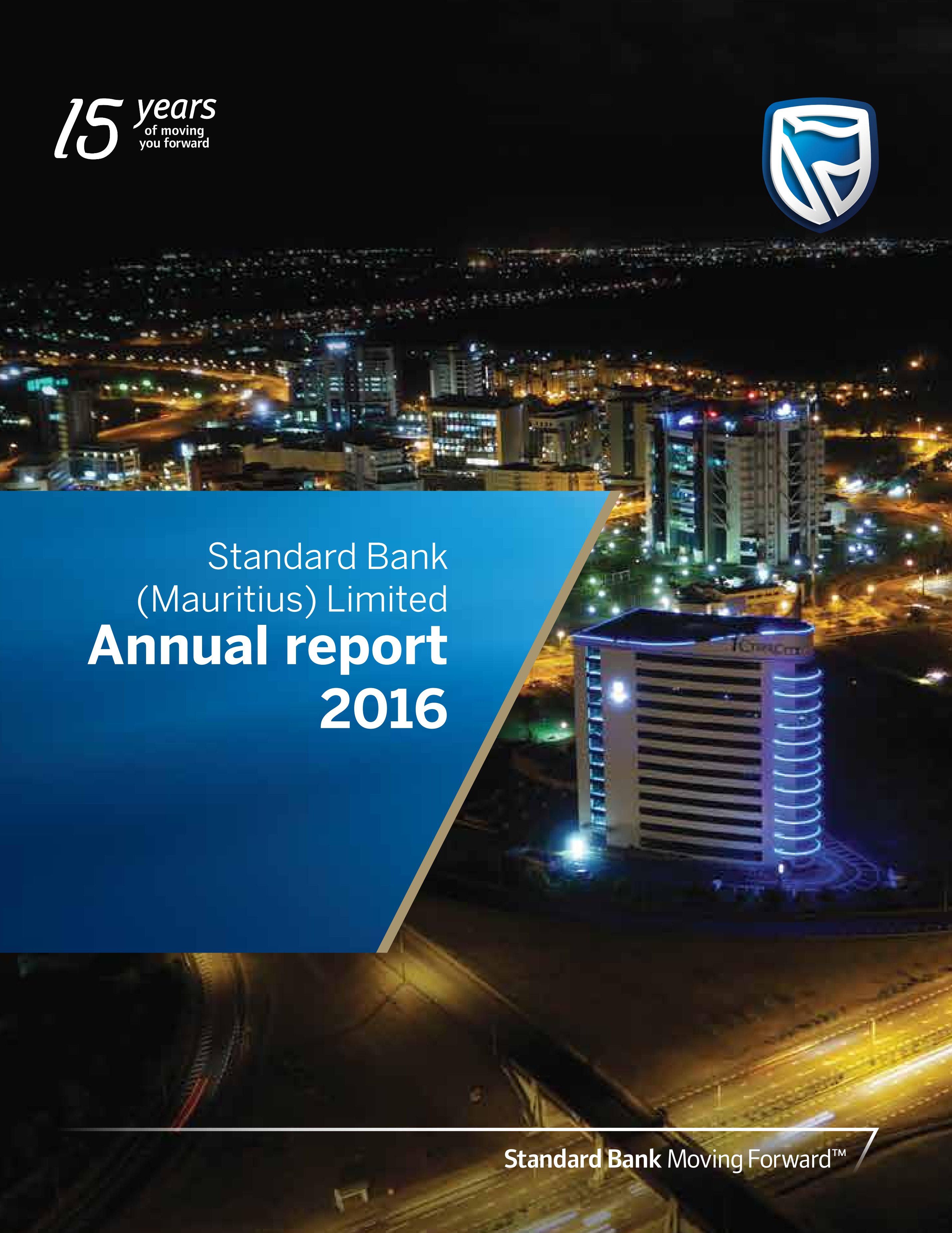


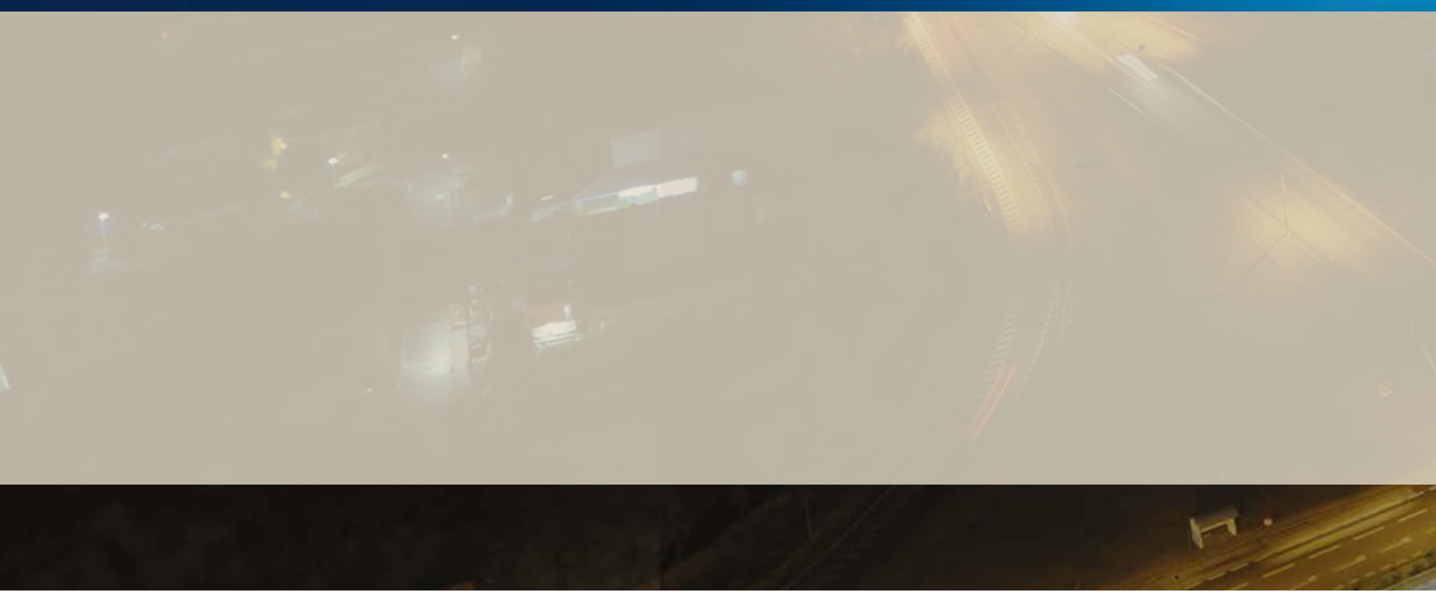
15 years of moving you forward

Standard Bank (Mauritius) Limited
Annual report 2016

Standard Bank Moving Forward™

Our report

With our 15 years of local market knowledge, our African footprint and over 150 years of banking experience, we offer the best banking solutions to grow your business effectively in, for and across Africa. From Mauritius to continent, we will continue to move Africa forward.



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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.

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.

01 Serving our customers

02 Growing our people

03 Delivering to our shareholders

04 Being proactive

05 Working in teams

06 Constantly raising the bar

07 Respecting each other

08 Upholding the highest levels of integrity

Financial highlights

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 our global distribution network to provide tailor-made corporate and investment banking solutions to our 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	Internal audit

USD12,9 million ↓
Earnings attributable to shareholders
2015: USD21,6 million

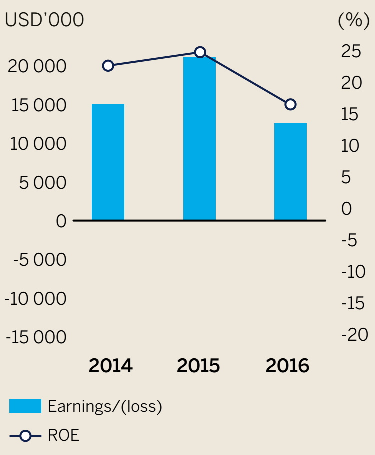
15.1% ↓
Return on average equity
2015: 25.5%

USD1,5 billion ↑
Total assets
2015: USD1,4 billion

50% ↑
Cost to income ratio
2015: 43.3%

	Dec 2016 USD'000	Dec 2015 USD'000	Dec 2014 USD'000
Earnings attributable to shareholders	**12 870**	21 605	15 416
Statement of financial position			
Total loans	**80 378**	106 253	280 280
Total assets	**1 534 545**	1 418 902	3 230 923
Total deposits	**1 377 558**	1 243 957	3 048 544
Shareholder's funds	**81 693**	88 816	77 187
Tier 1 capital	**81 278**	87 211	74 733
Risk-weighted assets	**207 403**	214 015	450 435
Performance ratios (%)			
Return on average total assets	**0.87%**	1.52%	0.71%
Return on average equity	**15.10%**	25.54%	22.18%
Return on average tier 1 capital	**15.28%**	24.77%	20.63%
Cost to income ratio	**50.04%**	43.32%	45.96%
Non-interest income to total income	**50.73%**	55.97%	51.15%
Loan to deposit ratio	**11.05%**	9.20%	12.23%
Capital adequacy ratio			
Capital to risk-weighted assets	**47.99%**	50.51%	22.14%
Asset quality			
Non-performing loans	**812**	14 908	40 222
NPL ratio (%)	**1.01%**	14.03%	14.35%
Allowance for loan impairment losses	**365**	(4 949)	(1 125)
Credit loss ratio	**0.39%**	(2.46%)	(0.33%)
Number of employees	**131**	120	116

Earnings attributable to shareholders



Non-financial perfomance

Strategy

Standard Bank (Mauritius) Limited's (the Bank) shares the Standard Bank Group's (the Group) aspiration to be the leading financial service institution, in, for and across Africa, delivering exceptional client experiences and superior value. This remained a key driver in 2016 and sets the primary goals and standard of excellence the Bank intends to achieve in the medium term. Earlier in the year, the Bank refined its strategy and revalidated its assumptions, in terms of building up its core markets. This process has enabled a better integration between business units and key enabling functions, such as risk and compliance, among others. Our strategy to place our clients at the centre of everything we do, is aimed at improving client's experiences and as such, the Bank has made good progress against its goals and objectives supporting its strategy. Client centricity and consistent service delivery remained the two main pillars upon which the Bank is focused to reinforce and enhance its clients' experience and therefore optimise value to stakeholders.

Client Centricity

Realising our strategy depends on placing our clients as our central organising principle. To achieve this objective, begins with developing a precise understanding of their needs and what matters to them, offering them the products, services and solutions to achieve their goals. How the Bank achieves this is important and we are focused on making the necessary changes to serve our clients quickly, efficiently, reliably and respectfully. We create value to clients by partnering with them, forming long term, well-coordinated relationships that help them achieve their strategic objectives.

Consistent Service Delivery

The Bank is committed to deliver a high quality and consistent service to our clients, 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

Marketing and communication focuses on enhancing the brand image and visibility of the Bank, supporting business growth by raising awareness and stature on the Bank's capabilities. It also drives a culture of pride and excellence to build an agile organisation and committed workforce.

The marketing and communication initiatives developed in 2016 were focused on growing our brand equity, promoting a client centric culture, building relationship with clients and stakeholders and promoting the Standard Bank culture, values and principles.

Advertising

Our strategy was supported by the brand awareness campaign highlighting the role of the Bank in Mauritius being the gateway to Africa and how the Bank can be used as a financial platform to invest in the continent. The campaign showcasing Ebene Cybercity by night and Port-Louis harbour, reinforced the message that we leverage on our African footprint, local market knowledge and strong focus on natural resources to provide tailor-made and key solutions to make businesses grow in Africa. The Bank is positioned as the partner for growth on the continent we call home.

Sponsorships

Sponsorships are an integral part of the 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 engage with our stakeholders. The promotion of arts and culture has been one of the priorities of Standard Bank's sponsorship strategy for several years. In line with our brand, our culture and our values, this strategy is characterised by consistency and continuity in artistic and cultural commitments.

Artist-in-residence

The Bank supported the initiative of 'Institut Français' in Mauritius to launch a program of artist-in-residence in the field of visual arts. Renowned artists were invited for a time and space away from their usual environment to reflect, research and produce an exhibition inspired from Mauritius' life and culture. Artists as Jerome Zonder, Barthelemy Toguo, Firoz Ghanty and Jacques Desire Wong So participated in this program.

Trait d'Union

The Bank also supported 'Institut Français' in cross-cultural exchanges through a series of conferences with prestigious guests speaking on several insightful cultural themes. Amongst others, Jean-Christophe Victor, Etienne Klein, Jean-Pierre Luminet and Charles Rojzman responded positively to the Trait d'Union initiative and enabled Mauritians at large to benefit from their knowledge and expert views.

