repayments of some assets.	The loan book is expected to grow by 112% driven by both short-term and medium-term assets.
Deposit growth	Expected decrease of 48% in customer deposits mainly due to the redeployment of a cross-border deposit into investments.	Deposits were 26% down on budget on account of deposits withdrawals at year end for investment purposes.	Deposits are expected to increase by 57% from new business.
Portfolio quality	Ratio of Non-Performing Loans (NPL) to gross loans was not expected to deteriorate further.	The ratio of NPLs to gross loans has been maintained at 14%. Recovery of one NPL and write off of three other fully impaired assets, coupled with a reduction in the asset book has contributed to keep the ratio flat.	NPL ratio is expected to improve further following potential recovery.
Capital management	Capital management was targeted to be maintained at 20% to support the Bank's risk appetite.	The capital adequacy ratio stood at 50%, with tier 1 ratio closing at 40%.	Capital adequacy ratio is expected to close around 22%.

Review by financial priority area

Analysis of results

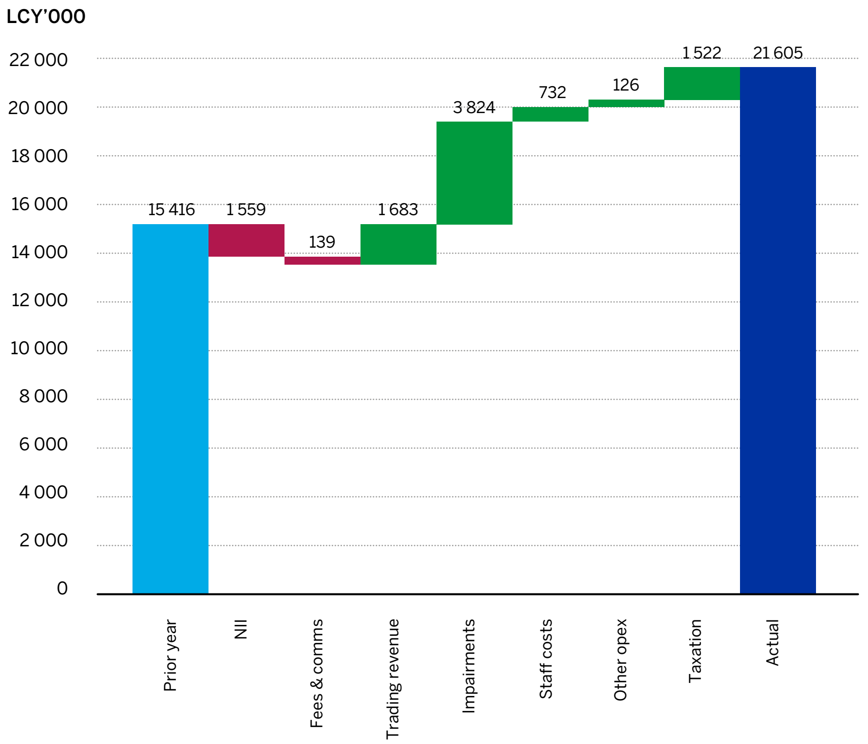
The Bank's results were a combination of a strong performance from the execution of the Bank's strategy, along with the recovery of impaired asset. The Bank's operations delivered robust earnings growth of 40%, which yielded a ROE of 25.5%, with the Bank delivering a Profit After Tax (PAT) of USD21,6 million for the year, exceeding planned results by 63%. This performance was attributable to an improved trading revenue flows and a significant impact from the release in credit impairments, due to the final settlement of USD2,9 million upon the partial recovery of one of the impaired asset. Significantly lower tax as a result of the loss carried forward from 2014 and no adjustments pertaining to prior years for both deferred tax and corporate tax, also contributed in improving the performance of the year by USD1,5 million.

The strong performance of trading revenue translating into a 19% growth was muted by the decline in revenues from both NII and fees. Income growth was further supported by credit recoveries and lower credit impairments following the change in provisioning methodology. Operating costs improved by 6% year on year on account of enhanced operational efficiencies and this translated into an improvement in cost to income ratio from 46% to 43.3% this year.

Throughout the year, the de-risking of our balance sheet has continued with assets being transferred to the Standard Bank Group. As expected, we have seen a dilution in the asset base, in line with the repositioning of our strategy. The balance sheet remains healthy, with an improvement on credit impairments resulting in an improved credit loss ratio from -0.33% to -2.5% in 2015, driven by the release of USD4,9 million provisioning. Capital position remains robust with a capital adequacy ratio closing at 50.5% compared to 22.1% in 2014. The Bank liquidity position remains strong with the Bank maintaining a liquid asset ratio of 69% at year end.

A summary of changes compared to prior year is shown in the waterfall chart below:

PAT reconciliation : actual vs prior year to date



Strong performance was delivered by the business units this year.

The Transactional Products and Services (TPS) business recorded another successful year, contributing to 40% of the Banks' total income. Revenue growth of 18% was reported, mainly supported by NII, which rose by 42% to reach USD7,2 million, on the back of solid growth in deposit balances. This was mitigated by a reduction of 4% in fees and commission income driven by lower trade finance activities.

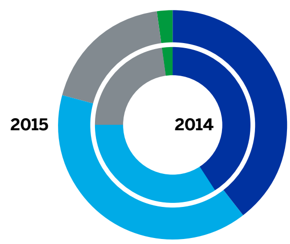
Global Markets continues to be a key contributor in driving the Bank's revenue. Although its contribution to the Bank's overall operating income has remained flat at 40% compared to prior year, a marginal decrease of 3% was noted in total income. A drop of 47% was witnessed in NII following a change in the funding cost methodology implemented as from 2015. This downturn was offset by the strong performance of the trading book, with trading income growing by 19%, on the back of improved margins and volume.

Investment Banking saw its term asset book shrinking significantly by 58% to close at USD53 million, as a result of the ongoing run-down of some credit exposures. The winding down of the balance sheet, with cross-border assets being transferred to Standard Bank Group was closed this year with USD99 million assets being transferred. This translated into dampening Investment Banking's contribution to the Bank total result which moved from 23% to 19% this year. Total income declined sharply by 24% from prior year, with NII falling by 29% to close at USD4,4 million in 2015.

Wealth and investment contribution has remained flat year on year as the business was in the process of being revamped.

Contribution per product house to the Operating Income is detailed hereunder:

Operating income



	2015	2014	
	40%	41%	Global markets
	40%	34%	TPS
	19%	23%	Investment banking
	2%	2%	Wealth

Revenue growth

Against all headwinds, total revenues have remained flat in 2015, reinforcing the evidence of our strategy having been properly executed.

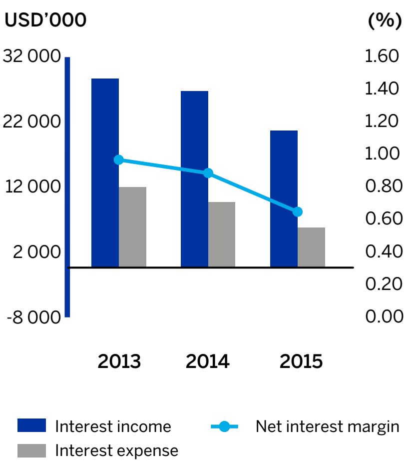
Net interest income

Underpinning our strategy was the reduction of our credit portfolio within the African franchise. This was translated by the exit of USD99 million cross-border exposures throughout the year, which in turn contributed to a 10% decline in NII, closing at USD14,2 million. Through better optimisation of the balance sheet this year coupled with improving liquidity management, revenue streams have improved and have compensated for the drop in interest income following the run-down of cross-border term assets.

Interest income was 19% lower compared to prior year mainly due to a reduction in the customer asset base. Similarly, interest expense was down 33%, on the back of various factors, namely borrowings repayments from the exit of cross-border exposures and the withdrawal of funds from one sovereign fund.

A net interest margin compression was noted from 0.9% to 0.6% supported by declining term asset base with higher margins, coupled with low yielding excess funds placements.

Net interest income

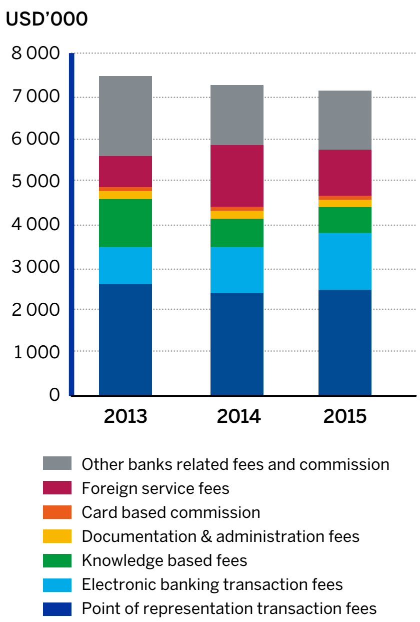


Non-interest revenue

NIR grew by 10% during the year, driven by good growth in trading revenue, which stepped up at 19%, mitigated by a 1% reduction in net fee and commission income. Other revenue was 21% down due to one off fees received in prior year.

Fees and commission income has marginally decreased by 1% to reach USD7,2 million. Contributors to the fees and commission line were transactional fees which grew by 13% on the back of increased volumes and as a result of increased online business activity. This increase was offset by reduced trade finance revenues which were 31% down to reach USD1 million, following a drop in trade finance activities. Knowledge based fees recorded a decline of 22% to reach USD600 000 mostly driven by weaker corporate activity as well as the Euro weakening by 16% during the year.

Non-interest revenue



Trading income

Global markets performed well, generating solid results for the year. Its performance was underpinned by the strength of the sales and flow trading desks. Revenue growth of 19% was recorded to reach USD10,6 million. Contributing to the increase was strong growth from the sales desk including corporate and structured products as well as FX flow trading desk.

The FX sales desk, which include the corporate, retail and structured products segments, contributed 76% to total trading revenue for the year. Corporate sales benefited from the onboarding of new clients. Margins on corporate sales improved significantly by 31%, despite year to date FX spot volumes remaining at the same level as last year. The retail desk, however, reported negative growth in income, and was 17% down last year.

Demand for structured products picked up at a rapid pace in early 2015 following the slump in 2014. Structured products saw an increase of 193% in income year-on-year. This was on the back of high volatility prevailing in the forex markets, mainly in the first quarter, which translated into hedging opportunities for the key clients of the desk.

The FX flow trading segment equally benefited from the high volatility on the FX markets as well as good corporate flows and improved margins. The desk achieved a 26% growth in income year-on-year. The money market trading desk, on the other hand, reported negative growth of 60% in 2015 as a result of a reduction in forward and swap activities.

Other revenue was 21% lower resulting from the non-recurrence of fees received in prior year.

Credit impairment

In 2015, we noted the partial recovery of an impaired asset to the tune of USD2,9 million. This was further enhanced by an additional release of USD600 000 following the change in provisioning methodology from a regulatory rate of 1% charged on the loan portfolio to a Performing Portfolio Provisioning (PPP) methodology of 0.53% as from March 2015. The repayments of some cross-border and originating assets contributed to a further USD1,3 million of portfolio provisioning being released this year. Previously impaired assets against which full provision was held, was written-off during the year for USD19,9 million.

The credit loss ratio has improved from -0.33% to -2.5% in 2015, based on the credit impairment release coupled with gross loan and advances declining by 62%.

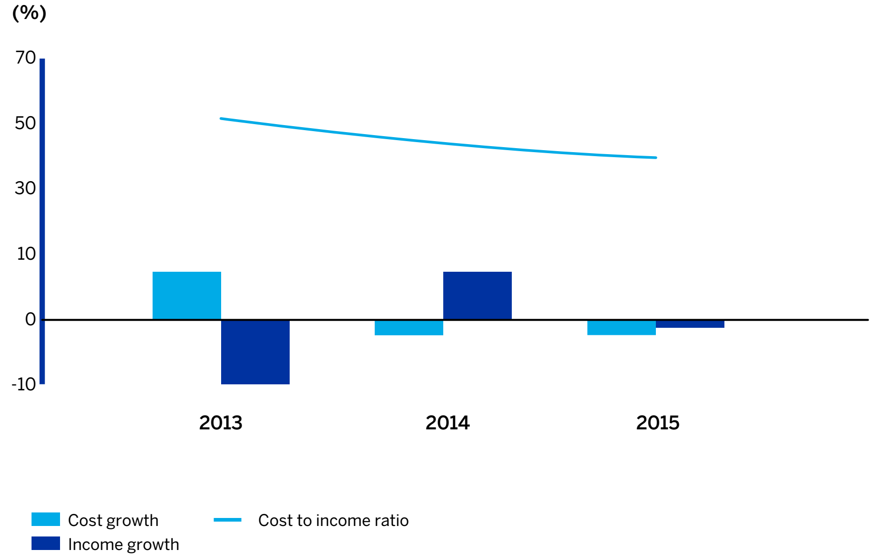
During the year, in August 2015, an additional provision of 50% was raised to fully provide for one client who was already impaired in December 2014 when a 50% specific provisioning was charged. NPL as a percentage of gross loans has improved from 14.4% to 14%.

A detailed analysis of performing and non-performing loans is provided in the financial risk management report on page 106.

Operating expenses

The Bank maintains its cost containment initiative through streamlining of processes and improving efficiencies in all areas. The Bank continues to invest in staff and infrastructure to provide excellent customer service and deliver on strategic priorities. The Bank reported a 6% decrease in its total cost base, translating into an enhanced cost to income ratio moving from 46% to 43.3% this year.

Cost and income growth



Staff costs, remains a major component of the Bank total expenses, representing 47% of the Bank's overall costs. This has however declined by 10% compared to prior year, resulting from the weakening of the Mauritian Rupee exchange rate against US Dollar by 14%.

	2015	2014	2013
	USD'000	USD'000	USD'000
Staff costs expenses			
Staff costs			
Fixed remuneration	**3 996**	4 239	4 259
Variable remuneration and other costs	**2 534**	3 015	3 641
Total staff costs	**6 529**	7 254	7 900

Other operating expenses witnessed a decrease of 6% to USD7,4 million, mainly benefitting from the depreciation of the USD/MUR exchange rate as most of the Bank's expenses are Rupee dominated. However some increases were noted in IT costs and professional fees which were incurred in respect of legal fees for the recovery of impaired assets. Most of the other controllable costs have decreased and were lower than prior year due to diligent cost management and operational efficiencies.

	2015	2014	2013
	USD'000	USD'000	USD'000
Operating expenses			
Other operating expenses			
IT support costs	**874**	353	624
Depreciation and amortisation	**795**	903	820
Professional fees	**1 541**	1 362	1 038
Premises	**907**	1 093	1 124
Others	**3 302**	3 841	3 226
Total other operating costs	**7 420**	7 552	6 832
Total operating costs	**13 948**	14 806	14 732
Cost to income ratio	**43.32%**	45.96%	50.63%

Tax

In 2014 the Bank wrote off some of the previously impaired exposures of USD27 million that resulted in a tax loss of USD8,9 million which was brought forward to 2015. This translated in the Bank bearing no corporate tax charge this year, thus explaining this year's reduced tax charge, which is mainly attributable to special levy.

Additional write offs of USD19,9 million were made this year relating to previous impaired assets and this adversely impacted our deferred tax asset, which resulted in a further tax loss for 2015.

As a result, the effective tax rate of the Bank as a percentage of the total tax charge to the profit before tax moved from 17% to 7% in 2015.

Dividends

Dividends of USD10 million were paid to the Bank's shareholder during the year.

Statement of financial position

Total assets decreased by 56% to USD1,4 billion, as a result of a reduction in the Bank's placements, fuelled by the withdrawal of deposits from a sovereign fund. Deposits from banks increased this year following a pick-up in regional treasury activities. Borrowing from Standard Bank Isle of Man was down as repayment of term assets translated into lower funding requirements.

Cash and cash equivalents

Cash and balances with banks was down by 66% to reach USD858 million as a result of lower placements with group banks, driven by shrinkage in the volume of the customer deposit base.

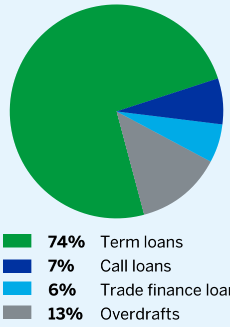
Loans and advances

Gross loans and advances to customers witnessed a decline of 62% to reach USD106 million while loans to banks grew by 27%, fuelled by increased regional activities.

Customer balances inclusive of NPLs for 2015, closed at USD106 million. The reduction in credit exposures is aligned to the Bank's strategy to focus on its core activities related to our African aspirations. This significantly impacted the Segment B sector as cross-border assets were transferred to the Group. Despite this decline, the asset book remains skewed towards Segment B, in line with our strategy.

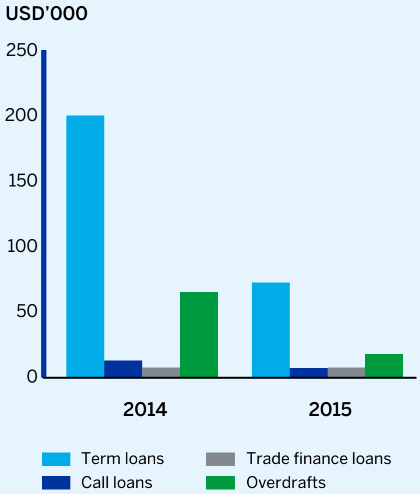
Credit losses at year end was at -2.5%, with total allowance for credit loan losses totalling USD5,5 million at 31 December 2015.

Composition of gross loans and advances



Term loans (2014 - 72%)
Call loans (2014 - 4%)
Trade finance loans (2014 - 2%)
Overdrafts (2014 - 22%)

Customer loans and advances



Loans and advances book has recorded activities in term and call loans. A decrease in overdraft facilities were noted on account of lower limits utilisation and trade finance facilities have remained flat year-on-year. Term loan facilities have dropped from USD201 million to USD79 million in 2015. Activities in Segment B assets remain a significant portion of our book and were at 72% of the portfolio mix (2014: 79%). Appropriate framework in terms of policies and risk appetite were in place to manage the cross-border segment activities during the year.

The Bank continued to support the plans for one local textile company under the Restructure Working Group (RWG) in which the Bank participated along with other banks to help local textile companies in terms of current cash flow challenges and supported some financial and operational restructuration to meet medium and long-term sustainability.

As at 31 December 2015, the loan to deposit ratio stood at 17.8%. (2014: 12.2%).

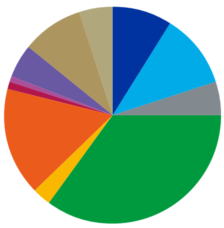
Credit exposure portfolio

The Bank exposures to the Global Business Licence (GBL) and manufacturing sectors were 35% and 16% respectively. From a sectoral perspective, the lending book (for both Segments A & B) has remained diversified, with an acceptable concentration level on manufacturing, global business licence holders and trading. The Bank continues to trade with the established tier 1 domestic counterparties where working capital and short-term requirements are being financed whilst continuing to service Segment B counterparties.

The Bank risk appetite for the manufacturing, textile and tourism industries remained low and current exposures under these sectors were managed rigorously in view of the uncertainties at macroeconomic level.

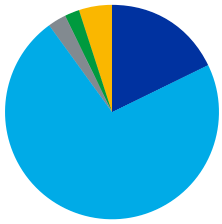
The Bank credit appetite is constantly being reviewed in light of these sector challenges, hence due caution is being exercised as appropriate.

Credit exposure portfolio mix (%)-USD106 253 171



9%	Agriculture & fishing
11%	Construction
5%	Financial and business services
35%	Global business licence holders
3%	Infrastructure
16%	Manufacturing
1%	Personal & professional
1%	Public non-financial corporation
5%	Tourism
9%	Traders
5%	Transport

Global business licence holders portfolio mix (%)-USD37 080 505



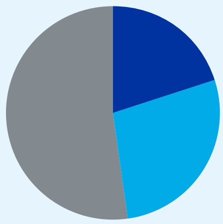
18%	Agriculture & fishing
72%	Construction-contractors & material suppliers
3%	Financial intermediation & business services
2%	Telecommunications & ICT
5%	Traders

Credit concentration for large credit exposures

A large credit exposure is defined by the BoM as the aggregate of credit exposure to one customer or group of closely-related customers for amounts exceeding 15% of its capital base. A regulatory limit has been set by BoM for the aggregate of such exposures not to exceed 800% of capital base.

We have specific customers whose aggregate facilities exceed 15% of our capital base. Required processes to ensure compliance to regulatory policies relating to these names are either in place or are exempt exposures as per guidelines.

Credit concentration for large credit exposures



20%	Agriculture & fishing
28%	Manufacturing non-textile
52%	Trading

As at 31 December 2015, out of the top 6 customers or group of customers with large exposure, only one group of customer was close to 25% of capital base. There are relevant processes in place to ensure compliance in respect of regulatory guidelines. Aggregate exposure of the top twenty customers represented 88% of our capital base. Those exposures were from major customers with good credit risk rating and were well collateralised.

The top 6 most significant concentrations in respect of customer or group of customers as at 31 December 2015 were as follows:

	Exposure	Percentage of capital base
	USD'000	
Sector		
Trading (3 clients of the same group)	37 900	35%
Manufacturing non-textile (2 clients)	20 762	19%
Agriculture & fishing (1 client)	15 000	14%
	73 662	

The Bank has in place an industry portfolio concentrations model and policy which regulates management of our sector concentration in an active manner. Limits have been set defining the Bank's credit appetite with particular attention paid to sectors with potential credit concerns.

Trading assets

Trading assets consist of treasury bills, treasury notes and money market placements. During the year, the money markets desk has significantly reduced their placement activities as a result of lower turnover in the forward and swap books. Trading assets was down from USD184 million to USD39 million.

Trading liabilities

There were no trading liabilities at year-end.

Derivative assets and liabilities

Derivative assets and derivative liabilities increased by 100% and 127% to reach USD9 million and USD8,6 million respectively, driven by increased client flows in structured product sales during the year.

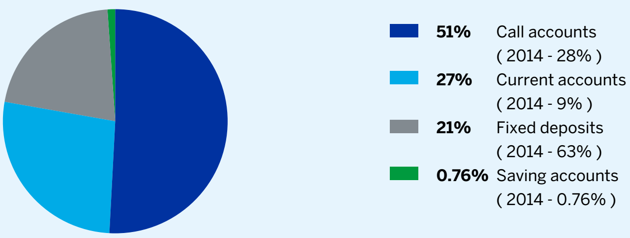
Investment securities

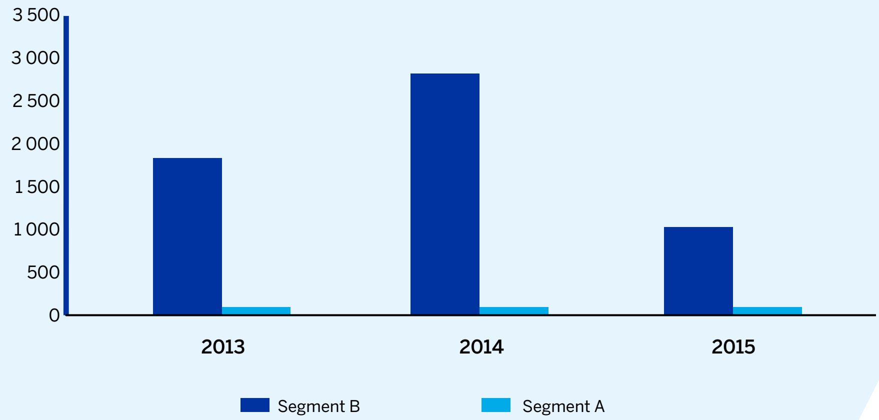
Financial investments was made up of treasury bills and decreased by 82% to close at USD400 000, following a reduction in the banking book requirements activities.

Deposits

Customer deposits decreased by 62% to reach USD1,1 billion (2014: USD3 billion), primarily on the back of the outflow of funds from a sovereign fund of USD1,5 billion. Notable growth was experienced in current accounts which went up by 15%, while term and call deposits decreased by 87% and 29% respectively. The savings portfolio has reduced by 5%.

Analysis of deposits





Deposits from banks

Deposits from banks increased by USD56 million as a result of increased intragroup deposits.

Other borrowed funds

This represents term funding from Standard Bank Isle of Man to cater for cross-border term assets and has reduced by 75% as a result of repayment of term assets.

Subordinated debt

The Bank has an outstanding subordinated debt of USD25 million from Standard Bank of South Africa (SBSA). Under the Basel III guidelines on eligible capital, effective 1 July 2014, an additional 10% of the tier 2 subordinated loan has been phased out this year in the computation of tier 2 capital. The remaining USD20 million will be progressively phased out over the next 8 years, beginning 1 July 2016.

Off-balance sheet items

Off-balance sheet exposure per sector

	2015 USD'000	2014 USD'000	2013 USD'000
Sector			
Manufacturing	**1 018**	223	3 983
Telecommunications & ICT	**2 836**	2 455	1 241
Govt & Institutional Org (GIO) & infrastructure	**92**	105	1 036
Personal	**33**	313	480
Transport (airlines, shipping & others)	**156**	160	167
Commerce & trading (wholesale, retail & other dealers)	**3 039**	8 815	9 558
Property holding	**5 400**	-	3
Investment holding	**-**	4 560	2 035
Financial intermediation & business services	**523**	23 010	10 703
Construction	**2 759**	17 379	-
Media & entertainment and recreational activity	**-**	-	2 980
Agriculture & fishing	**-**	-	2 293
Mining & quarrying	**1 100**	1 000	16 861
Energy	**1 862**	2 642	2 800
	18 817	60 662	54 140

Off-balance sheet exposure decreased to from USD61 million to USD19 million in 2015 as a result of decreased non-fund based facilities to clients in the construction and financial intermediation & business services sector.

Off-balance sheet exposure by geographical concentration

Country	2015 USD'000
France	2 577
Mauritius	14 439
Mozambique	630
South Africa	793
Germany	129
Tanzania	249
UK	2
	18 817

Credit quality

The NPLs ratio to total loans fell from 14.4% to 14% as at end of December 2015. The Bank wrote off some of the existing impaired accounts but is however pursuing with the legal action initiated on these names. It should be noted that despite the write off's, the NPLs ratio fell only by 0.32% as the loan book was adversely impacted following the run-down of our credit exposures, translating into a decline of 62% year-on-year.

The credit impairment provision stood at USD5,5 million at the end of the financial year. A change in provisioning methodology was implemented in March 2015, through the introduction of PPP which has moved from a regulatory rate of 1% to 0.53% charged on the Bank's loan portfolio. To maintain the 1% provision, in line with the BoM guidelines, the difference is being appropriated from retained earnings to a statutory credit risk reserve. The Bank also raised additional portfolio provisioning of 1% representing USD5 000 on exposures in the personal sector, in line with the macro prudential policy measures guideline. A detailed analysis of performing and non-performing loans is provided in the financial risk management section on pages 106-107.

The quality of the lending book remains healthy with only two assets classified as impaired, duly provisioned for. The Bank nevertheless has managed within the difficult economic conditions in specific sectors such as property, to progress some recoveries and work outs. Our largest NPL falls within the property sector and is expected to be closed in the first quarter of 2016. Legal actions are still in progress on the other NPL names. Our credit appetite on sector exposure is being managed within the Bank's approved framework to ensure acceptable level of concentration of risk and cross-border activities managed under our country risk management policy. This policy is in line with regulatory requirement and our business strategic deliverables as far as asset build up is concerned.

Sectors which are still under close watch remain the textile, property sector, construction and recently the Global Business Licence sector with cross-border trade financing. The Bank has adopted a conservative approach vis-a-vis these sectors and exposures are managed rigorously.

During the year, two accounts were renegotiated, of which one was fully repaid at year end. Three assets have been subject to write off for which full provisions were held.

	2015 USD	2014 USD	2013 USD
Provisioning and asset quality			
Provisions at beginning of the year	**30 443 626**	58 880 650	40 142 746
Provisions made during the year	**596 382**	1 782 619	20 808 367
Provisions released during the year	**(2 593 848)**	(2 580 110)	(2 048 017)
Amounts written off	**(19 993 815)**	(27 311 533)	(22 446)
Bad debts recovered	**(2 952 000)**	(328 000)	-
Provisions at end of the year	**5 500 345**	30 443 626	58 880 650
Key Ratios (%)			
Income statement charge to total loans	**-2.46**	-0.33	-0.40
Total provisioning to non-performing loans	**36.89**	75.69	146.39
Specific provisions to impaired credits	**20.28**	0.44	46.59
Total provisions to total loans	**28.65**	10.86	21.01

Risk management

Introduction

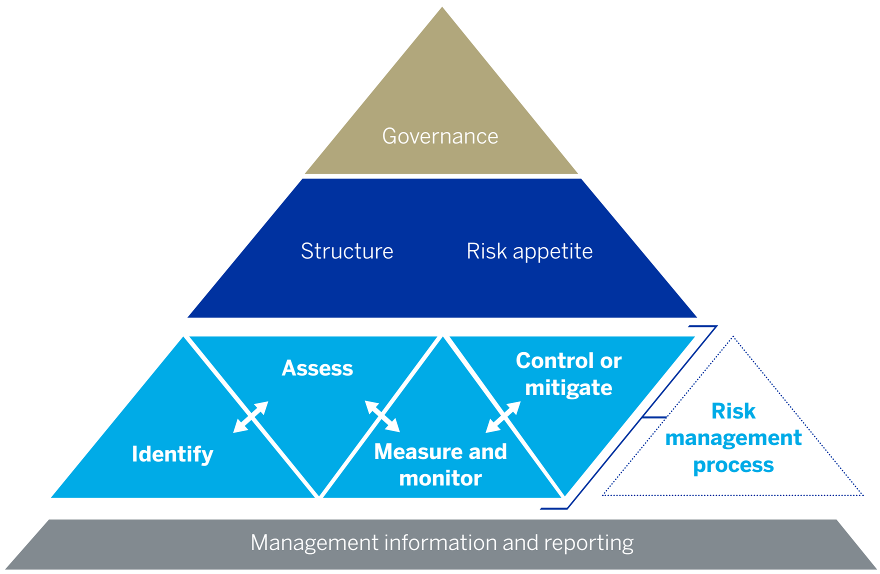
Effective risk management is fundamental to the successful execution of the Bank's strategy, as it pursues its vision to build the leading financial organisation in, for and across Africa. The role of the risk management function is to ensure that the full spectrum of risks faced by the Bank are properly identified, assessed, measured and managed in the pursuit of its goals.

The Bank's approach to managing risk is to adopt a risk and governance framework that enables management to maximise risk adjusted returns while remaining within the board-approved risk appetite and risk tolerance levels. This approach ultimately ensures the protection of the Bank's reputation and is consistent with our objective of increasing shareholder value. The material types of risks the Bank's faces are as per below.

Risk management framework

The Bank's philosophy is that responsibility for risk management resides at all levels within the Bank and therefore uses the three lines of defence model which promotes transparency, accountability and consistency through clear identification and segregation of risks.

	First line of defence	Second line of defence	Third line of defence
Consists of	Management of business lines and legal entities	Risk management function Governance and assurance function excluding internal audit	Group internal audit (administratively part of governance and assurance)
Responsibilities	Measures, assesses and controls risks through the day-to-day activities of the business, within the frameworks set by the second line of defence.	Sets frameworks within the parameters set by the board; provides independent oversight of the first line of defence; and reports to management and board governance committees.	Sets the internal audit framework; provides independent assessment of first and second lines of defence; and reports to board audit committee.