Standard Bank & IFM Jazz Series – 'Blues dan Jazz'

The Bank is regarded in the music industry as the leading supporter of jazz, having made a major contribution in providing this formerly neglected genre with a needed boost through annual showcases, music development programmes and workshops. In Mauritius, the Bank is the title sponsor of the 'Blues dan Jazz' – Standard Bank & IFM Jazz Series. South African talent Siya Makuzeni, winner of the Standard Bank 2016 Young Artist Award performed with French Jazzman Jacky Terrasson and two local jazz geniuses Philippe Thomas and Kersley Pytambar.

Standard Bank Indian Ocean Triathlon

The Bank was the title sponsor of the 8th edition of the Indian Ocean Triathlon in 2016. This sponsorship secured the sustainability of one of the country's premier endurance events while at the same time enabling the Bank to extend its brand reach to the fast-growing sport of triathlon. Triathlon exemplifies all the qualities that the Bank stands for: hard work, dedication, endurance and commitment. The introduction of the corporate triathlon challenge and the aspirational nature of the sport, which promotes a healthy, positive lifestyle, were also major points of attraction for the Bank.

YPO Pan Africa and Mauritius Chapter African Summit

The Bank sponsored in 2016 the YPO Pan Africa and Mauritius Chapter African Summit event which was held in November. The conference addressed, amongst others, opportunities of 'Doing Business in Africa' with specific reference given to global business opportunities available in Mauritius.

South African Heritage Day

The Bank collaborated with the South African High Commission in Mauritius to organise an Heritage Day event on 24 September, encouraging South Africans living in Mauritius to come together to celebrate the rich cultural heritage and the diversity of their nation. This day included the promotion of small and medium enterprises from both Mauritius and South Africa involved in cultural related businesses. A variety of participants were invited, from the South African expatriates and Mauritian communities to showcase music, culture, food, crafts and traditional clothes, amongst other activities.

Events

The Bank carried out a number of hospitality and business events during the year. These events support business by delivering to clients, consistent world class experiences and growing relationships.

Chairman and chief executive's review

"The Bank has consolidated its strategy in 2016, focussing on client centricity and consistent service delivery in line with our Africa focus."

The Board of the Bank is pleased to present its fourteenth Annual Report for the year ended 31 December 2016.

Overview:

The Bank showed remarkable resilience this year harnessing the downturn in commodity markets and the slowdown in Africa. The Bank has consolidated its strategy in 2016, focussing on client centricity and consistent service delivery in line with our Africa focus.

Performance:

The Bank delivered a sound financial performance in 2016, translating into a profit of USD12,8 million. A lower customer loan book and reduced operating income resulted in return on equity declining from 25% to 15% alongside a higher cost to income deteriorating from 43.3% to 50%. This was also as a result of lower trading revenues flows and no recoveries from impaired assets as compared to 2015. The balance sheet remains healthy in line with our risk appetite.

Strategy:

In 2016, we formalised our strategy for 2017/2020 aligned to the Group strategy and paved the way in providing a roadmap that will guide the execution of our strategy in, for and across Africa. Notwithstanding financial performance, people and culture will be a critical component to the execution of our strategy and as such we will strive to instil a culture of accountability by empowering our employees across the Bank. We will proactively engage with our staff and ensure that they understand their contribution to the successful execution of our strategy to support an incremental performance to create shareholders value.

Corporate governance and directorate:

The Bank adheres to corporate governance and compliance minimum standards. The Bank has instilled regulatory best practice across its operations and adheres to the requirements of the Bank of Mauritius (BoM) guidelines on corporate governance, the code of banking practice as well as the Group guidelines.

During the year, three new directors were appointed to the Board of Directors (the Board), namely Mr Clive Tasker and Mrs Desiree Lim Kong as independent directors and Mr Roderick Poole as a non-executive director. Mr Georges Leung Shing and Mr Francois Gamet retired from our board and we wish to thank them for their contribution for the growth of the Bank over the past few years.

Looking forward

In 2017, we will continue to grow our client franchise, focusing on client excellence, leveraging on our product capabilities and our African footprint, whilst optimising on our cross selling opportunities. Our emphasis will remain on delivering excellent service in partnering our clients and consistently supporting multi-nationals and domestic businesses in their long term growth strategy. We will be concurrently embarking in a core banking transformation, which will enable us to remain competitive with the high pace of technological disruption in the financial services sector.

We would like to extend our gratitude to our customers, staff and board members for their continued support throughout 2016.

Lakshman Bheenick	**Louis Rivalland**
Chief Executive	Chairman

22 March 2017

Macroeconomic review

Mauritius, being a small and open economy, is heavily dependent on global economic trends, typically those in Europe and China. Challenging global economic conditions persisted in 2016, leading to systematic downward revisions of global growth projections. However the domestic economy fared well, a low inflation, a narrowing of the current account deficit and contained fiscal deficit were the key factors in maintaining macroeconomic stability.

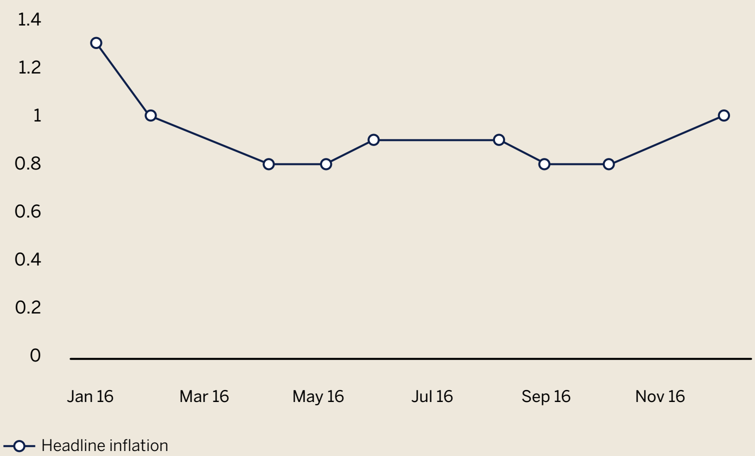
On 10 May 2016, Mauritius signed a protocol with India to amend the Double Tax Avoidance Agreement (DTAA) between the two countries. There were serious concerns about the impact of the double tax avoidance treaty amendment to the financial industry; however these concerns have subsided to some extent. Still, there is a need for concrete actions to be taken to minimise the impact on companies whose business models are dependent on DTAA.

The economy grew by 3.6% in 2016, benefiting partly from an improved performance of the tourism sector and strong domestic consumption. On the other hand, the economy was adversely impacted by a contraction of the private investment sector. The budget 2016-17 announced a number of socio-economic measures and public investment programs which are expected to reinvigorate the economy and move it to a higher growth trajectory. Additionally, the government is actively undertaking diversification measures directed towards Africa and Asia, although Mauritius' economic performance will remain largely interlinked with Europe for the foreseeable future.

The central forecast for GDP is that growth will gradually slip from 3.6% in 2016 to an estimated 3.1% in 2019, before recovering to 3.7% in 2021, in line with a more supportive external environment. It is expected that activity will be supported in the short term by the recent monetary easing by the BoM, which will lift private consumption, as well as relatively firm government consumption growth, as the government pushes ahead with its ambitious public investment programs.

Inflation continued its downward trend, with headline inflation falling from 1.3% in December 2015 to 1% in December 2016, the lowest recorded since June 1988. The low inflation outcome reflected mainly weak global commodity prices and subdued global and domestic demand conditions.

Headline inflation 2016



The BoM monetary policy stance reflects the falling inflation in an environment of declining global energy, food and other commodity prices. The key repo rate was reduced by the Bank's Monetary Policy Committee (MPC) from 4.4% in November 2015 to 4.0% in July 2016, in view of downside risks to growth and low inflation prospects. The BoM is attentive to upside risk to the inflation outlook that may emerge from global economic recovery going forward and to an increase in the domestic growth momentum.

Throughout 2016, the BoM pursued active open market operations and successfully kept excess reserves in the domestic money market within acceptable limits. Excess liquidity was managed through the issue of treasury bills and sterilisation intervention (special deposits at the Bank). Excess liquidity in the domestic money market stood at MUR13 billion in December 2016 compared to MUR10 billion in December 2015. The excess liquidity in December 2016 represented the peak, with the lowest excess market liquidity being MUR5,4 billion in August 2016.

Mauritius enjoys favorable economic growth prospects and most economic fundamentals remain sound. A credible central bank and prudent fiscal policy have promoted monetary and fiscal stability. As a result, 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.

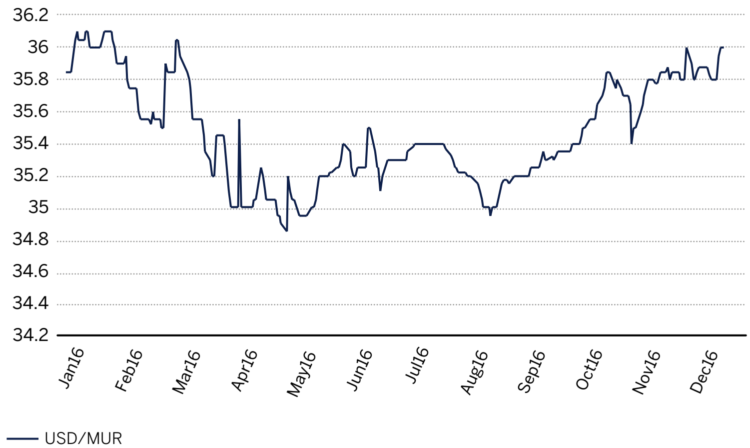
Exchange rate

The Mauritian Rupee is a relatively free-floating exchange rate with the BoM intervening regularly in the foreign exchange market to smooth excess volatility. The Rupee exchange rate has historically tracked the Euro/Dollar exchange rate, due to the island nation's strong economic ties to Europe.

The surprise vote of the United Kingdom (UK) to leave the European Union, also known as "Brexit", assisted the greenback in gaining more ground on the Euro. Furthermore, as a result of the surprise outcome in the US presidential election, the US Federal Reserve raising interest rates and the lacklustre economic growth in the Euro area, the greenback strengthened even further against the Euro during the last quarter of 2016.

The Mauritian Rupee has stayed relatively stable in 2016, despite unexpected developments in the Euro area. In fact, the Mauritian Rupee strengthened most of 2016, reaching Rs34.85/$ by start of May from almost Rs35.85/$ at the start of last year. However, the Rupee followed the same trend as the Euro during the last quarter 2016 and depreciated against the greenback to the same level as seen at the beginning of 2016. Notwithstanding external factors – including the continuation of US interest rate normalisation and Euro area-induced market tremors – and a more accommodative domestic monetary policy stance, the pace of Mauritian Rupee depreciation this year is seen as moderate. The Mauritian currency's pace of depreciation is projected to quicken in 2017, with the Rupee weakening by some 3.8% to an average of Rs36.71/$ in 2017.

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. The monetary policy seemed to have reached its limits and any further cut in the interest rate would most likely fuel unproductive investment. Most analysts however expect economic growth to rise between 3.8% to 4.0% in 2017, although an uncertain global economic environment and slow progress on domestic reforms will provide its challenges.

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

Management discussion and analysis

The results

The Bank showed remarkable resilience in 2016, despite delivering a slower growth than in the last few years. The Bank withstood significant headwinds during the year, notably the slowdown in Africa and the downturn in commodities and a more cautious approach to client risk, which interrupted growth momentum. We have leveraged our competitive advantage to ensure that we remain resilient in spite of these challenging conditions. Against this backdrop, the Bank delivered a sound financial performance in 2016, which demonstrated the benefits of the Bank's diverse portfolios of operations, 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

During the year, the Bank underwent a review of the strategic objectives for these three pillars, to enhance revenue streams through the diverse range of financial products and ensure sustained growth for the years to come. The Bank's focus remained Corporate and Investment Banking (CIB), with a wealth and investment arm. Our client coverage model is a cornerstone of our strategy and defines how we offer value to our clients. It has strengthened our focus on clients, whose business strategies align with our African strategy. By coordinating how we engage with our clients and promoting a deeper understanding of their needs and objectives, we are able to provide them with the solutions they require.

Transactional products and services

Transactional Products and Services (TPS) witnessed a slowdown in activities for a few of the Bank's clients operating on the African continent this year, as the latter continued to experience sluggish growth as a result of depressed commodity prices. TPS delivered a reasonable growth of 4% in revenues, despite the slowdown and some discontinued business activities, on the back of a balance sheet re-structuring exercise initiated during the year. The bulk of the revenue is interest driven and sourced from the liabilities book, whilst fees and commissions are driven mostly by remittances and trade finance activities.

In 2016, the advances book grew by 27% to reach USD59 million. Average liabilities reached USD1,1 billion, representing a 43% decrease compared to prior year as some significant deposits were withdrawn on the back of restructuration following the rapid decline in commodity prices. The current level of liabilities is stable and is expected to grow moderately during 2017, as the trend is expected to be sustainable. Some notable client acquisitions were achieved in 2016, which should also reflect positively in the 2017 performance.

The Bank's internet banking platform, business online, is continuously being upgraded to incorporate additional features, to provide clients with an improved experience.

Global markets

Global markets provides a risk warehouse for managing and repackaging risk exposures in foreign exchange, interest rates and money markets, to deliver products and services that meet the investment and hedging needs of our clients. With an extensive African footprint, our experience in emerging markets and our presence in all major financial centres enabled the Bank to deliver a service that is sensitive to regulatory and risk factors in emerging markets globally. We aspire to be the 'go to' bank for African market products and services, working as a trusted partner with our clients to realise their growth ambitions in Africa.

Revenues were 6% down on last year, on the back of lower trading income, translating into a drop of 10% in headline earnings compared to prior year. Trading Income was adversely impacted by lower client flows driven by lower commodity prices and was 26% down on the previous year. Lower volatility in USD/MUR and lesser demand for foreign exchange on the local market also dented income generated by the FX flow trading and money markets trading desks.

Investment banking

Investment banking was mainly impacted by the change in strategy implemented in 2013 with the exit of the remaining cross border facilities originated through the Bank's African franchise and partly by a few early term loans prepayments. This translated into revenues dropping by 54% year on year, attributable to a reduction of 55% in the loan portfolio from prior year to close at USD31 million.

The bulk of 2016 was geared towards setting up a refreshed strategy, put in place in the third quarter of 2016, with the aim to broaden Investment Banking's asset book. Successful implementation of this revised strategy is being evidenced with a strong pipeline of assets currently underway. The first quarter of 2017 looks promising with the build-up of new structured debt facilities. The Bank's focus is to continue to pursue investment banking opportunities in the pan-African market as well as in Mauritius.

International wealth and investment

The CIB wealth initiative launched last year continued to deliver a high quality pipeline of eligible clients. An initiative taken during the year was the targeting of wealth and investment regional franchise, which resulted in a few key clients wins from East Africa.

Operating income for the year stood at USD823 000 and was 49% higher than prior year. This performance was recorded on net interest income which grew by 98% to close at USD636 000 for 2016, attributable to higher funding income on deposits base during the year. A drop of 18% in non-interest revenue to reach USD187 000 was witnessed, on account of the re-organisation of the clients' book away from transaction banking customers to a more steady deposit and long term investment-orientated client base. The wealth and investment business is still in building phase and as such generated a net loss of USD454 000. Deposit as at year end was USD130 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 highlight of the year was the continued implementation of various HC projects to ensure alignment with best practices. The HC 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 since last year up to 2017 with deliverables to be tracked and ensuring alignment with the business strategy.

There was further implementation of the talent management process by introducing a focused assessment and development plan for management and identification of talent.

Operations

Operations covers a wide range of enablement functions including payments, client services, trade services, global market operations, operations processing centre, know your customer, reconciliations, facilities management and procurement. These functions exist to facilitate the needs and requirements of their customers i.e. the internal business partners and external customers. In 2016, alignment and understanding the needs of these customers were deemed to be of strategic importance and the resulting strategy for operations was defined along the three pillars below.

(1) Enable growth and client centricity: streamline processes and procedures in order to have a better understanding of the customer's experience. Qualitative MIS from Salesforce Service Cloud was a critical enabler and facilitated our monthly engagement with business partners with a view to improve on service.

(2) Brilliant basics: much effort was made in achieving the brilliant basics, where all key high impact clients and control processes have been reviewed together to ensure we operate in a mature control environment. We have created a culture of discipline to prevent re-work and reduce errors. We also worked towards an environment that maximised on positive relationships with external stakeholders built on trust, understanding and cooperation through regular engagements with our IT team, the outsourced Group functions and our matrices to address the stability of our operating systems and channels. Successful roll out of some projects have also contributed in achieving the goal of brilliant basics namely:

- the successful implementation of Vulindlela: the objective of this project was to replace Meridian and Swift Alliance Access (SAA) applications with a new and more stable SWIFT application – Alliance Messaging Hub (AMH);
- the successful deployment of the EFAX solution to the entire bank. This project has been executed to digitise fax messages. It allowed a reduction in the paper footprint with regards to fax printing and time saving, given that the digitised fax messages are delivered much more rapidly;
- the implementation of an imaging and workflow system improved operational efficiency (workflow) and introduced digitisation (imaging) for two operational processes. It allowed for a paperless environment and time saving by removing manual handovers of documents. It also facilitated for traceability and easy retrieval of information/documents for regulatory investigations; and
- the cheque clearing process has been reviewed by the BoM and new measures put in place to facilitate the efficiency of the payment and settlement systems in the country. We have successfully migrated to the new clearing modes which will benefit client and the banking industry at large.

(3) Culture of high performance: we ensured that team members were continuously upskilled and trained namely on FATCA and CRS which are essential to maintain regulatory requirements. Job rotations in and outside operations were organised to allow staff to develop new skills and improve on client's centricity.

External forces review

Legal and institutional environment

The Finance (miscellaneous provisions) Act 2016 has brought amendments to various legislations namely the Banking Act, the Income Tax Act, the Financial Services Act, the Companies Act amongst others, thereby impacting on the legislative landscape of the financial Industry. This has resulted in the Bank reviewing its processes where necessary. The main highlights are as follows:

- financial institutions are now allowed to make disclosures to its parent company or head office with regard to its affairs and client portfolio subject however to the recipients being similarly bound by confidentiality undertakings. This amendment is welcomed as the Bank, being a subsidiary within an international group, is required to provide information or produce reports to its head office as part of its day-to-day operations;
- another important amendment to the Banking Act pertains to the mandatory requirement for all banks to rotate audit firms every five years. PricewaterhouseCoopers (PwC) has been appointed as external auditor of the Bank for the financial year ended 2016. Appointment of external auditor is subject to the shareholder's approval on an annual basis. In line with the new requirement, the Bank will recommend a change in the audit firm, should PwC have been re-conducted over the next five years;

- a companies special deposit account vested in the Registrar of Companies has been created. Funds sitting on bank accounts of companies which are struck off from the company's registry shall now be transferred to this special account following a court order upon application by the Bank; and
- the national Corporate Social Responsibility (CSR) framework has been revised. For the calendar year 2017, the Bank is required to either remit 50% of its CSR fund (segment A) to the director-general of the Mauritius Revenue Authority (MRA) or spend that sum towards an approved CSR program within the set priority areas. The Bank retains discretion to spend the remaining 50% in its own CSR initiatives.

The Financial Services Act has introduced an umbrella Investment Banking License which covers various financial services: investment dealer (full service dealer including underwriting); investment adviser (unrestricted); investment adviser (corporate finance advisory); asset management and distribution of financial services. In this regard, the Income Tax Act has been amended to provide for a tax holiday of five years on the income derived from the activities covered under the Investment Banking License for any new licensee (on or after 1 September 2016).

Currently the Bank is the holder of an Investment Adviser (unrestricted) License and a Distribution of Financial Products License. Whilst the Bank is allowed to pursue its activities conducted under these existing licenses, the Bank may decide to apply for this new umbrella license should it wish to enlarge its financial services offerings in the future. It must also be highlighted that, in accordance with the Financial Services (investment Banking) Rules 2016, this new license does not affect the lending activities of the Bank.

Regulatory developments impacting the Bank

The BoM has issued the following guidelines in draft form during the year, namely:-

i) the Draft National Payment System Bill

The object of the National Payment System bill is to provide for:

(a) regulation and oversight of the national payment system;

(b) regulation and supervision of payment systems operating in Mauritius and to designate the BoM as the authority for that purpose and for related matters.

ii) the Deposit Insurance Scheme Bill.

The object of the Deposit Insurance Scheme Bill is to establish a deposit insurance system to protect depositors and guarantee the repayment of their deposits to such extent as may be feasible, in the case a bank or non-bank deposit taking institution licensed by the BoM fails. The Deposit insurance scheme will be established through a wholly owned subsidiary of the Bank. The system is designed to act as a safety net. It aims at minimising the risk of loss of depositors' funds with financial institutions.

iii) In October 2016, the BoM has revised its draft guideline on IT risk management which sets out the regulatory framework for the management of risk that emanates from the use of IT systems. The draft guideline is still subject to discussion among the regulators and internal stakeholders within the banking industry.

In addition to the above, the guideline on liquidity risk management has been revamped to take into account the recommendations of Basel III.

Reviewed and new guidelines issued

In light of the BIS paper entitled 'Sound management of risks related to money laundering and financing of terrorism guidelines' and the annex on general guide to account opening for comments. The BoM has proposed some amendments to the guidance notes on anti-money laundering and combating the financing of terrorism.

The guideline on credit impairment measurement and income recognition was reviewed to align closer to international accounting standards.

The BoM has revised its guidelines on corporate governance in June 2016. Some key changes have been brought to the guideline such as the independence and reporting line of the compliance function, appointment of a chief risk officer, self-assessment of board of directors, assessment of performance of top management and senior officers.

The BoM has issued new regulations on the Banking (Compoundable offences) (Amendment) Regulations 2016. Section 97- offences and penalties of the Bank of Mauritius Act, Sub Section 21 have been added. The director, chief executive officer, manager, officer, employee or agents of a financial institution are now subject to compoundable offences.

The Republic of Mauritius signed the OECD convention on mutual administrative assistance in tax matters in June 2015. As a member of the Early Adopters Group, the country had initially planned to implement the Common Reporting Standard (CRS) early. The effective date of 1 January 2016 was subsequently deferred to 1 January 2017 and the first reporting will now start from 31 July 2018.

The MRA has issued its guideline on CRS, which is broader in scope as compared with FATCA, since it includes more information on a wider range of clients and reported to a greater number of revenue authorities. The MRA has authority to require banks to establish and maintain appropriate due diligence procedures. Failure to abide to CRS obligation will entail an offence and financial institution may be liable to a fine not exceeding MUR5 000 and an imprisonment for a term not exceeding 6 months.

Looking ahead

In 2017, we will be focusing on the new core banking transformation from BankMaster to Finacle. This will enable us to strengthen our customer data and analytics capabilities. This will underpin our ability to provide relevant solutions, informed deep insights to what matters most to our customers. To achieve this, our people management culture will continue to focus on client centricity, by maintaining our top quality services supporting both our internal and external clients. We will continue to operate in a well-controlled environment and will apply more proactive processes that will comply with our internal and external requirements while ensuring cost discipline.

AWARD

Best Emerging Markets Bank in Mauritius, 2016
Global Finance Magazine

Client centricity is an ongoing journey at the Bank. It is an honour to continue our path and vision of placing our clients at the centre of everything we do. We are committed to consistently deliver service excellence which delights and exceeds customers' expectation. As a trusted partner, we create value to clients by listening and understanding their needs and offering them an exceptional client experience.

Sheetal Kumar
Relationship Manager

Table 1: Performance against objectives by key areas

	Objectives 2016	Performance 2016	Objectives 2017
Return on Equity (ROE)	ROE expected to be around 20%.	ROE was behind target at 15.1% as a result of lower profitability in 2016. This performance was mainly driven by a decline of 7% in Net Interest Income (NII) and 25% decrease in trading income.	The Bank aim is to optimise the use of capital to improve profitability. An ROE of 18% is expected.
Return on Average Assets (ROA)	ROA was expected to decrease to 0.69% on account of reduced profitability.	ROA has edged up to 0.87% as a result of reduction in total assets.	ROA is estimated to increase to 0.91% on account of higher profitability.
Operating income	NII was expected to increase by 7% on account of enhanced margins and increased term lending. Non-interest income was expected to increase slightly by 2%.	Operating income was 14% lower compared to target. NII has decreased by 7% mainly driven by lower term facilities availed and earlier repayments of facilities in 2016. However, this shortfall was diluted by an increase in interest income on account of balance sheet optimisation. Non-interest income declined by 18.8%, driven mostly by trading income, trade finance fees and knowledge based fees.	In view of strategy refinement, NII is expected to increase by 23% on account of new term facilities and enhanced margins. Non-interest income is expected to increase slightly by 2%.
Operating expenses	Operating cost was expected to increase by 22.2%.	Operating costs have improved by 15.4% on account of efficient cost containment initiatives.	Operating cost is expected to increase by 17.1% driven mostly by the new core banking system implementation costs.