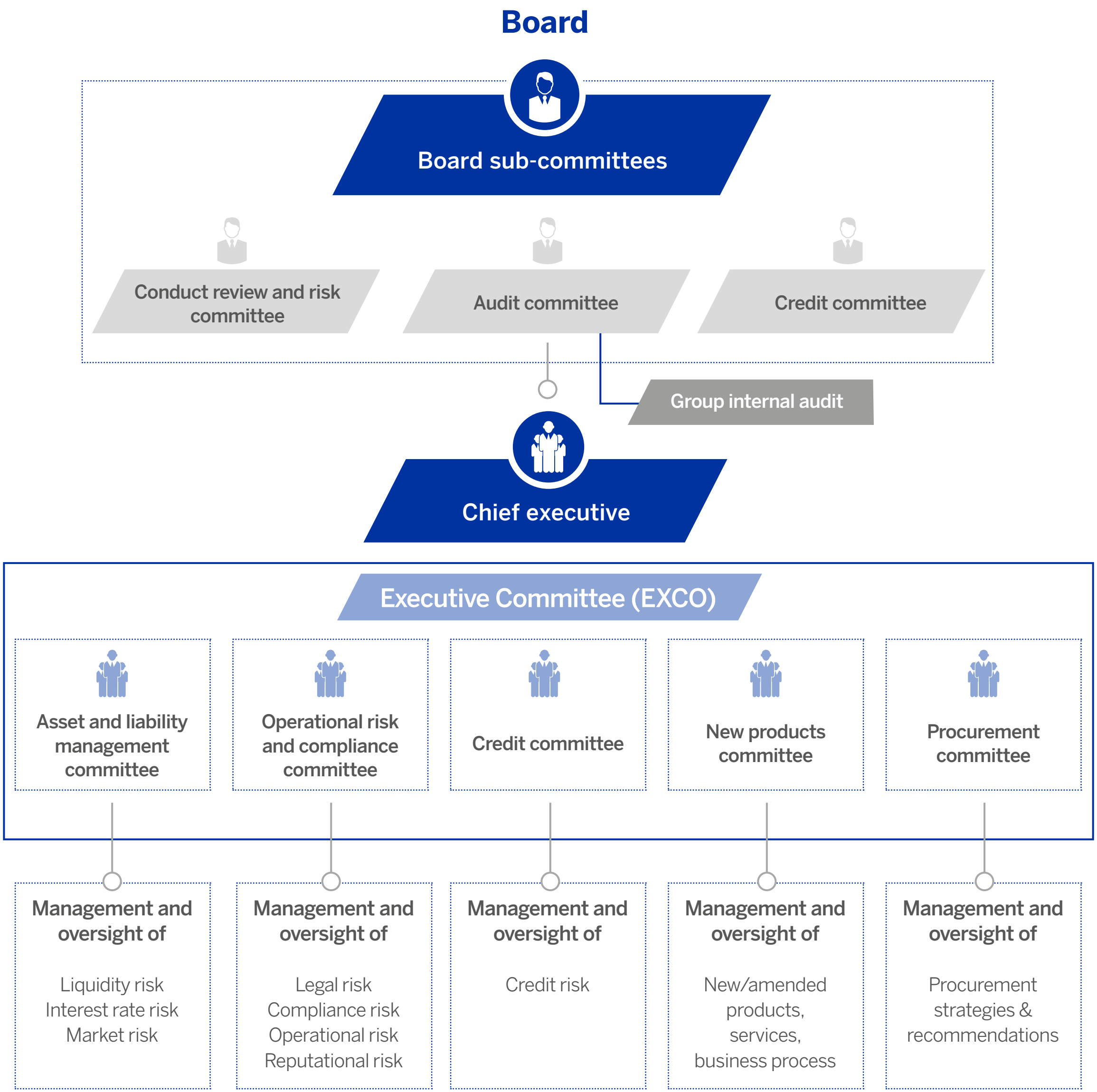
Governance

Governance documents comprise standards, frameworks and policies which set out the requirements for effective oversight of risks. These governance documentation are approved by the relevant board or management committees and are aligned to the Group's standards and frameworks.

Risk governance standards have been developed for all major risk types that the Bank is exposed to, to ensure that all material risks to the Bank's strategic and financial objectives are identified and managed proactively. These standards are modified to recognise local laws and regulations. The risk governance standards are part of the Group's governance infrastructure, reflecting the expectations and requirements of the Board and its committees in respect of key risk areas. The standards set out minimum control requirements and ensure alignment and consistency in the manner in which the major risk types and capital management metrics across the Bank are dealt with, from identification to reporting.

Policies are developed where required on specific items as stated within the standards and are reviewed every two years or earlier if required. Details with regards to the implementation of these policies within each particular business unit are set out in the processes and procedures manual. Compliance with the standards, policies and procedures is controlled by risk management team through annual self-assessments by business units and independent reviews by the third line of defence risk functions.

Structure



Board and sub-committees

The Board takes ultimate responsibility for management of risk and is required to ensure that an effective risk management process exists and is maintained throughout the Bank. The Board appoints board members to three separate board sub-committees (board risk management/conduct review committee, board credit committee and board audit committee) to assist in discharging its duties in relation to the management of risk.

Details about the constitution, responsibilities, focus areas and summary of the key terms of reference of the Board and the board sub-committees are set out in the corporate governance report section of this annual report starting from page 45.

Management committees

Details of the management committees such as Executive Committee (EXCO), Asset and Liability Committee (ALCO), Operational Risk and Compliance Committee (OPCO) and Credit Risk Management Committee (CRMC) are provided in the corporate governance report section of this annual report starting from page 45.

New products committee

The purpose of the New Products Committee (NPC) is to facilitate the introduction of new products, services, businesses, legal entities systems or processes in a coordinated and effective manner which is consistent with our overall strategic, business and risk management focus.

The objectives of the NPC are:

- to ensure that any significant risks that could arise from the introduction or amendment of businesses, products or services, systems and processes are properly identified and appropriately addressed by the relevant parties;
- to achieve greater consistency in decision-making through standardising the requirements for the approval process of new products;
- to ensure that feasible and viable support and control processes and systems are in place to support the deployment of new products;
- to ensure that risks from interdependencies associated with the roll out of CIB products across multiple African countries are properly identified and mitigated in a coherent manner; and
- to ensure adequate control and effective maintenance of the NPC process itself.

The NPC is a sub-committee of EXCO, chaired by chief finance officer and consists of a minimum of five EXCO members depending on the type of product/service being introduced. The NPC meets as and when required.

Procurement committee

The procurement committee meets on a monthly basis, is comprised of permanent members being the chief finance officer (chairperson), head: risk, head: legal and procurement manager.

The purpose of the procurement committee is to ensure that the procurement strategies and recommendations are viewed in a systematic and consistent manner, according to our business priorities, commercial standards and ethical principles before making commitments to suppliers.

Risk management

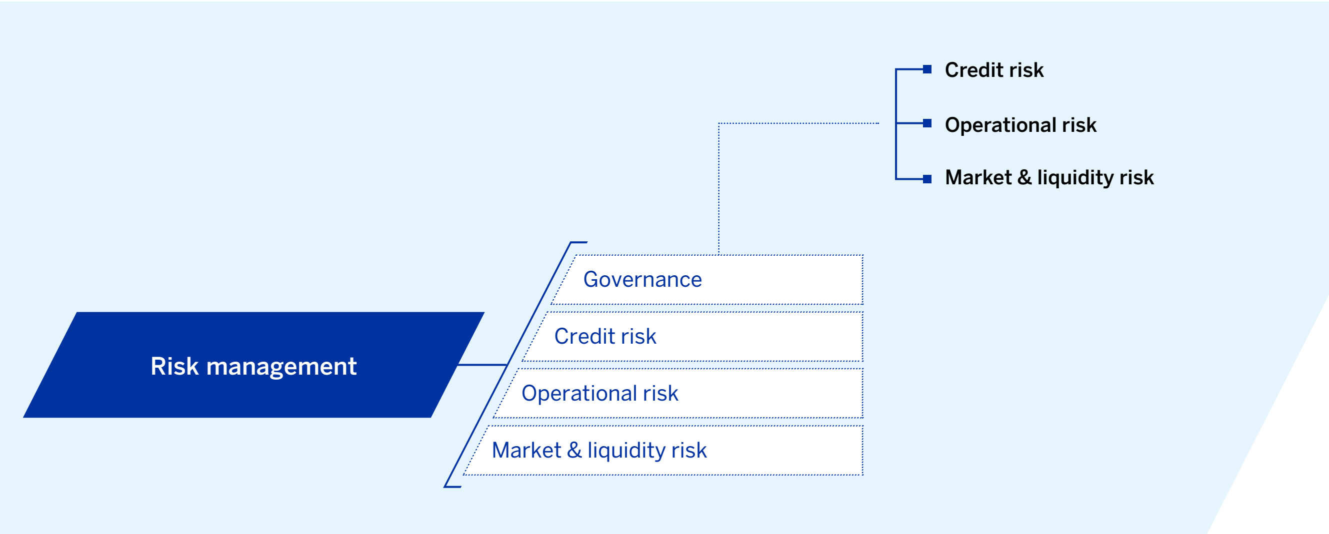
The risk management team provides the day-to-day oversight on management of risk and promotes the risk culture across the Bank. It is responsible to create and maintain the risk practices across the Bank as defined by the Group risk and to ensure that controls are in place for all risk categories.

The risk management team maintains its objectivity by being independent of operations. The head: risk has a direct reporting line into the country chief executive and to the regional head: risk, East Africa.

The risk function is subject to internal audits from group internal audit on an annual basis where it is assessed by specialised teams for each of the different types of risk. Internal audit provides an annual assessment on the adequacy and effectiveness of the Bank's processes for controlling its activities, managing its risks and ensuring good governance. It reports and provides recommendations on significant issues related to the risk management, control and governance processes within the Bank.

For the past five years, the risk function has been awarded clean internal audit reports with no significant findings which can be translated in a control environment that is well managed, strong and mature in its approach.

Risk management function



Risk governance continues to ensure that regulatory and business requirements are fully embedded in our business processes and governance frameworks across all risk functions. Hence, in addition to ensuring adequacy of credit risk governance, it fully incorporates operational risk, market risk and liquidity risk. This role falls under the responsibility of the head: risk governance who reports into the country head: risk and to the rest of Africa head: risk governance.

Compliance team

The compliance team proactively supports senior management and business through effective compliance risk management practices to ensure all business is within statutory supervisory and regulatory requirements thereby mitigating regulatory sanctions and reputational risk. Compliance is also subject to annual internal audit.

Risk categories and risk management process

The principal risks that the Bank is exposed to and the management thereof are described below:

Credit risk

Identification

Comprises of:

- Counterparty risk - the risk of loss as a result of failure by a counterparty to meet its financial and/or contractual obligations to the Bank.
- Concentration risk - the risk of loss arising from an excessive concentration of exposure, inter alia, to a single counterparty or counterparty segment, an industry, a market, a product, a financial instrument or type of security, a country or geography, or a maturity.
- Country risk - the risk of loss when political or economic conditions or events in that particular country reduce the ability of counterparties in that country to meet their financial obligations to the Bank.

Management

Governance structure is supported by clearly defined mandates and delegated authorities as documented in policies.

Prior to the credit process being invoked, all facility proposals in respect of new counterparties are referred to the Pre-Credit Committee (PCC), a business forum whose role is to consider the nature and extent of the business and industry involved in, the structure of the transaction, the Bank's exposure and strategy to the counterparty, the industry risk concentration, country risk, potential cross sells and risk versus reward.

Various guiding principles documented in the credit policy govern the credit risk management process:

- For all credit-related proposals, risk and reward must be consistently matched. As a result capital allocation should be prioritised to yield the most beneficial return on capital, as adjusted for expected loss.
- Tenors should as a rule be appropriate for the purpose of the transaction with due consideration of the sustainability of the cash flows of the counterparty/business. Long dated commitments are required to have appropriate mitigants, such as repricing triggers, financial covenants, break clauses, rating triggers, margin calls or physical security in the event of changes or deterioration in prospects for originally-envisaged repayment flows.
- The 'two sources of repayment' principle is adhered to, with the proviso that guarantees or other security yielding measurable and independent value may be accepted in lieu of a secondary source of repayment in those cases, where only one source is evident in the hands of the applicant. The primary source of repayment should be from a reasonable, credible and sustainable source within the ordinary course of operations of the business. Security lending is not desirable.
- Drawdown on any facilities is permitted only after all necessary legal documentation has been properly executed and the Bank has been provided with proof of all necessary corporate, legislative and regulatory approvals.
- All conditions precedent have been fulfilled or waived, as the case may be, and particularly after all security has been signed and confirmed to be correct.
- Facilities are required to be monitored for any negative changes to the risk inherent in the exposure. This includes, but is not limited to ongoing adherence to terms and conditions attached to the facilities, testing of any covenants in existence in keeping with the measurement frequency declared in the credit sanction, maintaining an awareness of news, current affairs and other information emerging into the public domain which may have a bearing on counterparty risk; the appearance of significant changes in the conduct of

Credit risk

accounts, including persistent excesses or declining fluctuations in working capital facilities. Any material deterioration in risk requires the exposure to be placed on watchlist which requires an even closer monitoring of the account.

- Existing exposures with no increased facilities or extensions of tenors are required to be reviewed on an annual basis.

Measurement

Counterparty risk is measured using three components i.e.:

- the probability of default of the counterparty;
- the current and potential future exposure; and
- the recovery rate based on collaterals.

Every counterparty is assigned a risk grading based on an appropriate rating model.

Rating models are used to achieve objectivity, comparability and consistency in the process.

Probability of default is assigned to each risk grade such that the long run average default rate predicted by the model is the best estimate of population default rate over the economic cycle.

Liquidity risk

Identification

Risk that the Bank is unable to meet its obligations when they fall due.

This may be caused by the inability to liquidate assets or to obtain funding to meet its requirements.

Management

ALCO sets liquidity risk management policies approved by the Board which are consistent with the Group standards and which ensure that funding obligations and payment obligations can be met at all times under normal and stressed conditions.

The following major principles form part of a cohesive liquidity risk management framework:

- Ensuring structural liquidity mismatch that is the Bank has sufficient inflows to meet its outflows in different time bands on the maturity ladder. Assessment of liquidity mismatch is done separately for every major currency. Liquidity gap limits are set for each maturity bucket.
- Basel III liquidity metrics are embedded in our liquidity risk framework. Two new ratios now form an integral part of management of liquidity risk, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). They are calculated using internal assumptions.
- The LCR requires us to continuously maintain a stock of liquid assets (or contingency liquidity) to cover stressed net cash outflows for a 30 calendar day period. This ratio is required to be above 105%. The ratio is obtained by dividing the available amount of contingency liquidity by the stressed net cash outflows as determined for the bank-specific and systemic stress scenarios run by the Bank.
- The NSFR is defined as the amount of "available stable funding" relative to the amount of "required stable funding", with the ratio required to be above 102.5%.

Liquidity risk

Management

- An added guideline is observed to monitor the proportion of long-term deposits as a percentage of the total deposit base. Referred to as the long-term funding ratio, which is defined as the total deposits with a remaining term to maturity exceeding 6 months as a percentage of total deposits. The long-term funding ratio is a transparent and practical measure for the funding desk to target and monitor the pace of raising long-term deposits.
- The foreign currency lending limit is also referred to as the own resources lending limit, restricts the extent of foreign currency lending from the foreign currency deposit base, thereby introducing a simple metric for the management of foreign currency liquidity risk.
- Minimum levels of prudential liquid assets are held in accordance with prudential requirements of local banking supervision authorities. The Bank needs to hold additional unencumbered marketable assets, in excess of any minimum prudential liquid asset requirement, to cater for volatile depositor withdrawals, draw-downs under committed facilities, collateral calls and so on.
- To ensure that the Bank does not place undue reliance on any single entity as a funding source, limits on the short dated deposits from any customer are set as a percentage of total deposits. Limits as a percentage of total deposits, are also set for the sum of 10 largest single deposit counterparties.
- The daily cash flow management report forms an integral part of the ongoing liquidity management process and is a crucial tool for management and the funding team to proactively anticipate and plan for large cash outflows.
- Liquidity stress and scenario testing is used to gauge potential vulnerability to exceptional but plausible events. The Bank must regularly conduct liquidity stress testing and maintain associated contingent funding plans to cater for, at the minimum, a bank-specific liquidity crisis and a systemic crisis.
- In order to assess our Basel III readiness, our liquidity risk framework now requires us to calculate and monitor a LCR as per the Basel III framework.
- Contingency funding plans are a continuation from the liquidity stress tests and are designed to mitigate the risks identified in the stress tests. The liquidity contingency plan provides the Bank with clearly defined response strategies that includes appropriate and timely guidelines, processes and procedures for managing liquidity during a crisis. On a monthly basis a dashboard of early warning liquidity risk indicators is prepared and submitted to head office.

Measurement

Established process in place for the on-going measurement and monitoring of net funding requirements to ensure the liquidity position is sufficient to meet day-to-day, cyclical and long-term liquidity needs.

Short-term projected cash flows for major currencies are measured and monitored in order to anticipate future funding requirements.

Behavioural liquidity assumptions used are reviewed on an annual basis to ensure continued validity. Measurement of liquidity risks deals specifically and separately with normal market conditions and stress market conditions.

During the year the Bank maintained its liquidity positions within the approved limits. Appropriate liquidity buffers were held in excess of regulatory, prudential and internal stress-testing requirements, taking into account risk appetite and market conditions.

Market risk

Identification

Risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by an adverse move in market variables such as equity, bond and commodity prices, currency exchange rates, interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of the above.

Management

Market risk policy approved by the Board sets out the major principles for market risk management:

- Market risk is managed through setting of risk appetite limits for the Bank in terms of Value at Risk (VaR), FX Delta (present value of foreign currency position reflecting how exposed the Bank is to fluctuations in exchange rates) and PV01 (changes in present value of future cash flows). The accuracy of VaR metric is tested by means of a back testing programme that is an ex-post comparison of the risk measure generated by the VaR model against actual daily changes in portfolio value attributable to changes in market variables.

- Risk appetite limits are reviewed on an annual basis as part of the business planning and budgeting process by the market risk desk at head office and adopted at ALCO.

- Escalation procedures are clear and unambiguous in the event of a breach of a limit.

- Pricing and risk metrics used in production systems, are independently validated before their use and periodically thereafter to reconfirm the continued applicability of the model.

- Independent daily price verification is carried out on liquid variables and at least monthly for illiquid variables.

Measurement

Daily measurement of trading exposures under normal market conditions is based on the following parameters:

- VaR being the 5th percentile of the 1-day holding period profit and loss distribution, calculated on a historical simulation basis with 250 days' worth of historical data updated monthly. Measurement of daily trading exposures under stress market conditions takes account of a holding period of 10-days and is the highest loss that could be recorded, if the worst 10-day market movement observed during the historical period (5 years) were to recur.

- FX Delta being the present value of foreign currency positions reflecting how exposed the Bank is to fluctuations in exchange rates. PV01 being the change in the present value or mark-to-market value of the portfolio as a result of moving interest rates up by 1 basis point (0.01%).

The Bank also stress tests its trading exposures on a daily basis and measures the impact of severe exchange rates and interest rates historical and hypothetical events as follows:

(i) Cross market stress test

- Cross market stress scenarios are drawn from historical events that reflect periods of abnormal market movements, market crashes and unusual correlations between different asset classes, reduced liquidity or crisis situations for the country. These scenarios will represent movements observed in risk factors across different markets and portfolios are stressed accordingly.

Market risk

(ii) IR hypothetical stress test

- Interest rate scenarios are included in order to get an understanding of the impact of standardised rate shocks in each interest rate bearing portfolio. We assess the impact of the following scenarios: a parallel yield curve shift, a yield curve flattener (rates stressed more in the short-end decreasing in the long-end) and yield curve steepener (rates stressed by less in short-end increasing in the long-end).

(iii) FX historical stress test

- The 1-day and 10-day historical scenarios are taken as the worst up move and worst down move in the USD/MUR spot rate in 1-day and 10-day respectively. We can thus assess the impact of historical FX rate movements on the FX portfolio where positions are mainly run in USD/MUR.

The Bank also simulates a financial crisis on:

- historical events such as the Russian crisis in 1998, 9/11 terrorist attack in New York, Long-Term Capital Management L.P. (LTCM) bail out in 1998, bond crisis in 2003.
- hypothetical scenarios such as the Flight to Quality, Dollar Flight, weakness in Chinese economy and Euro crisis.

The above stress results are tabled to ALCO on a monthly basis.

Interest rate risk

Identification

This risk is the loss arising from a decrease in the market value or earnings of a portfolio of financial instruments caused by adverse movement in interest rates. The source of interest rate risk arises from the different repricing characteristics of banking assets and liabilities.

Management

The Bank's approach to managing interest rate risk is governed by its interest rate risk policy which incorporates recommended best practices. Daily management of interest rate risk is under the purview of the global markets department and reviewed by ALCO on a monthly basis. Interest rate risk is managed through the setting of risk appetite limits for the Bank in terms of NII sensitivity.

Measurement

A forward-looking net interest income forecast is used to quantify the Bank's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenarios, to determine the effect these changes may have on future earnings. Balance sheet projections and the impact on NII due to rate changes cover a minimum of 12 months forecasting.

A second measure of interest rate exposure involves looking at long-term sensitivity to interest rate changes and is known as Economic Value of Equity (EVE). EVE measures the long-term interest rate risk and identifies what the long-term effects of interest rate shocks are on the balance sheet. The focus of EVE is the change in the market value of equity and is calculated as the expected change in net present value of all expected future cash flows (including off-balance sheet instruments) over a period of five years given a considered rate shock.

Operational risk

Identification

Operational risk is the risk of loss resulting suffered from inadequate or failed internal processes, people and systems or from external events. This definition excludes reputational risk and strategic risk.

Operational risk contains specific sub-risks that are subject to management and oversight dedicated specialist functions and which include the following:

Information risk

Risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information.

Is subject to the same governance and rigour applied to the management of operational risk.

The Bank views information as one of its critical assets and seeks to maintain its confidentiality, retain its integrity and ensure its appropriate availability. Information Risk Management (IRM) deals with all aspects of information in its physical and electronic forms.

It focuses on the creation, use, transmission, storage, disposal and destruction of information.

Legal risk

Exposure to the adverse consequences of non-compliance with legal or statutory responsibilities and/or inaccurately drafted contracts and their execution, as well as the absence of written agreements or inadequate agreements.

This includes the exposure to new laws as well as changes in interpretations of existing law by appropriate authorities.

Compliance risk

Risk of legal or regulatory sanctions, financial loss or loss to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, and codes of conduct and standards of good practice applicable to its financial services activities.

Taxation risk

Possibility of suffering unexpected loss, financial or otherwise, as a result of the application of tax systems, whether in legislative systems, rulings or practices, applicable to the entire spectrum of taxes and other fiscal imposts to which the Bank is subject.

Financial crime control

Risk of economic loss, reputational risk and regulatory sanction arising from any type of financial crime against the Group. Financial crime includes fraud, money laundering, violent crime and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties.

The Integrated Operational Risk (IOR) management function approach which was adopted in 2014, is independent from business line management and is part of the second line of defence. It is responsible for:

- developing and maintaining the operational risk governance framework;
- facilitating business' adoption of the framework, oversight and reporting; and
- challenging the risk profile.

The function proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions.

Management

Operational risk is recognised as a distinct risk category which the Bank strives to manage within acceptable levels through the promotion of sound operational risk management practices. It is not an objective to eliminate all exposures to operational risk as this would be neither commercially viable nor indeed possible. The Bank's approach to managing operational risk is to adopt practices that are "fit for purpose" to increase the efficiency and effectiveness of the Bank's resources, minimise losses and utilise opportunities.

The primary responsibility for managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities. These risks are managed where they arise.

The well embedded operational risk framework sets out a structured, consistent approach for managing operational risk across the Bank and is based on the following core components.

1. Risk Controls Self-Assessment (RCSA)

The Bank inculcates the culture of self-assessment where each business unit/enabling function is required to analyse its business activities and critical processes to identify the key operational risks to which it is exposed, and assess the adequacy and effectiveness of its controls.

For any area where management concludes that the level of residual risk is beyond an acceptable level, it is required to define action plans to reduce the level of risk. These assessments are facilitated, monitored and challenged by the operational risk team at least annually.

The implementation of a comprehensive RCSA process is an integral element of operational risk management and is compulsory throughout the Bank.

The RCSA is a live document which gets updated by the business for any new activity and any action required out of recurring incidents that indicate a deficiency in process or controls or any findings out of internal or external audit reports that warrant attention.

Action items are closely monitored to completion and any overdue plans are reported in the OPCO, the EXCO and the board conduct review and risk committee.

2. Indicators

Indicators are used across the Bank to monitor the relevant risks and controls highlighted in the RCSA process. They are constructed based on key operational risk events, their potential effect, causes and their underlying controls. They are set in consultation with both senior management and people involved in day-to-day business operations which ensures standardisation and consistency in reporting.

The implementation of the Key Risk Indicators (KRI) process is an integral element in providing an early warning indicator of a potential increase in risk exposure and/or a potential breakdown of controls and is compulsory throughout the Bank.

Each indicator has trigger thresholds to provide an early-warning indicator of potential risk exposures and/or a potential breakdown of controls.

Action plans are defined to remedy breaches in the indicators or where improvements are required. These action plans are tracked, monitored and reported to OPCO. Indicators are reassessed on an annual basis or whenever there is a significant change in the internal or external environment.

The past year has seen a review of the indicators for various business units to ensure more meaningful and relevant early-warning indicators.

3. Incident management & reporting

An operational risk incident can be defined as an event leading to the actual outcome of a business process to differ from the expected outcome, due to inadequate or failed processes, people and systems, or due to external factors or circumstances with an effect i.e. there has been some form of impact arising from the event.

The definition of operational risk incidents includes not only events resulting in actual loss, but those resulting in non-financial impacts and near misses. This process is intended to enable the root cause of individual incidents, or trends of incidents, to be analysed and actions taken to reduce the risk of recurrence and enhance controls.

The identification, recording, management and reporting of operational risk incidents is key to the management of operational risk in the Bank.

All operational risk incidents are recorded and reported in compliance with legal and regulatory requirements and sound international practice.

Care is also taken when dealing with boundary events to ensure that other risk types that fall outside the scope of operating risk incident are appropriately excluded.

For the purposes of operational risk, boundary events refer to those incidents that manifest themselves in other risk types, such as credit risk and market risk, but have relevance for operational risk because they were due to operational breakdowns or failures consistent with the definition of operational risk.

The incident data collection process ensures that all relevant operational risk incidents are captured on a centralised database within 48 hours after the incident is recognised. All incidents are then analysed for root causes and clear action plans, with responsibilities and target dates to address any weaknesses identified, are formulated and implemented.

Management

To ensure efficient and adequate mitigation of operational risk, appropriate framework, standards, policies, processes and systems are developed and maintained across the Bank. These are also aided by clear segregation of duties, dual controls, regular checks and effective reconciliations. Additionally, transfer of risk to some extent are carried out through the insurance and outsourcing where relevant.

Insurance policies are purchased to mitigate potential losses associated with operational risk. The Bank, as a subsidiary of the Group, maintains a comprehensive insurance programme as additional protection against potential losses from fraud, theft, loss of physical assets and professional liability claims.

Risks associated with outsourcing arrangements are effectively managed and governed by an outsourcing policy in place, reviewed and approved annually by the Board. Prior to entering into any outsourcing arrangement, the Bank ensures that responsibilities for all outsourcing arrangements are clearly understood, outsourcing objectives are achieved, outsourcing arrangements comply with regulatory requirements and all risks pertaining to outsourcing arrangements have been addressed.

Process validation checks are carried out periodically for the various business units across the Bank. This exercise provides an insight in respect of the controls of the current environment and highlights any gaps that need to be addressed. Results of these exercises are collected and analysed as part of the standard monthly reporting cycle. By this, a permanent enhancement/ reinforcement of the processes is ensured. The outcomes of checks carried out last year yielded satisfactory results with no significant findings to report on.

With an objective to increase awareness on operational risk across the Bank, training sessions are held at least annually for all staff across the Bank. The training covers the operational risk framework, business resilience and operational risk standards and policies that have been adopted in-country. It also highlights all the aspects that staff must know to ensure adherence.

Measurement

Operational risk is measured as a percentage of gross income.

As at 31 December 2015, the operational loss as a percentage of gross income amounted to 0.01% (2014: 0.1%). The control environment has proved to be well managed, strong and mature in its approach.

The Bank has adopted the Basel II standardised approach to the calculation of operational risk capital. As at 31 December 2015, the capital requirement in respect of operational risk amounted to USD52 million (2014: USD54 million).

Risk appetite and stress testing

Risk appetite is an expression of the amount or type of risk the Bank is willing to take to meet our financial and strategic objectives. It reflects the Bank's capacity to sustain losses while continuing to meet obligations as they fall due under both normal and a range of stressed conditions.

Risk appetite is expressed through various parameters namely an agreed tolerance for profit and loss volatility, the economic capital requirement being consistent with the available capital, the risk adjusted returns generated from risk-taking being acceptable, stress tests limits, portfolio analysis and concentration limits, which serve to identify and constrain threats to disproportionate earnings volatility and capital. Risk appetite limits are set by the Board to guide risk taking across the various areas of the Bank.

Stress testing is a key risk management tool within the Group and facilitates a forward-looking perspective of the organisation's risk profile or risk tendency. Stress tests are conducted at business line and legal entity level.

Stress testing supports a number of business processes including:

- strategic planning and budgeting;
- capital planning and management, and the setting of capital buffers;
- liquidity planning and management;
- informing the setting of risk tolerance;
- providing a forward looking assessment of the impact of stress conditions on the risk profile;
- identifying and proactively mitigating risks through actions such as reviewing and changing risk limits, limiting exposures and hedging;
- facilitating the development of risk mitigation or contingency plans across a range of stressed conditions; and
- communicating with internal and external stakeholders.

The stress testing model uses a projection methodology that links risk and finance model inputs to macroeconomic factors. This requires an understanding of the specific risk drivers within portfolios and their impact on financial metrics and portfolio performance.

Credit risk represents the largest source of risk the Bank is exposed to hence it receives a higher degree of focus. Additionally both market risk and operational risk data are used as inputs to the stress model. Liquidity stress testing is also performed and is discussed in further details in the liquidity risk section.

Whilst the substance of the stress testing exercise has not changed from previous stress testing exercises run in country it should be noted that, a new stress testing approach has been validated, approved by the respective governance committees and rolled out in 2015. The new approach allows for more granular inputs of different variables, better engagement with the heads of the different risk types and is proven to be more versatile to cater for various assumptions and addresses the limitations of the previous model. The new approach also takes account business risk via loss of NIR under the stressed scenarios.

Stress testing is conducted using macroeconomic stress scenarios as well as bank specific scenarios based on the composition of the Bank's loans and advances. Whilst the macro economic scenario specifies a suite of parameters that define changes in or levels of a number of macroeconomic drivers (e.g. GDP, interest rates and inflation), the Bank specific scenarios seek to articulate the significant risk concentrations that management perceives in the portfolio; rather than placing reliance on in-depth modelling of economic scenarios which might be prone to model and estimation risks.

Stress testing results inform decision-making at the appropriate management levels, including strategic business decisions of the Board and senior management. Bank wide macroeconomic stress testing is conducted at least twice a year across all major risk types for a range of common scenarios and are also reported at board level. This allows the Bank to monitor its risk profile and risk tendency against its risk appetite.

The appropriateness of the macroeconomic stress scenarios and the severity of the relevant scenarios used for capital planning are approved by the Board and senior management on semi-annual basis.

Business continuity management and resilience

Business Continuity Management (BCM) is defined as a holistic management process that identifies potential impacts that threaten the Bank. It provides a framework for building resilience and the capability for an effective response that safeguards the interest of key stakeholders, reputation, brand and value-creating activities.

The Bank has business resiliency and continuity plans in place to ensure its ability to operate on an on-going basis and limit losses on the event of severe business disruptions. These are tested at least twice a year.

Crisis management is based on a streamlined command and control process for managing the business through a crisis to full recovery. These processes may also be deployed to manage non-operational crises, at the discretion of senior management.

The Bank takes all reasonable steps to ensure that in the event of a crisis or disaster, critical business operations and services will be maintained and all business operations and services returned to normal in a planned and prioritised and timely sequence. The Bank continues to ensure that business continuity is managed in an effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Whilst each business unit is responsible for their own BCM, closely supported by risk who will provide the governance, steer, oversight and reporting of BCM, there is a BCM forum which meets on a half-yearly basis. This forum is used to make tactical discussions around BCM decisions. It is chaired by head: risk and attended by all business areas coordinators to discuss BCM activities such as reporting, testing, recovery facilities, awareness and simulations among others.

BCM reporting is also well embedded across the Bank. A monthly BCM management information report card provides the minimum standard of what needs to be in place with regards to business continuity, tracks progress and highlights gaps in the BCM programme. This report card is submitted on a monthly basis to head office and also tabled at the relevant risk committees.

Contingency and recovery plans for core services, key systems and priority business activities have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant. The Bank has a fully equipped disaster recovery site which is also tested twice a year.

Country risk

Country risk, also referred to as cross-border transfer risk, is the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfil its obligations to the Group due to political or economic conditions in the host country.

Country risk is managed in accordance with the Group's risk and model governance standards. All countries to which the Group is exposed are reviewed at least annually. For each of these countries, internal rating models are employed to determine ratings for country, sovereign, transfer and convertibility risk. In determining the ratings, extensive use is made of the Group's network of operations, country visits and external information sources.

The internal model is continuously updated to reflect economic and political changes to individual countries. The results of this process are compared with those of reputable rating agencies in order to validate the consistency of the risk model.

Compliance risk

Compliance risk is the risk of legal or regulatory sanction, financial loss or damage to reputation that may occur as a result of a failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to our financial services activities.

The compliance framework

The group compliance function comprises areas of expertise including regulatory support (web based training and regulatory developments), the sanctions desk, the conflicts control room, market abuse surveillance, money laundering and terrorist financing control, and the operational support unit which includes reporting, policy oversight, budgetary management and information technology projects. The Bank does receive and derives full support of group business function.

The scope of the compliance function's responsibilities includes managing regulatory relationships, advising business on the appropriateness of structures and products from a compliance perspective, and fulfilling an advisory role regarding regulatory expectations. Moreover, the Bank manages its compliance risk in accordance with its compliance governance standard. The compliance function operates independently of business as a second line of defence function. Our approach to managing compliance risk is proactive as a core risk management activity.

Compliance risk is managed at various levels across the Bank:

- Staff training and communication to improve institutional capability

Compulsory compliance training was rolled out during the year followed by mandatory assessment that englobes various key subject matter such as treating customers fairly principles, customer protection legislations, outside business interest, conflicts of interest, code of ethics and values and of course anti-money laundering and sanctions programmes. Compliance training, development and awareness play a key role in the maintenance of a compliance culture in the Bank and the mitigation of compliance risk.

- Compliance manual

The compliance manual provides reference and guidance on relevant compliance risk management matters. The Bank's compliance manual is not intended to be procedural in nature, but contains information adequate to provide guidance to business units defining staff responsibilities in respect of compliance.

- Compliance policy and compliance standards

While the compliance manual provides guidance on key compliance matters, the compliance policy and compliance standards set out the minimum compliance standards that should be adhered to. It is made available to all staffs via the compliance website.

- Regulatory universe

The regulatory universe determines on an annual basis the universe of legislations, guidelines, policies and regulations applicable to each entity in the Bank. It helps manage the compliance risks within each business unit. The methodology to derive the universe is as follows:

- identification of the applicable regulatory requirements;
- categorisation into core, ancillary or imminent; and
- prioritisation of these regulatory requirements into high, medium or low risk.

Business units are thereafter required to ensure that controls are in place within their department to ensure that breaches to any regulations or legislations applicable to them are avoided.

- Compliance monitoring

Monitoring is conducted taking into account the risk profile and circumstances of each business unit. Business operations are monitored on a regular basis to provide appropriate assurance that business is conducted in accordance with regulatory requirements.

- Regulators/supervision

The Bank operates in a highly regulated environment. Supervision is regularly undertaken by both the BoM for activities falling under our banking licence and the financial services commission for the activities falling under the Securities Act of which distribution of financial products and investment advisory. Regulatory interaction takes place between the regulator and the banking industry through various subs committees and the banking committee.

The Bank has enhanced its account opening process and implemented an automated risk grading system thereby strengthening the opening, processing, storage and retrieval of KYC compliance documentation.

- Treating customers fairly/customer complaints

The complexity of financial services offerings continues to evolve and treating customers fairly and educating customers is becoming an important concept in dealing with our customers. The Bank has a set of procedures that is in place to align to regulatory requirements, market environment and to enable customers to provide any positive or negative feedback to the Bank.

- Conflicts of interest

A clear process and policy is in place to manage potential conflicts of interest. Business units must always act with due regards to the interest of customers in potential conflict of interest situations.

- Money laundering control

The Bank has in place a robust business acceptance process to mitigate against the risk of individuals/companies using our system for the laundering of money and has invested heavily in setting up an automated system for account opening with relevant screening tools and risk grading calculator embedded. MLRO tracks suspicious transaction via the automated alert monitoring system which will trigger alerts based on the different rules set to identify any suspicious transaction. Sanction screening on client database takes place on a regular basis.

An Anti-Money Laundering (AML) process manual defining the internal controls and other procedures is in place in order to combat money laundering and terrorism financing. The AML process manual defines the roles and responsibilities of different stakeholders within the Bank.

"The Bank operates in a highly regulated environment. Supervision is regularly undertaken by both the BoM for activities falling under our banking licence and the financial services commission for the activities falling under the Securities Act of which distribution of financial products and investment advisory. Regulatory interaction takes place between the regulator and the banking industry through various subs committees and the banking committee."

Reporting

Regular reporting of key information is an important risk management tool to ensure the business units are operating within agreed levels of risk appetite, and emerging risks which may potentially impact on the achievement of financial objectives are addressed timeously.

Risk reporting is performed at different levels within the Bank in accordance with different timing requirements dependent on the nature of the information reported. On a monthly basis, reporting of credit, market, compliance and operational risk issues are done at the respective management committees and to the head office.

On a quarterly basis, risk reports are provided to the board risk management and conduct review committee. The summaries of these detailed reports together with an executive summary of risk issues prepared by the head: risk and compliance and head: credit are tabled and discussed at the board risk sub-committee. The Bank also has in place a materiality and escalation matrix where risk tolerances and an escalation procedure for reporting to the appropriate line manager/head office matrix are defined.

Reputational risk

Safeguarding the Bank's reputation is of paramount importance. There is growing emphasis, worldwide on reputational risks arising from compliance breaches, as well as from ethical considerations linked to countries, clients and sectors. The Bank's compliance framework and processes are designed to minimise the reputational impact of the event giving rise to reputational risk.

Capital management

The Bank's capital management function is designed to ensure that regulatory requirements are met at all times and that the Bank is capitalised in line with the Bank's risk appetite and target ratios, both of which are approved by the Board. The ultimate objective of capital management is to protect the Bank's depositors and providers of debt funding and capital from events that could put their funds at risk.

The main regulatory requirements to be complied with are those specified in the Banking Act 2004 and related guidelines which are aligned to Basel II and Basel III.

Basel III

Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision (BCBS), to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:

- improve the global banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source;
- improve risk management and governance; and
- strengthen banks' transparency and disclosures.

Basel III implementation in Mauritius

The BoM has adopted a phased approach to the implementation of Basel III with the issue of the BoM guideline on scope and application of Basel III and eligible capital. Regulatory capital adequacy is measured through three risk-based ratios:

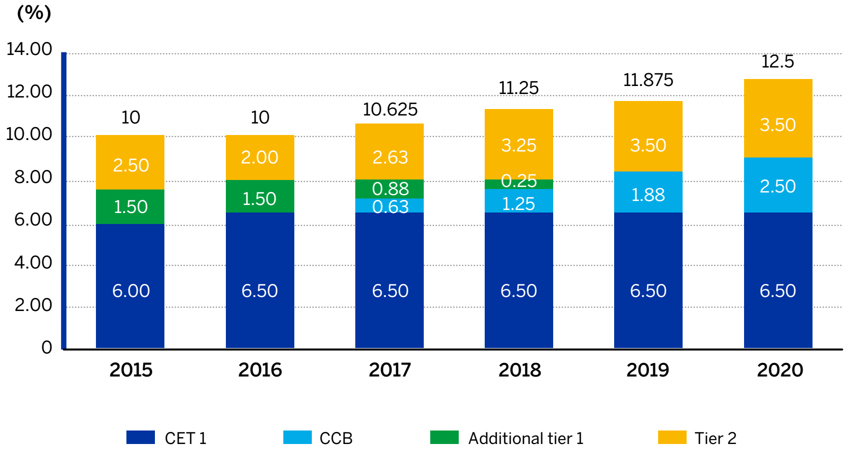
Common Equity Tier 1 (CET 1): ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.

Tier 1: CET 1 plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier 1 capital but are subject to regulatory phase-out requirements over a 10-year period, effective from 1 July 2014.

Total capital adequacy: tier 1 plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements, over a 10-year period effective from 1 July 2014.

A transitional arrangement was in place for banks to comply with the Basel III principles on capital, with banks to fully implement these by 2020. Basel III also introduces the concept of Capital Conservation Buffer (CCB) which aims at promoting the conservation of capital and the build-up of adequate buffers above the minimum during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period.

Bank of Mauritius minimum ratios
(capital as a percentage of risk-weighted assets)
effective 1 January each year



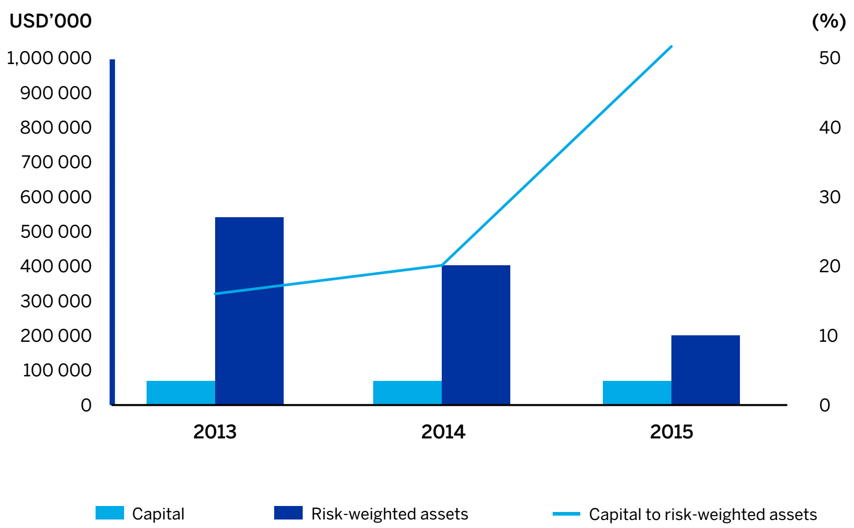
The Bank has been compliant with the minimum requirements to date.

The calculation of regulatory capital is based on net counterparty exposures after recognising a limited set of qualifying collateral. A prescribed percentage, the risk-weighting of which is based on the perceived credit rating of each counterparty, is then applied to the net exposure.

For exposures that have been rated by approved credit assessment institutions, the process prescribed by the BoM is used to ascribe public issue ratings into comparable assets. For counterparties for which there are no credit ratings available, exposures are classified as unrated and a 100% risk-weighting is applied for determining regulatory capital charge.

The Bank uses the ratings assigned by Fitch to banks to determine the risk-weighting of exposure with banks.

Capital to risk-weighted assets



The Bank capital position based upon common equity tier 1 and total capital ratios as per the tables below.

	Basel III 2015	Basel III 2014	Basel III 2013
	USD'000	USD'000	USD'000
Capital position under Basel III as at 31 December 2015			
Common equity tier 1 capital			
Share capital	**35 000**	35 000	35 000
Statutory reserve	**10 161**	7 126	7 126
Other reserves	**43 254**	19 347	23 609
Current year's profit/(loss)	**-**	15 416	(4 263)
Less: Deductions			
Intagible assets	**(27)**	(40)	(71)
Deffered tax	**(1 177)**	(2 116)	(3 654)
Common equity tier 1 capital	**87 211**	74 733	57 747
Other reserves	**(1)**	-	(3)
Subordinated debts	**20 000**	22 500	25 000
Provision for performing loans	**899**	2 514	3 462
	20 898	25 014	28 459
Total capital base	**108 109**	99 747	86 206
Risk-weighted assets for:			
Credit risk	**160 868**	395 332	469 042
Operational risk	**52 261**	54 219	52 149
Aggregate net open foreign exchange position	**887**	884	954
Total risk-weighted assets	**214 015**	450 435	522 145
Common equity tier 1 capital	**40.75%**	16.59%	11.06%
Capital adequacy ratio	**50.51%**	22.14%	16.51%

The Bank maintains appropriate levels of capital, with a CET 1 capital ratio of 40.8% (2014: 16.6%) and a total capital adequacy ratio standing at 50.5% (2014: 22.1%). The Bank remains well placed to meet all regulatory requirements.

On-balance sheet netting

As part of the Bank's credit risk mitigation, the Bank uses the net exposure of loans and deposits as the basis for calculating its capital adequacy ratio, aligned to BoM guideline.

Off-balance sheet netting

The Bank nets off-balance sheet claims and obligations for capital adequacy purposes. The net off is for market-related contracts with a single counterparty across both the banking and trading books, where the relevant obligations are covered by eligible bilateral netting agreements.

The Bank collateral valuation guidelines describe the processes for managing our collateral valuation to mitigate credit risk. The policy provides the minimum valuation requirements that need to be adhered to, based on the types of assets held.

The Bank uses the following collaterals for credit risk mitigation:

- cash – cash collateral which has been deposited on account held with the Bank;
- listed shares – shares that are listed on the stock exchange or on a licensed exchange;
- fixed or immovable property – residential, commercial and agricultural property taken under a fixed charge; and
- floating/movable assets – plant, equipment and machinery, stock, receivable and other assets taken under a floating charge.

Under the standardised approach to credit risk, the Bank's eligible guarantors are sovereign entities, public sector enterprises, banks and securities firms with a lower risk-weight than that of the counterparty.

The following table shows details of mitigations taken by the Bank.

	USD'000
Mitigation	
Guarantee - Standard Bank of South Africa	9 422
Guarantee - Local Bank	95
	9 517
Total credit risk exposure	1 555 063
% exposure covered by bank guarantee	0.61%

Exposures subject to the standardised approach per risk-weighting as at 31 December 2015

	2015				2014	2013
	Nominal amount USD'000	Mitigation	Risk-weight %	Risk-weighted assets USD'000		
Credit risk						
On-balance sheet assets						
Cash items	156		0-20	-	-	-
Claims on sovereigns	17 210		0-100	-	-	-
Claims on banks	1 262 184		20-100	29 989	42 046	16 636
Claims on central bank	29 804		0-150	-	-	-
Claims on PSE	-		20-150	-	-	-
Claims on corporates	89 042		20-150	89 297	251 833	356 597
Past due claims	7 536		50-150	11 262	16 722	30 539
Other assets/fixed assets	9 758		100	9 758	15 226	18 322
Total	**1 415 690**			**140 307**	**325 827**	**422 094**
Non-market related off-balance sheet risk-weighted assets						
Direct credit substitute	17 979	9 421	20-100	8 558	57 926	39 259
Transaction-related contingent items	2 932	2 234	20-100	349	1 017	2 288
Trade related contingencies	3 801		20-100	760	2 068	2 985
Other commitments	20 906		20-100	4 181	3 092	-
Total	**45 618**	**11 655**		**13 848**	**64 103**	**44 632**
Market related off-balance sheet risk-weighted assets						
Interest rate contracts	653			5	164	738
Foreign exchange contracts	93 102			6 708	5 238	1 578
Total	**93 755**			**6 713**	**5 402**	**2 316**
Total credit risk	**1 555 063**	**11 655**		**160 868**	**395 332**	**469 042**
Operational risk				52 261	54 219	52 149
Aggregate net open foreign exchange position				887	884	954
Total risk-weighted assets	**1 555 063**	**11 655**		**214 015**	**450 435**	**522 145**

Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP considers the qualitative capital management processes within the organisation and includes the organisation's governance, risk management, capital management and financial planning standards and frameworks. Furthermore, the quantitative internal assessments of the organisation's business models are used to assess capital requirements to be held against all risks the Bank is or may become exposed to, in order to meet current and future needs as well as to assess the Bank's resilience under stressed conditions.

The Group has embedded sound internal capital adequacy assessment processes throughout the Group in all its subsidiaries. The Bank is aligned to the Group and has implemented the BoM guideline on supervisory review process since 2011. The ICAAP document is reviewed on an annual basis and is approved by the Board. Periodic reviews are made to ensure that the Bank remains well capitalised after considering all material risks.

The Bank consciously maintains a risk management culture and practices that are conservative and rigorous. It considers that:

- Risk appetite is an integral part of the Bank's strategy and business plans.
- All material risks are appropriately managed and mitigated and there are back-up action plans that have been identified for execution should the capital levels of the Bank ever fall below levels deemed acceptable by the Board, management, or BoM.

Credit risk consumes approximately 75% of total regulatory capital usage and as such represents the largest source of risk that the Bank is exposed to. Credit risk therefore receives a high degree of management focus, and sufficient resources are assigned to ensure that the risk is mitigated.

Stress testing is conducted using macroeconomic stress scenarios as well as bank specific scenarios based on the composition of the loan book and liquidity profile. Stress testing is performed annually as part of the Bank's ICAAP process and is updated semi-annually. The Bank reassesses its stress scenarios on a yearly basis. For 2014, the Bank used the following stress scenarios:

i) Macroeconomic stress scenarios;

- Risk aversion hits Africa markets
- Commodities stress

ii) Management expertise stress scenarios;

- Credit stress - single obligor default assessed
- Liquidity stress – impact of removing sovereign wealth fund from depositor base

Capital buffers are considered adequate. While stress results for capital adequacy are within requirements, the Bank will nonetheless remain alert to possible deterioration of economic conditions to trigger a re-assessment of capital levels and initiate early remedial action should circumstances dictate.

Stress results are analysed and any departure from our risk appetite statement will trigger mitigating actions.

The Bank's sets its risk appetite to ensure that it achieves its strategic objectives without taking on levels of risk that are too high when considering all its stakeholders' interests. It reflects the capacity to sustain losses and continue to meets its obligations as they fall due, under a range of stress conditions. The Bank's risk appetite statement is made up of four dimensions:

- regulatory total capital adequacy ratio;
- stressed earnings;
- liquidity; and
- unacceptable risk.

For the purposes of ICAAP, the Bank maintains a capital buffer of 2% above the regulatory requirement.

Related party transactions

All exposures to related parties are reported at the risk management/conduct review committee. As per BoM guideline on related party transactions, a "related party" means:

- a person who has significant interest in the financial institution or the financial institution has significant interest in the person;
- a director or senior officer of the financial institution;
- close family members of the above;
- an entity that is controlled by a person described above; and
- a person or class of persons who has been designated by the BoM as a related party.

The Bank adheres to the BoM guideline on related party transactions as well as group policy with regards to related party.

The Bank did not have any non-exempt related party exposure as at 31 December 2015.

The Bank has exempted related party exposure with members of the Group as part of interbank transactions in relations to its treasury operations.

A detailed analysis of related party transactions in the notes to the accounts is available on page 154.

People

We are committed to creating a great place to work where our people feel deeply connected with our purpose and our clients, are empowered and recognised for delivering against our strategic objectives, and have made the most of every opportunity to achieve their full potential.

Corporate governance report

Holding structure	
Standard Bank Group	Primary listing on the JSE Securities Exchange South Africa Secondary listing on the Namibian Stock Exchange
Stanbic Africa Holdings Ltd	Company incorporated in the United Kingdom
Standard Bank (Mauritius) Limited	Holder of: • Banking licence (from the Bank of Mauritius) • Custodian services licence • Distribution of financial products licence • Investment advisor licence

Introduction

Robust and sound corporate governance practice is the way to win and maintain the public's trust and confidence in our financial system.

Standard Bank (Mauritius) Limited (the Bank) strives to raise and preserve the standard of corporate governance to the highest level which is only attainable through ensuring the implementation and practice of proper business integrity, transparency, professionalism, discipline, independence, responsibility, fairness, social responsibility and accountability of directors to all stakeholders.

The ultimate holding company of the Bank is the Standard Bank Group (the Group), who applies local and international best practice in corporate governance. The Group and its subsidiaries adhere to the principles of the Code of Corporate Practices and Conduct (King Code) whilst at the same time ensuring adherence to the legal and regulatory requirements on corporate governance under the local jurisdiction. This framework assists the Board in performing its role of providing risk oversight and strategic counsel and at the same time ensuring compliance to evolving regulatory requirements.

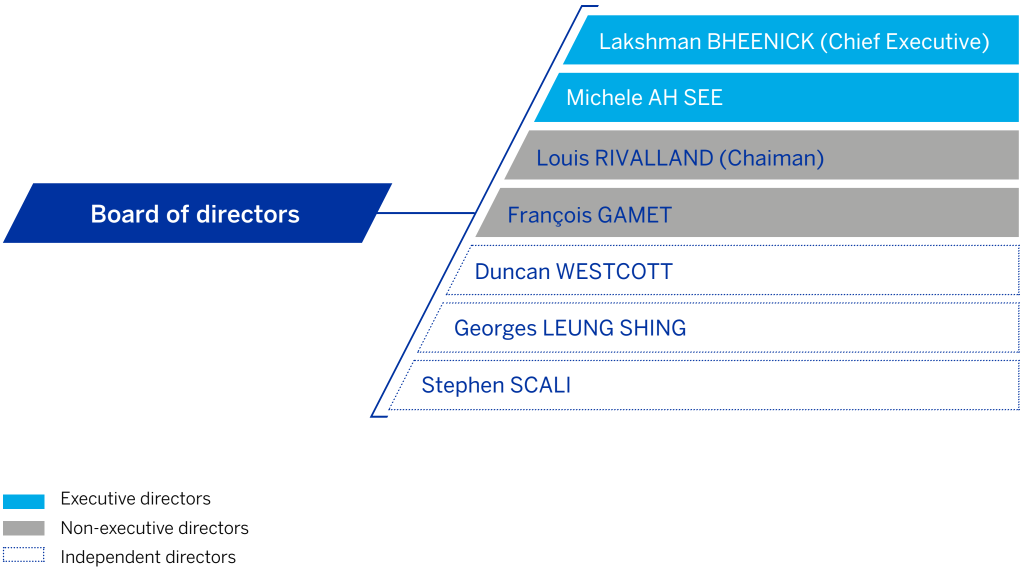
Through the risk management/conduct review committee, the directors ensure that the principles of governance and codes of best practices are in place and adhered to. The Bank subscribes to and is fully compliant with the following guidelines on corporate governance in all material aspects:

- The Bank of Mauritius (BoM) guidelines on corporate governance, 2012
- The Financial Reporting Council (FRC) (Compliance with the Code of Corporate Governance) guidelines, 2013.

Board of directors

- It is the link between the Bank and its shareholder.
- Mandated on behalf of the shareholder to oversee the affairs of the Bank.
- Decision makers- setting and monitoring strategic direction and key policies.
- Responsible for governance.
- Chairman of the Board is the spokesperson for the Board.
- Chief executive is the spokesperson for the Bank.
- Empowering executive management to take actions to drive the Bank towards the set strategies.
- Ultimately accountable to the shareholder.

Currently, the Board comprises of 7 members with a suitable breadth of backgrounds and professional experience from the financial, legal, accounting and commercial sectors, and the structure is as follows:



On 9 February 2016, Mr Clive Robert Tasker has been appointed as non-executive director and on 4 March 2016, Mrs Marie Desirée Jean Lim Kong joined the board of directors as an independent director.

The strong presence of independent and non-executive directors on the Board brings objective, unfettered and independent judgement to the Board. The composition of the Board and its committees is regularly reviewed to ensure that the balance and mix of diversity is maintained and that the Board retains its effectiveness at all times.

Chairman and chief executive

Whilst the chairman and chief executive are collectively responsible for the leadership of the Bank and for promoting the highest standards of integrity and probity, there is a clear and effective division of accountability and responsibility between the chairman and the chief executive. These roles are carried out by two different persons and each plays a distinctive role but complementing each other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control.

The chairman provides leadership and governance of the Board so as to create the conditions for overall board's and individual director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner. The chairman ensures that all members of the Board are provided with timely, adequate and accurate information and that the strategies and policies adopted by the Board are effectively implemented by the chief executive and management.

The chief executive shoulders the responsibility for the execution of the day-to-day running of the Bank's affairs. He develops and proposes the Bank's strategies and policies for consideration by the Board. He runs the daily business supported by the executive committee which he chairs.

Executive directors

The executive directors are members of the Board who are also in full time employment with the Bank.

Lakshman BHEENICK

Chief Executive

Personal Profile

- Aged 43
- Holder of a BA (Hons) In Economy from University of Manchester (England) in 1995

Current

- Appointed executive director on 18 May 2010
- Chief executive of Standard Bank (Mauritius) Limited
- Also assumes the role of head: corporate and investment banking at the Bank
- Joined Standard Bank (Mauritius) Limited in June 2006 as head: global markets

Previous

- Worked for Barclays Bank Plc where he successfully lead the debt capital issuance in Mauritius and Botswana

Michele AH SEE

Executive Director

Personal Profile

- Aged 49
- Holder of a MA (ord) from University of Aberdeen (Scotland)
- Member of the Institute of Chartered Accountants of England and Wales

Current

- Appointed as executive director on 17 February 2014
- Joined Standard Bank (Mauritius) Limited in February 2009
- Occupies the post of head: risk and compliance at the Bank

Previous

- Worked 10 years for the State Bank of Mauritius. Headed the value management office, the credit underwriting division and the corporate banking division
- Worked for Somers Baker in UK and PricewaterhouseCoopers Mauritius in audit

Non-executive directors

In accordance with the BoM guidelines on corporate governance (2012), an annual review of all directors having served for more than six years is carried out to ascertain independence of such directors and ensure that such directors are fit and proper to continue to act on the Board, as non-executive directors instead of independent directors.

After his six years as an independent director, Mr Louis Rivalland was supported by the Board to act as a non-executive director and maintains his role of chairman of the board of directors.

Mr François Gamet also qualifies as non-executive director of the Bank.

Louis RIVALLAND

Chairman

Personal Profile

- Aged 45
- Holder of a Bachelor Degree In Actuarial Sciences and Statistics
- Fellow of the Institute of Actuaries of United Kingdom
- Fellow of the Institute of Actuaries of South Africa

Current

- Appointed as non-executive director in 2007
- Appointed chairman of Standard Bank (Mauritius) Limited since April 2010
- Group chief executive of Swan Insurance and the Anglo Mauritius Assurance Company and their subsidiaries
- Member of the board of directors of some major institutions in some other countries

Previous

- Served as president of the Joint Economic Council
- Served as president of the Insurers' Association of Mauritius.
- Previously board member of the Mauritius Revenue Authority
- Former member of the Financial Services Consultative Council

François GAMET

Non-Executive Director

Personal Profile

- Aged 46
- Holder of a Master's Degree in Finance from Ecole De Commerce Sup de Co Amiens in France

Current

- Appointed as non-executive director in February 2014
- Member of the board risk management/conduct review committee and the board credit committee
- Currently the chief executive officer of Standard Advisory (China) Limited

Previous

- Held the following positions within the Standard Bank Group: head: West Africa and Mauritius and head: corporate and investment banking at Standard Bank Russia
- Previously worked as global head: power and infrastructure and director energy finance at Standard Bank Plc in England
- Employed as investment manager and Head of infrastructure with Actis in the United Kingdom
- Served as director of Globeleq, in Houston, USA

Clive TASKER

Non-Executive Director

Personal Profile

- Aged 60
- Holder of a BA LLB from the University of Natal, Pietermaritzburg
- Holder of an Advanced Management Programme from Wharton Business School University of Pennsylvania.

Current

- Appointed non-executive director in February 2016

Previous

- Chief executive Standard Bank Africa from March 2008 to December 2011
- Head: corporate banking international, corporate and investment banking, Standard Bank Group from January 2012 to December 2012
- CEO for Standard Advisory (China) Limited, a position he occupied from January 2013 until his retirement in September 2015

Independent directors

Duncan WESTCOTT

Chairman of Board Risk Management/Conduct Review Committee

Personal Profile

- Aged 65
- Holder of a BSc Economics from the University of Wales
- Fellow of the Institute of Chartered Accountants in England and Wales

Current

- Appointed independent director in September 2010
- Appointed chairman of board risk management/conduct review committee
- Currently presides as the CFO of Shout it Now (an aids awareness NGO based in Cape Town, South Africa)

Previous

- Previously a partner of PricewaterhouseCoopers in South Africa

Georges LEUNG SHING

Chairman of Board Audit Committee

Personal Profile

- Aged 70
- Holder of a BSc Economics from the University of London
- Fellow of the Institute of Chartered Accountants in England and Wales
- Associate of the Chartered Institute of Taxation in England and Wales

Current

- Appointed independent director in January 2011
- Appointed chairman of board audit committee
- Member of the board of the risk management/ conduct review committee
- Member of the board of directors of several other institutions

Previous

- Served as president of the Mauritius Chamber of Agriculture and the Mauritius Sugar Producers Association

Stephen SCALI

Chairman of Board Credit Committee

Personal Profile

- Aged 43
- Holder of a Juris Doctor from Harvard Law School, USA
- Holder of a MA in Industrial Relations from the University of Warwick in England
- Admitted to the New York Bar in 2002
- Non-practising solicitor of England and Wales

Current

- Appointed independent director in June 2011
- Appointed chairman of board credit committee
- Member of board audit committee
- Head of the Mauritius Office of Conyers Dill and Pearman

Previous

- Acted as in-house legal counsel at Vodafone Group Plc and Merrill Lynch
- Served as chief executive of an International Trust Company in Mauritius

Desirée LIM KONG

Independent Director

Personal Profile

- Aged 43
- Holder of a BA (Hons) Accounting & Finance from the University of Leeds
- Chartered Accountant

Current

- Appointed independent director in March 2016

Previous

- Worked as head of finance and IT at Etoile d'Orient Group of Companies
- Held the position of account executive in the corporate banking business unit and assistant manager in the credit risk business unit of the Mauritius Commercial Bank Ltd

Appointment of directors

Director

- Appointed by the shareholder at the annual meeting held in March every year
- Bank's constitution provides for annual re-election of all directors
- After six years of tenure, a director no longer qualifies as an independent director
- No limits on the number of times a director may stand for re-election
- Directors' remuneration are decided at the board of directors and approved by the shareholder
- Independent directors and qualifying non-executive directors receive fixed fees for service on the Board and board committees

Company secretary

Company secretary

- Provides guidance to the Board
- Ensures the Board remains cognisant of its duties and responsibilities
- Informs the Board of relevant changes in legislations and governance best practices
- Oversees the induction of new directors
- Training of directors

Role and duties of the Board

The Board is collectively responsible for the long-term success of the Bank and delivery of sustainable shareholder value. Its role is to provide leadership of the Bank within a framework of prudent and effective controls which enables risks to be assessed and managed.

1. Access to information and resources

- Regular interaction between the Board and executive management.
- Senior executive committee members are requested to make presentations as required.
- Directors have free and unrestricted access to management team and to the Bank's information.
- Directors are provided with the services of external legal advisers when required.

2. Training

- Ongoing board education remains a focus: directors are kept abreast of all applicable legislations and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the Bank and its operations.
- In the course of 2015, some directors attended a workshop on board performance and evaluation delivered by the Mauritius Institute of Directors, an orientation program for directors delivered by the compliance executives of the Group and duly approved by the BoM.

3. Board effectiveness and evaluation

- Annual assessment of the Board is conducted against the objectives set.
- Board assessment is made to review and further the Board's effectiveness.
- New points for implementation are recorded.
- Performances of the chairman, chief executive, independent directors and company secretary are assessed annually.
- Assessment of the Board and its committees are also carried out annually in terms of structure, process and effectiveness.
- In 2015, individual questionnaires were completed, the consolidated feedback tabulated and discussed at the board meeting in November 2015. No major concern has been highlighted.
- An overall positive collective performance has been noted.

4. Ethics and organisational integrity

- The Group has its own set of values and code of ethics (the code).
- The Board strives to ensure effective management in line with the code.
- The code seeks to empower employees and support responsible decision making at all levels.
- The aim is to adhere to the highest set of standards for responsible business practice.
- The code details acceptable and unacceptable practices.
- Ethical incident reporting is encouraged and supported.
- The Bank adhered to the code in conjunction with the 2013 Code of Ethics of the Mauritius Bankers Association.

5. Succession planning

- Succession planning is an integral part of ensuring effective management.
- There is an ongoing requirement to strengthen the talent pool to ensure adequate succession in the short or long-term.

6. Strategy

- Map out the Bank's goals and plans for achieving those goals.
- Ensures that any action is aligned to the Bank's values, performance and sustainability.
- Continuously monitor financial performance.
- Annually review and approve major changes to relevant Bank's policies.
- Ensure that an adequate budget and planning process exists.
- Approve budgets.

7. Risk and compliance

- Ensure proper and effective risk management procedures are adhered to.
- Responsible for financial, operational and internal control systems.
- Ensure proper adherence to compliance policies and procedures.
- Provide adequate reporting to stakeholders on the Bank's compliance status.

8. General governance

- Annual review of corporate governance procedures.
- Annual assessment of achievements against set objectives.
- Delegate power, authorities and discretions to the chief executive and sub-committees for efficient decision making process.
- Define terms of reference and procedures to be followed by all board sub-committees.
- Assess performance of chief executive and management team.
- Assess and considers reports from management team.
- Propose to shareholder for approval, the remuneration of independent and qualifying non-executive directors.
- Approve external auditor's fees following recommendation from board audit committee.
- Review matters such as code of ethics, environmental and social issues.

9. Dividend policy

- Dividends paid by the Bank are an integral part of the capital management process. Capital that is surplus to business operational requirements must be declared and paid as dividend.

The year ahead

- Continue to implement board succession plans
- Consider the impact of regulatory changes
- Measure progress against strategic objectives
- Continue to monitor the Bank's operational and financial performance

Board audit committee

Board audit committee

- Georges LEUNG SHING (Chairman)
- Duncan WESCOTT
- Stephen SCALI

Summary of key terms of reference

Assists the Board in discharging its responsibilities for monitoring the quality of the financial statements of the Bank. It reviews the accounting policies, financial reporting and regulatory compliance practices of the Bank and the Bank's system and standards of internal controls, and monitors processes for internal audit and external audit.