	Objectives 2016	Performance 2016	Objectives 2017
Cost to income	Additional IT support and systems costs were expected to increase the cost to income ratio to 51%.	Cost to income ratio was 50%, due to lower trading revenues and net interest income resulting from the delays in materialising term assets.	The cost to income ratio is expected to be at 52% as the Bank is projecting an increase in operating costs with the new core banking transformation planned for 2017.
Loans & advances growth	The loan book was expected to grow by 99.4% driven by both short term and medium term assets.	Loan and advances to customers were 61% behind budget, driven by delays in translating new term assets as planned. In addition, lower utilisation of overdraft facilities, call loans and import loans were reported.	The loan book is expected to increase by around 117.5% following the refinement of the Bank's strategy.
Deposit growth	Deposits were expected to increase by 57% from new business.	Customer deposits were behind budget by 30% as a result of lower deposits based from various clients.	Deposits are expected to increase by 9.7% from existing and new business.
Portfolio quality	Non-Performing Loans (NPL) ratio was expected to improve further, following potential recovery.	The ratio of NPL to gross loans has significantly improved from 14% to 1%. Recovery of one NPL and write off of unrecovered amount for the fully impaired asset has contributed to improve the ratio to 1%.	NPL ratio is expected to improve further as a result of better risk graded customers.
Capital management	Capital management was targeted to be maintained at 22% to support the Bank's risk appetite.	The capital adequacy ratio stood at 48%, with tier 1 ratio closing at 39%.	Capital adequacy ratio is expected to close around 30%.

Review by financial priority area

Analysis of results

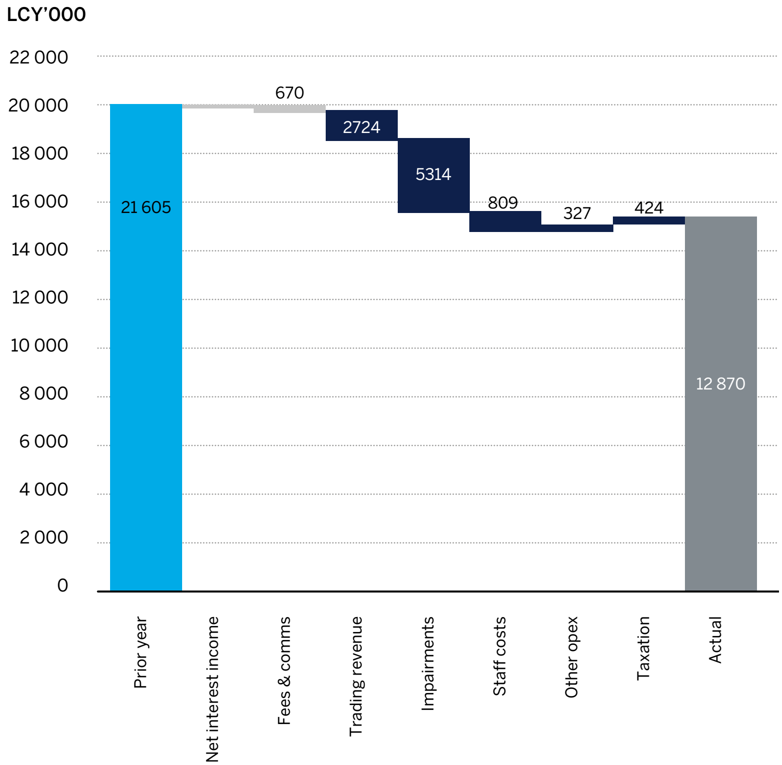
The overall financial performance for the year was dampened by the financial events on the international macroeconomic scene with falling commodity prices and a slowdown in Africa being witnessed. In spite of the challenging economic conditions that we experienced in 2016, our financial results demonstrated the Bank resilience to withstand these headwinds.

The Bank's operations posted a solid performance for the financial year 2016, translating into a profit after tax of USD12,8 million, resulting in a ROE of 15.1% being delivered. Earnings decreased by 40% on prior year, mainly due to the non-recurrence of the partial recovery of an impaired asset. This year, negative growth of 10% was witnessed, underpinned by reduced non-interest revenue streams. The fee based revenues underperformance of 19% on previous year was triggered mostly by lower trading revenues flows. Although a rigorous cost management approach was applied during the year; the cost to income ratio deteriorated from 43.3% to 50% attributable mainly to lower operating income recorded in 2016.

Following the de-risking of our balance sheet initiated last year, the Bank embarked on a strategy refresh in Quarter 2 to re-establish its asset portfolio. As expected, a lower asset base was witnessed. The Bank's balance sheet remains healthy and is stronger and this is demonstrated by the improvement in credit impairments, resulting in a credit loss ratio of 0.39%, supported by the recovery of one impaired asset during the year. The Bank's capital and liquidity position remains robust with a capital adequacy ratio closing at 48% and a liquid asset ratio of 68% being maintained 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



Revenue was underpinned by the three pillars of our business:

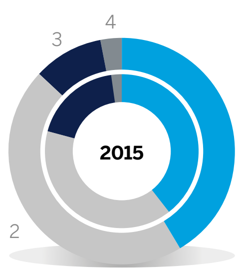
Global markets played a significant role in driving the Bank's revenue this year, contributing to 41.8% of the Bank's overall total income. Strong performance was recorded on NII which grew by 81% to close at USD3,9 million attributable to the continued focus on balance sheet optimisation and improved liquidity management. This growth was diluted by the underperformance of the trading book, with trading income declining by 26%, on account of lower overall volumes and margins from clients. The slump in commodity prices on copper production contributed to the shortfall in trading income. Lower volatility was observed in the FX markets, where reduced volumes were transacted, accounting for a drop in trading revenue.

TPS contributed 45.8% to the Bank's operating income. Total revenues grew by 4%, mostly enhanced by NII, which rose by 8% to close at USD7,8 million, as a result of a slight growth in asset book and deposit base this year. This upturn was lessened by a slight reduction of 2% in fees and commission income driven by lower trade finance activities.

2016 was a challenging year for Investment Banking (IB), with total revenues, comprising of net interest income and fee based income dropping by 54% to reach USD2,8 million. IB contributed to only 9.7% to the Bank's operating income. NII fell significantly year on year, attributable to the IB revised strategy being embedded late in the year, coupled with the exit of a few remaining cross border assets, as well as some early settlement of term facilities. Fees and commission income declined by 42% from prior year on account of non-recurrence fees, owing to early settlement of some cross-border assets in 2015.

Wealth and investment contributed 2.7% to total operating income, with NII growing by 98% to close at USD636 000, attributable to higher funding income on the deposit base in 2016. Fees and commission dropped by 18% to reach USD187 000 on account of lower transactional fees.

Contribution per product house to the operating income is detailed hereunder:



Operating income

		2016	2015
1	Global markets	42%	40%
2	TPS	46%	40%
3	Investment banking	10%	19%
4	Wealth	3%	2%

Revenue growth

Revenues experienced a shortfall of 10% compared to prior year. Although NII contribution remained at par compared to prior year, non-interest revenue growth was muted by the decline in trading income and decrease in fees and commission.

Net interest income

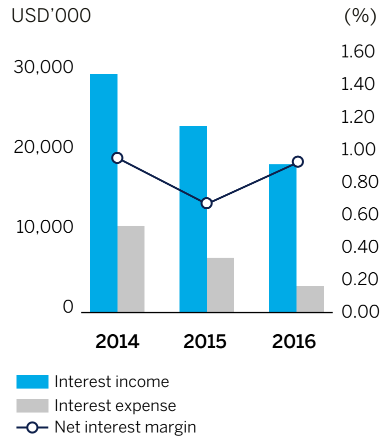
NII remained flat year-on-year, closing at USD14,2 million. This performance was prompted by several elements following the refinement of the strategic objective. The repositioning of our strategy this year had an impact on our asset book, as the credit portfolio was in the process of being built up, resulting in lower revenue flows. A robust balance sheet optimisation along with improved liquidity management has contributed significantly in improving revenue streams, which compensated for the shortfall in interest income from term assets.

Interest income declined by 11% year-on-year to reach USD18,7 million, driven by lower average term advances, following the early settlement of some cross border facilities. This reduction was partly offset by improved revenue generated from the continued focus on balance sheet optimisation, through the lengthening of mismatch activities. This has enhanced the revenue stream, along with the benefit of the Fed rate hike late in December 2015 which has contributed to higher interest income on bank placements.

Interest expense witnessed a decrease of 35% on prior year, following a reduction in term deposits, as a result of USD700 million deposit from a sovereign fund which was repaid mid last year. In addition, the repayments of a few tem assets translated into lower funding requirements from Isle of Man, combined with lower regional treasury activities during the financial year 2016 has contributed to a lower interest yield.

As a result margins have improved on the back of lower cost of funding and continued growth in high yielding assets throughout the year, positively impacting the net interest income. This has translated into an improved net interest margin of 0.96% from 0.61% in prior year.

Net interest income



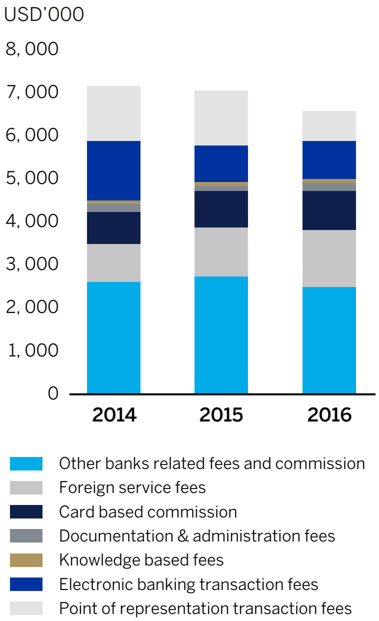
Non-interest revenue

Non-interest revenue was 19% down year on year, closing at USD14,6 million from USD18 million for the same period last year. This outcome was mostly attributable to the subdued trading income performance.

Net fee and commission income has decreased by 10% to reach USD6,4 million in 2016. This result was driven out mostly by the underperformance of trade finance activities, where a drop of 12% was recorded in the trade finance income.

Other contributors to the fee and commission line were other bank related fees which declined by 44% on account of non-recurring breakage fee of USD744 000 earned in the preceding year owing to the early settlement of few term facilities. However the dilution in fee and commission was offset by a notable growth of 50% in knowledge based fee where the Bank recorded participation fees of USD246 000 for the year.

Non-interest revenue



Trading income

Global markets delivered a subdued performance this year, on the back of a difficult trading environment. Overall trading revenue dropped 25% to USD7,9 million from USD10,6 million last year. The drop in revenue was supported by lower sales volume on the FX sales and structured products trading desks.

The FX sales desks, which included the corporate, retail and structured products segments, contributed 83% to total trading revenue for the year. Corporate sales underperformed this year and were adversely impacted by low trading volumes. Although FX trade volumes dropped 31% in 2016, margins improved and showed a lesser drop of only 15%. The retail desk also reported negative growth in income, and was 46% down from last year.

Demand for structured products showed a decline in 2016, with structured products witnessing a decrease of 47% in income year-on-year. This was on the back of low volatility prevailing in the forex markets and as a result, client requirements for hedging solutions were lower.

The FX flow trading segment was equally impacted by the low trading volumes. The desk showed 33% decline in income year-on-year. The money market trading desk also lagged behind and reported negative growth of 86% in 2016 as a result of a reduction in forward and swap activities during the year.

Other revenue was 14% higher resulting from higher recharges of the shared services during the year to Standard Bank Trust (Mauritius) Co.

Credit impairment

The Bank reported an increase in credit impairment charge closing at USD365 000. Portfolio credit impairment charge went up by USD306 000 compared to prior year. This was driven by the deterioration in credit quality of a trade finance asset.

Provision released for the year was lower on the back of cross-border assets being exited in 2015.

Specific impairment was higher on account of a fair value adjustment of USD104 000 for a restructured facility and USD111 000 representing exchange rate fluctuations on a Euro denominated previously impaired asset. The same impaired asset, against which full provision was held, was written off during the year for USD3,2 million.

As a result, the credit loss ratio moved from negative 2.46% to 0.39% in 2016.

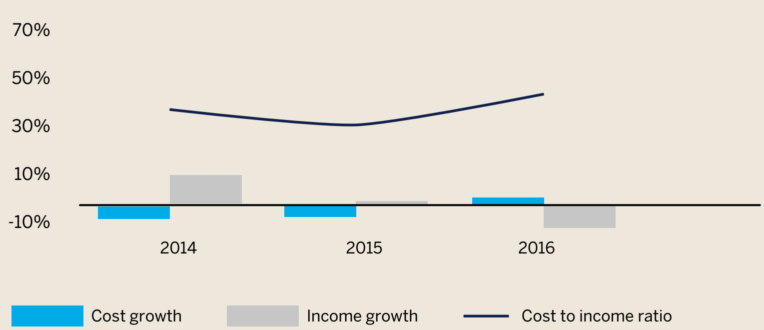
Following the recovery of one NPL asset, the ratio of NPL as a percentage of gross loans improved from 14% to 1% at year-end.

A detailed analysis of performing and NPL is provided in the financial risk management report on page 113.