Reviewing of audit plans with external auditors;

consider with management areas of concern and procedures being implemented to monitor and resolve those issues;

assess reports from external auditors with regard to deviations and weaknesses in accounting and operational controls and ensure that any issues are resolved promptly;

obtaining comfort from external auditors that proper accounting records are being kept;

ensure adequate capital and provisions for bad debts and assess the formulae applied by the Bank to calculate charges and levels of general debt within the framework of the Group's policy;

review accounting process/policies set up by the Bank, effect any change as considered necessary and appropriate to accommodate best practices and consider the adequacy of disclosures;

assess the performance of financial management and review the quality of internal accounting control systems and reports produced by financial management;

assess reports on major misappropriation and other operational risks;

review interim and audited annual financial statements and other financial information required to be submitted to shareholder;

introduce measures to improve the credibility and objectivity of the Bank's financial statements and reports;

evaluate significant alterations from the audit and the efficiency of major adjustments processed at year-end;

review the basis on which the Bank has been determined a going concern and make a recommendation to the Board;

evaluate reports produced by the internal audit departments of the Group detailing the adequacy and overall effectiveness of the Bank's internal audit function and its implementation by management;

assess audit mandate on an annual basis;

review the Bank's compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the Group as well as ensuring that the Bank's policy complies with relevant regulatory and legal requirements;

Summary of key terms of reference

discuss reports and letters received from the banking supervisory authorities and/or other regulatory bodies and management's responses thereto with regards to compliance and the duties and responsibilities of the board of directors of the Bank;
monitor compliance with relevant legislations;
consider reports by the executive management on measures implemented to ensure compliance with the statutes, internal policies and procedures and controls, including accounting systems and record keeping controls, information systems and technology controls, internal audit processing, management information systems and reports applied to the day-to-day management of the business and review the internal control structure including financial control, accounting systems and reporting;
assess and advise on potential conflicts of interest of a material nature;
review complaints handling and complaints reporting procedures; and
undertake any other such reviews as may be required by the Board to ensure that the committee is fulfilling its responsibilities.

The year ahead

- Continue to monitor internal financial controls and key accounting developments that are likely to affect the Bank
- Continue to monitor the activities of external audit, internal audit and compliance as they pertain to the regulatory and internal control environment of the Bank
- Review reports from management

In line with the realities of risk, regulation, technology and competition that characterise our operating context, we continue to invest significantly in our diversified operations, our people and culture, our systems and infrastructure, and our brand.

Photo: Mozambique

Risk management/conduct review committee

Provides oversight and advice to the Board on current and potential future risk exposures of the Bank and future risk strategy. It reviews the Bank's compliance with approved risk appetite and oversees the operation of the Bank's policy framework and submissions to regulators.

Risk management/ conduct review committee

- Duncan WESCOTT (Chairman)
- Lakshman BHEENICK
- Georges LEUNG SHING
- François GAMET

Summary of key terms of reference

Consider legal issues that could have a significant impact on the Bank's business;
assess reports from compliance manager(s) with regards to matters pertaining to legislations, regulations and reputational risks;
evaluate management reports detailing the efficacy of the risk management procedures, their implementation throughout the Bank and any recommendations to be implemented;
monitor external developments with regards to the practice of corporate accountability and the reporting current, emerging and prospective risks;
seek such independent professional advice as necessary to perform its duties;
evaluate efficacy of insurance coverage;
recommend risk philosophy, strategy and policies for approval and adoption by the board audit committee and the board of directors and ensuring that these are in line with the Bank's policy;
ensure compliance overall risk profile of the Bank;
review procedures dealing with related party transactions, the disclosure of information to customers, the resolution of customer complaints and compliance with the Group's code of Banking practice and ethics;
have due regard for the principles of governance and codes of best practice; and
ensure that the chief executive facilitates training programmes for directors and senior management to enable them to have a robust understanding of the nature of the business, the nature of the risks, the consequences of risks being inadequately managed and the techniques for managing the risks effectively.

The year ahead

- Continue to monitor the current and future risk profile of the Bank to ensure the Bank is managed within risk appetite relative to strategy
- Continue to monitor capital adequacy of the Bank and review the impact of significant transactions on capital

Board credit committee

Board credit committee

- Stephen SCALI (Chairman)
- Lakshman BHEENICK
- Duncan WESCOTT
- François GAMET

Summary of key terms of reference

Ensure effective credit governance to provide for the adequate management, measurement, monitoring and control of credit risk including country risk;

delegation of authority to the Credit Risk Management Committee (CRMC) to approve credit facilities;

setting-up of sub-credit committees with appropriate mandates and delegated authority. There must at least be an annual review and approval of the mandate of its sub-committees namely the CRMC and credit committee;

approve all insider credit applications pertaining to directors and senior management and parties related to them;

ensure compliance with all regulatory requirements of the BoM Code of Corporate Governance;

quarterly reviewing of the credit risk portfolio reports, the credit risk impairment adequacy and any other credit related reports submitted by management;

the Group credit standard and revisions thereto shall be adopted by the Bank as a minimum requirement. In instances where modifications are required to comply with local applicable laws, regulations or similar, material permanent or temporary exceptions to the standard are to be approved by the group chief risk officer, documented, and reported to the Group risk oversight committee meeting for noting and ratification;

to retrospectively note credit approvals made by either the credit committee or delegated authorities (following recommendations of the credit committee);

approval of agreed credit risk appetite framework as required by the Group credit risk governance standard; and

consider any other credit related matters that may be necessary.

The year ahead

- Continue to monitor credit portfolios
- Continue to monitor the current and future credit risk profile of the Bank to ensure the Bank is managed within credit risk appetite relative to strategy
- Continue to ensure that the appropriate credit governance framework is in place

There is in place a board audit committee. There is no sub-committee of the Board on corporate governance matters. All corporate governance matters are tabled at full board and there is a standing item on corporate governance on the Board's agenda. There is no requirement to have a separate corporate governance committee under BoM guidelines on corporate governance and as the Bank is a 100% subsidiary company, it is felt that this can be taken at the main board.

Board and committee meetings

A board meeting is held every quarter with an additional annual meeting to consider the Bank's strategy. Ad hoc meetings are called if and when necessary. Directors are provided with comprehensive board documentation at least four days prior to each of the scheduled meetings.

Board of directors-meeting attendance

Board of directors

Louis RIVALLAND[2] (Chairman)	6/6
Lakshman BHEENICK[1]	6/6
Michele AH SEE[1]	6/6
François GAMET[2]	3/6
Stephen SCALI[3]	5/6
Georges LEUNG SHING[3]	6/6
Duncan WESTCOTT[3]	6/6

[1] Executive director
[2] Non-executive director
[3] Independent director

Risk management/ conduct review committee

Duncan WESCOTT[3] (Chairman)	4/4
Lakshman BHEENICK[1]	4/4
Michele AH SEE[1]	N/A
Louis RIVALLAND[2]	N/A
François GAMET[2]	3/4
Stephen SCALI[3]	N/A
Georges LEUNG SHING[3]	4/4

[1] Executive director
[2] Non-executive director
[3] Independent director

Board audit committee

Georges LEUNG SHING[3] (Chairman)	5/5
Lakshman BHEENICK[1]	N/A
Michele AH SEE[1]	N/A
Louis RIVALLAND[2]	N/A
François GAMET[2]	N/A
Stephen SCALI[3]	5/5
Duncan WESTCOTT[3]	5/5

[1] Executive director
[2] Non-executive director
[3] Independent director

Board credit committee

Stephen SCALI[3] (Chairman)	4/4
Lakshman BHEENICK[1]	4/4
Michele AH SEE[1]	N/A
Louis RIVALLAND[2]	N/A
François GAMET[2]	2/4
Georges LEUNG SHING[3]	4/4
Duncan WESTCOTT[3]	4/4

[1] Executive director
[2] Non-executive director
[3] Independent director

Codes, regulations and compliance

One fundamental principle of the Bank is to comply with all legislations, regulations and codes in its journey to achieve its goals. Compliance is assessed via management reports.

The Bank networks with regulators and other stakeholders when applying legislative and regulatory controls. The Bank aims to ensure that regulatory requirements are embedded in the Bank's operations in a way that drives long-term business value.

Dealing in securities, conflicts of interests and related party transactions

In its quest to ensure that business is conducted professionally and in an ethical manner, the Group has implemented guidelines to restrict directors and embargoed employees from dealing in its securities.

A personal account trading policy was introduced to prevent directors and employees from trading in securities during closed periods. Continuous compliance with the policy is ensured and any breaches of policy are dealt with in line with the provisions of the policy and JSE listings requirements.

A further conflict of interest policy has been applied requiring directors and employees to disclose any conflict of interest situation including disclosure of any directorships held in any other legal entity.

All transactions with a related party are carried out on terms and conditions that are at least favourable to the Bank at market terms and conditions. The risk management/conduct review committee is responsible to monitor and review related party transactions.

All transactions with a related party are carried out on terms and conditions that are at least favourable to the Bank at market terms and conditions. The risk management/conduct review committee is responsible to monitor and review related party transactions.

Directorship held in listed companies is as follows:

Names of directors	Names of companies
Louis RIVALLAND	Air Mauritius Limited, ENL Land Limited, Ireland Blyth Limited, New Mauritius Hotels Ltd, Swan General Ltd
Georges LEUNG SHING	Omnicane Ltd and The Mauritius Development Investment Trust Co Ltd
Duncan WESTCOTT	Nil
Stephen SCALI	Nil
Lakshman BHEENICK	Nil
Michele AH SEE	Nil
François GAMET	Nil

Relationships with shareholders

The board of directors has the important role of overseeing management performance on behalf of shareholders.

Shareholders necessarily have little voice in the day-to-day management of corporate operations, but have the right to elect representatives (directors) to look out for their interests and to receive the information they need to make investment and voting decisions.

Connecting with our stakeholders

Our relevance to the markets and societies in which we operate depends on continued and meaningful engagement with all our stakeholders. The Bank's stakeholder management approach involves the application of the Bank's resources to build and maintain good relationships with stakeholders. This helps the Bank to understand the expectations of society, minimising reputational risk and form strong partnerships all of which support commercial sustainability.

Shareholder feedback and concerns

In order to receive feedback from shareholders and to deal with any concern that they might have the Bank has set up specific procedures.

Shareholders' calendar

Financial year end	December
Annual general meeting of shareholders	March
Publication of financial statements	
Annual report	March
Quarterly unaudited financial statements	
31 March quarter end	June
30 June quarter end	September
30 September quarter end	December

Sustainability

Management of the Group's economic, social and environmental impacts and responsibilities most effectively is being systematically entrenched in the Group's culture through the emphasis placed on the application of the Group's vision and values in all its operations. The monitoring and reporting of sustainability issues is an evolving discipline within the Group. The Group's annual sustainability report provides comprehensive commentary on the Group's sustainability and transformation efforts, as well as key non-financial performance indicators. The report aims to present a balanced view and disclose relevant and material information to the Group's stakeholders. The Group's sustainability report is guided by the Global Reporting Initiative's (GRI) G3 sustainability reporting guidelines and the Group reports against the indicators in the GRI financial services sector supplement.

Going concern

On the recommendation of the board audit committee, the Board annually considers and assesses the going concern basis for the preparation of financial statements at the year end. At the interim reporting period, a similar process is followed to enable the Board to consider whether or not there is sufficient reason for this conclusion to be affirmed.

We have financial solutions for every banking need to help connect you to a world of opportunity.

Photo: Nigeria

Executive management

Lakshman BHEENICK

Chief Executive

Profile

- Joined Standard Bank(Mauritius) Limited in June 2006 as head: global markets
- Chief executive of Standard Bank (Mauritius) Limited
- Also assumes the role of head: corporate and investment banking at the Bank
- Appointed executive director on 18 May 2010
- Holder of a BA (Hons) In Economy from University of Manchester (England) in 1995
- Worked for Barclays Bank Plc where he successfully lead the debt capital issuance in Mauritius and Botswana

Michele AH SEE

Head: Risk and Compliance

Profile

- Joined Standard Bank (Mauritius) Limited in February 2009
- Occupies the post of head: risk and compliance at the Bank
- Appointed as executive director on 17 February 2014
- Holder of a MA (ord) from University of Aberdeen (Scotland)
- Member of the Institute of Chartered Accountants of England and Wales
- Worked 10 years for the State Bank of Mauritius. Headed the value management office, the credit underwriting division and the corporate banking division
- Worked for Somers Baker in UK and PricewaterhouseCoopers Mauritius in audit

Nathalie POMPON-NEMORIN

Chief Financial Officer

Profile

- Joined Standard Bank (Mauritius) Limited in 2001 as financial manager
- Acceded to head: finance in 2006
- Fellow member of the Association of Chartered Certified Accountants (FCCA)
- Debuted her career in audit and taxation with Kemp Chatteris, Clay Ratnage Chartered Accountants in London
- Previously worked at Investec Bank (Mauritius) Ltd

Meenakshi SANDRASAGREN

Head: Global Markets

Profile

- Joined Standard Bank (Mauritius) Limited in 2011 as head: global markets
- Holder of an MBA from the City University Business School (UK) and a Master in International Economics and Finance from Brandeis University (USA)
- Fellow member of the Association of Chartered Certified Accountants (FCCA)
- Previously employed at Air Mauritius as head of treasury for a period of thirteen years
- Worked for MEDIA as financial controller
- Work for De Chazal Du Mée and Philips ELL & Gross

Daniel NG TSEUNG

Head: Corporate Banking and Transactional Products and Services

Profile

- Joined Standard Bank (Mauritius) Limited in February 2014 as head: corporate banking and transactional products and services
- Holder of a BSc (Hons) Economics from Loughborough University (UK)
- Previously worked and held various positions such as group treasurer and head of eBusiness division at the State Bank of Mauritius
- Also previously employed as treasurer at the Hongkong and Shanghai Banking Corporation (HSBC)

Vikrant BHALERAO

Head: Wealth and Investment

Profile

- Joined Standard Bank (Mauritius) Limited in August 2014 as head: wealth and investment
- Holder of a bachelor degree with Honours in Electronics and Telecom Engineering from the University of Mumbai and a Masters in Business Administration from the Indian Institute of Management Ahmedabad
- Currently enrolled and has completed levels I and II of a Chartered Financial Analyst course
- Previously chief executive officer of Credere Wealth Management in London
- Previously held the position of associate director at Clariden Leu AG, Clariden Leu Europe, Private Banking, London
- Worked for Bank of America, Principal Investing Group, Asia for a period of five years and BNP Paribas Private Bank, Mumbai, India for a period of 3 years as an investment advisor.

Reshmee A KISTNAMAH

Head: Legal and Company Secretary

Profile

- Joined Standard Bank (Mauritius) Limited in 2010 as corporate lawyer
- Holder of an LLB (Hons) from the University of Mauritius, an LLM in Commercial and Corporate Law from the University of London and a diploma in French Law from the Université de Droit, d'Economie et des Sciences D'Aix en Provence
- Previously worked at Harel Mallac Group in charge of the legal and corporate secretarial department

Robin VEERAPEN

Head: Operations

Profile

- Joined Standard Bank (Mauritius) Limited in April 2005
- Appointed regional CIB head of operations: West Africa and Francophone Region
- Holder of a BSc (Hons) in Information Technology from the British Computer Society
- Previously worked at the State Bank of Mauritius and Hongkong and Shanghai Banking Corporation (HSBC) for 14 years

Neekeea RAMEN

Head: Credit

Profile

- Joined Standard Bank (Mauritius) Limited in 2006 as head: credit
- Holder of a BSc (Hons) in Financial Services from University of Manchester
- Associate of IFS School of Finance (formerly Chartered Institute of Bankers) ACIB UK
- Member of the Mauritius Institute of Bankers.
- Worked for 17 years at the State Bank of Mauritius in the retail, corporate banking and international trade finance division
- In 2004, joined the Mauritius Post and Cooperative Bank Ltd (MPCB) as head of corporate with assignment of setting up and managing the corporate banking

Adjhmir BHUGALOO

Chief Information Officer

Profile

- Joined Standard Bank (Mauritius) Limited in 2007 as head: electronic banking and later as client access manager
- Holder of a Licence Professionnelle Commerce, option Commerce Electronique from Université de La Réunion and a diplôme de technologie, mention Informatique de Gestion from the Mauritius Chambers of Commerce and Industry
- Currently reading a Master- Administration des Enterprises via the Mauritius Chambers of Commerce and Industry
- Previously employed at the Hongkong and Shanghai Banking Corporation (HSBC)

Hein LIEBENBERG

Head: Human Capital

Profile

- Appointed head: human capital in June 2013. Employment with Standard Bank (Mauritius) Limited ended in December 2015
- Holder of a BA Honours degree in Human Resources from the University of Johannesburg and an advanced diploma in Executive Coaching from the Graduate School of Business at the University of Cape Town
- Previously employed as the HR business partner for PBB Africa and head of human resources in Standard Bank Namibia
- Held various senior HR positions in industries such as motor retail, steel and engineering, logistics and paint manufacturing and retail

Aelander MOOTOOSAMY

Head: Human Capital

Profile

- Newly appointed head: human capital in November 2015 with Standard Bank (Mauritius) Limited.
- Holder of a Bachelor of Commerce, Honours in Human Resource Management and Masters in Social Sciences all from the University of Natal in Durban, South Africa. Also holder of a Masters in Organisational Psychology from the University of Cape Town
- Previously employed as the country head HR of Deutsche Bank, Mauritius
- Formerly held various HR positions at Barclays Bank Plc, Simply Talented International (Cape Town), Compagnie Mauricienne de Textile, Rogers Group, Air Mauritius and Illovo & Co Ltd
- In the past, occupied the post of junior lecturer for South African Labour Law and Psychometric Assessment at the University of Cape Town
- Registered Psychologist with the Health Professional Council of South Africa

Management committees

The chief executive has the authority to manage the Bank within the framework laid down by the board of directors and the Group. Three main management committees have been constituted to assist the chief executive in managing the Bank. These are the Executive Committee (EXCO), the Assets and Liabilities Committee (ALCO), the Credit Risk Management Committee (CRMC) and the Operational Risk Committee (OPCO).

EXCO

- Chief executive (chairman)
- Head: global markets
- Head: risk and compliance
- Chief financial officer
- Head: wealth and investment
- Head: credit
- Head: legal and company secretary
- Chief information officer
- Head: human capital
- Head: operations
- Head: investment banking and structured finance
- Head: corporate banking and transactional products and services

Summary of key terms of reference

This committee is established to assist the chief executive in the daily running, management and control of the Bank and its affairs subject to statutory limits and the Board's limitations on delegation of authority to the chief executive, to achieve sustainable growth within the Group's governance framework and approved risk profile;

overlook the Bank's capitalisations, acquisitions, disposals and capital expenditure in excess of limits set by the Group from time to time;

review the annual budget forecasts, business plans, capital expenditure plans and new strategic alliances;

address Human resources issues such as senior management succession and appointments, personnel policies or employment law related issues and promotions;

set mission statement, values and strategic plans, in line with the guidelines of the Group;

outline risk parameters and policy including credit policy and credit management strategies;

control issues relating to the day-to-day management of the Bank; and

oversee any other issues specifically delegated to EXCO by the board of directors.

ALCO

- Chief executive (chairman)
- Head: global markets
- Head: risk and compliance
- Chief financial officer
- Head: credit
- Head: wealth and investment
- Head: investment banking and structured finance
- Head: corporate banking and transactional products and services

Summary of key terms of reference

The purpose of ALCO is to monitor and control all trading book risk and banking book liquidity risk and interest rate risk in accordance with the risk appetite set by group ALCO. ALCO meets on a monthly basis with a minimum of 10 meetings a year;

review limits, guidelines or trigger breaches and agree remedial actions in order to align exposures with agreed appetite;

approve market risk, liquidity risk and banking book interest rate risk policies;

ensure effective capital management governance is in place;

review and note the impact of internal and external factors on the net interest margin; and

recommend to the Board policies and guidelines under which the Bank will manage the matters such as:

- balance sheet growth;
- deposits, advances and investments;
- foreign exchange activities and positions; and
- market, liquidity, credit and operational risk management.

Its objectives are to maximise net interest margins and trading-related earnings, achieve a deposit, lending and investment profile consistent with the Bank's budgetary and strategic targets, and manage risks within levels which comply with the Group and/or regulatory authority limits and grow the Bank's balance sheet size and after tax profits in line with budget.

CRMC

Core members

- Head: risk (chairperson)
- Chief executive/head: corporate and investment banking
- Head: corporate banking and transactional products and services

Other voting members

- Chief financial officer (and act as alternate to the chief executive/ head: corporate and investment banking)
- Head: global markets
- Head: investment banking and structured finance

Summary of key terms of reference

Quorum required: three core members;

chief financial officer can act as alternate to chief executive/head: corporate and investment banking; and

establish principles under which the country is prepared to assume credit risk and the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk.

OPCO

- Head: risk and compliance (chairperson)
- Head: global markets
- Head: operations
- Chief financial officer
- Chief executive
- Head: wealth and investment
- Head: legal and company secretary
- Head: corporate banking and transactional products and services

Summary of key terms of reference

Quorum: four members and should include the chairperson;

discuss risk, compliance and legal reports submitted to OPCO;

agree on the level of operational risk and risk appetite, operational risk and compliance strategies, governance standards and policies;

agree on the operational risk mitigation and/or risk transfer mechanisms; and

review audit reports and any other monitoring reports relating to operational risk and compliance.

Statement of remuneration philosophy

Governance

At the heart of our strategy lies the value we place on our people. Thus effective management and remuneration of our talent is a core competency in the Bank. Rewards provide one of the most powerful strategic methods for a manager to motivate staff and are fundamentally linked with budget management. The Group aims to have remuneration policies and programmes that will enable it to attract, retain and motivate the top calibre talent that supports organisational objectives.

The Bank aims to apply this policy in line with the Group remuneration strategy and therefore endeavours to:

- apply the full range of rewards to attract, retain and deploy teams of people with passion and skills;
- provide a reward package, including long and short-term incentives, that is understood, supported and valued by our people and recognises competencies and behaviours/values that help foster organisational success;
- improve the equity, transparency, communication and education of the reward philosophy, the reward elements, the pay structures and market salary data;
- facilitate the up skilling of line management to become owners of the 'pay decision' and committed to the 'pay for contribution' principle; and
- allow the Bank to compete effectively in the labour market and to attract and retain highly competent staff with remuneration practices that are more sensitive to the diverse needs of our people throughout Africa.

In the course of 2015, the Bank participated in the annual local banking survey run by HAY (Africa). The results were made available to the senior executive team. This allowed the managers to gauge where the remuneration of their various resources is pitched compared to the market. The Bank aims at paying at least as per median for all positions, and up to the 75th percentile for scarce skills in the local market.

Talent management framework

The Bank's talent management process aims to improve the Bank's ability to engage critical talent and develop the capability of our people. For us to be successful, it is critical that we develop the capabilities of our people, have clear roles and deliverables, live by common values and establish a culture which is based on confidence and client excellence.

The Group talent approach complements enduring performance management to help develop our people and motivate them to perform. This group approach will enable us to develop a clearer understanding of capabilities needed across the Bank, as well as identify and fill capability gaps/shortages in critical areas by balancing internal development and mobility with external hiring.

Key outcomes of our improved talent process are to have a proper engagement with talent on career aspirations and progression; and to build succession for critical roles within the franchise.

In country, as part of the strategic goals for 2015, a talent project plan has been put in place to ensure that talent in the Bank is developed and retained. Key development programmes have been devised, with the tracking to be implemented in 2016.

Recognition programme

Recognising employees who go the extra mile is an integral part of the Standard Bank way to build a high performing organisation. The Beyond Excellence programme is a tool for all employees to recognise colleagues who stand out as exceptional performers above and beyond what is considered part of the day-to-day job. In this programme, there are three recognition schemes:

- Everyday Recognition is an instant recognition scheme that line managers can give to reward their direct reports, such as:
  - thank you rewards: certificates, plaques, handwritten notes, public recognition;
  - time off and leave: recognition days (an extra day off-up to four per year); and
  - discretionary rewards: treats such as chocolate, restaurant vouchers, theatre tickets, spa vouchers, shopping vouchers, etc.
- Everyone Recognition is designed for colleague-to-colleague recognition. An employee can nominate a colleague for a recognition reward from his line manager; and
- Mark of Excellence is a high-profile annual recognition award ceremonies and recognition rewards designed to recognise the top performers within each Business Unit (BU) and Group Enabling Function (GEF).

During 2015 the Beyond Excellence recognition programme was very well supported by the various BU and a total 50 employees were recognised during the year.

These awards are nominations based and are conditional on business performance.

Chief executive

The chief executive receives a remuneration package and qualifies for long-term incentives. He is not subject to a retention agreement. The components of his package are as follows:

- guaranteed remuneration - based on his market value and the role that he plays;
- annual bonus incentive - used to incentivise the achievement of the Group's objectives; and
- pension - provides a competitive post-retirement benefit in line with the Group's employees.

Remuneration structure

Executive directors and non-executive directors fees

The following amount represents the sum paid to executive and non-executive directors for the year under review:

	USD
Louis RIVALLAND	15 210
Duncan WESTCOTT	20 377
Georges LEUNG SHING	16 728
Stephen SCALI	15 818
Total non-executive directors	**68 134**
Lakshman BHEENICK	468 764
Michele AH SEE	234 108
Total executive directors	**702 872**
Total non-executive and executive directors	**771 006**

Directors' service contracts

There were no non-executive service contracts between the Bank and its directors during the year.

Auditors' fees and fees for other services

The audit fees payable for the financial year under review is tabled hereunder:

	2015	2014	2013
	USD'000	USD'000	USD'000
KPMG			
Audit fees	**78 450**	71 060	68 000
Non-audit fees	**-**	-	-
	78 450	71 060	68 000

Sustainability report

Introduction - Standard Bank Group's (the Group) sustainability journey

The very nature of our business positions us to help our customers and stakeholders manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local markets and national economies. The success of our customers, clients and stakeholders guarantees future business, which underpins our sustainability.

The Group will contribute to the socioeconomic development of the countries in which we operate in a way that is consistent with the nature and size of our operations. We will provide responsible financial services and products, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.

In formulating our strategy and determining our strategic priorities, we consider the full range of issues that influence the sustainability of our business and that of the social, economic and physical environments in which we operate and which, in turn, have a direct impact on our future viability.

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the societies in which we operate. In particular, material issues are those that have a strong bearing on our stakeholders' assessments and decisions about the Standard Bank (Mauritius) Limited's (the Bank) long-term sustainability and its commitment to their needs. The stakeholders included were: shareholders, customers, employees, suppliers, regulators and society and the environment. We also take into consideration those factors that affect the financial stability and growth of economies and in turn our own business.

Our effectiveness in managing our material issues affects our ability to achieve our strategic objectives. The inputs into identifying our material issues are:

- our strategy;
- our values and code of ethics;
- internal and external stakeholder engagement;
- dialogues between executive management;
- risk management and regulation; and
- global challenges and national priorities.

Other material issues relevant to the Group include consumer indebtedness, leadership and development, employee relations, compensation & benefits, employee wellbeing, climate change, regulatory changes, decentralised procurement, ethical procurement and corporate social investment.

We grow our people to be influential in shaping external opinion about our chosen markets. Serving our customers is on top of our list of priorities and through outstanding customer service and promoting the attitude that every role has a customer, we deliver deeper relationships and partnership to manage collaborative decisions.

We aim to be an employer of choice for talented local people who understand local dynamics, and who can provide the nuanced insight we need to achieve our strategy. We have well-developed talent management and leadership development programmes in place to nurture the skills we need to meet our strategic objectives. Our people management focus includes increasing engagement with our employees and building morale across the Group. It is important to ensure that our people feel part of the Group and are able to apply an enterprise-wide mindset to their decisions and deliverables, irrespective of where they are based. Our ability to compete effectively and further develop our business depends on our ability to attract talented people.

Our priority is still on improving on the good governance practices in place and it has been further strengthened this year by focusing on the full automation of the procedure to pay entire cycle, from requisitioning to payment.

Consequently, several aspects of the management information system have been reviewed and enhanced for a more efficient and effective usage of the data relative to procurement of goods and services.

Our supplier management process has assisted us in improving our vendors' deliverables and in obtaining the best economic value for our sourced range of various category items of goods and services.

Health and safety

The Bank has a health and safety policy. Our policy is reviewed when necessary and risk assessments carried out when any major organisational or alteration to our offices are made. In addition the health and safety management system undertakes risk assessments and formulates risk management plans to identify, prevent and manage occupational health and safety risks. We also have a health and safety committee which meets every two months with representation of both employers and employees. Relevant findings are addressed 'so far as practicable'. Minutes are then filed with the local authorities. Over and above, the Bank keeps track of health and safety activities with respect of any accidents, near misses and training carried out. Directors, managers and staff are fully involved to promote a 'positive health and safety culture' within the Bank in terms of competence, control, co-operation and communication.

"Our priority is still on improving on the good governance practices in place and it has been further strengthened this year by focusing on the full automation of the procedure to pay entire cycle, from requisitioning to payment."

Energy consumption

Factors that drive the implementation of energy efficiency projects are the increasing cost of electricity, the security of supply in certain areas and our objective to reduce our carbon footprint. Our long-term objective is to implement an energy management strategy with achievable targets across all our operations with the lessons learnt in South Africa used to drive energy efficiency in our operations on the rest of the continent. The amount spent on electricity to perform our day-to-day activities is approximately MUR9,2 million a year for the Mauritius operation, thus managing this cost materially contributes to our sustainable long-term financial performance.

During 2015, the total amount of energy consumed at the Bank was 1,093,975 kilowatt hours (2014: 1,256,299 kilowatt hours).

We adopted cost saving initiatives and these reduced consumption by 13% compared to 2014, representing a saving of MUR1,3 million.

Diesel consumption for 2015 was nil due to the fact that we had no substantial powercuts (2014 was 0 Litres).

Community

The Bank strives to be a trusted corporate citizen and aims to uplift the society in which we operate.

We support projects that are in line with our business objectives and have a sustainable impact on our community. The main areas of intervention regarding Corporate Social Responsibility activities for the Bank are health, environment and education.

The projects carried by the Bank in 2015 were as follows:

- sponsor transport services for kids suffering from cancer following treatment in hospital (Project managed by Link to Life);
- psychological support services to kids suffering from cancer as well as their parents (Project managed by Link to Life); and
- counselling services to be provided to 26 children and young adults from underprivileged backgrounds who have mental disabilities (Project managed by Reve et Espoir).

Education is the driving force behind uplifting society and the Bank firmly believes that education promotes socioeconomic development. Our involvement in this area is through:

Scholarships

For the past four years, the Bank has launched a scholarship programme to allow bright students with limited financial means to follow undergraduate courses at the University of Mauritius. In 2015, the total number of students benefiting from the Standard Bank scholarship amounted to thirty, with the Bank financing their university fees as well as providing a monthly stipend to each beneficiary.

Staff involvement

The Bank marked Nelson Mandela International Day, celebrated on 18 July every year, by encouraging all employees to give their time to the community. The objective of Mandela Day is to inspire individuals to take action to help change the world for the better, and in doing so build a global movement for good. Ultimately we seek to empower communities everywhere. The Bank gave the opportunity to its employees to give back time to the community by allowing them to help a Non-Governmental Organisations (NGOs) that they have at heart.

The NGOs that were selected for this initiative were:

- Joie de vivre universelle
- Angel Special School
- La Ruche
- La Colombe
- ARISE
- Case Noyale RCA

Equator principles

The equator principles are a set of standards for managing social and environmental issues in project finance. As a signatory to the equator principles we are bound to ensure that the customers to whom we lend capital evaluate and actively avoid, manage or mitigate the social and environmental impacts of the projects for which they require financing. Applying the equator principles to our project financing will result in a number of associated benefits, including:

- improved environmental and social risk management with an anticipated benefit to long-term investment performance;
- improved relationships with stakeholders and reputation;
- addressing social and environmental impacts more systematically and accountably;
- increased potential for partnerships that address impacts on the environment and provide environmental and social benefits to affected communities;
- increased opportunity for being the lead arranger in large syndicated project finance loans; and
- increased business opportunities in the international project finance arena.

Looking ahead

We understand that we can only generate sustainable profits and superior shareholder returns if we conduct our business in a responsible and inclusive way. Strengthening our reputation and building trust through ethical conduct and maintaining good relationships with customers, employees and other stakeholders enable us to create value over the long-term.

Culture

We understand that our ability to succeed ultimately depends on our culture and ensuring it embraces everything we need to deliver our strategy. As an essential determinant of the culture we wish to build, our dynamic and engaged teams are charged with living the Group's values each day and holding themselves accountable for the business celebrating success and learning from their mistakes.

Statement of compliance

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

Name of public interest entity: Standard Bank (Mauritius) Limited

Reporting period: Year ended 31 December 2015

We, the Directors of Standard Bank (Mauritius) Limited, confirm that to the best of our knowledge the PIE has not complied with section 3.5 of the code and the reasons for non-compliance are as follows:

- Corporate governance committee
- There is no corporate governance committee as all corporate governance matters are taken up at the full board.