Operating expenses

Cost management remains a key strategic initiative for the Bank. Its continuous investment in staff and infrastructure attests to the Bank's commitment to provide excellent customer service and deliver on our strategic priorities. Although operating costs went up slightly by 4%, the decline in total revenues has contributed to a deterioration in the cost to income ratio from 43.3% to 50%.

Cost and income growth



Staff costs grew by 7% in 2016[1]. Fixed remuneration was up by 6% due on the back of increased headcount moving from 120 to 131. Variable costs rose by 9% due to higher non-permanent headcount to support the Bank's various initiatives.

	Dec 2016 USD'000	Dec 2015 USD'000	Dec 2014 USD'000
Staff cost expenses			
Staff cost			
Fixed remuneration	**4 220**	3 996	4 239
Variable remuneration and other costs	**2 755**	2 533	3 015
Total staff costs	**6 975**	6 529	7 254

Carving out for the staff cost recharges refund of USD370 000 mentioned previously, other operating expenses have remained flat year-on-year. An increase of 15% in other controllable costs was witnessed, owing to costs associated with team building and recognition awards. Additional intercompany costs now recharged to the Bank also lead to the increase in other controllable cost. IT support cost, professional fees and premises costs have decreased due to operational efficiencies across the Bank.

	Dec 2016 USD'000	Dec 2015 USD'000	Dec 2014 USD'000
Operating expenses			
Other operating expenses			
IT support costs	**833**	874	353
Depreciation and amortisation	**852**	795	903
Professional fees	**1 082**	1 541	1 362
Fixed assets written off	**-**	-	-
Premises	**899**	907	1 093
Other	**4 263**	3 302	3 841
Total other operating costs	**7 929**	7 419	7 552
Total operating costs	**14 905**	13 948	14 806
Cost to income ratio	**50.04%**	43.32%	45.96%

Tax

For most of 2016, the Bank benefited from a reduced corporate tax charge as a result of tax losses brought forward from the previous year. An additional write off of USD3,2 million, relating to one previously impaired facility, further increased the tax loss during the year. At year-end, the Bank had fully utilised its tax losses.

As a result, the corporate tax charge for 2016 was mainly driven by the special levy. Deferred tax movements, originated by the full utilisation of the brought forward tax loss, also contributed to a significant part of the total tax charge for 2016.

The effective tax rate of the Bank as a percentage of the total tax charge to the profit before tax moved from 7% to 8% in 2016.

Dividends

Dividends of USD20 million were paid to Stanbic Africa Holdings Ltd, the Bank's shareholder during the year.

Statement of financial position

Total assets increased by 8% to USD1.5 billion compared to prior year, as a result of an increase in bank placements, driven by higher customer deposits. Deposits from banks increased as a result of higher balances on operational accounts in December 2016. 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 increased by 11% to reach USD955 million as a result of higher placements with group banks, on the back of a higher customer deposit base at year-end.

[1]regional staff costs recharges of USD370 000 were reallocated from staff costs to operating expenses in 2016.

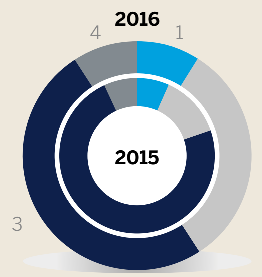
Loans and advances

Gross loans and advances to customers witnessed a decline of 24% to reach USD80 million, while loans to banks have grown by 18% to reach USD463 million.

Customer balances inclusive of NPL closed at USD80 million. The reduction in credit exposures stems from the early repayment of some assets and the implementation of the Investment Banking strategy late in quarter three.

The Bank's revamped strategy is to focus on its core activities relating to its African aspirations as well as local corporates with an interest into Africa. The asset book remained skewed towards segment B activities, in line with our strategy.

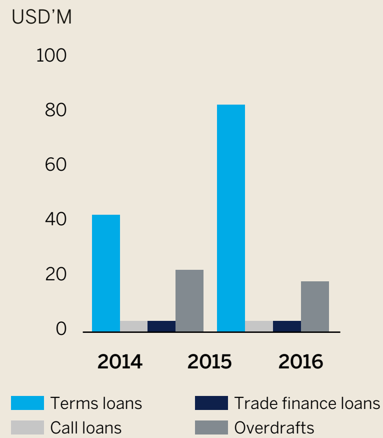
The credit loss ratio closed at 0.39%, with total allowance for credit loan losses totalling USD1,6 million.



Composition of gross loans and advances

		2016	2015
1	Trade finance loans	9%	6%
2	Overdrafts	32%	13%
3	Term loans	50%	74%
4	Call loan	9%	7%

Customer loans and advances



Loans and advances book recorded activities across the various product lines. Significant growth was recorded in overdraft, stemming from increased limits utilisation. Trade finance funded exposure increased by 11%, whilst exposure on term loan facilities dropped nearly by half to USD40 million. The decrease in term loans facilities was fuelled by the transfer and early repayment of some term facilities. Activities in segment B assets remain a significant portion of our book and were at 81% of the portfolio mix (2015:72%).

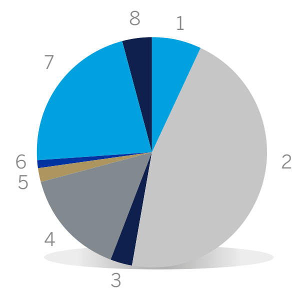
As at 31 December 2016, the loan to deposit ratio stood at 11.05%. (2015: 9.2%).

Credit exposure portfolio

As at end of December 2016, the Bank exposures to the Global Business Licence (GBL) and traders sectors were 46% and 22% respectively. The third highest exposure was on the manufacturing sector which amounted to 15%. From a sectoral perspective, the lending book (for both segments A & B) remained well-diversified in line with our sector cap policy. 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 mainly the multinational corporates through the segment B counterparties.

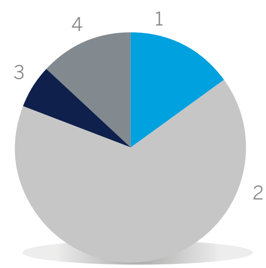
Since the Bank risk appetite on the textile and tourism industries remained conservative, we had minimal exposure on these sectors as at year end.

The Bank credit appetite is constantly being reviewed in light of these sectors challenges and macroeconomic changes, hence due caution is being exercised as and when appropriate.



Credit exposure portfolio mix
(%) - USD80,378,061

1	Financial and business services	7%
2	Global business licence holders	46%
3	Infrastructure	3%
4	Manufacturing	15%
5	Personal & professional	2%
6	Public non-financial corporation	1%
7	Traders	22%
8	Transport	4%



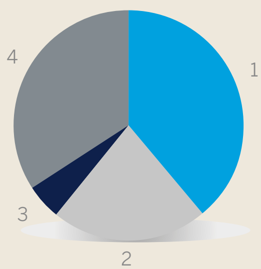
Global business licence holders portfolio mix
(%) - USD 36 814 328

1	Agriculture & fishing	15%
2	Construction	66%
3	Financial intermediation & business services	6%
4	Manufacturing	13%

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

1	GBL	39%
2	Construction	22%
3	Manufacturing-non-textile	5%
4	Trading	34%

As at 31 December 2016, out of the top 6 customers or group of customers with large exposure, only one customer had exposures above 25% but less than 50% 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 102% 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 2016 were as follows:

	Exposure USD'000	Percentage of capital base
Sector		
Trading (2 clients)	51 567	52%
Manufacturing-non-textile (3 clients of the same group)	20 210	20%
Construction (1 client)	20 000	20%
	91 777	

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 USD39 million to USD12 million.

Trading liabilities

There were no trading liabilities at year-end.

Derivative assets and liabilities

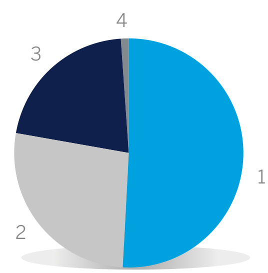
Derivative assets and derivative liabilities increased by 31% and 35% to reach USD11,8 million and USD11,6 million respectively, driven by increased client flows in structured product sales during the year.

Investment securities

Financial investments increased by 76% to close at USD800 000, as a result of placing excess liquidity in treasury bills, stemming from an increase in the banking book activities.

Deposits

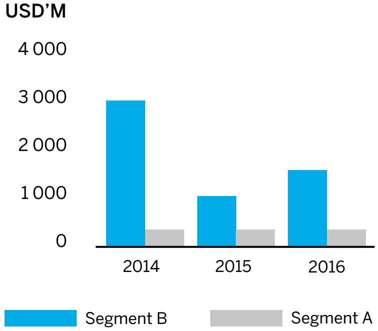
Customer deposits grew by 10% to reach USD1,3 billion (2015: USD1,1 billion). Notable growth was experienced in call and fixed deposits which grew by 23% and 16% respectively. Current account deposits recorded a drop of 18%. Savings portfolio remained almost unchanged year on year.



Analysis of deposits

		2015
1	Call accounts	51%
2	Current accounts	27%
3	Fixed deposits	21%
4	Saving accounts	0.76%

Deposit splits



Deposits from banks

Deposits from banks increased by 19% to close at USD94 million. While intergroup deposits went down by 22% year-on-year, the overall increase of 19% was driven by higher balances on operational accounts at year-end.

Other borrowed funds

This represents term funding from Standard Bank Isle of Man to cater for cross-border term assets and has reduced by 63% 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. Under the Basel III guidelines on eligible capital, effective 1 July 2014, an additional 10% of the tier 2 subordinated loan was phased out this year in the computation of tier 2 capital. The remaining USD17,5 million will be progressively phased out over the next 5 years, beginning 1 July 2017.

Off-balance sheet items

Off-balance sheet exposure per sector

	2016 USD'000	2015 USD'000	2014 USD'000
Sector			
Manufacturing	**1 077**	1 018	223
Telecommunications & ICT	**5 580**	2 836	2 455
Govt & Institutional Org (GIO) & infrastructure	**79**	92	105
Personal	**15**	33	313
Transport (airlines, shipping & others)	**156**	156	160
Commerce & trading (wholesale, retail & other dealers)	**4 489**	3 039	8 815
Property holding	**5 400**	5 400	-
Investment holding	**-**	-	4 560
Financial intermediation & business services	**5 548**	522	23 010
Construction	**2 689**	2 759	17 379
Mining & quarrying	**1 100**	1 100	1 000
Energy	**-**	1 862	2 642
	26 133	18 817	60 662

Off-balance sheet exposure increased from USD19 million to USD26 million in 2016 as a result of increased non-fund based facilities to clients in the telecommunication and financial intermediation & business services sector.

Off-balance sheet exposure by geographical concentration

	2016 USD'000
Country	
China	**906**
France	**3 286**
Germany	**35**
Mauritius	**16 263**
South Africa	**5 641**
UK	**2**
	26 133

Credit quality

The NPLs ratio to total loans fell from 14% to 1% as at end of December 2016. The Bank recovered on one NPL asset and no new account was classified during the year. The Bank proceeded with the write-off of the remaining balance of one recovered facility which was fully provisioned.

Credit impairment provision stood at USD1,6 million at the end of the financial year. USD695 000 was raised under the Performing Portfolio Provisioning (PPP) together with an additional USD68 000 to align to the regulatory rate of 1% 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 USD8 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 113-114.

The quality of the lending book remains healthy with only one asset classified as impaired, duly provisioned for. The Bank nevertheless has managed to complete the recovery on an NPL asset within the property sector. Legal action is 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 are 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.

	2016 USD	2015 USD	2014 USD
Provisioning and asset quality			
Provisions at beginning of the year	**5 500 345**	30 443 626	58 880 650
Provisions made during the year	**685 165**	596 382	1 782 619
Provisions released during the year	**(325 705)**	(2 641 397)	(2 580 110)
Amounts written off	**(3 222 809)**	(19 993 815)	(27 311 533)
Bad debts recovered	**-**	(2 904 451)	(328 000)
Transfer to other liabilities[2]	**(1 000 000)**	-	-
Provisions at end of the year	**1 636 996**	5 500 345	30 443 626
Key ratios (%)			
Income statement charge to total loans	**0.45**	2.46	-0.33
Total provisioning to non-performing loans	**201.60**	36.89	75.69
Specific provisions to impaired credits	**115.98**	20.28	0.44
Total provisions to total loans	**2.04**	28.65	10.86

[2]Relates to reclassification of land transfer tax provision incurred on account of impaired facility from specific provisioning to other liabilities.

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 being managed rigorously.

Renegotiated loans and advances are exposures, which have been refinanced, rescheduled or otherwise modified, following weaknesses in the counterparty's financial position. Loan renegotiated in 2016 that would otherwise be past due was USD7,3 million, relating to a trade finance facility. In line with central bank requirement following the implementation of the revised guideline on credit impairment measurement and income recognition, a fair value adjustment of USD104 000 was raised at year-end.

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.