LOUIS RIVALLAND
Chairman

LAKSHMAN BHEENICK
Chief Executive

16 March 2016

Statement of management's responsibility for financial reporting

The financial statements for the Standard Bank (Mauritius) Limited (the Bank) presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued there under have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's board of directors, acting in part through the audit committee and conduct review committee and risk policy committee which comprise independent directors who are not officers or employees of the Bank, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

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

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

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

LOUIS RIVALLAND
Chairman

GEORGES LEUNG SHING
Director

LAKSHMAN BHEENICK
Chief Executive

16 March 2016

Secretary's certificate

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

RESHMEE A KISTNAMAH
Company Secretary

Independent auditors' report to the member of Standard Bank (Mauritius) Limited

Report on the financial statements

We have audited the financial statements of Standard Bank (Mauritius) Limited (the Bank), which comprise the statement of financial position as at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 80 to 156.

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

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Independent auditors' report to the member of Standard Bank (Mauritius) Limited (continued)

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act.

Report on other legal and regulatory requirements

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

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

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

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

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

The Financial Reporting Act 2004
The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the financial statements and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the financial statements is consistent with the requirements of the Code.

KPMG
Ebène, Mauritius

John Chung, BSc FCA
Licensed by FRC

16 March 2016

We understand that our commercial success and social relevance over the long term depends on placing our clients at the centre of everything we do, and ensuring that the outcomes of our activities are a catalyst for growth on this continent we call home.

Photo: Johannesburg, South Africa

Statement of financial position

As at 31 December 2015

	Note	2015 USD	2014 USD	2013 USD
Assets				
Cash and cash equivalents	7	**858 078 800**	2 497 991 968	1 429 027 700
Trading assets	8	**39 163 539**	184 035 481	223 637 126
Derivative assets held for risk management	9	**9 016 819**	4 503 937	6 047 463
Loans and advances to banks	10	**393 710 692**	270 117 616	351 186 580
Loans and advances to customers	11	**100 752 826**	249 836 871	340 219 697
Investment securities	12	**474 659**	2 661 958	16 498 218
Property, plant and equipment	13	**2 871 608**	3 294 570	4 160 125
Intangible assets	14	**26 645**	40 554	71 428
Deferred tax	15	**1 177 000**	2 116 000	3 654 000
Other assets	16	**13 629 313**	16 324 078	19 467 651
Total assets		**1 418 901 901**	3 230 923 033	2 393 969 988
Liabilities				
Deposits from banks	17	**79 148 172**	22 885 089	355 725 816
Deposits from customers	18	**1 164 809 245**	3 025 659 257	1 776 766 143
Trading liabilities	8	**-**	23 342 017	2 349 153
Derivative liabilities held for risk management	9	**8 618 009**	3 796 297	6 065 708
Other borrowed funds	19	**10 996 984**	43 455 945	154 292 412
Subordinated liabilities	20	**25 000 000**	25 000 000	25 000 000
Current tax payable	21	**539 000**	-	248 446
Other liabilities	22	**40 974 564**	9 597 039	11 794 793
Total liabilities		**1 330 085 974**	3 153 735 644	2 332 242 471
Shareholders' equity				
Share capital	23	**35 000 000**	35 000 000	35 000 000
Other reserves		**10 561 693**	7 423 062	7 378 766
Retained earnings		**43 254 234**	34 764 327	19 348 751
Total equity attributable to equity holders		**88 815 927**	77 187 389	61 727 517
Total equity and liabilities		**1 418 901 901**	3 230 923 033	2 393 969 988

Approved by the board of directors and authorised for issue on 16 March 2016.

Chairman
Louis Rivalland

Director
Georges Leung Shing

Chief Executive
Lakshman Bheenick

The notes on pages 84 to 156 form part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

	Note	2015 USD	2014 USD	2013 USD
Interest income		**21 146 140**	26 117 645	29 751 601
Interest expense		**(6 969 130)**	(10 381 726)	(12 672 892)
Net interest income	25	**14 177 010**	15 735 919	17 078 709
Fee and commission income		**7 384 020**	7 717 934	8 138 815
Fee and commission expense		**(230 643)**	(485 645)	(623 196)
Net fee and commission income	26	**7 153 377**	7 232 289	7 515 619
Net trading income	27	**10 897 175**	8 683 797	4 110 844
Net income from other financial instruments carried at fair value	28	**(245 678)**	284 976	68 344
Other operating income	29	**219 336**	278 958	282 171
		10 870 833	9 247 731	4 461 359
Operating income		**32 201 220**	32 215 939	29 055 687
Net impairment loss reversal/(charge) on financial assets	30	**4 949 466**	1 125 491	(18 738 168)
Personnel expenses	31	**(6 529 347)**	(7 254 866)	(7 899 980)
Operating lease	32	**(649 625)**	(808 337)	(789 070)
Depreciation and amortisation	13 & 14	**(794 909)**	(902 607)	(820 472)
Other expenses	33	**(5 974 611)**	(5 838 034)	(5 222 592)
		(8 999 026)	(13 678 353)	(33 470 282)
Profit/(loss) before income tax		**23 202 194**	18 537 586	(4 414 595)
Income tax (expense)/credit	34	**(1 596 711)**	(3 122 010)	151 527
Profit/(loss) for the year		**21 605 483**	15 415 576	(4 263 068)
Profit/(loss) attributable to equity holders		**21 605 483**	15 415 576	(4 263 068)
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Net gain/(loss) on available-for-sale financial assets		**868**	4 539	(35 691)
Other comprehensive income/(loss) for the year		**868**	4 539	(35 691)
Total comprehensive income/(loss) for the year		**21 606 351**	15 420 115	(4 298 759)
Total comprehensive income/(loss) attributable to equity holders		**21 606 351**	15 420 115	(4 298 759)

The notes on pages 84 to 156 form part of these financial statements.

Statement of cash flows

For the year ended 31 December 2015

	Note	2015 USD	2014 USD	2013 USD
Cash flows from operating activities				
Profit/(loss) for the year		**21 605 483**	15 415 576	(4 263 068)
Adjusted for:				
Depreciation and amortisation	13 & 14	**794 908**	902 607	820 472
(Gain)/loss on sale of assets		**(5 735)**	-	1 105
Net impairment (gain)/loss on financial assets	30	**(4 949 466)**	(1 125 491)	18 738 168
Income tax expense/(credit)		**1 596 711**	3 122 010	(151 527)
Changes in operating assets and liabilities				
Decrease/(increase) in trading assets		**144 871 942**	39 601 645	(49 014 872)
Decrease/(increase) in derivative financial instruments held for risk management		**308 830**	(725 886)	(179 323)
(Increase)/decrease in loans and advances to banks		**(123 593 076)**	81 068 964	(218 155 196)
Decrease in loans and advances to customers		**154 033 510**	91 508 317	49 565 256
Decrease/(increase) in other assets		**2 694 765**	2 851 579	(839 470)
(Decrease)/increase in trading liabilities		**(23 342 017)**	20 992 864	(2 579 886)
Increase/(decrease) in deposits from banks		**56 263 084**	(332 840 728)	11 912 182
Decrease in other borrowed funds		**(32 458 961)**	(110 836 467)	(59 042 070)
(Decrease)/increase in deposits from customers		**(1 860 850 012)**	1 248 893 113	237 363 938
Increase/(decrease) in other liabilities		**31 280 609**	(2 157 999)	4 226 054
Decrease/(increase) in investment securities		**2 188 168**	(28 377)	1 429 935
Income tax paid		**-**	(1 498 071)	(851 554)
Net cash (used in)/from operating activities		**(1 629 561 257)**	1 055 143 656	(11 019 856)
Cash flows from investing activities				
Sale of investment securities[1]		**-**	13 869 176	-
Capital expenditure on property, plant and equipment	13	**(360 891)**	(48 564)	(520 960)
Proceeds from sale of property, plant and equipment		**8 980**	-	1 072
Capital expenditure intangible assets	14	**-**	-	(54 089)
Net cash (used in)/from investing activities		**(351 911)**	13 820 612	(573 977)
Cash flows from financing activities				
Decrease in subordinated liabilities	20	**-**	-	(20 000 000)
Dividends paid		**(10 000 000)**	-	-
Net cash (used in)/from financing activities		**(10 000 000)**	-	(20 000 000)
Net (decrease)/increase in cash and cash equivalents		**(1 639 913 168)**	1 068 964 268	(31 593 833)
Cash at the beginning of the year		**2 497 991 968**	1 429 027 700	1 460 621 533
Total cash at end of the year	7	**858 078 800**	2 497 991 968	1 429 027 700

[1]Movement in investment securities relating to treasury bills and bonds have been reclassified to operating activities.

Statement of changes in equity

For the year ended 31 December 2015

	Share capital USD	Statutory reserve USD	Other reserves USD	Retained earnings USD	Total USD
Balance at 31 December 2012	35 000 000	7 126 544	427 148	23 413 336	65 967 028
Loss for the year	-	-	-	(4 263 068)	(4 263 068)
Net change in fair value of available-for-sale financial assets	-	-	(35 691)	-	(35 691)
Total comprehensive loss for the year	-	-	(35 691)	(4 263 068)	(4 298 759)
Share-based payments	-	-	59 248	-	59 248
Transfer between reserves	-	-	(198 483)	198 483	-
	-	-	(139 235)	198 483	59 248
Balance at 31 December 2013	35 000 000	7 126 544	252 222	19 348 751	61 727 517
Income for the year	-	-	-	15 415 576	15 415 576
Net change in fair value of available-for-sale financial assets	-	-	4 539	-	4 539
Total comprehensive income for the year	-	-	4 539	15 415 576	15 420 115
Share-based payments	-	-	39 757	-	39 757
	-	-	39 757	-	39 757
Balance at 31 December 2014	**35 000 000**	**7 126 544**	**296 518**	**34 764 327**	**77 187 389**
Income for the year	**-**	**-**	**-**	**21 605 483**	**21 605 483**
Net change in fair value of available-for-sale financial assets	**-**	**-**	**868**	**-**	**868**
Total comprehensive income for the year	**-**	**-**	**868**	**21 605 483**	**21 606 351**
Share-based payments	**-**	**-**	**(208 831)**	**231 018**	**22 187**
Transfer to statutory reserve	**-**	**3 034 667**	**-**	**(3 034 667)**	**-**
Transfer to general banking reserve	**-**	**-**	**311 927**	**(311 927)**	**-**
	-	**3 034 667**	**103 096**	**(3 115 576)**	**22 187**
Transactions with owners of the Bank					
Dividend to equity holders	**-**	**-**	**-**	**(10 000 000)**	**(10 000 000)**
Balance at 31 December 2015	**35 000 000**	**10 161 211**	**400 482**	**43 254 234**	**88 815 927**
Note	23		35		

Notes to and forming part of the financial statements

For the year ended 31 December 2015

1. General information

Standard Bank (Mauritius) Limited (the Bank) is a company domiciled in Mauritius. The address of the Bank's registered office is Level 9, Tower A, 1 Cybercity, Ebène, Mauritius.

The Bank obtained its banking licence issued by the Bank of Mauritius (BoM) effective from November 2001.

The Bank is primarily involved in investment and corporate banking with a wealth and investment arm. The Bank also acts as primary dealer in the secondary market for government treasury bills effective as from 1 June 2007.

The Bank is also involved in the distribution of financial products and offering of custody services.

The Bank holds the following licences that fall under the regulatory purview of the Financial Services Commission (FSC):

- Distribution of financial products. (effective from 17 August 2010);
- Investment adviser (restricted) (effective from 20 August 2010);
- Investment adviser (representative) (effective from 20 August 2010); and
- Custody licences: non-collective investment schemes (effective from 7 February 2007) and collective investment schemes (effective from 17 April 2009).

2. Basis of preparation

(a) Statement of compliance

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB and guidelines and guidance notes issued by the BoM, in so far as the operation of the Bank is concerned.

(b) Basis of measurement

The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

Items	Measurement basis
Derivative financial instruments	Fair value
Non-derivative financial instrument at fair value through profit and loss	Fair value
Available-for-sale financial asset	Fair value
Liabilities for cash-settled share-based payment arrangement	Fair value
Assets and liabilities held-for-trading	Fair value

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (significant accounting policies (2) financial Instruments);
- intangible assets and property and equipment are accounted for at cost less accumulated amortisation and impairment (significant accounting policies (4) intangible assets and property plant and equipment); and
- the portfolio exception to measure the fair value of certain groups of assets and financial liabilities on a net basis (significant accounting policies (3) fair value measurement).

(c) Functional and presentation currency

The annual financial statements are presented in United States Dollars (USD), which is the Bank's functional currency as well as reporting currency.

As at 31 December 2015, the exchange rate of the Mauritian Rupee against USD was 35.85 (2014: 31.75).

(d) Use of estimates and judgements

The preparation of the annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of bank accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the annual financial statements as described in note 5.

(e) Changes in accounting policies

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following as set out in note 2.1.

Adoption of new and amended standards and interpretation effective for the current financial period

The Bank has adopted the following new and amended IFRS as at 1 January 2015 with no material impact on the Bank's accounting policies or results with no restatement of prior period results.

Early adoption of revised standards.

The revised standards and interpretations did not have any effect on the Bank's and company's reported earnings or financial statement position and had no material impact on the accounting policies.

Amendment to IAS 16 property, plant and equipment (IAS 16) and IAS 41 agriculture (IAS 41) - expands the scope paragraph to include bearer plants, which is to be accounted for in the same way as property, plant and equipment. Consequently, IAS 41 was amended to exclude bearer plants from the scope.

- Annual improvements 2012 – 2014: the IASB issued various amendments and clarifications to existing IFRS, the most notable being the amendment to IFRS 7 financial instruments: disclosure for servicing contracts and offsetting financial assets and financial liabilities for interim periods.

- Annual improvements 2010 – 2012 cycle and 2011 – 2013 cycle: the IASB issued various amendments and clarifications to existing IFRS, none of which had a significant impact on the Standard Bank Group's (the Group) financial statements.

- Amendment to IAS 1 presentation of financial statements (IAS 1) – the amendment to IAS 1 clarifies that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendment further explains that professional judgement should be used in determining where and in what order information should be presented in the financial statements. During the year the Bank reviewed its financial statements to identify disclosures that were considered to be immaterial as well as to consider ways of better presenting financial information.

  The revised standards did not have any effect on the Bank's reported earnings or financial statement position and had no material impact on the accounting policies. The IAS 1 amendment resulted in the Group and company removing immaterial information from its financial statement disclosures as well as, in several instances, amending the format of its disclosures to better reflect and explain the disclosed financial information.

2.1 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the annual financial statements.

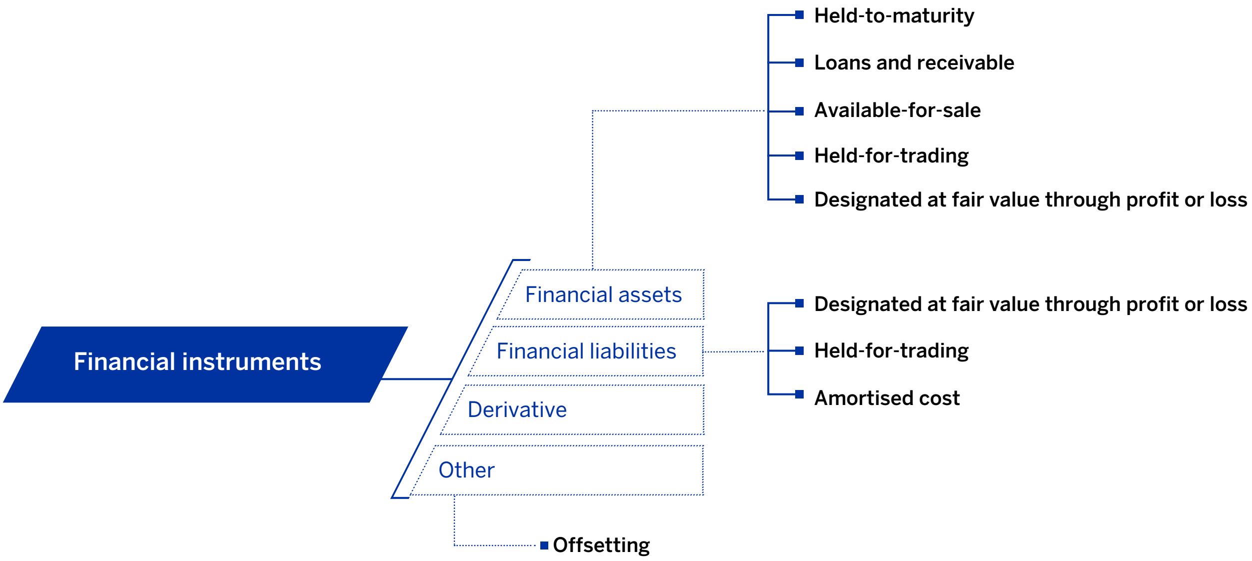
(a) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in Other Comprehensive Income (OCI) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity instruments are recognised in the OCI with the exception of impairment, in which case foreign currency differences that have been recognised in the OCI are reclassified to profit or loss.

(b) Financial instruments



(i) Initial recognition and measurement

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment or trading purposes on the date at which they are originated.
Regular purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.
Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

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

Financial assets

Nature	
Held-to-maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold-to-maturity.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Bank as at fair value through profit or loss or available-for-sale.
Available-for-sale	Financial assets that are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not classified within another category of financial assets.
Held-for-trading	Those financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term, those forming part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and commodities that are acquired principally by the Bank for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Derivatives are always categorised as held-for-trading.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value in the following instances: • this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. Under this criterion, the main class of financial instruments designated by the Bank are investment securities. The designation significantly reduces measurement inconsistencies that would have otherwise arisen. For example, where the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortised cost. This category also includes financial assets used to match investment contracts or insurance contract liabilities; • banks of financial assets, are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and reported to the Bank's key management personnel on a fair-value basis. Under this criterion, certain private equity, short-term insurance and other investment portfolios have been designated at fair value through profit or loss; or • financial instruments containing one or more embedded derivatives that significantly modify the instruments' cash flows.

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications as follows:

Held-to-maturity	Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Loans and receivables	Amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. All of the Bank's loans and advances are included in the loans and receivables category.
Available-for-sale	Financial assets are subsequently measured at fair value. Unrealised gains or losses are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When debt (equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income (other revenue).
Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are re-measured at each reporting date. Gains and losses arising from changes in fair value are recognised in interest income (interest expense) for all debt financial assets (financial liabilities) and in other revenue within Non-Interest Revenue (NIR) for all equity instruments.

(iii) Impairment

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the financial asset that can be estimated reliably. The Bank assesses at each reporting date whether there is objective evidence that a financial asset which is either carried at amortised cost or classified as available-for-sale is impaired as follows:

Held-to-maturity loans and receivables

The following criteria are used by the Bank in determining whether there is objective evidence of impairment:

- known cash flow difficulties experienced by the borrower;
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- breaches of loan covenants or conditions;
- probability that the borrower will enter bankruptcy or other financial reorganisation; and
- where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

The Bank first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Loans and advances are analysed on a case-by-case basis and are classified as non-performing when amounts are due and unpaid for 90-days or where there has been a material breach of terms and conditions, the severity of which is highly likely to result in payment default. The impairment of Non-Performing Loans (NPL) takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to the present value of estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss. Subsequent to impairment, the effects of discounting unwind over time as interest income.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Impairment of performing loans is only recognised if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset but before the reporting date. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods. Loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of bank portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent recoveries of previously written off advances are recognised in profit or loss.

Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

Subsequent to impairment, the effects of discounting unwind over time as interest income. The Bank writes off loans and advances and investment securities when they are determined to be uncollectible.

Available-for-sale

Available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value of the instrument below its cost and for equity instruments where there is information about significant changes with an adverse effect on the environment in which the issuer operates that indicates that the cost of the investment in the equity instrument may not be recovered.

When an available-for-sale asset has been identified as impaired, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss.

	If, in a subsequent period, the amount relating to impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

(iv) Reclassification
Reclassifications of financial assets are permitted only in the following instances:

Held-to-maturity	Where the Bank is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.
Available-for-sale	The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables if the Bank, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.
Held-for-trading	The Bank may choose to reclassify held-for-trading non-derivative financial assets in the following instances: • non-derivative trading assets out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term; • non-derivative trading assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances; and • non-derivative trading assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent increases in estimates of cash flows adjust the financial asset's effective interest rates prospectively.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

(v) Financial liabilities

Nature	
Held-for-trading	Those financial liabilities incurred principally for the purpose of re-purchasing in the near term, those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: • to eliminate or significantly reduce an accounting mismatch that would otherwise arise • where the financial liabilities are managed and their performance evaluated and reported on a fair value basis; and • where the financial liability contains one or more embedded derivatives that significantly modify the financial asset's cash flows.
At amortised cost	All other financial liabilities are not included in the above categories.

(vi) Subsequent measurement
Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses recognised in interest expense for all financial liabilities.
At amortised cost	Amortised cost using the effective interest method with interest recognised in interest expense.

(vii) Derecognition of financial assets and liabilities
Financial assets and liabilities are derecognised in the following instances:

Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Bank has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset is replaced by another from the same party on substantially different terms, or the terms of an existing financial assets are substantially modified, such an exchange or modification is treated as a derecognition of the original asset and the recognition of a new asset, with the difference in the respective carrying amounts being recognised in profit or loss. In all other instances, the renegotiated asset effective interest rate is re-determined taking into account the renegotiated terms.
Financial liabilities	The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.	Where an existing liability is replaced by another from the same party on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts being recognised in profit or loss. In all other instances, liabilities' effective interest rate is re-determined taking into account the renegotiated terms.

Deposits and subordinated liabilities
Deposits and subordinated liabilities are the Bank's sources of debt funding.

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

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

Deposits and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates the liabilities at fair value through profit or loss (refer to significant accounting policies fair value measurement and financial assets and liabilities designated at fair value through profit or loss).

Financial guarantee contracts
A financial guarantee contract is a contract that requires the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the:

- present value of any expected payment, when a payment under the guarantee has become probable; and
- unamortised premium.

Derivatives and embedded derivatives
In the normal course of business, the Bank enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Bank for trading activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.
The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

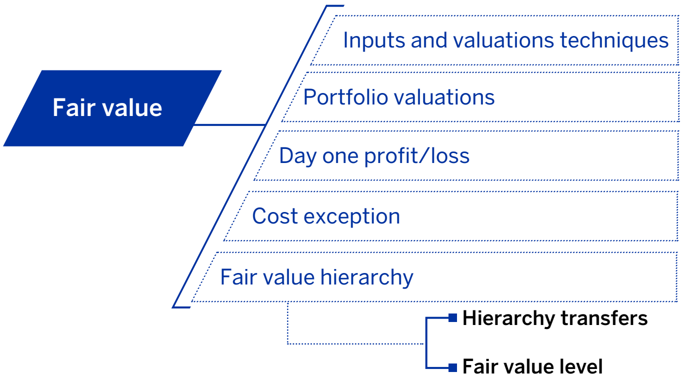
Other

Offsetting
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 set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

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

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

(c) Fair value



In terms of IFRS, the Bank is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The Bank's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument.

Items	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
Derivative financial instruments	Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • discounted cash flow model; • Black-Scholes model; and • combination technique models.	• Discount rate* • Spot prices of the underlying • Correlation factors • Volatilities • Dividend yields • Earnings yield • Valuation multiples
Trading assets and trading liabilities	Trading assets and liabilities comprise instruments which are part of the Bank's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	

Items	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
Financial investments	Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, listed sovereign or corporate debt, investments in debentures issued by the South African Reserve Bank (SARB), investments in mutual fund investments and unit-linked investments.		
Loans and advances to banks and customers	Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, termlending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using Credit Default Swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	
Deposits from bank and customers	Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors including a measure of the Group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	• Discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Portfolio valuations
The Bank has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the Group of financial assets and financial liabilities to be measured at fair value on a net basis.

Day one profit or loss
For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs. The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Cost exception
Where the fair value of investments in equity instruments or identical instruments do not have a quoted price in an active market, and derivatives that are linked to and must be settled by delivery of such equity instruments, are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets are not reversed.

Fair value hierarchy
The Bank's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels
The levels have been defined as follows:

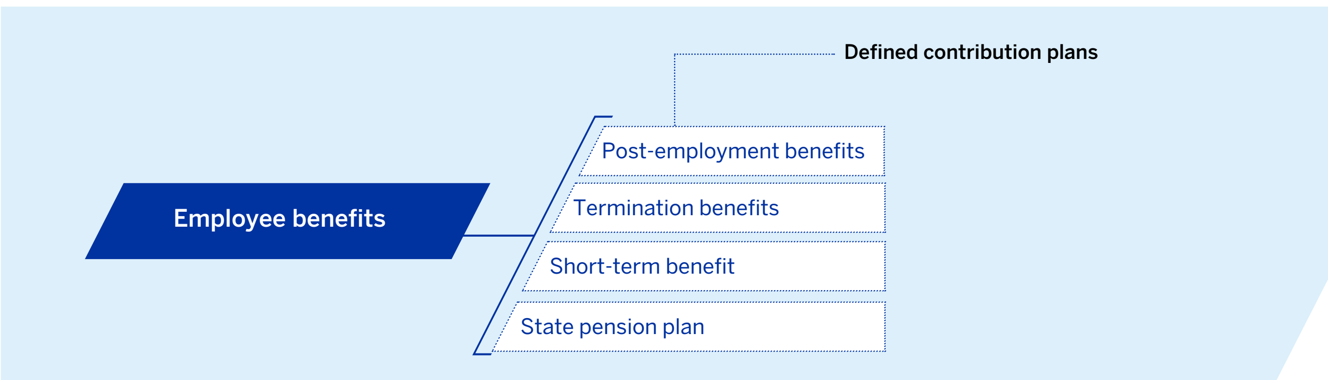
Level 1:
Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing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

Level 2:
Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:
Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy
Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

(d) Employee benefits



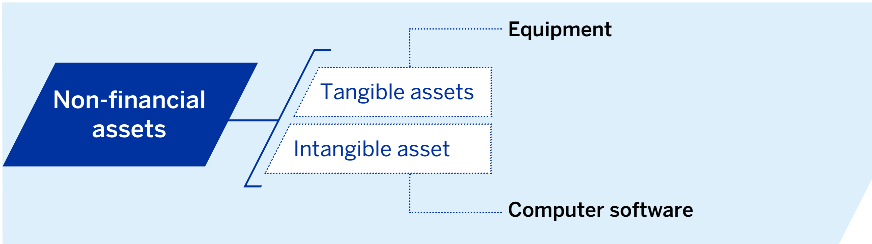
Type	Description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined pension plans	The Bank operates a defined contribution plan. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank pays contributions to a privately administered pension scheme on a contractual basis. The Bank has no further payment obligations once the contributions have been paid.	No direct impact.	Accruals are recognised for unpaid contribution.	The contributions are recognised as employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
Termination benefits	Termination benefits are recognised when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.	A liability is recognised for the termination benefit representing the best estimate of the amount payable.	No direct impact.	Termination benefits are recognised as an expense if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.
Short-term benefits	Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
State pension plan	Statutory contributions to the National Pension Scheme.	A liability is recognised for the amount contributed by the employee.		Expensed to profit or loss in the period in which they fall due.

(e) Cash and cash equivalents

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

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

(f) Non-financial assets (intangible assets and property and equipment)



Type	Initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment	Derecogntion
Tangible assets	Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in profit or loss as incurred. Depreciation, impairment losses and gains and losses on disposal of assets are included in profit or loss. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components)	Property, plant and equipment are depreciated from the date that the assets are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over the estimated useful lives of the assets. Depreciation is recognised in the profit or loss. Computer equipment: 3-5 years Office equipment: 8 years Furniture and fittings: 2-10 years Motor vehicles: 5 years There has been no change to the estimated useful lives and depreciation method from those applied in the previous financial year. Depreciation methods, useful lives and residual values are reviewed at each reporting date.	Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are	Items of property and equipment are derecognised on disposal or when future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in the profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.

Type	Initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment	Derecogntion
Tangible assets	of property, plant and equipment. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.		grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.	
Computer software	Costs associated with developing or maintaining computer software programs and the acquisition of software licenses are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Bank and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development cost where the Bank is able to demonstrate its intention and ability to complete and use the software and can reliably measure the costs to complete the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.	Amortisation is recognised from the date that the assets are available for use. Amortisation is calculated to write off the cost of items of computer software less their estimated residual values using the straight-line basis over the estimated useful lives of the assets not exceeding five years. Amortisation is recognised in the profit or loss. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds the recoverable amount. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary.		

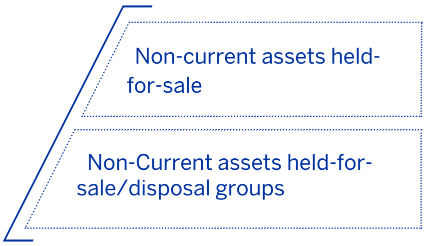
(g) Equity-linked transactions

Equity-settled share-based payments	The Bank operates both equity-settled and cash-settled share-based compensation plans. All share options are accounted for as share-based payment transactions. The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against income and equity over the remaining vesting period. On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings.
Cash-settled share-based payments	Cash-settled share-based payments settled are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the fair value liability are recognised in operating expenses-staff costs.

(h) Leases

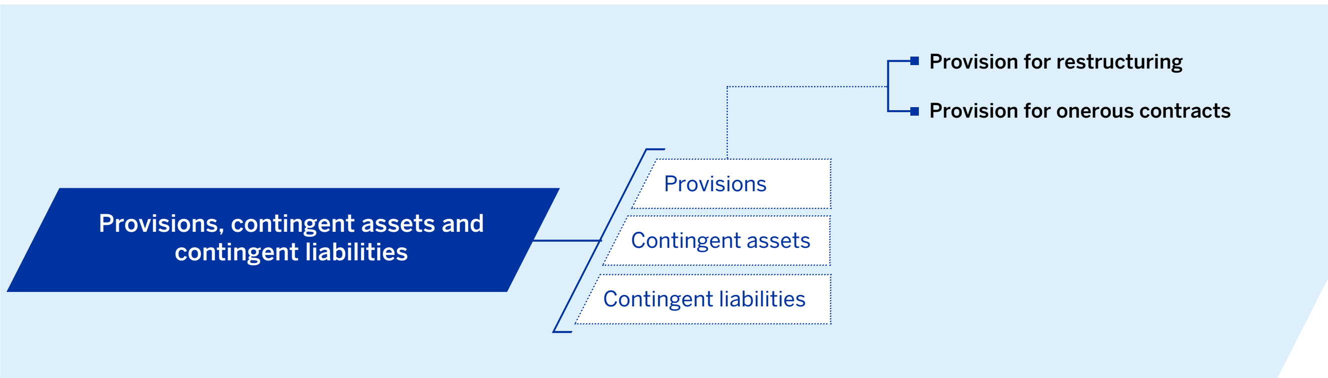
Type	Description	Statement of financial position	Income statement
Finance lease lessee	Leases, where the Bank assumes substantially all the risks and rewards incidental to ownership, are classified as finance leases.	The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the Bank's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.	A lease finance cost, determined with reference to the interest rate implicit in the lease or the Bank's incremental borrowing rate, is recognised within interest expense over the lease period.
Operating lease lessee	All other leases are classified as operating leases. Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(i) Non-current assets held-for-sale



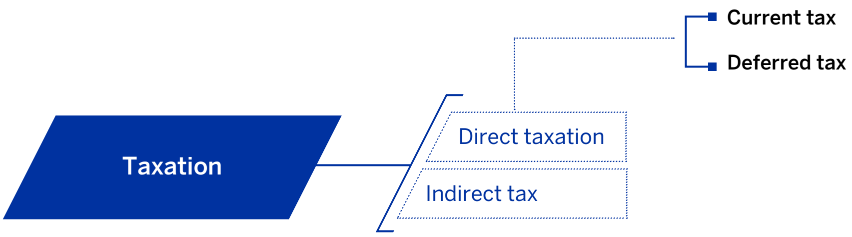
Type	Description	Statement of financial position	Statement of other comprehensive income	Income statement
Non-current assets/ disposal that are either held-for-sale	Comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use (including regular purchases and sales in the ordinary course of business).	Immediately before classification as held-for-sale, the assets are re-measured in accordance with the Bank's accounting policies and tested for impairment. Hereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities (or components of a disposal group) are presented separately in the statement of financial position.	OCI movements are presented separately.	Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Property and equipment and intangible assets once classified as held-for-sale, are not depreciated or amortised.