The first line of defence has the responsibility to identify and manage risks on a day-to-day basis at an operational level in accordance with agreed appetite, policies and controls.

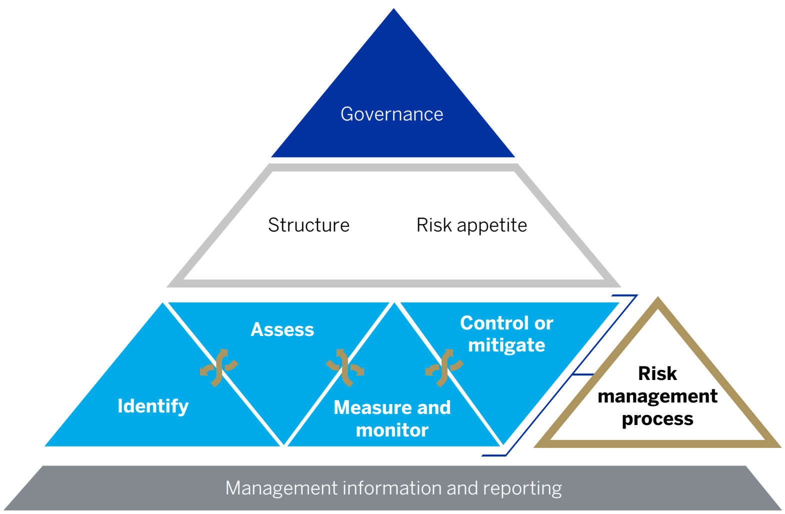
Effective first line of defence includes:

- the proactive self-identification of issues and risks including emerging risks across every business unit;
- the design, implementation and ownership of appropriate controls;
- the associated operational control remediation; and
- a strong culture of transparent and effective risk partnership.

The second line of defence functions provides independent oversight and assurance and ensure that specific risks are managed effectively as close to the source as possible. It sets the frameworks within the parameters set by the Board and reports to management and board governance committees.

The third line of defence is Internal Audit who provide an independent and objective assurance to the Board and senior management on the effectiveness of the first and second lines of defence.

Risk management framework



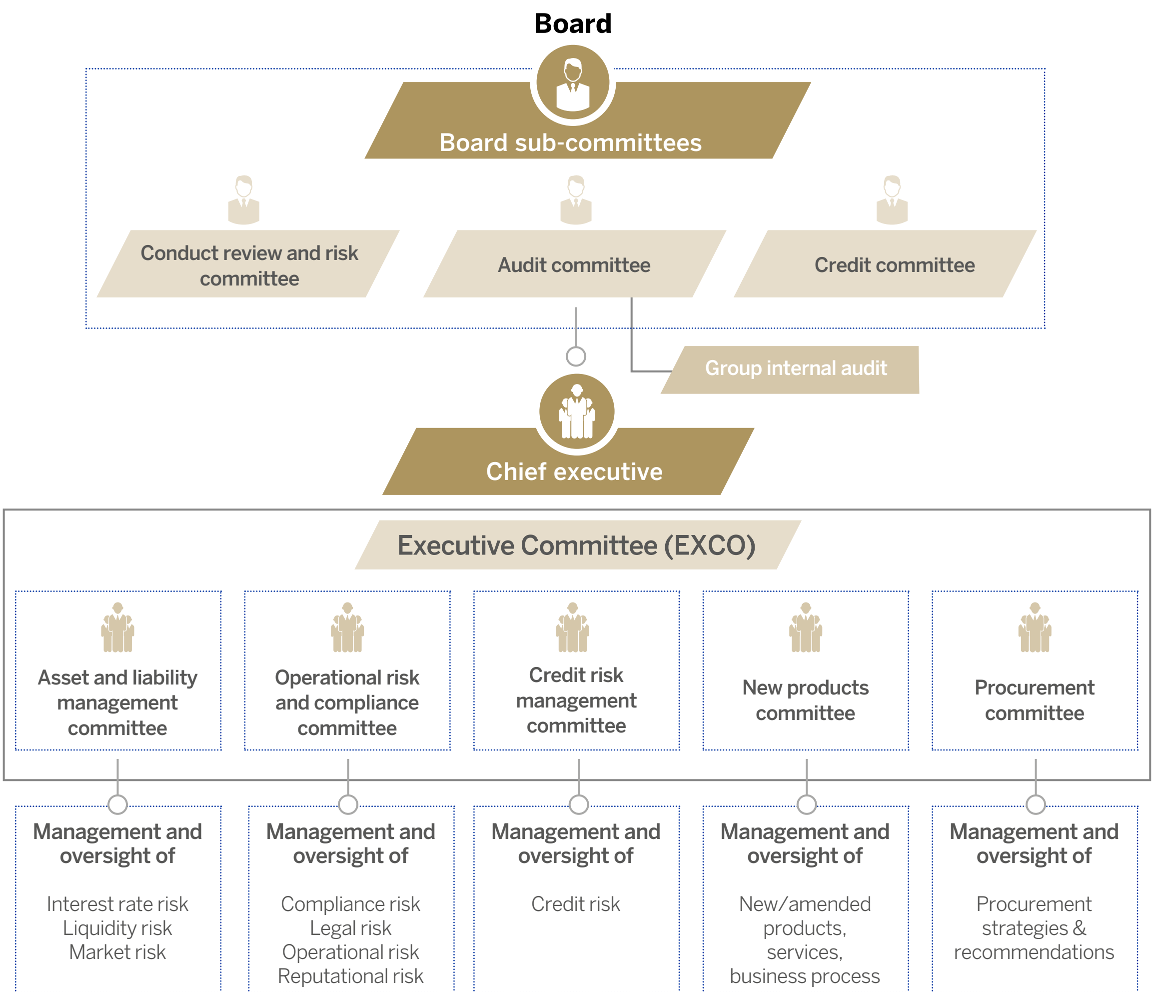
Governance

Governance documents comprise standards, frameworks and policies which set out the requirements for effective oversight of risks. These governance documentations 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's is exposed to and ensures that all material risks to the Bank's strategic and financial objectives are identified and managed proactively. 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. These standards are localised to recognise in-country laws and regulations.

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 the risk management team through annual self-assessments by business units and independent reviews by the third line of defence functions.

Structure



Board and sub-committees

The Board of the Bank has ultimate responsibility for the oversight of risk. 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. As at 31 December 2016, the Board is satisfied that:

- the Bank's risk management controls and processes generally operated effectively;
- the Banks activities have been managed within the Banks' risk appetite and strategy; and
- the Bank is adequately capitalised to execute its strategy.

In instances where the Bank breached risk appetite the Board is satisfied that management have taken appropriate remedial action.

Management committees

Details of the management committees such as Executive Committee (EXCO), Asset and Liability Management 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 49. Other committees of the Bank are:

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

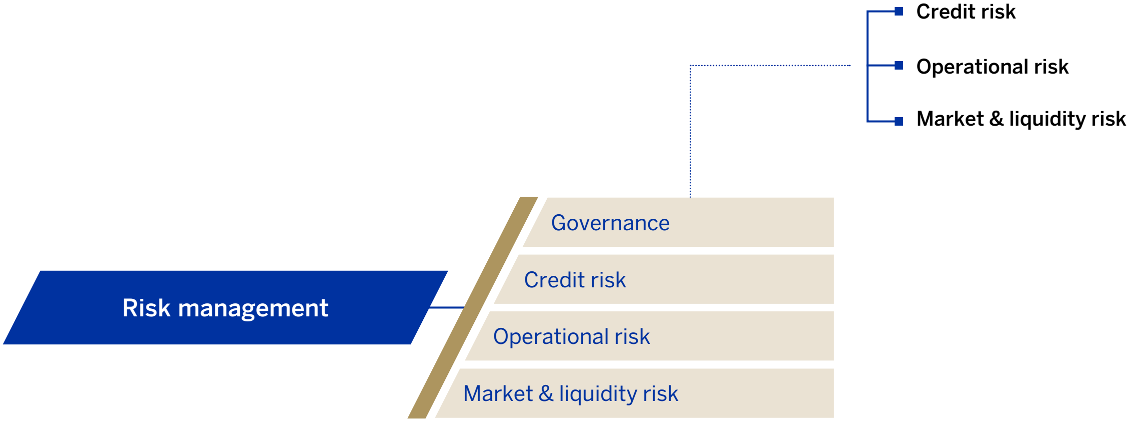
The risk management team provides the day-to-day oversight on management of risk and promotes the risk culture across the Bank. It is responsible to create and maintain the risk practices across the Bank as defined by group risk and to ensure that controls are in place for all risk categories.

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.

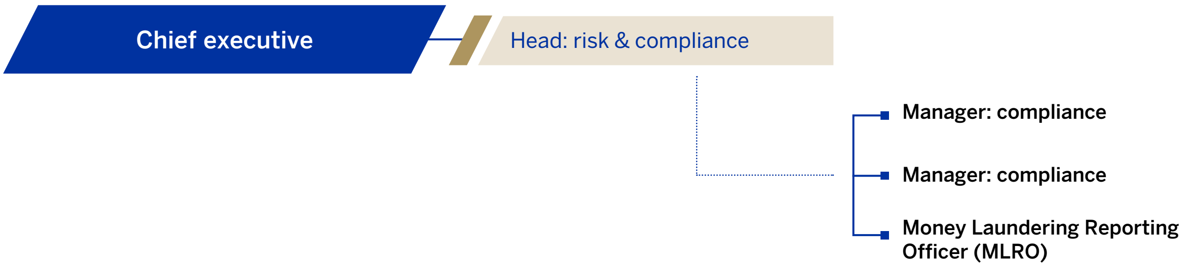
The risk function is subject to internal audits from group internal audit on an annual basis where it is assessed by specialised teams for each of the different types of risk. Internal audit provides an annual assessment on the adequacy and effectiveness of the Bank's processes for controlling its activities, 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.

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

CREDIT RISK	
Definition	Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due.
Approach to managing credit risk	• Maintaining a culture of responsible lending and a robust risk policy and control framework. • Defining, implementing and re-evaluating credit risk appetite. • Expert scrutiny and approval of credit risk and its mitigation independently of the business functions. • Ongoing monitoring of exposures relative to set appetite and limits and quality of assets and counterparty. • Ongoing independent risk oversight and reporting to governance committees, in respect of breaches of limits, policies/procedures, risk appetite.

COUNTRY RISK	
Definition	By virtue of its strategy, the Bank is exposed to country risk. Country risk is the uncertainity that obligors (including sovereign and group companies) will be able to fulfil financial obligations given political or economic conditions in the country in question.
Approach to managing country risk	All countries, to which the Bank is exposed to, are reviewed at least annually. Our Internal rating model is used 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. Once rated countries are then categorised into high, medium or low risk. Country risk is mitigated through a number of methods including: • limit exposure per country depending on risk grade; • political and commercial risk insurance; and • structures to mitigate transferability and convertibility such as collection, collateral, margining deposits outside the jurisdiction in question.

LIQUIDITY RISK	
Definition	Liquidity risk is the risk that the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due or only do so at materially disadvantageous terms.
Approach to managing liquidity risk	**Tactical – shorter term** • Manage intraday liquidity positions. • Monitor interbank levels, daily cash flow requirements, short term cash flow requirements. • Set deposit rates in accordance with structural and contingency liquidity requirements. **Structural – longer term** • Ensure a structurally sound financial position. • Identify and manage structural liquidity mismatches via appetite limits. • Determine and apply behavioural profiling. • Manage long term cash flows. • Preserve a diversified funding base. • Be informed of term funding requirements. • Preparing for BASEL 3. **Contingency liquidity** • Monitor and manage early warning liquidity indicators. • Establish and maintain liquidity contingency plans. • Regular stress testing. • Set liquidity buffers.

MARKET RISK	
Definition	Market risk is the risk of a change in the market value, actual or effective earnings or future cash flows of a portfolio of financial instruments caused by adverse movements in market variables such as currency exchange, interest rates, credit spreads, equity, and bonds. The Bank's key market risks are: • Trading book market risk; • Interest rate risk in the banking book; and • Foreign currency risk.

Approach to managing market risk	Trading activities are undertaken by global markets team with independent oversight by the market risk function reporting into ALCO. Market risk is responsible for identifying monitoring and reporting on market risk. Limits and appetite are cascaded down to legal entity by group ALCO. In country ALCO approves the limits and recommend same to the Board who has the authority to set limits at a lower level. The techniques used to measure and control market risk include: **Normal Value at Risk (VaR) and Stressed Value at risk (SVaR):-** For risk management purposes, VaR is based on 251 days of unweighted latest historical data, a holding period of 1 day and a confidence level of 95%. The VaR is calculated in four steps: 1. calculate 250 daily market price movement based on 251 days of data; 2. calculate hypothetical daily profit or loss for each position using these daily market price movements; 3. aggregate all hypothetical profits or losses for day 1 across all positions to arrive at a daily hypothetical profit or loss and then repeat for all other days; and 4. VaR is the 95th percentile selected from 250 days of daily hypothetical total profit or loss. SVaR uses a similar methodology except that the holding period is set to 10 days and assumes a worst case loss. There are limitations to VaR which are acknowledged as: • the use of historical data to predict future events may not encompass potential extreme events; • the use of 1 day holding period assumes positions can be liquidated in 1 day; and • VaR is calculated on positions at end of day and does not necessarily take into account intraday exposures.
Stop loss triggers	Stop loss triggers are used to protect the profitability of the trading desk and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily losses through prompting a review or close out of positions.
Stress testing	Stress testing provide an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing and combinations of market factors using a range of historical, hypothetical and Monte Carlo simulations. 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.
Back testing	Back testing compares the actual profit or loss for the day based on previous day's position to the hypothetical profit or loss calculated on the previous day. This enables the Bank to ensure appropriateness of the VaR model within the inherent limitations of VaR.
Product control	Other controls include permissible product concentration, maximum tenors, daily price validations and balance sheet substantiation.

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)	
Definition	Interest rate risk results from the different repricing characteristics of banking book assets and liabilities. The Bank's IRRBB can be further divided into the following sub-risk types: • repricing risk: timing differences in the repricing of assets and liabilities; • yield curve risk: shifts in the yield curve that have an adverse impact on the Bank's income; and • endowment risk: exposure arising out of the net differential between interest rate insensitive assets such as non-earning assets and interest rate insensitive liabilities such as non-interest bearing liabilities and equity.
Approach to managing IRRBB	This essentially involves managing the potential adverse effect of interest rate movement on the banking book. 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 is compared to limits set. Desired changes to the interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles.

OPERATIONAL RISK	
Identification	Operational risk is the risk of loss suffered as a result of the inadequacy of or failure in internal processes, people and systems or from external events. Operational risk subtypes are wide ranging and there are specific sub-risk types that are managed by specialists' functions. These include: • tax risk; • legal risk; • environmental and social risk; • IT risk and IT change risk; • information risk; • cyber risk; and • compliance risk.
Approach to managing operational risk	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 as the first line of defence for owning and managing risks resulting from their activities. 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:
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.
Key risk Indicators (KRIs)	Indicators are used across the Bank to monitor the relevant risks and controls highlighted in the RCSA process. The implementation of the KRI process is an integral element in providing an early warning indicator through trigger thresholds of a potential increase in risk exposure and/or a potential breakdown of controls. KRIs are reported on a monthly basis by business units to the operational risk team.
Incident management & reporting	All operational risk incidents are recorded and reported. 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.
Business Continuity Management (BCM)	The Bank's business continuity framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. Each business unit is responsible for their own BCM, closely supported by risk, who will provide the governance, steer, oversight and reporting of BCM status of readiness. There is a BCM Forum which meets on a half-yearly basis and is used to make tactical decisions around BCM. It is chaired by head: risk and attended by all business areas coordinators to discuss BCM activities such as recovery facilities, testing, awareness and simulations among others. Contingency and recovery plans for core services, key systems and priority business activities have been developed and are revisited annually 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. 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 governance committees.

IT risk management	IT risk encompasses IT risk and IT change risk. IT risk refers to the risks associated with the use, and adoption of IT within the Bank while IT change risk refers to risks arising from changes, updates made to IT infrastructure which if not properly managed could affect service reliability and availability. As technology becomes increasingly important and integrated into business processes, the need for effective management of IT risks becomes imperative. The Bank's main IT risks include the failure or interruption of critical systems leading to inability to service customers in a timely manner, cybercrime, unauthorised access to systems. Information risk management has become a key risk in banking that needs to be properly managed with the growing popularity of new generation infrastructure which is cloud-enabled. Cyber risks which may arise due to the disclosure, modification, destruction or theft of information, thus exposing the Bank to financial loss and reputation impact. These risks are mitigated through various controls which are implemented group-wide and closely monitored by management.

Risk appetite and stress testing

The risk appetite framework provides guidance on the following:

- setting and cascading of risk appetite by the Group to the various legal entities;
- measurements and methodology
- governance;
- monitoring and reporting of the risk profile; and
- escalation and resolution.

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. The metric is referred to as 'risk appetite trigger'.

Risk tolerance is the maximum amount of risk that the Bank is prepared to tolerate above its risk appetite. The metric is referred to as 'risk tolerance limit'.

Risk capacity is the maximum amount of risk the Bank is able to support within its available financial resources.

Risk Appetite Statement (RAS) is the documented expression of risk appetite and tolerance which has been approved by the Board. There are three levels of risk appetite.

Level 1 Risk appetite dimensions

Available financial resources and earnings volatility

Regulatory capital
Economic capital
Stressed earnings
Liquidity

Level 2 capital utilisation by risk type

Utilisation of available financial resources by different risk types

Credit risk
Liquidity risk
Operational risk
Market risk
Interest rate risk

Level 3 portfolio limits by risk type

Monitored to ensure proactive risk management

Credit risk

- Loss ratio
- NPL ratio
- Concentrations
- Watchlisted accounts to loan book ratio

Liquidity risk

- Net stable funding ratio
- Concentrations

Operational risk

- Losses to gross income
- Overdue audit findings

Market risk

Normal VaR and SVaR

Interest rate risk

Interest rate sensitivity

Risk profile is defined in terms of three dimensions namely the current risk profile, the forward risk profile unstressed and the stressed risk profile.

Stress testing is a key risk management tool within the Bank and facilitates a forward-looking perspective of the organisation's risk profile or risk tendency.

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.

(Refer to ICAAP section under capital management on page 43)

Looking ahead

In line with our Africa strategy, we will continue to strengthen our risk management skills, capabilities and governance. There is an increased awareness of emerging risks that are being addressed in our risk management framework relating to liquidity, cyber risk and any potential downgrade of South Africa to sub-investment grade as well as geopolitical risks.

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 primary management level subcommittee that oversee the risk associated with capital management is the ALCO.

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 aims to strengthen the regulation, supervision and risk management of the banking sector. The measures recommended 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 bank's transparency and disclosures.

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:

CET 1

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.

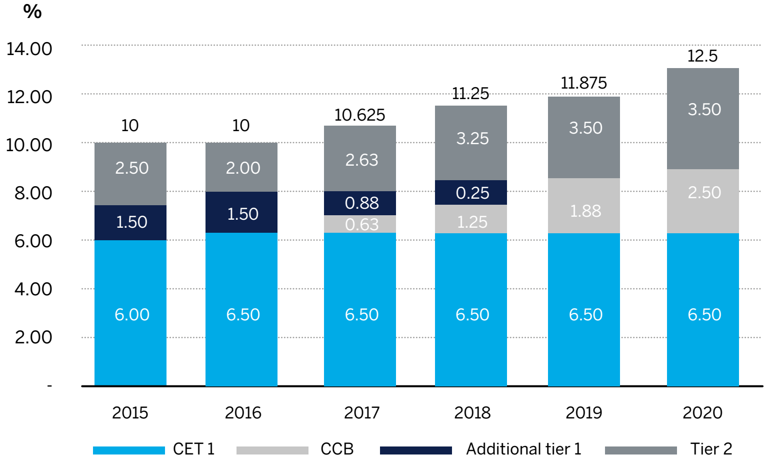
Total capital adequacy

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 (%)



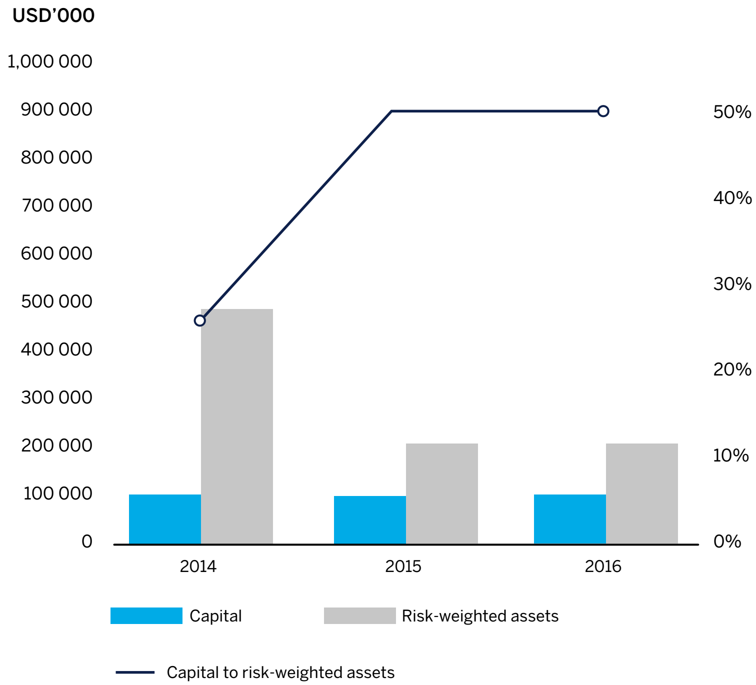
The Bank manages its capital levels to support business growth, maintain depositor and creditor confidence and create value for shareholders. The Bank has been compliant with the minimum requirements to date.

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 Moody's Investors Service to banks to determine the risk-weighting of exposure with banks.

Capital to risk-weighted assets



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

Capital position under Basel III

as at 31 December 2016

	Basel III 2016 USD'000	Basel III 2015 USD'000	Basel III 2014 USD'000
Common equity tier 1 capital			
Share capital	**35 000**	35 000	35 000
Statutory reserve	**12 091**	10 161	7126
Other reserves	**34 501**	43 254	19 347
Current year's profit/(loss)	**-**	-	15 416
Less: Deductions			
Intangible assets	**(14)**	(27)	(40)
Deferred tax	**(300)**	(1177)	(2116)
Common equity tier 1 capital	**81 278**	87 211	74 733
Other reserves	**-**	(1)	-
Subordinated debts	**17 500**	20 000	22 500
Provision for performing loans	**763**	899	2514
	18263	20 898	25 014
Total capital base	**99 541**	108 109	99 747
Risk-weighted assets for:			
Credit risk	**154 495**	160 868	395 332
Operational risk	**52 376**	52 261	54 219
Aggregate net open foreign exchange postition	**532**	887	884
Total risk-weighted assets	**207 403**	214 016	450 435
Common equity tier 1 capital	**39.19%**	40.75%	16.59%
CAPITAL ADEQUACY RATIO	**47.99%**	50.51%	22.14%

The Bank maintains appropriate levels of capital, with a CET 1 capital ratio of 39.19% (2015: 40.75%) and a total capital adequacy ratio standing at 47.99% (2015: 50.51%). 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	7993
Guarantee - Local Bank	-
	7993
Total credit risk exposure	2 086 464
% exposure covered by bank guarantee	0.38%

Exposures subject to the standardised approach per risk-weighting

as at 31 December 2016

CREDIT RISK	2016 Nominal amount USD 000	2016 Mitigation	2016 Risk Weight %	2016 Risk-weighted assets USD 000	2015 Risk-weighted assets USD 000	2014 Risk-weighted assets USD 000
On-balance sheet assets						
Cash Items	154		0-20	-	-	-
Claims on sovereigns	4945		0-100	-	-	-
Claims on banks	1 386 090		20-100	46 745	29 989	42 046
Claims on central banks	26 724		0-150	-	-	-
Claims on PSE	-		20-150	-	-	-
Claims on corporates	79 524	7993	20-150	71 751	89 297	251 833
Past due claims	837		50-150	419	11 262	16 722
Other assets/fixed assets	6073		100	6073	9758	15 226
Total	1 504 347	7993		124 988	140 306	325 827
Non-market related off-balance sheet risk-weighted assets						
Direct credit substitute	16 841	6904	20-100	9938	8558	57 926
Transaction-related contingent items	10 693	7378	20-100	1658	349	1017
Trade related contingencies	2800		20-100	560	760	2068
Other commitments	-		20-100	-	4181	3092
Total	30 334	14 282		12 156	13 848	64 103
Market related off-balance sheet risk weighted assets						
Interest rate contracts	-			-	5	164
Foreign exchange contracts	551 783			17 351	6708	5238
Total	551 783			17 351	6713	5402
Total credit risk	2 086 464	22 275		154 495	160 867	395 332
Operational risk				52 376	52 261	54 219
Aggregate net open foreign exchange position				532	887	884
Total risk-weighted assets	2 086 464	22 275		207 403	214 015	450 435

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 and considers that risk appetite is an integral part of the Bank's strategy and business plans. As a result all material risks are appropriately managed and mitigated, with back-up action plans 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 74% of total regulatory capital usage and as such represents the largest source of risk that the Bank is exposed to. Such risk therefore attracts a high degree of management focus, with sufficient resources assigned to ensure that the risk is mitigated.