(j) Provisions, contingent assets and contingent liabilities



Provisions	Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Bank provisions typically (when applicable) include the following: **Provisions for legal claims** Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received. **Provisions for restructuring** A provision for restructuring is recognised when the Bank has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. **Provisions for onerous contracts** A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.
Contingents assets	Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Bank, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Bank control.
Contingent Liabilities	Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

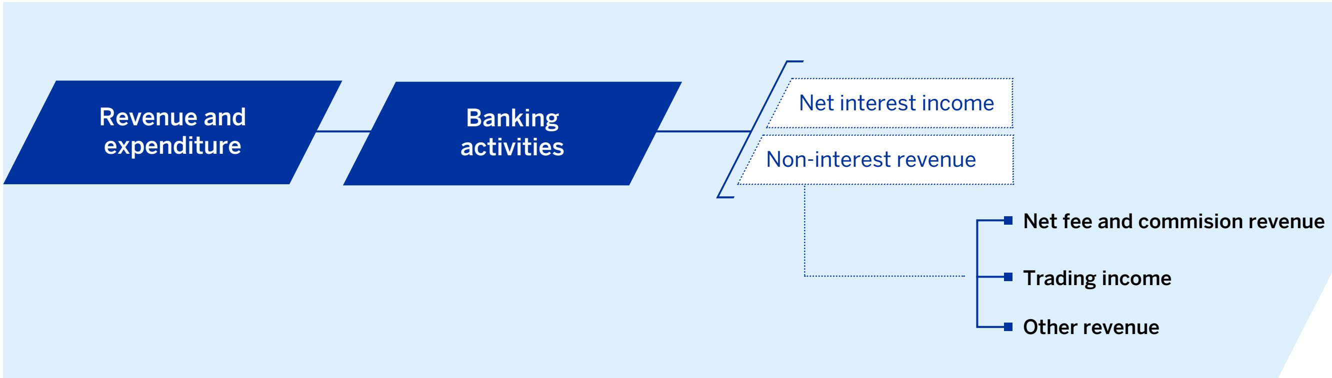
(k) Taxation



Type	Description, recognition and measurement	Offsetting
Current tax-determined for current period transactions and events	Current tax and deferred tax are recognised in profit or loss except to the extent they relate to items recognised directly in equity or in OCI. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to prior years.	Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Type	Description, recognition and measurement	Offsetting
Deferred tax-determined for future tax consequences	Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: • temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax asset are recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.	
Indirect taxation	Indirect taxes, including non-recoverable Value Added Tax (VAT), skills development levies and other duties for banking activities are recognised in profit or loss and disclosed separately in the income statement.	N/A

(l) Revenue and expenditure



Type	Description	Recogniton and measurement
Bank activities	**Net interest income**	Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the carrying amount of the financial asset or liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate. Where the estimates of payments or receipts on financial assets are revised (except those that have been reclassified or financial liabilities that are subsequently revised refer to significant accounting policies (2.1) financial instruments), the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in Net Interest Income (NII). Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate. Fair value gains and losses on realised debt financial instruments, including amounts reclassified from OCI in respect of available-for-sale debt financial assets, and excluding those classified as held-for-trading, are included in NII. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (refer to significant accounting policies below (net trading revenue)). Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments carried at fair value through profit or loss and in the statement of profit or loss and OCI (refer to significant accounting policies (below) other revenue).
	Net fee and commission revenue	Fee and commission income, including transactional fees, account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Loan syndication fees, where the Bank does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expense included in net fee and commission income are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to production of fee and commission revenue.
	Trading revenue	Net trading revenue comprises all gains and losses related to trading assets and liabilities, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.
	Other revenue	Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, gains and losses on realised available-for-sale financial assets, dividends relating to those financial instruments and underwriting profit from the Bank's short-term insurance operations and related insurance activities. Net income from financial instruments designated at fair value though profit or loss includes all gains and losses from changes in the fair value of undated financial assets and liabilities, including dividend income arising on these financial instruments.

(m) Other significant accounting policies

Other significant accounting policies

- Segment reporting
- Statutory credit risk reserve
- Related parties

Segment reporting	An operating segment is a component of the Bank engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The Bank's identification of segments and the measurement of segment results is based on the Bank's internal reporting to the chief operating decision maker. Transactions between segments are priced at market-related rates. In accordance with the BoM Guidelines, the Bank's business has been split into segment A and segment B: • Segment A relates to banking business other than segment B business. • Segment B is essentially directed to the provision of international financial services that give rise to foreign source income. Such services may be fund based or non-fund based.
Statutory credit risk reserve	The statutory credit risk reserve represents the amount by which local regulatory authorities requires an impairment provision which exceeds the IFRS impairments provision.
Related parties	For the purposes of these financial statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or where the Bank is subject to common control or common significant influence. Related parties may be individuals or other entities.

New standards and interpretations not yet adopted

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

Pronouncement	Title	Effective date
IFRS 9	**Financial instruments** This standard will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within OCI. The standard has introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. This new model will apply to financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss). With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition as well as for certain contract assets or trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses. The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2018.

Pronouncement	Title	Effective date
IFRS 10 and IAS 28 (amendments)	**Sale or contribution of assets between an investor and its associate or joint venture** The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2016
IFRS 11 (amendments)	**Joint arrangements: accounting for acquisitions of interests in joint operations** The amendments specify the appropriate accounting treatment for acquisitions of interests in joint operations in which the activities of the joint operation constitute a business. The amendments will be applied prospectively and are not expected to have a material impact on the Group's financial statements.	Annual periods beginning on or after 1 January 2016
IFRS 15	**Revenue from contracts with customers** This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2018
IAS 27 (amendments)	**Equity method in separate financial statements** The amendments allow entities preparing separate financial statements to utilise the equity method to account for investments in subsidiaries, joint ventures and associates. The standard will be applied retrospectively. The impact on the company's annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2016
IFRS 16	**Leases** This standard will replace the existing standard IAS 17 leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier). The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a Right of Use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it is currently done in terms of IAS 17. In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2019

3. Financial risk management

Introduction and overview

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

For information on the Bank's financial risk management framework and definition of the various types of risks that affect the Bank, please refer to the risk management section of the management discussion and analysis.

The Bank has exposure to the following risk from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

Photo: Kenya

(a) Credit risk

The tables below set out information about the credit quality of financial assets and the allowance for impairment /loss held by the Bank against those assets:

Analysis of credit quality

Maximum exposure to credit risk

	Loans and advances to customers			Loan and advances to banks			Investment securities		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	USD	USD	USD	USD	USD	USD	USD	USD	USD
At amortised costs									
Neither past due nor impaired	**91 344 912**	240 058 475	326 150 385	**393 710 692**	270 117 616	351 186 580	**474 659**	2 661 958	16 498 218
Past due but not impaired	**-**	-	65 048	**-**	-	-	**-**	-	-
Individually impaired	**14 908 259**	40 222 022	72 884 914	**-**	-	-	**-**	-	-
Total gross amount	**106 253 171**	280 280 497	399 100 347	**393 710 692**	270 117 616	351 186 580	**474 659**	2 661 958	16 498 218
Allowance for impairment									
Individual	**(4 912 794)**	(27 929 580)	(55 418 411)	**-**	-	-	**-**	-	-
Collective	**(587 551)**	(2 514 046)	(3 462 239)	**-**	-	-	**-**	-	-
Total allowance for impairment	**(5 500 345)**	(30 443 626)	(58 880 650)	**-**	-	-	**-**	-	-
Net carrying amount	**100 752 826**	249 836 871	340 219 697	**393 710 692**	270 117 616	351 186 580	**-**	-	-
Available-for-sale	**-**	-	-	**-**	-	-	**474 659**	2 661 958	16 498 218

As at 31 December 2015, the Bank's maximum exposure to off-balance sheet credit risk was USD33 962 756 (2014: USD85 761 559).

Collateral held and other credit enhancements, and their financial effect

	Loans and advances to customers			Loan and advances to banks			Investment securities		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Against neither past due nor impaired									
Property	**17 533 444**	22 122 414	51 419 700	-	-	-	-	-	-
Equities	**537 593**	1 433 166	1 352 231	-	-	-	-	-	-
Cash	-	85 429	1 316 748	-	-	-	-	-	-
Other floating charges/ assignments and pledges	**74 353 852**	216 407 411	296 346 621	-	-	-	-	-	-
Total	**92 424 889**	240 048 420	350 435 300	-	-	-	-	-	-
Past due but not impaired									
Floating charge	-	-	65 045	-	-	-	-	-	-
Property	-	-	-	-	-	-	-	-	-
	-	-	65 045	-	-	-	-	-	-
Against individually impaired									
Floating charge	-	23 663 373	53 775 273	-	-	-	-	-	-
Property	**11 562 375**	16 558 533	19 109 641	-	-	-	-	-	-
	11 562 375	40 221 906	72 884 914	-	-	-	-	-	-

Concentration of credit risk

	Loans and advances to customers			Loan and advances to banks			Investment securities		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Concentration by sector									
Agriculture & fishing	**9 833 358**	26 262 505	41 897 610	**-**	-	-	**-**	-	-
Manufacturing	**17 106 412**	66 759 128	89 243 978	**-**	-	-	**-**	-	-
Tourism	**5 277 914**	19 639 026	22 796 163	**-**	-	-	**-**	-	-
Transport	**5 080 870**	6 552 361	10 453 025	**-**	-	-	**-**	-	-
Construction	**11 915 151**	15 898 732	25 011 140	**-**	-	-	**-**	-	-
Financial and business services	**5 578 800**	25 168 534	20 682 925	**393 710 692**	270 117 616	351 186 580	**-**	-	-
Traders	**9 137 146**	32 892 429	60 810 066	**-**	-	-	**-**	-	-
Personal	**1 645 670**	2 782 035	4 384 515	**-**	-	-	**-**	-	-
Global business licence holders	**37 080 505**	68 917 949	111 189 812	**-**	-	-	**-**	-	-
Infrastructure	**2 718 384**	4 340 436	7 131 026	**-**	-	-	**-**	-	-
Information communication and technology	**-**	10 250 000	5 500 081	**-**	-	-	**-**	-	-
Public non-financial corporations	**878 961**	817 362	6	**-**	-	-	**-**	-	-
Others	**-**	-	-	**-**	-	-	**474 659**	2 661 958	16 498 218
	106 253 171	280 280 497	399 100 347	**393 710 692**	270 117 616	351 186 580	**474 659**	2 661 958	16 498 218
Concentration by location									
Africa	**105 531 118**	253 856 405	335 481 157	**393 710 692**	270 117 616	253 965 090	**474 659**	2 661 958	2 629 042
Europe	**607 990**	5 095 463	5 212 302	**-**	-	97 221 490	**-**	-	-
America	**-**	-	-	**-**	-	-	**-**	-	13 869 176
Asia	**114 063**	21 328 629	58 406 888	**-**	-	-	**-**	-	-
	106 253 171	280 280 497	399 100 347	**393 710 692**	270 117 616	351 186 580	**474 659**	2 661 958	16 498 218

Impaired loans and advances

The table below sets out a reconciliation of changes in the amount of impaired loans and advances to customers:

	2015 USD	2014 USD	2013 USD
Impaired loans and advances to customers at 1 January	**40 222 022**	72 884 914	52 397 967
Change in allowance for impairment	**(5 319 948)**	(5 840 721)	1 003 207
Classified as impaired during the year	**-**	817 362	19 506 186
Net repayments	**-**	-	-
Bad debts recovered	**-**	(328 000)	-
Amount written off	**(19 993 815)**	(27 311 533)	(22 446)
Impaired loans and advances to customers at 31 December	**14 908 259**	40 222 022	72 884 914

(b) Liquidity risk

For the definition of liquidity risk and information of how liquidity risk is managed by the Bank, please refer to page 39 under risk management section.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods at reporting date to the contractual maturity date.

(i) Maturity analysis of financial assets and financial liabilities

31 December 2015	Carrying value/ contractual cash flows USD	Up to 3 months USD	Over 3 months and up to 6 months USD	Over 6 months and up to 12 months USD	Over 1 year and up to 5 years USD	Over 5 years USD
Financial liabilities						
Deposits from banks	**79 148 172**	**79 148 172**	-	-	-	-
Deposits from customers	**1 164 809 245**	**1 151 076 271**	**5 861 506**	**6 446 949**	**1 424 519**	-
Other borrowed funds	**10 996 984**	**6 760 556**	-	**4 236 429**	-	-
Subordinated liabilities	**25 000 000**	-	-	-	-	**25 000 000**
Unrecognised loan commitments	**20 905 668**	-	-			
Derivative liabilities held for risk				**20 905 668**	-	-
management	**8 618 009**	**8 618 009**	-	-	-	-
	1 309 478 078	**1 245 603 008**	**5 861 506**	**31 589 046**	**1 424 519**	**25 000 000**
Financial assets						
Cash and cash equivalents	**858 078 800**	**858 078 800**	-	-	-	-
Trading assets	**39 163 539**	**30 573 363**	**5 191 880**	**3 398 296**	-	-
Loan and advances to banks	**393 710 692**	**52 461 925**	**120 264 266**	**150 984 501**	**70 000 000**	-
Loan and advances to customers	**100 752 826**	**23 609 619**	**1 541 896**	**9 220 839**	**49 078 102**	**17 302 370**
Investment securities	**474 659**	**474 659**	-	-	-	-
Derivative assets held for risk management	**9 016 819**	**9 016 819**	-	-	-	-
	1 401 197 335	**974 215 185**	**126 998 042**	**163 603 636**	**119 078 102**	**17 302 370**

31 December 2014	Carrying value/ contractual cash flows USD	Up to 3 months USD	Over 3 months and up to 6 months USD	Over 6 months and up to 12 months USD	Over 1 year and up to 5 years USD	Over 5 years USD
Financial liabilities						
Deposits from banks	22 885 089	2 601 758	20 283 331	-	-	-
Deposits from customers	3 025 659 257	2 975 821 582	40 756 312	5 815 811	3 265 552	-
Other borrowed funds	43 455 945	38 278 088	-	5 177 857	-	-
Trading liabilities	23 342 017	23 342 017	-	-	-	-
Subordinated liabilities	25 000 000	-	-	-	-	25 000 000
Unrecognised loan commitments	15 462 256	-	15 462 256	-	-	-
Derivative liabilities held for risk management	3 796 297	3 796 297	-	-	-	-
	3 159 600 861	3 043 839 742	76 501 899	10 993 668	3 265 552	25 000 000
Financial assets						
Cash and cash equivalents	2 497 991 968	2 497 991 968	-	-	-	-
Trading assets	184 035 481	184 035 481	-	-	-	-
Loan and advances to banks	270 117 616	730 780	24 128 372	195 243 263	50 015 201	-
Loan and advances to customers	280 280 497	120 360 325	6 759 691	17 685 152	93 288 602	42 186 727
Investment securities	2 661 958	-	2 661 958	-	-	-
Derivative assets held for risk management	4 503 937	4 503 937	-	-	-	-
	3 239 591 457	2 807 622 491	33 550 021	212 928 415	143 303 803	42 186 727

31 December 2013						
Financial liabilities						
Deposits from banks	355 725 816	355 725 816	-	-	-	-
Deposits from customers	1 776 766 143	825 700 043	259 781 833	298 239 624	393 044 643	-
Trading liabilities	2 349 153	-	2 349 153	-	-	-
Subordinated liabilities	25 000 000	-	-	-	-	25 000 000
Other liabilities	11 794 793	11 794 793	-	-	-	-
Unrecognised loan commitments	3 000 000	-	3 000 000	-	-	-
Derivative liabilities held for risk management	6 065 708	6 065 708	-	-	-	-
Other borrowed funds	154 292 412	5 796 495	-	-	148 495 917	-
	2 334 994 025	1 205 082 855	265 130 986	298 239 624	541 540 560	25 000 000
Financial assets						
Cash and cash equivalents	1 429 027 700	1 429 027 700	-	-	-	-
Trading assets	223 637 126	223 637 126	-	-	-	-
Loan and advances to banks	351 186 580	-	74 740 351	97 144 381	179 301 848	-
Loan and advances to customers	399 100 347	154 995 789	42 552 625	3 006 109	164 298 678	34 247 146
Investment securities	16 498 218	497 883	1 641 624	14 358 711	-	-
Derivative assets held for risk management	6 047 463	6 047 463	-	-	-	-
	2 425 497 434	1 814 205 961	118 934 600	114 509 201	343 600 526	34 247 146

(ii) Depositor concentrations

	2015 %	2014 %	2013 %
MUR deposits			
Single depositor	**12.10**	43.83	19.66
Top ten depositors	**61.82**	74.46	49.10
Other foreign currency deposits			
Single depositor	**6.44**	34.88	24.29
Top ten depositors	**31.66**	74.22	58.89

	2015 USD'000	2014 USD'000	2013 USD'000
Unencumbered surplus liquidity	**505**	1 174	805
Long-term funding ratio	**3.44%**	2.29%	11.44%

(iii) Liquidity reserves

	2015 USD	2014 USD	2013 USD
Cash in hand	**117 085**	99 206	179 625
Foreign currency notes and coins	**38 446**	28 564	53 002
Unrestricted balances with central bank	**18 419 552**	7 284 540	12 186 184
Interbank placements	**-**	9 449 674	-
Balances with banks abroad	**839 503 717**	2 481 129 984	1 416 608 889
Government of Mauritius bonds/treasury bills	**17 268 782**	28 206 679	29 558 819
	875 347 582	2 526 198 647	1 458 586 519

(c) Market risk

For the definition of market risk and information of how market risk is managed by the Bank, please refer to page 42 under risk management section.

(i) Assets and liabilities subject to market risk between trading and non-trading portfolios:

	Carrying amount	Trading portfolios	Non-trading portfolios
31 December 2015	USD	USD	USD
Assets subject to market risk			
Cash and cash equivalents	**858 078 800**	**-**	**858 078 800**
Trading assets	**39 163 539**	**39 163 539**	**-**
Derivative assets held for risk management	**9 016 819**	**-**	**9 016 819**
Loans and advances to banks	**393 710 692**	**-**	**393 710 692**
Loans and advances to customers	**100 752 826**	**-**	**100 752 826**
Investment securities	**474 659**	**-**	**474 659**
Liabilities subject to market risk			
Deposits from banks	**79 148 172**	**-**	**79 148 172**
Deposits from customers	**1 164 809 245**	**-**	**1 164 809 245**
Trading liabilities	**-**	**-**	**-**
Derivative liabilities held for risk management	**8 618 009**	**-**	**8 618 009**
Other borrowed funds	**10 996 984**	**-**	**10 996 984**
Subordinated liabilities	**25 000 000**	**-**	**25 000 000**
31 December 2014			
Assets subject to market risk			
Cash and cash equivalents	2 497 991 968	-	2 497 991 968
Trading assets	184 035 481	184 035 481	-
Derivative assets held for risk management	4 503 937	-	4 503 937
Loans and advances to banks	270 117 616	-	270 117 616
Loans and advances to customers	249 836 871	-	249 836 871
Investment securities	2 661 958	-	2 661 958
Liabilities subject to market risk			
Deposits from banks	22 885 089	-	22 885 089
Deposits from customers	3 025 659 257	-	3 025 659 257
Trading liabilities	23 342 017	23 342 017	-
Derivative liabilities held for risk management	3 796 297	-	3 796 297
Other borrowed funds	43 455 945	-	43 455 945
Subordinated liabilities	25 000 000	-	25 000 000
31 December 2013			
Assets subject to market risk			
Cash and cash equivalents	1 429 027 700	-	1 429 027 700
Trading assets	223 637 126	223 637 126	-
Derivative assets held for risk management	6 047 463	-	6 047 463
Loans and advances to banks	351 186 580	-	351 186 580
Loans and advances to customers	340 219 697	-	340 219 697
Investment securities	16 498 218	-	16 498 218
Liabilities subject to market risk			
Deposits from banks	355 725 816	-	355 725 816
Deposits from customers	1 776 766 143	-	1 776 766 143
Trading liabilities	2 349 153	2 349 153	-
Derivative liabilities held for risk management	6 065 708	-	6 065 708
Other borrowed funds	154 292 412	-	154 292 412
Subordinated liabilities	25 000 000	-	25 000 000

(ii) Exposure to market risks – Value at Risk

The Bank applies a Value at Risk (VaR) methodology to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Assets and Liabilities Committee (ALCO) sets limits on the value of risk that may be acceptable for the Bank, which are monitored on a daily basis by market risk.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate.

Diversified normal VaR exposures (USD'000)

	Max	Min	Avg	31-Dec-15	Limit
Desk name					
Bankwide	20.0	1.8	7.3	11.1	51.0
FX trading	15.3	0.1	3.0	1.5	41.0
Consolidated interest rate trading	14.6	1.9	6.4	11.1	30.0
Money markets trading	14.6	1.9	6.4	11.1	29.7
Money markets banking	2.0	0.0	1.2	0.3	254.0
Undiversified normal VaR				12.6	
Diversified effect				1.6	

(iii) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include: cross market stress testing where stress movements are applied to each risk factors across different markets; IR hypothetical stress testing where stress movements are applied to different interest rate scenarios and FX historical stress testing, where the impact of FX rate movements on the FX portfolio.

Stress VaR Exposures (USD'000)

	Max	Min	Avg	31-Dec-15	Limit
Desk name					
Bankwide	220.7	24.9	69.5	45.8	690.0
FX trading	217.6	0.9	41.6	14.6	670.0
Consolidated Interest rate trading	105.0	25.0	46.1	46.8	130.0
Money markets trading	105.0	25.0	45.9	46.8	128.5
Money markets banking	123.4	1.1	10.9	2.3	1 339.0
Undiversified normal VaR				61.5	
Diversified effect				15.6	

As VaR constitutes an integral part of the Bank's market risk control regime, VaR limits are established by the Board annually for all trading non-trading portfolios. Actual exposure against limits, together with a consolidated group-wide VaR, is reviewed daily by Bank's treasury and market risk.

The quality of the VaR model is continuously monitored by back-testing the VaR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VaR distribution are investigated.

(iv) Trading portfolio VaR by risk type

The table below shows the minimum, maximum, average and year end normal VaR (1-day holding period) and stress VaR (10-day holding period) values for the last three years on the foreign exchange book. The average VaR is considered to be insignificant when compared to the Bank's capital base and was contained well within the risk appetite of the Bank.

	Year end	Min	Max	Avg
	USD	USD	USD	USD
Normal VaR 2015	**1 530**	**110**	**15 330**	**2 978**
Normal VaR 2014	11 040	6 120	54 050	26 430
Normal VaR 2013	48 690	48 690	100 140	79 676
Stress VaR 2015	**14 610**	**910**	**217 560**	**41 628**
Stress VaR 2014	113 890	67 320	618 600	340 098
Stress VaR 2013	224 320	223 710	984 650	542 430

(v) Interest rate risk

For the definition of interest rate risk and information of how interest rate risk is managed by the Bank, please refer to page 44 under risk management section.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are repriced at different times. Risk management activities are aimed at maximising NII; given market interest rate levels are consistent with the Bank's strategies. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank's exposure to interest rate risks. The Bank's assets and liabilities at carrying amount are categorised by their repricing dates:

	Less than 3 months	Between 3 months and 1 year	Over 1 year	Total
31 December 2015	USD	USD	USD	USD
Financial assets				
Cash and cash equivalents	**858 078 800**	**-**	**-**	**858 078 800**
Derivative assets held for risk management	**9 016 819**	**-**	**-**	**9 016 819**
Loans and advances to banks	**289 770 106**	**103 940 587**	**-**	**393 710 692**
Loans and advances to customers	**82 513 010**	**1 541 896**	**16 697 920**	**100 752 826**
Investment securities	**-**	**474 659**	**-**	**474 659**
	1 239 378 735	**105 957 142**	**16 697 920**	**1 362 033 796**
Financial liabilities				
Deposits from banks	**79 148 172**	**-**	**-**	**79 148 172**
Deposits from customers	**829 347 912**	**12 308 456**	**323 152 878**	**1 164 809 245**
Derivative liabilities held for risk management	**8 618 009**	**-**	**-**	**8 618 009**
Other borrowed funds	**5 555 556**	**-**	**5 441 429**	**10 996 984**
Subordinated liabilities	**-**	**25 000 000**	**-**	**25 000 000**
	922 669 649	**37 308 456**	**328 594 307**	**1 288 572 410**
	316 709 086	**68 648 686**	**(311 896 387)**	**73 461 386**

31 December 2014	Less than 3 months USD	Between 3 months and 1 year USD	Over 1 year USD	Total USD
Financial assets				
Cash and cash equivalents	2 497 991 968	-	-	2 497 991 968
Trading assets	184 035 481	-	-	184 035 481
Derivative assets held for risk management	4 503 937	-	-	4 503 937
Loans and advances to banks	-	270 102 416	15 200	270 117 616
Loans and advances to customers	234 377 974	4 331 438	11 127 459	249 836 871
Investment securities	-	2 661 958	-	2 661 958
	2 920 909 360	277 095 812	11 142 659	3 209 147 831
Financial liabilities				
Deposits from banks	2 601 758	20 283 331	-	22 885 089
Deposits from customers	3 000 996 549	24 662 708	-	3 025 659 257
Trading liabilities	23 342 017	-	-	23 342 017
Derivative liabilities held for risk management	3 796 297	-	-	3 796 297
Other borrowed funds	-	-	43 455 945	43 455 945
Subordinated liabilities	-	25 000 000	-	25 000 000
	3 030 736 621	69 946 039	43 455 945	3 144 138 605
	(109 827 261)	207 149 773	(32 313 286)	65 009 226

31 December 2013				
Financial assets				
Cash and cash equivalents	1 429 027 700	-	-	1 429 027 700
Trading assets	223 637 126	-	-	223 637 126
Derivative assets held for risk management	6 047 463	-	-	6 047 463
Loans and advances to banks	-	296 169 794	55 016 786	351 186 580
Loans and advances to customers	302 491 061	6 824 872	30 903 764	340 219 697
Investment securities	1 248 325	15 249 893	-	16 498 218
	1 962 451 675	318 244 559	85 920 550	2 366 616 784
Financial liabilities				
Deposits from banks	166 779 272	40 450 630	148 495 914	355 725 816
Deposits from customers	1 651 605 763	125 036 973	123 406	1 776 766 143
Trading liabilities	-	2 349 153	-	2 349 153
Derivative liabilities held for risk management	6 065 708	-	-	6 065 708
Other borrowed funds	-	5 796 495	148 495 917	154 292 412
Subordinated liabilities	-	-	25 000 000	25 000 000
	1 824 450 743	173 633 251	322 115 237	2 320 199 232
	138 000 932	144 611 308	(236 194 687)	46 417 552

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Analysis of the Bank's sensitivity to an increase or decrease in market interest rate, assuming no asymmetrical movement in yield curves on a constant balance sheet position, is as follows:

The Bank has assets and liabilities primarily in USD, EUR, GBP, MUR and ZAR. These 5 currencies constitute 97% of the balance sheet with USD being the primary component with an 83% weighting on the overall balance sheet. A stress test of a 100 basis points (bps) (shock increased from 75bps due to changing US interest rate environment) increase in USD interest rates on the USD book would have resulted into an increase in NII of USD2 900 687. A stress test of a 100bps decrease in USD interest rates on the USD book would have resulted into a decrease in NII of USD3 649 229. The Bank's banking book has been within the set limit for the past three years.

The table below shows the NII sensitivity for a change of 100bps:

	2015	2014	2013
NII sensitivity for a 100bps increase (75bps for 2014 and 2013)	**26.49%**	9.51%	8.60%
NII sensitivity for a 100bps decrease (75bps for 2014 and 2013)	**-33.42%**	-9.51%	-8.91%

Note that we experienced a sharp increase in the sensitivity given that we actively and deliberately positioned the book for an interest rate hike in the United States by increasing the floating rate assets.

(vi) Currency risk

The Bank is exposed to currency risk through fluctuations in foreign currency exchange rates on its foreign currency positions. The Bank's main operations in addition to USD are in EUR, GBP, ZAR and MUR. Limits on the level of exposure by currency and in total for both overnight and intra-day positions are being set by the Board and are monitored on an ongoing basis. As the Bank's reporting currency is in USD, any fluctuations between movements in the reporting currency and the foreign currencies will be reflected on the financial statements as foreign currency gains or losses.

The table below summarises the Bank's exposure to foreign currency at year end:

	2015 USD	2014 USD	2013 USD
Currency			
MUR	**(341 366)**	136 150	(352 598)
GBP	**6 014**	(3 126)	9 993
EUR	**6 146**	2 621	6 213
ZAR	**62 582**	4 659	1 313
Others	**74 872**	35 257	22 460
	(191 752)	175 561	(312 619)

(d) Capital management

For details and information on capital management please refer to pages 56 to 60 of the risk management section.

4. Fair values of financial instruments

In terms of IFRS, the Bank is either required to or elects to measure a number of its assets and liabilities at fair value, being 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. The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of its assets and liabilities. Where quoted market prices are unavailable, the Bank establishes fair value using valuation techniques that incorporate inputs that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) for such assets and liabilities. Where such inputs are not available, the Bank makes use of unobservable inputs in establishing fair value.

The Bank has established processes to independently validate the inputs into all fair value measurements. Independent price valuation discrepancies are reported to the Bank's ALCO in order to ensure that fair value measurements are within acceptable risk tolerances and are fairly stated. The valuation models and techniques used in determining fair values are subject to independent validation and approval by appropriate technical teams respectively and are reviewed on at least an annual basis or more frequently if considered appropriate.

4. Fair values of financial instruments continued

The table below categorises the Bank's assets and liabilities as at 31 December 2015 between that which is financial and non-financial. All financial assets and liabilities have been classified according to their measurement category.

31 December 2015	Trading USD	Available -for-sale USD	Loans & receivables USD	Other amortised costs USD	Carrying value USD	Fair value USD
Assets						
Cash and cash equivalents	-	-	858 078 800	-	858 078 800	858 078 800
Trading assets	39 163 539	-	-	-	39 153 539	39 153 539
Derivative assets held for risk management	9 016 819	-	-	-	9 016 819	9 016 819
Loans and advances to banks	-	-	393 710 692	-	393 710 692	393 710 692
Loans and advances to customers	-	-	106 253 171	-	100 752 826	100 752 826
Investment securities	-	474 659	-	-	474 659	474 659
	48 180 358	474 659	1 358 042 663	-	1 401 187 335	1 401 187 335
Liabilities						
Deposits	-	-	-	1 243 957 417	1 243 957 417	1 243 957 417
Trading liabilities	-	-	-	-	-	-
Derivative liabilities held for risk management	8 618 009	-	-	-	8 618 009	8 618 009
Other borrowed funds	-	-	-	10 996 984	10 996 984	10 996 984
Subordinated liabilities	-	-	-	25 000 000	25 000 000	25 000 000
	8 618 009	-	-	1 279 954 401	1 288 572 410	1 288 572 410

31 December 2014	Trading USD	Available -for-sale USD	Loans & receivables USD	Other amortised costs USD	Carrying value USD	Fair value USD
Assets						
Cash and cash equivalents	-	-	2 490 707 428	7 284 540	2 497 991 968	2 497 991 968
Trading assets	184 035 481	-	-	-	184 035 481	184 035 481
Derivative assets held for risk management	4 503 937	-	-	-	4 503 937	4 503 937
Loans and advances to banks	-	-	270 117 616	-	270 117 616	270 117 616
Loans and advances to customers	-	-	249 836 871	-	249 836 871	249 836 871
Investment securities	-	2 661 958	-	-	2 661 958	2 661 958
	188 539 418	2 661 958	3 010 661 915	7 284 540	3 209 147 831	3 209 147 831
Liabilities						
Deposits	-	-	-	3 048 544 346	3 048 544 346	3 048 544 346
Trading liabilities	23 342 017	-	-	-	23 342 017	23 342 017
Derivative liabilities held for risk management	3 796 297	-	-	-	3 796 297	3 796 297
Other borrowed funds	-	-	-	43 455 945	43 455 945	43 455 945
Subordinated liabilities	-	-	-	25 000 000	25 000 000	25 000 000
	27 138 314	-	-	3 117 000 291	3 144 138 605	3 144 138 605

31 December 2013	Trading USD	Available -for-sale USD	Loans & receivables USD	Other amortised costs USD	Carrying value USD	Fair value USD
Assets						
Cash and cash equivalents	-	-	1 416 608 889	12 418 811	1 429 027 700	1 429 027 700
Trading assets	223 637 126	-	-	-	223 637 126	223 637 126
Derivative assets held for risk management	6 047 463	-	-	-	6 047 463	6 047 463
Loans and advances to banks	-	-	351 186 580	-	351 186 580	351 186 580
Loans and advances to customers	-	-	340 219 697	-	340 219 697	340 219 697
Investment securities	-	16 498 218	-	-	16 498 218	16 498 218
	229 684 589	16 498 218	2 108 015 166	12 418 811	2 366 616 784	2 366 616 784
Liabilities						
Deposits	-	-	-	2 132 491 959	2 132 491 959	2 132 491 959
Trading liabilities	2 349 153	-	-	-	2 349 153	2 349 153
Derivative liabilities held for risk management	6 065 708	-	-	-	6 065 708	6 065 708
Other borrowed funds	-	-	-	154 292 412	154 292 412	154 292 412
Subordinated liabilities	-	-	-	25 000 000	25 000 000	25 000 000
	8 414 861	-	-	2 311 784 371	2 320 199 232	2 320 199 232

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

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

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

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

31 December 2015	Level 1 USD	Level 2 USD	Level 3 USD	Carrying value USD	Fair value USD
Assets					
Cash and cash equivalents	**858 078 800**	**-**	**-**	**858 078 800**	**858 078 800**
Trading assets	**-**	**39 163 539**	**-**	**39 153 539**	**39 153 539**
Derivative assets held for risk management	**-**	**9 016 819**	**-**	**9 016 819**	**9 016 819**
Loans and advances to banks	**-**	**393 710 692**	**-**	**393 710 692**	**393 710 692**
Loans and advances to customers	**18 756 979**	**85 850 559**	**1 645 633**	**106 253 171**	**106 253 171**
Investment securities	**-**	**474 659**	**-**	**474 659**	**474 659**
Other assets	**8 409 274**	**4 097 161**	**1 122 878**	**13 629 313**	**13 629 313**
	885 245 053	**532 313 429**	**2 768 511**	**1 420 316 993**	**1 420 316 993**
Liabilities					
Deposits from banks	**-**	**79 148 172**	**-**	**79 148 172**	**79 148 172**
Deposits from customers	**921 385 830**	**243 423 415**	**-**	**1 164 809 245**	**1 164 809 245**
Trading liabilities	**-**	**-**	**-**	**-**	**-**
Derivative liabilities held for risk management	**-**	**8 618 009**	**-**	**8 618 009**	**8 618 009**
Other borrowed funds	**-**	**10 996 984**	**-**	**10 996 984**	**10 996 984**
Subordinated liabilities	**-**	**25 000 000**	**-**	**25 000 000**	**25 000 000**
	921 385 830	**367 186 580**	**-**	**1 288 572 410**	**1 288 572 410**

31 December 2014	Level 1 USD	Level 2 USD	Level 3 USD	Carrying value USD	Fair value USD
Assets					
Cash and cash equivalents	2 497 991 968	-	-	2 497 991 968	2 497 991 968
Trading assets	-	184 035 481	-	184 035 481	184 035 481
Derivative assets held for risk management	-	4 503 937	-	4 503 937	4 503 937
Loans and advances to banks	-	270 117 616	-	270 117 616	270 117 616
Loans and advances to customers	59 953 204	217 545 078	2 782 215	280 280 497	280 280 497
Investment securities	-	2 661 958	-	2 661 958	2 661 958
Other assets	8 777 684	-	-	8 777 684	8 777 684
	2 566 722 856	678 864 070	2 782 215	3 248 369 141	3 248 369 141
Liabilities					
Deposits from banks	-	22 885 089	-	22 885 089	22 885 089
Deposits from customers	1 122 896 301	1 902 762 956	-	3 025 659 257	3 025 659 257
Trading liabilities	-	23 342 017	-	23 342 017	23 342 017
Derivative liabilities held for risk management	-	3 796 297	-	3 796 297	3 796 297
Other borrowed funds	-	43 455 945	-	43 455 945	43 455 945
Subordinated liabilities	-	25 000 000	-	25 000 000	25 000 000
	1 122 896 301	2 021 242 304	-	3 144 138 605	3 144 138 605

31 December 2013	Level 1 USD	Level 2 USD	Level 3 USD	Carrying value USD	Fair value USD
Assets					
Cash and cash equivalents	1 429 027 700	-	-	1 429 027 700	1 429 027 700
Trading assets	-	223 637 126	-	223 637 126	223 637 126
Derivative assets held for risk management	-	4 916 639	1 130 824	6 047 463	6 047 463
Loans and advances to banks	-	351 186 580	-	351 186 580	351 186 580
Loans and advances to customers	-	335 835 182	4 384 515	340 219 697	340 219 697
Investment securities	-	2 629 042	13 869 176	16 498 218	16 498 218
Other assets	11 684 939	-	-	11 684 939	11 684 939
	1 440 712 639	918 204 569	19 384 515	2 378 301 723	2 378 301 723
Liabilities					
Deposits from banks	-	355 725 816	-	355 725 816	355 725 816
Deposits from customers	1 341 952 599	434 813 544	-	1 776 766 143	1 776 766 143
Trading liabilities	-	2 349 153	-	2 349 153	2 349 153
Derivative liabilities held for risk management	-	5 853 190	212 518	6 065 708	6 065 708
Other borrowed funds	-	154 292 412	-	154 292 412	154 292 412
Subordinated liabilities	-	25 000 000	-	25 000 000	25 000 000
	1 341 952 599	978 034 115	212 518	2 320 199 232	2 320 199 232

Fair value measurement disclosures
Level 2 and level 3

The valuation techniques used in determining the fair value of assets and liabilities classified within level 2 and level 3 of the fair value hierarchy include the discounted cash flow model, Black-Scholes model, earnings multiple and sustainable earnings valuation methods and other valuation techniques commonly used by market participants. Such models are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources such as third party quotes, recent transaction prices or suitable proxies. The inputs used include discount rates (including credit spreads), liquidity discount rates, risk-free and volatility rates, risk premiums, volatilities and correlations.

The fair value of level 3 assets and liabilities is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same asset or liability and are not based on available observable market data. Changes in these assumptions could affect the reported fair values of these financial assets and liabilities. Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for a financial asset or liability with similar terms and conditions.

Level 2 financial assets and financial liabilities

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

2015/2014/2013	Valuation basis/technique	Main assumptions
Derivative instruments	Discounted cash flow model Black-Scholes model Multiple valuation technique	Discount rate Risk-free rate, volatility rate Valuation multiples
Trading assets	Discounted cash flow model Black-Scholes model	Discount rate Risk-free rate
Investments securities	Discounted cash flow model Black-Scholes model Multiple valuation technique	Discount rate, liquidity discount rate Risk-free rate Valuation multiples
Loans and advances to banks	Discounted cash flow model	Discount rate
Loans and advances to customers	Discounted cash flow model	Discount rate
Trading liabilities	Discounted cash flow model	Discount rate
Deposits from banks	Discounted cash flow model	Discount rate
Deposits from customers	Discounted cash flow model	Discount rate

The following table provides a reconciliation of the opening to closing balance for all financial assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Derivative assets USD	Investment securities USD
Balance at 1 January 2013	-	-
Originations	-	-
Settlements	-	-
Transfers into level 3	1 130 824	13 869 176
Balance at 31 December 2013/1 January 2014	1 130 824	13 869 176
Originations	-	-
Settlements	(1 130 824)	(13 869 176)
Transfers into level 3	-	-
Balance at 31 December 2014/31 December 2015	**-**	**-**

The following table provides a reconciliation of the opening to closing balance for all financial liabilities that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Derivative liabilities USD
Balance at 31 December 2012/1 January 2013	-
Transfers into level 3	212 518
Balance at 31 December 2013/1 January 2014	212 518
Settlements	(212 518)
Balance at 31 December 2014/31 December 2015	**-**

Although the Bank believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of its assets and liabilities. The behaviour of the unobservable parameters used to fair value level 3 financial assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 financial assets and liabilities measured at fair value on a recurring basis. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis below have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted.

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 3.

2015/2014/2013	Valuation basis/technique	Main assumptions	Variance in fair value measurement
Derivative instruments	Discounted cash flow model Black-Scholes model Combination technique	Discount rate Risk-free rate, volatility rate Multiple	(1%) - 1% (1%) - 1% (1) - 1
Trading assets	Discounted cash flow model	Discount rate	(1%) - 1%
Investment securities	Discounted cash flow model Combination technique	Discount rate, liquidity discount rate Multiple Liquidity discount rate	1% - 1% (1) - 1 1% - 1%
Loans and advances to customers	Discounted cash flow model	Discount rate	1% - 1%
Trading liabilities	Discounted cash flow model	Discount rate	1% - 1%

5. Use of estimates and judgement

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.1 (b) (iii).

The specific counterparty component of the total allowances for impairment applies to loans and advances evaluated individually for impairment and are based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by management.

Critical accounting judgements in applying the Bank's accounting policies
Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar economic characteristics when there is objective evidence to suggest impairments, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2.1 (c). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Financial asset and liability classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets or liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 2.1 (b) (ii).

Details of the Bank's classification of financial assets and liabilities are given in note 4.

Statement of financial position as at 31 December 2015

		Segment A			Segment B			Bank		
	Note	2015 USD	2014 USD	2013 USD	2015 USD	2014 USD	2013 USD	2015 USD	2014 USD	2013 USD
Assets										
Cash and cash equivalents	7	**18 575 084**	16 861 984	12 418 812	**839 503 716**	2 481 129 984	1 416 608 888	**858 078 800**	2 497 991 968	1 429 027 700
Trading assets	8	**39 163 539**	184 035 481	223 637 126	**-**	-	-	**39 163 539**	184 035 481	223 637 126
Derivative assets held for risk management	9	**3 990 613**	1 813 724	2 730 520	**5 026 206**	2 690 213	3 316 943	**9 016 819**	4 503 937	6 047 463
Loans and advances to banks	10	**326 843**	730 780	-	**393 383 849**	269 386 836	351 186 580	**393 710 692**	270 117 616	351 186 580
Loans and advances to customers	11	**26 449 007**	54 526 561	50 994 093	**74 303 819**	195 310 310	289 225 604	**100 752 826**	249 836 871	340 219 697
Investment securities	12	**474 659**	2 661 958	2 629 042	**-**	-	13 869 176	**474 659**	2 661 958	16 498 218
Property, plant and equipment	13	**2 871 608**	3 294 570	4 160 125	**-**	-	-	**2 871 608**	3 294 570	4 160 125
Intangible assets	14	**26 645**	40 554	71 428	**-**	-	-	**26 645**	40 554	71 428
Deferred tax assets	15	**870 912**	1 027 912	1 706 912	**306 088**	1 088 088	1 947 088	**1 177 000**	2 116 000	3 654 000
Other assets	16	**11 549 714**	11 956 334	14 804 990	**2 079 599**	4 367 744	4 662 661	**13 629 313**	16 324 078	19 467 651
Total assets		**104 298 624**	276 949 858	313 153 048	**1 314 603 277**	2 953 973 175	2 080 816 940	**1 418 901 901**	3 230 923 033	2 393 969 988
Liabilities										
Deposits from banks	17	**23 110 700**	1 784 367	-	**56 037 472**	21 100 722	355 725 816	**79 148 172**	22 885 089	355 725 816
Deposits from customers	18	**104 880 415**	103 934 582	167 060 803	**1 059 928 830**	2 921 724 675	1 609 705 340	**1 164 809 245**	3 025 659 257	1 776 766 143
Trading liabilities	8	**-**	23 342 017	2 349 153	**-**	-	-	**-**	23 342 017	2 349 153
Derivatives liabilities held for risk management	9	**3 411 473**	1 619 444	1 605 605	**5 206 536**	2 176 853	4 460 103	**8 618 009**	3 796 297	6 065 708
Other borrowed funds	19	**-**	-	-	**10 996 984**	43 455 945	154 292 412	**10 996 984**	43 455 945	154 292 412
Subordinated liabilities	20	**-**	-	-	**25 000 000**	25 000 000	25 000 000	**25 000 000**	25 000 000	25 000 000
Current tax liabilities	21	**360 000**	-	119 018	**179 000**	-	129 428	**539 000**	-	248 446
Other liabilities	22	**7 848 583**	7 594 208	5 422 077	**33 125 981**	2 002 831	6 372 716	**40 974 564**	9 597 039	11 794 793
Total liabilities		**139 611 171**	138 274 618	176 556 656	**1 190 474 803**	3 015 461 026	2 155 685 815	**1 330 085 974**	3 153 735 644	2 332 242 471
Shareholders' equity										
Share capital	23	**-**	-	-	**35 000 000**	35 000 000	35 000 000	**35 000 000**	35 000 000	35 000 000
Other reserves		**1 614 053**	1 408 644	1 364 328	**8 947 640**	6 014 418	6 014 438	**10 561 693**	7 423 062	7 378 766
Retained earnings		**14 455 024**	12 689 345	11 972 267	**28 799 210**	22 074 982	7 376 484	**43 254 234**	34 764 327	19 348 751
Total equity attributable to equity holders		**16 069 077**	14 097 989	13 336 595	**72 746 850**	63 089 400	48 390 922	**88 815 927**	77 187 389	61 727 517
Total equity and liabilities		**155 680 248**	152 372 607	189 893 251	**1 263 221 653**	3 078 550 426	2 204 076 737	**1 418 901 901**	3 230 923 033	2 393 969 988

Income statement for the year ended 31 December 2015

		Segment A			Segment B			Bank		
	Note	2015 USD	2014 USD	2013 USD	2015 USD	2014 USD	2013 USD	2015 USD	2014 USD	2013 USD
Interest income		**2 015 430**	3 320 100	5 376 156	**19 130 710**	22 797 545	24 375 445	**21 146 140**	26 117 645	29 751 601
Interest expense		**(1 248 934)**	(1 761 398)	(1 825 516)	**(5 720 196)**	(8 620 328)	(10 847 376)	**(6 969 130)**	(10 381 726)	(12 672 892)
Net interest income	25	**766 496**	1 558 702	3 550 640	**13 410 514**	14 177 217	13 528 069	**14 177 010**	15 735 919	17 078 709
Fee and commission income		**482 913**	700 922	1 341 189	**6 901 107**	7 017 012	6 797 626	**7 384 020**	7 717 934	8 138 815
Fee and commission expense		**(230 643)**	(309 452)	(435 534)	**-**	(176 193)	(187 662)	**(230 643)**	(485 645)	(623 196)
Net fee and commission income	26	**252 270**	391 470	905 655	**6 901 107**	6 840 819	6 609 964	**7 153 377**	7 232 289	7 515 619
Net trading income	27	**4 678 113**	4 102 000	3 977 672	**6 219 062**	4 581 797	133 172	**10 897 175**	8 683 797	4 110 844
Net (loss)/income from other financial instruments carried at fair value	28	**(245 678)**	284 976	68 344	**-**	-	-	**(245 678)**	284 976	68 344
Other income	29	**219 336**	278 958	282 171	**-**	-	-	**219 336**	278 958	282 171
		4 651 771	4 665 934	4 328 187	**6 219 062**	4 581 797	133 172	**10 870 833**	9 247 731	4 461 359
Operating income		**5 670 537**	6 616 106	8 784 482	**26 530 683**	25 599 833	20 271 205	**32 201 220**	32 215 939	29 055 687
Net impairment loss reversal/(charge) on financial assets	30	**317 443**	(1 985)	(258 342)	**4 632 023**	1 127 476	(18 479 826)	**4 949 466**	1 125 491	(18 738 168)
Personnel expenses	31	**(1 149 798)**	(1 489 914)	(2 154 995)	**(5 379 549)**	(5 764 952)	(5 744 985)	**(6 529 347)**	(7 254 866)	(7 899 980)
Operating lease expenses	32	**(114 397)**	(166 006)	(238 562)	**(535 228)**	(642 331)	(550 508)	**(649 625)**	(808 337)	(789 070)
Depreciation and amortisation	13&14	**(794 909)**	(902 607)	(820 472)	**-**	-	-	**(794 909)**	(902 607)	(820 472)
Other expenses	33	**(932 811)**	(1 260 486)	(1 435 424)	**(5 041 800)**	(4 577 548)	(3 787 168)	**(5 974 611)**	(5 838 034)	(5 222 592)
		(2 674 472)	(3 820 998)	(4 907 795)	**(6 324 554)**	(9 857 355)	(28 562 487)	**(8 999 026)**	(13 678 353)	(33 470 282)
Profit/(loss) before income tax		**2 996 065**	2 795 108	3 876 687	**20 206 129**	15 742 478	(8 291 282)	**23 202 194**	18 537 586	(4 414 595)
Income tax (expense)/credit	34	**(582 854)**	(2 078 010)	(616 088)	**(1 013 857)**	(1 044 000)	767 615	**(1 596 711)**	(3 122 010)	151 527
Profit/(loss) for the year		**2 413 211**	717 098	3 260 599	**19 192 272**	14 698 478	(7 523 667)	**21 605 483**	15 415 576	(4 263 068)

Statement of profit or loss and other comprehensive income as at 31 December 2015

		Segment A			Segment B			Bank		
	Note	2015	2014	2013	2015	2014	2013	2015	2014	2013
		USD	USD	USD	USD	USD	USD	USD	USD	USD
Profit/(loss) for the year		**2 413 211**	717 098	3 260 599	**19 192 272**	14 698 478	(7 523 667)	**21 605 483**	15 415 576	(4 263 068)
Other comprehensive income										
Net gain/(loss) on available-for-sale financial assets		**868**	4 539	(35 691)	**-**	-	-	**868**	4 539	(35 691)
Other comprehensive income/(loss) for the year		**868**	4 539	(35 691)	**-**	-	-	**868**	4 539	(35 691)
Total comprehensive income/(loss) for the year		**2 414 079**	721 637	3 224 908	**19 192 272**	14 698 478	(7 523 667)	**21 606 351**	15 420 115	(4 298 759)
Total comprehensive income/(loss) attributable to equity holders		**2 414 079**	721 637	3 224 908	**19 192 272**	14 698 478	(7 523 667)	**21 606 351**	15 420 115	(4 298 759)
		2 414 079	721 637	3 224 908	**19 192 272**	14 698 478	(7 523 667)	**21 606 351**	15 420 115	(4 298 759)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015 USD	2014 USD	2013 USD
Bank total			
Cash in hand	**117 085**	99 206	179 625
Foreign currency notes and coins	**38 446**	28 564	53 002
Unrestricted balances with central bank	**18 419 553**	7 284 540	12 186 184
Interbank placements	**-**	9 449 674	-
Balances with banks abroad	**839 503 716**	2 481 129 984	1 416 608 889
	858 078 800	2 497 991 968	1 429 027 700
Segment A			
Cash in hand	**117 085**	99 206	179 625
Foreign currency notes and coins	**38 446**	28 564	53 002
Interbank placements	**-**	9 449 674	-
Unrestricted balances with central bank	**18 419 553**	7 284 540	12 186 185
	18 575 084	16 861 984	12 418 812
Segment B			
Balances with banks abroad	**839 503 716**	2 481 129 984	1 416 608 888

8. Trading assets and liabilities

	2015 USD	2014 USD	2013 USD
Trading assets			
Bank total & segment A			
Non-derivatives			
Treasury bills	**16 793 922**	25 544 721	26 153 262
Treasury notes	**-**	-	776 515
Money market	**22 369 617**	158 490 760	196 707 349
	39 163 539	184 035 481	223 637 126
Trading liabilities			
Bank total & segment A			
Derivative liabilities-money market	**-**	23 342 017	2 349 153

9. Derivative assets/Liabilities held for risk management

Fair values

The fair value of a derivative financial instrument represents, for quoted instruments, the quoted market price and for unquoted instruments, the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end. The Bank uses derivatives to manage its exposure to foreign currency, interest rate and credit risk. The instruments used include interest swaps, cross currency swaps, forward contracts, options.

	2015			2014			2013		
	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Bank total									
Interest rate	**8 638**	**8 638**	**653 439**	213 998	213 998	5 937 525	682 690	682 690	11 221 612
Options	**6 975 402**	**6 975 168**	**415 703 865**	2 634 352	2 634 352	186 130 433	2 919 490	3 023 309	141 168 073
Foreign exchange	**2 032 779**	**1 634 203**	**223 271 776**	1 655 587	984 054	103 231 985	1 310 362	2 147 189	95 158 221
Credit	**-**	**-**	**-**	-	-	-	1 134 921	212 520	15 000 000
	9 016 819	**8 618 009**	**639 629 080**	4 503 937	3 796 297	295 299 943	6 047 463	6 065 708	262 547 906
Segment A									
Interest rate	**8 638**	**8 638**	**653 439**	213 998	-	5 937 525	682 690	-	11 221 612
Options	**3 749 161**	**3 226 006**	**322 617 577**	1 503 962	1 130 390	143 509 264	2 014 999	904 491	108 609 141
Foreign exchange	**232 814**	**176 829**	**19 570 065**	95 764	489 054	21 693 405	32 831	701 114	5 418 732
	3 990 613	**3 411 473**	**342 841 081**	1 813 724	1 619 444	171 140 194	2 730 520	1 605 605	125 249 485
Segment B									
Interest rate	**-**	**-**	**-**	-	213 998	-	-	682 690	-
Options	**3 226 241**	**3 749 162**	**93 086 288**	1 130 389	1 503 855	42 621 169	904 491	2 118 818	32 558 932
Foreign exchange	**1 799 965**	**1 457 374**	**203 701 711**	1 559 824	459 000	81 538 580	1 277 531	1 446 075	89 739 489
Credit	**-**	**-**	**-**	-	-	-	1 134 921	212 520	15 000 000
	5 026 206	**5 206 536**	**296 787 999**	2 690 213	2 176 853	124 159 749	3 316 943	4 460 103	137 298 421

10. Loans and advances to banks

	2015 USD	2014 USD	2013 USD
Bank total			
Loans and advances to banks	**393 710 692**	270 117 616	351 186 580
Segment A			
Loans and advances to banks	**326 843**	730 780	-
Segment B			
Loans and advances to banks	**393 383 849**	269 386 836	351 186 580
Remaining term to maturity			
Bank total			
Up to 3 months	**52 462 493**	730 780	-
Over 3 months and up to 6 months	**120 263 698**	24 128 372	74 740 351
Over 6 months and up to 12 months	**150 984 501**	195 243 263	97 144 381
Over 1 year and up to 5 years	**70 000 000**	50 015 201	179 301 848
	393 710 692	270 117 616	351 186 580
Remaining term to maturity			
Segment A			
Up to 3 months	**326 843**	730 780	-
Remaining term to maturity			
Segment B			
Up to 3 months	**52 135 650**	-	-
Over 3 months and up to 6 months	**120 263 698**	24 128 372	74 740 351
Over 6 months and up to 12 months	**150 984 501**	195 243 263	97 144 381
Over 1 year and up to 5 years	**70 000 000**	50 015 201	179 301 848
	393 383 849	269 386 836	351 186 580

11. Loans and advances to customers

	2015 USD	2014 USD	2013 USD
Bank total			
Personal loans	**1 645 670**	1 519 520	1 789 402
Corporate customers	**68 020 923**	128 748 063	167 217 715
Entities outside Mauritius	**36 586 578**	150 012 914	230 093 230
	106 253 171	280 280 497	399 100 347
Less specific allowance for impairment 11 (d)	**(4 912 794)**	(27 929 580)	(55 418 411)
Less collective allowance for impairment 11 (d)	**(587 551)**	(2 514 046)	(3 462 239)
	100 752 826	249 836 871	340 219 697
Loans and advances to customers			
Segment A			
Personal loans	**537 744**	1 519 520	1 789 402
Corporate customers	**30 941 966**	59 830 114	56 027 904
	31 479 710	61 349 634	57 817 306
Less specific allowance for impairment	**(4 912 851)**	(6 374 928)	(6 420 565)
Less collective allowance for impairment 11 (e)	**(117 852)**	(448 145)	(402 648)
	26 449 007	54 526 561	50 994 093
Loans and advances to customers			
Segment B			
Personal loans	**1 107 926**	-	-
Corporate customers	**37 078 957**	68 917 949	111 189 811
Entities outside Mauritius	**36 586 578**	150 012 914	230 093 230
	74 773 461	218 930 863	341 283 041
Less specific allowance for impairment	**57**	(21 554 652)	(48 997 846)
Less collective allowance for impairment 11 (e)	**(469 699)**	(2 065 901)	(3 059 591)
	74 303 819	195 310 310	289 225 604

(a) Remaining term to maturity

	2015 USD	2014 USD	2013 USD
Bank total			
Up to 3 months	**33 008 529**	120 360 325	154 995 789
Over 3 months and up to 6 months	**2 784 938**	6 759 691	42 552 625
Over 6 months and up to 12 months	**9 220 839**	17 685 153	3 006 109
Over 1 year and up to 5 years	**50 905 818**	93 288 602	164 298 678
Over 5 years	**10 333 047**	42 186 726	34 247 146
	106 253 171	280 280 497	399 100 347
Remaining term to maturity			
Segment A			
Up to 3 months	**27 742 582**	38 949 993	34 224 742
Over 3 months and up to 6 months	**537 592**	6 411 342	15 435 085
Over 6 months and up to 12 months	**-**	1 530 066	1 353 235
Over 1 year and up to 5 years	**3 197 988**	14 458 233	6 713 996
Over 5 years	**-**	-	90 248
	31 478 162	61 349 634	57 817 306
Remaining term to maturity			
Segment B			
Up to 3 months	**5 265 947**	81 410 332	120 771 047
Over 3 months and up to 6 months	**2 247 346**	348 349	27 117 540
Over 6 months and up to 12 months	**9 220 839**	16 155 087	1 652 874
Over 1 year and up to 5 years	**47 707 830**	78 830 369	157 584 682
Over 5 years	**10 333 047**	42 186 726	34 156 898
	74 775 009	218 930 863	341 283 041

(b) Credit concentration of risk by industry sectors

	2015 USD	2014 USD	2013 USD
Bank total			
Agriculture and fishing	**9 833 358**	26 262 505	41 897 610
Manufacturing	**17 106 412**	66 759 128	89 243 978
Tourism	**5 277 914**	19 639 026	22 796 163
Transport	**5 080 870**	6 552 361	10 453 025
Construction	**11 915 151**	15 898 732	25 011 140
Financial and business services	**5 578 800**	25 168 534	20 682 925
Traders	**9 137 146**	32 892 429	60 810 066
Personal	**1 645 670**	2 782 035	4 384 515
Global business licence holders	**37 080 505**	68 917 949	111 189 811
Others	**3 597 345**	15 407 798	12 631 114
	106 253 171	280 280 497	399 100 347
Segment A			
Agriculture and fishing	**-**	-	-
Manufacturing	**3 311 495**	6 482 929	7 606 104
Tourism	**-**	-	15
Transport	**-**	-	-
Construction	**11 915 151**	14 866 787	18 061 761
Financial and business services	**5 578 800**	21 819 127	17 420 965
Traders	**6 537 627**	11 513 644	5 808 026
Personal	**537 744**	1 519 520	1 789 402
Others	**3 597 345**	5 147 627	7 131 033
	31 478 162	61 349 634	57 817 306
Segment B			
Agriculture and fishing	**9 833 358**	26 262 505	41 897 610
Manufacturing	**13 794 917**	60 276 199	81 637 874
Tourism	**5 277 914**	19 639 026	22 796 148
Transport	**5 080 870**	6 552 361	10 453 025
Construction	**-**	1 031 945	6 949 379
Financial and business services	**-**	3 349 407	3 261 960
Traders	**2 599 519**	21 378 785	55 002 040
Personal	**1 107 926**	1 262 515	2 595 113
Global business licence holders	**37 080 505**	68 917 949	111 189 812
Others	**-**	10 260 171	5 500 080
	74 775 009	218 930 863	341 283 041

(c) Segmental analysis geographical area

	2015 USD	2014 USD	2013 USD
Africa	**105 531 118**	253 952 588	335 481 157
Europe	**607 990**	5 095 443	5 212 302
Oceania & others	**114 063**	21 232 466	58 406 888
	106 253 171	280 280 497	399 100 347

(d) Allowance for credit impairment

	Specific allowances for impairment USD	Portfolio allowances for impairment USD	Total USD
Balance at 31 December 2012	36 057 398	4 085 348	40 142 746
Provision for credit impairment for the year	19 407 181	1 401 186	20 808 367
Loans written off out of allowance	(22 446)	-	(22 446)
Provisions released	(23 722)	(2 024 295)	(2 048 017)
Balance at 31 December 2013	55 418 411	3 462 239	58 880 650
Provision for credit impairment for the year	1 080 175	702 444	1 782 619
Loans written off out of allowance	(27 311 533)	-	(27 311 533)
Bad debts recovered	(328 000)	-	(328 000)
Provisions released	(929 473)	(1 650 637)	(2 580 110)
Balance at 31 December 2014	**27 929 580**	**2 514 046**	**30 443 626**
Provision for credit impairment for the year	**469 402**	**126 980**	**596 382**
Loans written off out of allowance	**(19 993 815)**	**-**	**(19 993 815)**
Bad debts recovered	**(2 952 000)**	**-**	**(2 952 000)**
Provisions released	**(540 373)**	**(2 053 475)**	**(2 593 848)**
Balance at 31 December 2015	**4 912 794**	**587 551**	**5 500 345**

(e) Allowance for credit impairment by industry sectors

	2015					2014	2013
	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Collective/ portfolio allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	USD	USD	USD	USD	USD	USD	USD
Bank total							
Agriculture and fishing	9 833 358	-	-	140 662	140 662	262 625	418 976
Manufacturing	17 106 412	-	-	224 667	224 667	1 518 525	1 806 822
Tourism	5 277 914	-	-	16 823	16 823	196 390	227 962
Transport	5 080 870	-	-	19 640	19 640	65 524	104 530
Construction	11 915 151	14 029 318	4 075 332	-	4 075 332	5 115 400	5 582 593
Financial and business services	5 578 800	-	-	21 564	21 564	251 685	349 681
Traders	9 137 146	-	-	38 408	38 408	424 602	608 506
Personal	1 645 670	-	-	2 653	2 653	34 560	52 880
Global business licence holders	37 080 505	-	-	112 620	112 620	22 024 836	49 602 389
Others	3 597 345	878 941	837 462	10 514	847 976	549 479	126 311
	106 253 171	14 908 259	4 912 794	587 551	5 500 345	30 443 626	58 880 650
Segment A							
Agriculture and fishing	-	-	-	-	-	-	-
Manufacturing	3 311 495	-	-	31 522	31 522	915 763	967 643
Tourism	-	-	-	-	-	-	-
Transport	-	-	-	-	-	-	-
Construction	11 915 151	14 029 318	4 075 332	-	4 075 332	5 105 081	5 513 921
Financial and business services	5 578 800	-	-	21 564	21 564	218 191	174 210
Traders	6 537 627	-	-	16 353	16 353	114 442	58 496
Personal	537 744	-	-	867	867	21 934	37 633
Others	3 597 345	878 941	837 462	10 514	847 976	446 979	71 310
	31 478 162	14 908 259	4 912 794	80 820	4 993 614	6 822 390	6 823 213
Segment B							
Agriculture and fishing	9 833 358	-	-	140 662	140 662	262 625	418 976
Manufacturing	13 794 917	-	-	193 145	193 145	602 762	839 179
Tourism	5 277 914	-	-	16 823	16 823	196 390	227 962
Transport	5 080 870	-	-	19 640	19 640	65 524	104 530
Construction	-	-	-	-	-	10 319	68 672
Financial and business services	-	-	-	-	-	33 494	175 471
Traders	2 599 519	-	-	22 055	22 055	310 160	550 010
Personal	1 107 926	-	-	1 786	1 786	12 626	15 247
Global business licence holders	37 080 505	-	-	112 620	112 620	22 024 836	49 602 389
Others	-	-	-	-	-	102 500	55 001
	74 775 009	-	-	506 731	506 731	23 621 236	52 057 437

Impaired loans of USD14 908 259 as at 31 December 2015 were from clients resident in Mauritius.

(f) Charges/(charge offs) for specific allowances for credit impairments

	2015 Specific allowances for credit impairment USD	2014 Specific allowances for credit impairment USD	2013 Charges/ (charge offs) for the year USD
Bank total			
Manufacturing	-	866 171	(866 171)
Construction	**4 075 332**	5 105 081	(1 029 749)
Global business licence holders	-	21 554 652	(21 554 652)
Others	**837 462**	403 676	433 786
	4 912 794	27 929 580	(23 016 786)
Segment A			
Manufacturing	-	866 171	(866 171)
Construction	**4 075 332**	5 105 081	(1 029 749)
Others	**837 462**	403 676	433 786
	4 912 794	6 374 928	(1 462 134)
Segment B			
Global business licence holders	-	21 554 652	(21 554 652)
	-	21 554 652	(21 554 652)

12. Investment securities

	2015 USD	2014 USD	2013 USD
Unlisted – available-for-sale			
Comprising of			
Treasury notes	**474 659**	2 661 958	2 629 042
Corporate bonds	**-**	-	13 869 176
	474 659	2 661 958	16 498 218
Segment A			
Treasury bills/notes issued by Government of Mauritius	**-**	-	-
Treasury notes	**474 659**	2 661 958	2 629 042
	474 659	2 661 958	2 629 042
Segment B			
Corporate bonds	**-**	-	13 869 176

Maturity analysis

	2015 USD	2014 USD	2013 USD
Bank total			
Up to 3 months	**474 659**	-	497 883
Over 3 months and up to 6 months	**-**	2 661 958	1 641 624
Over 6 months and up to 12 months	**-**	-	14 358 711
Over 1 year and up to 5 years	**-**	-	-
	474 659	2 661 958	16 498 218
Segment A			
Up to 3 months	**474 659**	-	497 883
Over 3 months and up to 6 months	**-**	2 661 958	1 641 624
Over 6 months and up to 12 months	**-**	-	489 535
	474 659	2 661 958	2 629 042
Segment B			
Over 6 months and up to 12 months	**-**	-	13 869 176
	-	-	13 869 176

13. Property, plant and equipment

	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles	Total
	USD	USD	USD	USD	USD
Bank total and segment A					
Cost					
Balance at 1 January 2013	2 727 776	1 342 822	1 838 386	57 795	5 966 779
Acquisitions	374 696	36 509	89 556	20 199	520 960
Disposals	(151 030)	(66 551)	(168 821)	-	(386 402)
Balance at 31 December 2013	2 951 442	1 312 780	1 759 121	77 994	6 101 337
Acquisitions	33 225	8 833	6 506	-	48 564
Disposals	(90 207)	-	-	-	(90 207)
Balance at 31 December 2014	2 894 460	1 321 613	1 765 627	77 994	6 059 694
Acquisitions	321 003	1 045	38 843	-	360 891
Disposals	-	-	-	(14 974)	(14 974)
Transfers[2]	114 874	(510 038)	395 164	-	-
Balance at 31 December 2015	**3 330 337**	**812 620**	**2 199 634**	**63 020**	**6 405 611**
Depreciation and impairment losses					
Balance at 1 January 2013	516 460	497 706	247 379	12 522	1 274 067
Depreciation for the year	486 532	95 800	193 059	12 317	787 708
Disposal	315 356	(335 220)	(100 699)	-	(120 563)
Balance at 31 December 2013	1 318 348	258 286	339 739	24 839	1 941 212
Depreciation for the year	520 002	98 301	238 840	14 589	871 732
Disposal	(47 820)	-	-	-	(47 820)
Balance at 31 December 2014	1 790 530	356 587	578 579	39 428	2 765 124
Depreciation for the year	437 313	87 784	241 422	14 090	780 609
Disposal	-	-	-	(11 730)	(11 730)
Balance at 31 December 2015	**2 227 843**	**444 371**	**820 001**	**41 788**	**3 534 003**
Carrying amounts					
Balance at 31 December 2015	**1 102 494**	**368 249**	**1 379 633**	**21 232**	**2 871 608**
Balance at 31 December 2014	1 103 930	965 026	1 187 048	38 566	3 294 570
Balance at 31 December 2013	1 633 094	1 054 494	1 419 382	53 155	4 160 125

There were no capitalised borrowing costs related to the acquisition of equipment during the year (2014: nil).

There is no significant property or equipment for which title is restricted or which is pledged as security for liabilities.

[2] Transfers relate to reclassification of fixed assets from assets under construction.

14. Intangible assets

	USD
Bank total and segment A	
Computer software	
Cost	
Balance at 1 January 2013	123 378
Acquisitions	54 089
Disposals	-
Balance at 31 December 2013	177 467
Acquisitions	-
Disposals	-
Balance at 31 December 2014	177 467
Acquisitions	-
Disposals	-
Balance at 31 December 2015	**177 467**
Amortisation and impairment losses	
Balance at 1 January 2013	73 275
Amortisation for the year	32 764
Disposal	-
Balance at 31 December 2013	106 039
Amortisation for the year	30 874
Disposal	-
Balance at 31 December 2014	136 913
Amortisation for the year	13 909
Disposal	-
Balance at 31 December 2015	**150 822**
Carrying Amounts at 31 December 2015	**26 645**
Carrying Amounts at 31 December 2014	40 554
Carrying Amounts at 31 December 2013	71 428

There were no capitalised borrowing costs related to the acquisition of software during the year (2014: nil).

15. Deferred tax

The movement on the deferred tax amount is as follows:

	2015 USD	2014 USD	2013 USD
Bank total			
At 1 January	**2 116 000**	3 654 000	2 579 000
Income statement charge	**(939 000)**	(480 000)	1 160 000
Effect of change in tax rate	**-**	(1 058 000)	(85 000)
At 31 December	**1 177 000**	2 116 000	3 654 000
Segment A			
At 1 January	**1 027 912**	1 706 912	1 773 912
Income statement charge	**(157 000)**	(211 912)	(72 298)
Effect of change in tax rate	**-**	(467 088)	5 298
At 31 December	**870 912**	1 027 912	1 706 912
Segment B			
At 1 January	**1 088 088**	1 947 088	805 088
Income statement charge	**(782 000)**	(268 088)	1 232 298
Effect of change in tax rate	**-**	(590 912)	(90 298)
At 31 December	**306 088**	1 088 088	1 947 088

Deferred income tax assets and liabilities are attributable to the following items:

	2015 USD	2014 USD	2013 USD
Deferred tax assets:			
General provision for bad and doubtful debts	**769 000**	1 732 000	3 687 000
Unutilised tax losses	**293 000**	377 000	-
Other temporary differences	**357 000**	109 000	103 000
	1 419 000	2 218 000	3 790 000
Deferred tax liabilities:			
Other temporary differences	**-**	-	(14 000)
Accelerated depreciation	**(242 000)**	(102 000)	(122 000)
	(242 000)	(102 000)	(136 000)

The deferred tax charge/(release) in the income statement comprises the following differences:

	2015 USD	2014 USD	2013 USD
General provision for bad and doubtful debts	**963 000**	1 955 000	(1 147 000)
Other temporary differences	**(164 000)**	(397 000)	153 000
Accelerated depreciation	**140 000**	(20 000)	(81 000)
	939 000	1 538 000	(1 075 000)

16. Other assets

	2015 USD	2014 USD	2013 USD
Bank total			
Mandatory balances with central bank	**8 394 895**	8 777 684	11 684 939
Accrued interest receivable	**4 111 540**	6 062 594	3 983 769
Property held for sale	**-**	236 220	230 596
Current tax receivable (note 21)	**-**	1 266	-
Others	**1 122 878**	1 246 314	3 568 347
	13 629 313	16 324 078	19 467 651
Segment A			
Mandatory balances with central bank	**8 394 895**	8 777 684	11 684 939
Accrued interest receivable	**2 265 162**	1 933 798	217 743
Property held for sale	**-**	236 220	230 596
Current tax receivable (note 21)	**-**	1 266	-
Others	**889 657**	1 007 366	2 671 712
	11 549 714	11 956 334	14 804 990
Segment B			
Accrued interest receivable	**1 846 378**	4 128 796	3 766 026
Others	**233 221**	238 948	896 635
	2 079 599	4 367 744	4 662 661

Deposits are placed with the central bank for the purpose of reserve requirements and are therefore not available for use.

The Bank holds property as a consequence of enforcement of security over loan and advances.

17. Deposits from banks

	2015	2014	2013
Bank total			
Money market deposits	**76 000 000**	21 100 722	354 669 684
Other deposits from banks	**3 148 172**	1 784 367	1 056 132
	79 148 172	22 885 089	355 725 816
Segment A			
Money market deposits	**20 000 000**	-	-
Other deposits from banks	**3 110 700**	1 784 367	-
	23 110 700	1 784 367	-
Segment B			
Money market deposits	**56 000 000**	20 283 331	354 669 684
Other deposits from banks	**37 472**	817 391	1 056 132
	56 037 472	21 100 722	355 725 816

18. Deposits from customers

	2015 USD	2014 USD	2013 USD
Bank total			
Corporates			
- Demand deposits			
Current accounts	**321 954 856**	280 031 049	265 987 817
Savings accounts	**8 885 357**	9 278 187	14 835 236
Call accounts	**590 545 617**	858 029 473	1 061 129 546
-Time deposits			
Up to 3 months			
Over 3 months and up to 6 months	**218 330 555**	1 828 482 873	320 790 414
Over 6 months and up to 12 months	**16 989 360**	40 756 312	57 747 147
Over 1 year and up to 5 years	**6 678 981**	5 815 811	56 109 244
	1 424 519	3 265 552	166 739
	1 164 809 245	3 025 659 257	1 776 766 143
Segment A			
- Demand deposits			
Current accounts	**42 205 971**	17 059 722	10 362 224
Savings accounts	**8 885 357**	9 278 187	14 835 236
Call accounts	**45 959 721**	13 037 598	10 774 231
-Time deposits			
Up to 3 months	**1 563 759**	51 967 411	23 741 676
Over 3 months and up to 6 months	**3 110 045**	8 393 573	56 277 796
Over 6 months and up to 12 months	**1 760 863**	947 678	50 919 618
Over 1 year and up to 5 years	**1 394 699**	3 250 413	150 022
	104 880 415	103 934 582	167 060 803
Segment B			
- Demand deposits			
Current accounts	**279 748 885**	262 971 327	255 625 593
Call accounts	**544 585 896**	844 991 875	1 050 355 315
-Time deposits			
Up to 3 months	**216 766 796**	1 776 515 462	297 048 738
Over 3 months and up to 6 months	**13 879 315**	32 362 739	1 469 351
Over 6 months and up to 12 months	**4 918 118**	4 868 133	5 189 626
Over 1 year and up to 5 years	**29 820**	15 139	16 717
	1 059 928 830	2 921 724 675	1 609 705 340

19. Other borrowed funds

	2015 USD	2014 USD	2013 USD
Bank total & segment B			
Borrowings from banks	**10 996 984**	43 455 945	154 292 412

Borrowings from banks represent long-term funding for various facilities from Standard Bank Isle of Man.

20. Subordinated liabilities

Lender	Date issued	Maturity date	Rate	Notional value USD	Carrying value USD
SBSA	December 2012	December 2022	USD 3 months Libor + 3.26% p.a.	**25 000 000**	**25 000 000**

The Bank did not have any defaults of principal, interest or other breaches with respect to its subordinated liabilities in 2013 to 2015.

	2015 USD	2014 USD	2013 USD
Bank total and segment B			
SBSA	**25 000 000**	25 000 000	25 000 000

21. Current tax liabilities

	2015 USD	2014 USD	2013 USD
Bank total			
Income tax based on chargeable income	**539 000**	1 064 000	1 100 000
Advanced payments made	**-**	(1 065 266)	(851 554)
	539 000	(1 266)	248 446
Segment A			
Income tax based on chargeable income	**360 000**	905 000	716 000
Advanced payments made	**-**	(661 752)	(596 982)
	360 000	243 248	119 018
Segment B			
Income tax based on chargeable income	**179 000**	159 000	384 000
Advanced payments made	**-**	(403 514)	(254 572)
	179 000	(244 514)	129 428

22. Other liabilities

	2015 USD	2014 USD	2013 USD
Accrued interest payable	**200 573**	756 281	1 765 982
Accrued expense	**1 391 556**	609 014	959 370
Unsettled money market transactions	**32 812 260**	-	-
Others	**6 570 175**	8 231 744	9 069 441
	40 974 564	9 597 039	11 794 793
Segment A			
Accrued interest payable	**105 011**	63 986	182 714
Accrued expense	**1 391 556**	609 014	232 900
Others	**6 352 016**	6 921 208	5 006 463
	7 848 583	7 594 208	5 422 077
Segment B			
Accrued interest payable	**95 562**	692 295	1 583 268
Accrued expense	**-**	-	726 470
Unsettled money market transactions	**32 812 260**	-	-
Others	**218 159**	1 310 536	4 062 978
	33 125 981	2 002 831	6 372 716

23. Share capital

	2015	2014	2013
Authorised capital: Ordinary (40 000 000 shares of USD1 each)	**40 000 000**	40 000 000	40 000 000
Issued and paid capital: Ordinary (35 000 000 shares of USD1 each)	**35 000 000**	35 000 000	35 000 000
Unpaid capital: Ordinary (5 000 000 shares of USD1 each)	**5 000 000**	5 000 000	5 000 000

24. Contingent liabilities

	2015 USD	2014 USD	2013 USD
Guarantees on account of customers	**15 015 504**	50 323 250	39 219 295
Letters of credit and other obligations on account of customers	**3 801 068**	10 338 866	19 637 863
Spot foreign exchange contracts	**1 540 351**	3 992 642	1 496 755
Accepted letters of credit	**5 895 624**	9 637 188	4 715 688
Other contingent liabilities	**411 287 779**	160 370 269	167 576 049
	437 540 326	234 662 215	232 645 650
Segment A			
Guarantees on account of customers	**1 150 737**	1 192 440	2 253 442
Letters of credit and other obligations on account of customers	**2 080 033**	2 715 085	4 489 849
Spot foreign exchange contracts	**35 886**	6 584	390 269
Accepted letters of credit	**296 181**	68 343	610 934
Other contingent liabilities	**24 532 031**	36 419 899	28 874 000
	28 094 868	40 402 351	36 618 494
Segment B			
Guarantees on account of customers	**13 864 767**	49 130 810	36 965 853
Letters of credit and other obligations on account of customers	**1 721 035**	7 623 781	15 148 014
Spot foreign exchange contracts	**1 504 465**	3 986 059	1 106 486
Accepted letters of credit	**5 626 443**	9 568 845	4 104 754
Other contingent liabilities	**386 755 748**	123 950 370	138 702 050
	409 472 458	194 259 865	196 027 157

25. Net interest income

	2015 USD	2014 USD	2013 USD
Bank total			
Interest income			
Loans and advances to banks	**12 333 332**	13 437 715	12 036 329
Loans and advances to customers	**8 570 076**	12 469 821	16 358 608
Investment securities	**46 440**	71 577	1 163 974
Others	**196 292**	138 532	192 690
Total interest income	**21 146 140**	26 117 645	29 751 601
Interest expense			
Deposits from banks	**(1 079 696)**	(2 849 883)	(6 444 177)
Deposits from customers	**(5 056 803)**	(6 711 403)	(5 169 160)
Subordinated liabilities	**(832 631)**	(820 440)	(1 059 555)
Total interest expense	**(6 969 130)**	(10 381 726)	(12 672 892)
Net interest income	**14 177 010**	15 735 919	17 078 709
Segment A			
Interest income			
Loans and advances to banks	**70 926**	59 899	32 786
Loans and advances to customers	**1 828 700**	3 050 092	4 065 912
Investment securities	**46 440**	71 577	1 163 974
Others	**69 364**	138 532	113 484
Total interest income	**2 015 430**	3 320 100	5 376 156
Interest expense			
Deposits from banks	**(39 247)**	(20 088)	(14 556)
Deposits from customers	**(1 209 687)**	(1 741 310)	(1 810 960)
Total interest expense	**(1 248 934)**	(1 761 398)	(1 825 516)
Net interest income	**766 496**	1 558 702	3 550 640
Segment B			
Interest income			
Loans and advances to banks	**12 262 406**	13 377 816	12 003 543
Loans and advances to customers	**6 741 376**	9 419 729	12 292 696
Investment securities	**-**	-	-
Others	**126 928**	-	79 206
Total interest income	**19 130 710**	22 797 545	24 375 445
Interest expense			
Deposits from banks	**(1 040 449)**	(2 829 795)	(6 429 620)
Deposits from customers	**(3 847 116)**	(4 970 093)	(3 358 200)
Subordinated liabilities	**(832 631)**	(820 440)	(1 059 556)
Total interest expense	**(5 720 196)**	(8 620 328)	(10 847 376)
Net interest income	**13 410 514**	14 177 217	13 528 069

26. Net fee and commission income

	2015 USD	2014 USD	2013 USD
Fee and commission income			
Corporate banking customer fees	**5 021 828**	4 151 540	3 996 443
Corporate banking credit related fees	**1 360 643**	2 295 745	2 494 297
Investment banking fees	**597 171**	762 871	1 035 576
Custody fees	**404 378**	507 778	612 499
Total fee and commission income	**7 384 020**	7 717 934	8 138 815
Fee and commission expense	**(230 643)**	(485 645)	(623 196)
Net fee and commission income	**7 153 377**	7 232 289	7 515 619
Segment A			
Fee and commission income			
Corporate banking customer fees	**43 526**	108 068	172 596
Corporate banking credit related fees	**35 009**	65 075	50 146
Investment banking fees	**-**	20 000	505 948
Custody fees	**404 378**	507 779	612 499
Total fee and commission income	**482 913**	700 922	1 341 189
Fee and commission expense	**(230 643)**	(309 452)	(435 534)
Net fee and commission income	**252 270**	391 470	905 655
Segment B			
Fee and commission income			
Corporate banking customer fees	**4 978 302**	4 043 472	3 823 847
Corporate banking credit related fees	**1 325 634**	2 230 669	2 444 151
Investment banking fees	**597 171**	742 871	529 628
Total fee and commission income	**6 901 107**	7 017 012	6 797 626
Fee and commission expense	**-**	(176 193)	(187 662)
Net fee and commission income	**6 901 107**	6 840 819	6 609 964

27. Net trading income

	2015 USD	2014 USD	2013 USD
Fixed income/money market	**689 906**	1 422 156	1 269 032
Foreign exchange	**9 130 525**	6 895 472	2 269 485
Others	**1 076 744**	366 169	572 327
	10 897 175	8 683 797	4 110 844
Segment A			
Fixed income/money market	**689 906**	1 422 156	1 269 032
Foreign exchange	**2 911 463**	2 315 894	2 165 174
Others	**1 076 744**	363 950	543 466
	4 678 113	4 102 000	3 977 672
Segment B			
Fixed income/money market	**-**	-	-
Foreign exchange	**6 219 062**	4 579 578	104 311
Others	**-**	2 219	28 861
	6 219 062	4 581 797	133 172

28. Net income from other financial instruments carried at fair value

	2015 USD	2014 USD	2013 USD
Bank total and segment A			
Government bonds/treasury bills	**(33 582)**	(58 724)	(88 873)
Others	**(212 096)**	343 700	157 217
	(245 678)	284 976	68 344

29. Other income

	2015 USD	2014 USD	2013 USD
Bank total and segment A			
Rental income and recharges	**219 336**	278 958	282 171

30. (a) Net impairment (loss reversal)/charge on financial assets

	2015 USD	2014 USD	2013 USD
Bank total			
Loans and advances to customers	**(4 887 919)**	(1 029 120)	18 691 011
Accepted letters of credit	**(61 547)**	(96 371)	47 157
	(4 949 466)	(1 125 491)	18 738 168
Segment A			
Loans and advances to customers	**(318 350)**	2 668	252 233
Accepted letters of credit	**907**	(683)	6 109
	(317 443)	1 985	258 342
Segment B			
Loans and advances to customers	**(4 569 569)**	(1 031 788)	18 438 778
Accepted letters of credit	**(62 454)**	(95 688)	41 048
	(4 632 023)	(1 127 476)	18 479 826

(b) Breakdown of net impairment (loss reversal)/charge on loans and advances to customers

Bank total			
Provision made	**596 382**	1 782 619	20 738 766
Provision released	**(2 532 301)**	(2 483 739)	(2 047 755)
Recoveries	**(2 952 000)**	(328 000)	-
	(4 887 919)	(1 029 120)	18 691 011
Segment A			
Provision made	**484 867**	1 055 892	843 128
Provision released	**(803 217)**	(1 053 224)	(590 895)
Recoveries	**-**	-	-
	(318 350)	2 668	252 233
Segment B			
Provision made	**111 515**	727 409	19 895 638
Provision released	**(1 729 084)**	(1 431 197)	(1 456 860)
Recoveries	**(2 952 000)**	(328 000)	-
	(4 569 569)	(1 031 788)	18 438 778

31. (a) Personnel expenses

	2015 USD	2014 USD	2013 USD
Bank total			
Wages and salaries	**4 142 059**	4 260 127	5 267 541
Other personnel expenses	**1 854 766**	2 248 732	1 945 750
Compulsory social security obligations	**97 826**	109 626	120 944
Contributions to defined contribution plans	**412 510**	460 308	506 497
Share-based payment - cash settled	**22 186**	176 073	59 248
	6 529 347	7 254 866	7 899 980
Segment A			
Wages and salaries	**729 404**	874 892	1 436 905
Other personnel expenses	**326 618**	461 816	530 771
Compulsory social security obligations	**17 227**	22 514	32 992
Contributions to defined contribution plans	**72 642**	94 532	138 165
Share-based payment - cash settled	**3 907**	36 160	16 162
	1 149 798	1 489 914	2 154 995
Segment B			
Wages and salaries	**3 412 655**	3 385 235	3 830 636
Other personnel expenses	**1 528 148**	1 786 916	1 414 979
Compulsory social security obligations	**80 599**	87 112	87 952
Contributions to defined contribution plans	**339 868**	365 776	368 332
Share-based payment - cash settled	**18 279**	139 913	43 086
	5 379 549	5 764 952	5 744 985

(b) Share-based payments

The Bank has two equity-settled schemes, namely the group share incentive scheme and the equity growth scheme. The group share incentive scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group (SBG) share price at the date the option is granted. The equity growth scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights.

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years
Type D	2, 3, 4	33, 67, 100	10 years
Type E	3, 4, 5	33, 67, 100	10 years

(i) Equity growth scheme

	Appreciation right price (cents)	Participation rights 2015	2014	2013
Equity growth scheme reconciliation				
Rights outstanding at beginning of year	-	**188**	188	938
Granted	-	**-**	-	-
Exercised[1]	-	**-**	-	(750)
Lapsed	-	**-**	-	-
Transfer out	9.8	**(188)**		
Rights outstanding at end of year[2]		**-**	188	188

[1] During the year, no SBG (2014: nil) shares were issued to settle the outstanding appreciated rights value.
[2] At 31 December 2015, the Bank did not have to issue any (2014: 60) SBG shares to settle outstanding appreciated rights value.

There were no outstanding rights to employees as at 31 December 2015:
The following rights granted to employees, including executive directors had not been exercised at 31 December 2014:

Number of rights	Award price range (cents)	Weighted average price (cents)	Rights expiry date
188	9.800	9.800	Year to 31 December 2017

(ii) Share incentive scheme

	Option price range (cents)	Number of options 2015	2014	2013
Share incentive scheme reconciliation				
Options outstanding at beginning of year	-	**99 320**	123 750	179 350
Transfers	6.239 – 11.194	**(12 050)**	-	8 500
Granted	-	**-**	-	-
Exercised	6.239 – 11.194	**(10 782)**	(24 430)	(34 200)
Lapsed	-	**-**	-	(29 900)
Options outstanding at end of year		**76 488**	99 320	123 750

The weighted average SBG share price for the period to 31 December 2015 year end was ZAR147.88 (2014: ZAR134.84)

The following options granted to employees had not been exercised at 31 December 2015:

Number of ordinary shares	Option price range (cents)	Weighted average price (cents)	Option expiry date
2 000	9.800	9.800	Year to 31 December 2017
1 500	9.200	9.200	Year to 31 December 2018
13 300	6.239	6.239	Year to 31 December 2019
15 813	11.194	11.194	Year to 31 December 2020
43 875	9.880	9.880	Year to 31 December 2021
76 488			

The following options granted to employees had not been exercised at 31 December 2015:

Number of ordinary shares	Option price range (cents)	Weighted average price (cents)	Option expiry date
2 000	9.800	9.800	Year to 31 December 2017
3 500	9.200	9.200	Year to 31 December 2018
19 600	6.239	6.239	Year to 31 December 2019
24 970	11.194	11.194	Year to 31 December 2020
49 250	9.880	9.880	Year to 31 December 2021
99 320			

(iii) Deferred Bonus Scheme (DBS)

In 2012, changes were made to the existing DBS to provide for a single global incentive deferral scheme across the regions. The purpose of the DBS 2012 is to encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.

All employees granted an annual performance award over a threshold have part of their award deferred. The award is indexed to the SBG's share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18-months, 30-months and 42-months from the date of award. The final payout is determined with reference to the SBG's share price on vesting date.

The final value is calculated with reference to the number of units multiplied by the SBG share price, and is delivered in cash in Mauritius. The award also accrues notional dividends during the vesting period, payable at vesting.

The provision in respect of liabilities at 31 December 2015 and the amount charged for the year under the scheme amounts to USD103 981.

	2015 units	2014 units
Reconciliation		
Units outstanding at beginning of year	**19 165**	13 593
Granted	**12 310**	11 151
Transferred out	**-**	-
Exercised	**(9 296)**	(5 579)
Lapsed	**-**	-
	22 179	19 165
Units outstanding at end of the year		
Weighted average fair value at grant date (R)	**156.96**	126.87
Expected life (years)	**2.51**	2.51
Risk-free interest rate (%)	**8.23**	7.12

32. Operating lease expenses

	2015 USD	2014 USD	2013 USD
Bank total			
Operating lease expense	**649 625**	808 337	789 070
Segment A			
Operating lease expense	**114 397**	166 006	238 562
Segment B			
Operating lease expense	**535 228**	642 331	550 508

Operating lease commitments

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

	2015 USD	2014 USD	2013 USD
Bank total			
Buildings			
Less than 1 year	**411 283**	464 393	491 916
Between 1 and 5 years	**541 225**	712 968	1 195 785
	952 508	1 177 361	1 687 701
Bank total			
Motor vehicle and equipment			
Less than 1 year	**49 854**	97 204	58 677
Between 1 and 5 years	**31 593**	69 601	101 390
	81 447	166 805	160 067

33. Other expenses

	2015 USD	2014 USD	2013 USD
Bank total			
Software licensing and other information technology cost	**874 347**	299 897	623 601
Others	**5 100 264**	5 538 137	4 598 991
	5 974 611	5 838 034	5 222 592
Segment A			
Software licensing and other information technology cost	**153 970**	61 589	170 109
Others	**778 841**	1 198 897	1 265 315
	932 811	1 260 486	1 435 424
Segment B			
Software licensing and other information technology cost	**720 377**	238 308	453 492
Others	**4 321 423**	4 339 240	3 333 676
	5 041 800	4 577 548	3 787 168

34. Income tax (credit)/expense

	2015 USD	2014 USD	2013 USD
Analysis of tax expense			
Bank total			
Current tax expense			
Current tax based on adjusted profit	**-**	543 460	1 100 000
Deferred tax movement	**939 000**	1 538 000	(1 073 000)
Under/(over) provision in previous years	**53 694**	520 010	(161 879)
Special levy	**539 000**	520 540	-
Absorbed value added tax	**53 201**	-	(16 648)
Other taxes	**11 816**	-	-
	1 596 711	3 122 010	(151 527)
Segment A			
Current tax expense			
Current tax based on adjusted profit	**-**	543 061	716 000
Deferred tax movement	**157 000**	679 000	67 000
Under provision in previous years	**45 670**	494 010	(161 879)
Special levy	**359 000**	361 939	-
Absorbed value added tax	**9 368**	-	(5 034)
Other taxes	**11 816**	-	-
	582 854	2 078 010	616 087
Segment B			
Current tax expense			
Current tax based on adjusted profit	**-**	399	384 000
Deferred tax movement	**782 000**	859 000	(1 140 000)
Under provision in previous years	**8 024**	26 000	-
Special levy	**180 000**	158 601	-
Absorbed value added tax	**43 833**	-	(11 614)
	1 013 857	1 044 000	(767 614)
Reconciliation of effective tax rate			
Bank total			
Net profit/(loss) before income taxes	**23 202 194**	18 537 586	(4 414 595)
Current tax	**-**	543 460	1 100 000
Non-deductible expenses	**(18 914 688)**	(26 155 596)	4 288 844
Tax incentives not recognised in income statement	**19 853 688**	27 693 596	(5 361 844)
(Over)/under provision in previous years	**53 694**	520 010	(161 879)
Special levy	**539 000**	520 540	-
Absorbed value added tax	**53 201**	-	(16 648)
Other taxes	**11 816**	-	-
	1 596 711	3 122 010	(151 527)

	2015 USD	2014 USD	2013 USD
Segment A			
Net profit before income taxes	**2 996 065**	2 795 108	3 876 687
Current tax	**-**	543 061	716 000
Non-deductible expenses	**(632 570)**	937 931	925 185
Tax incentives not recognised in income statement	**789 570**	(258 931)	(858 185)
Under/(over) provision in previous years	**45 670**	494 010	(161 879)
Special levy	**359 000**	361 939	-
Absorbed value added tax	**9 368**	-	(5 034)
Other taxes	**11 816**	-	-
	582 854	2 078 010	616 087
Segment B			
Net profit/(loss) before income taxes	**20 206 129**	15 742 478	(8 291 282)
Current tax	**-**	399	384 000
Non-deductible expenses	**(18 282 118)**	218 007	3 363 658
Tax incentives not recognised in income statement	**19 064 118**	640 993	(4 503 658)
Under provision in previous years	**8 024**	26 000	-
Special levy	**180 000**	158 601	-
Absorbed value added tax	**43 833**	-	(11 614)
	1 013 857	1 044 000	(767 614)

35. Other reserves

	Credit risk reserves USD	Fair value reserves USD	Share-based payment USD	Total USD
Balance at end of year 2012/beginning of year 2013	-	28 708	398 440	427 148
Net gains on available-for-sale financial investments	-	(35 691)	-	(35 691)
Share-based payment	-	-	59 248	59 248
Transfer between reserves	-	-	(198 483)	(198 483)
Balance at end of year 2013/beginning of year 2014	-	(6 983)	259 205	252 222
Net gains on available-for-sale financial investments	-	4 539	-	4 539
Share-based payment	-	-	39 757	39 757
Balance at end of year 2014/beginning of year 2015	**-**	**(2 444)**	**298 962**	**296 518**
Net gain on available-for-sale financial investments	**-**	**868**	**-**	**868**
Share-based payment	**-**	**-**	**(208 831)**	**(208 831)**
Transfer to general banking reserve	**311 927**	**-**	**-**	**311 927**
Balance at end of year 2015	**311 927**	**(1 576)**	**90 131**	**400 482**

The fair value reserves include the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses until the investment is derecognised.

The fair value of share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve.

36. Commitments

	2015 USD	2014 USD	2013 USD
Bank total			
Loans and other facilities			
Undrawn credit facilities	**20 905 668**	15 462 256	3 000 000
Segment A			
Loans and other facilities			
Undrawn credit facilities	**-**	4 316 391	-
Segment B			
Loans and other facilities			
Undrawn credit facilities	**20 905 668**	11 145 865	3 000 000

37. Related parties

	2015 USD	2014 USD	2013 USD
Emoluments:			
Full time directors	**702 872**	756 129	315 613
Non-executive directors	**68 134**	61 251	78 989
Key management personnel	**1 363 127**	1 340 873	1 870 058
Emoluments – key management personnel			
Short-term employee benefits	**1 637 339**	1 381 367	948 193
Recharges[3]	**(279 857)**	(68 036)	-
Share-based payments	**5 645**	27 542	921 865
	1 363 127	1 340 873	1 870 058

[3] Recharges for services rendered.

	2015		2014		2013	
	Parent	Other related entities	Parent	Other related entities	Parent	Other related entities
	USD	USD	USD	USD	USD	USD
Statement of financial position						
Assets						
Loans and advances	**5 000 000**	**116 298 000**	2 678 571	100 000 000	3 436 364	100 000 000
Balances and placements	**1 098 468 565**	**85 489**	2 619 306 802	237 641	1 813 845 546	13 291 588
Accrued interest	**1 496 112**	**135 502**	3 242 204	134 094	1 980 173	529 443
Liabilities						
Accrued interest	**20 171**	**-**	252 725	-	1 026 258	286 215
Bank deposits	**3 110 675**	**56 013 294**	-	20 283 331	324 642 538	30 027 146
Other borrowed funds	**10 996 984**	**-**	43 455 945	-	154 292 412	-
Subordinated debt	**25 000 000**	**-**	25 000 000	-	25 000 000	-
Non-bank deposits	**-**	**415 269**	-	179 702	-	2 627 497
Income statement						
Other interest receivable	**9 501 350**	**2 712 518**	8 444 624	4 025 965	6 651 763	3 347 079
Other interest payable	**1 707 534**	**165 436**	3 342 545	306 754	6 626 857	635 377
Other income	**-**	**219 336**	-	278 958	-	282 171
Other expenses	**972 192**	**9 312**	1 412 796	-	662 340	-
Recharges	**(140 501)**	**(194 733)**	-	(1 774)	-	-
Management fees	**956 041**	**-**	1 083 316	-	884 204	-
Transactions with owner						
Dividend paid	**10 000 000**	**-**	-	-	-	-

The above transactions entered into are in the normal course of business and at arm’s length.

38. Holding companies

The immediate holding company is Stanbic Africa Holdings Ltd, a company incorporated in the United Kingdom and the ultimate holding company is Standard Bank Group, a company incorporated in South Africa.

Standard Bank (Mauritius) Limited is a wholly owned subsidiary of the Standard Bank Group, Africa's largest bank by assets. We are a major player in our targeted segments and provide Corporate and Investment Banking and Wealth and Investment services. Our vision is to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value. Africa is our home, we drive her growth.

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