Year under review

Stress scenarios

Economic headwinds, volatility in markets and competitive pressures accelerate the need to continuously assess the Bank's forward looking risk profile under normal and stress conditions against the stated risk appetite. The appropriateness of the macroeconomic stress scenarios and the severity of the relevant scenarios are approved by the Board and senior management on semi-annual basis.

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'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 five dimensions:

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

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

During 2016, the Bank ran several stress tests to understand the impact that potential stress events would have on its profitability and capital position on a forward looking basis. These events included amongst others the slowdown in China's economic growth, the African aversion as interest rates start to normalise in the US, the falling price of commodities and the potential downgrade of South Africa.

Capital buffers were 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.

In instances where the results of the stress tests breached risk appetite or tolerance, the Board ensured that management has mitigating actions in place to minimise the impact.

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 2016.

The Bank has exempt related party exposure with members of the SBSA 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 163 to 165.

Photo: Port Louis harbour, Mauritius

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.

The 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 Limited (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 of Directors (the Board) in performing its role of providing risk oversight and strategic counsel and at the same time ensuring compliance to evolving regulatory requirements.

The Bank is directly held by Stanbic Africa Holdings Limited (SAHL), a company incorporated in the United Kingdom. At the end of year 2016 with a view to simplify the shareholding structure, an internal reorganisation of the shareholding of SAHL has been implemented. Prior to the reorganisation, SAHL was controlled directly by the Group with minority shareholdings held by two other wholly owned group subsidiaries, Standard Bank Group International Limited and SML Limited, both registered in the Isle of Man. Subsequent to the reorganisation, SAHL is now wholly owned by the Group. This reorganisation was undertaken after obtaining necessary approvals, including that of the South African Reserve Bank.

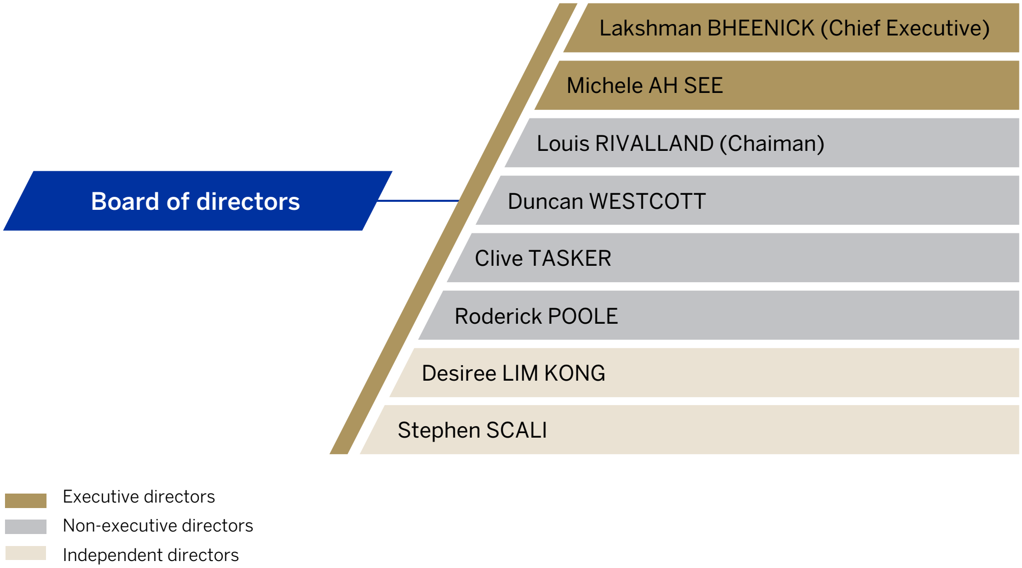
The Board of the Bank ensure that the principles of governance and codes of best practices are in place and adhered to. The Bank subscribes to and is fully compliant with the following guidelines on corporate governance in all material aspects:

- The Bank of Mauritius (BoM) guidelines on corporate governance, 2016; and
- the Financial Reporting Council (FRC) (Compliance with the Code of Corporate Governance) guidelines, 2013.

The Board has ultimate responsibility for the affairs of the Bank.

- 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;
- approving the Bank's corporate plan covering short term and long term business objectives, strategy including those relating to risk management, capital adequacy, liquidity, and risk appetite amongst others;
- responsible for the appointment and monitoring of senior management, question and scrutinise performance of senior management in the achievement of corporate objectives;
- responsible for the appointment of the CEO and other senior officers; and
- ultimately accountable to the shareholder.

Currently, the Board comprises 8 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 Tasker has been appointed as non-executive director and on 4 March 2016, Mrs Desirée Lim Kong joined the Board as an Independent director.

Subsequently later during the course of the year, Mr Roderick Poole has been appointed as non-executive director on 7 November 2016.

The term of office of Mr Georges Leung Shing ended on 16 March 2016 and Mr Francois Gamet resigned from the Board on 14 October 2016.

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.

Board of directors

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

Personal profile

- Aged 44
- Holder of a BA (Hons) In Economics from University of Manchester (England) in 1995

Current

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

Previous

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

Michele AH SEE

Personal profile

- Aged 50
- 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 in 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 Pricewaterhouse coopers Mauritius in audit

Non-executive directors

After six years as an Independent director, Mr Duncan Westcott was supported by the Board to act as a non-executive director.

Mr Clive Tasker and Mr Roderick Poole also qualify as non-executive directors of the Bank.

Jean Michel Louis RIVALLAND

Personal profile

- Aged 46
- 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 other countries

Previous

- Served as the 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

Clive Robert TASKER

Personal profile

- Aged 61
- Holder of a BA LLB from the University of Natal, Pietermaritzburg
- Advanced Management Programme from Wharton Business School University of Pennsylvania

Current

- Appointed as non-executive director in February 2016
- Chairman of the board risk management/conduct review committee
- Member of the board credit committee

Previous

- Joined the Standard Bank of South Africa Limited in November 2000
- Occupied various key positions within the Standard Bank Group including serving as chief executive Standard Bank Africa from March 2008 to December 2011
- Former head corporate banking international, corporate and investment banking, Standard Bank Group from January 2012 to December 2012
- Former CEO for Standard Advisory (China) Limited, a position he occupied from January 2013 until his retirement in September 2015.
- Served as director on the board of various companies within the Standard Bank Group

Duncan James WESTCOTT

Personal profile

- Aged 67
- 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
- Chairman of the board audit committee
- Member of the risk management/ conduct review committee and board credit 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 Pricewaterhouse Coopers in South Africa

Roderick Terner Forbes POOLE

Personal profile

- Aged 55
- Holder of a Bachelor of Commerce

Current

- Appointed non-executive director on 7 November 2016
- Currently group head: change in business transformation

Previous

- Occupied various key positions in finance, IT and HR within the Standard Bank Group as from 1984 to 1991
- Former head: human resources corporate and investment banking at Standard Bank Plc, London, in 2007
- Former head : human resources CIB, South Africa in 2008
- Former head: human capital, marketing and communications CIB in 2012
- Former chief of staff, corporate and investment banking until November 2016

Independent Directors

Desiree LIM KONG

Personal profile

- Aged 48
- Holder of a Bachelor in Accounting and Finance from the University of Leeds, United Kingdom.
- Member of the Institute of Chartered Accountant in England and Wales

Current

- Appointed independent director in March 2016
- Member of the board audit committee

Previous

- Former head of finance and IT at Etoile d'Orient Group of Companies from 1999 to 2003
- Former account executive in the corporate banking business unit and assistant manager in the credit risk business unit at the Mauritius Commercial Bank Ltd from 2003 to 2012

Stephen Vincent SCALI

Personal profile

- Aged 44
- 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 the board credit committee
- Member of the 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

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, subject to continued satisfactory performance
- 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
- Facilitate evaluation of board and committee effectiveness
- Monitors compliance with regulations and informs the Board of relevant changes in legislations and governance best practices
- Training of directors
- Oversees the induction of new directors

Role and duties of the Board

In order for the Board to effectively oversee the affairs of a financial institution, it must possess the necessary balance of expertise, skills, adequate knowledge of its business, and the structure and strengths of the industry it is engaged in, as well as the legal requirements impinging on the industry. The Board members shall collectively possess appropriate qualifications and background for proper governance of the Bank.

The Board must oversee the Bank's business strategy, internal organisation and governance structure, its risk management and compliance practices, and key personnel decisions. It is essential that there is a clear demarcation of responsibilities and obligations between the Board and management. The Board should be independent from management.

The Board is collectively and ultimately responsible for the safety, soundness and 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 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 2016, all directors attended a workshop on International Financial Reporting Standards (IFRS) 9. Similarly, some directors have also been given a compliance training as well as a training on group IT governance standard and group IT security during the course of the year. All trainings were given and delivered by the Group trainers, including the head of group compliance and head of IT governance and risk respectively.
3. Board members' appointment, and overall effectiveness and evaluation of the Board	• 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 2016, individual questionnaires were completed, the consolidated feedback tabulated and discussed at the board meeting in November 2016. No major concern has been highlighted. • An overall positive collective performance has been noted. • The Board shall also approve composition of the Board and committees as well as the appointment of the chairperson and members of all board committees (including the removal, resignation and retirement of such directors or members).

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. • The Board shall ensure that the Bank is compliant with all relevant laws and regulations. • The Board shall also ensure the integrity of the annual financial report.
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 bank's compliance status. • The Board should establish a risk management committee with responsibility for advising the Board on the Bank's overall current and future risk appetite, overseeing senior management's implementation of the risk appetite framework and reporting on the state of the risk culture in the Bank. • Ensure processes are in place to provide complete, timely, relevant and accurate information in the disclosure of risks reported to stakeholders. • The Board shall implement policies and procedures to identify conflict of interest situations and steps to redress such situations.

8. Corporate, and IT governance	• Annual review of corporate governance procedures. • Annual assessment of achievements against set objectives. • Review its mandate at least annually and approve recommended changes. • 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. • Ensure disputes are resolved effectively and as efficiently as possible. • Ensure that information is secure from a confidentiality perspective. • Ensure that policies and systems are in place to achieve a prudential balance between risks and returns to shareholders. • The Board will also specifically agree from time to time matters that are reserved for its decision retaining the right to delegate any of these matters to any committee, in accordance with the constitution. • The Board shall be responsible for the governance of IT and ensure that significant IT investments and expenditure are monitored.
9. Dividend policy, finance and capital funding	• 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. • Approve capital funding for the Bank and the terms and conditions of rights or other issues in connection therewith. • Approve corporate structuring by the Bank and disclose all material interests in such proposed corporate activity. • Consider and approve capital expenditure recommended by the Bank's executive committee. • Ensure an adequate budget and planning process exists, and that performance is measured against budgets and plans.

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 and committees responsibilities as at 31 December 2016

Board audit committee

Board audit committee

- Duncan WESCOTT (Chairman)
- Desiree LIM KONG
- Stephen SCALI

Summary of key terms of reference	Assist 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;
	monitor the performance of the external audit firm and auditee;
	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;
	consider with management areas of concern and procedures being implemented to monitor and resolve those issues;
	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;
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 the Bank;
monitor compliance with relevant legislations and consider compliance risk;
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

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 bank's policy framework and submissions to regulators.

Risk managment/conduct review committee

- Clive TASKER (Chairman)
- Duncan WESTCOTT
- Lakshman BHEENICK

Summary of key terms of reference	
	The compliance function to be independent and report directly to the Board;
	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;
	ensure independence of chief risk officer from operational management;
	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 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 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)
- Clive TASKER
- Duncan WESCOTT
- Lakshman BHEENICK

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

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 to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.

Board of directors-meeting attendance

Standard Bank (Mauritius) Limited		Board of directors	Board committees		
			Board audit committee	Risk management/ conduct review committee	Board credit committee
Number of meetings held		5	5	4	4
Chairman		Louis RIVALLAND	Duncan WESTCOTT	Clive TASKER	Stephen SCALI
Attendance					
Executive	Lakshman BHEENICK	5	N/A	4	4
	Michele AH SEE	5	N/A	N/A	N/A
Non-executive	Louis RIVALLAND	5	N/A	N/A	N/A
	Clive TASKER	5	N/A	4	4
	Francois GAMET*	2	N/A	2	N/A
Independent	Stephen SCALI	3	4	N/A	4
	Desiree LIM KONG	5	5	N/A	N/A
	Duncan WESTCOTT	5	5	4	4
	George LEUNG SHIN**	1	1	1	N/A

*Francois Gamet resigned from the Board on 14 October 2016
** The term of office of Mr Georges Leung Shing ended on 16 March 2016.

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 implemented 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.

Given the awareness across the globe regarding the importance of protecting privacy and data of persons, the Bank has introduced and implemented a data privacy policy.

The data privacy policy is to ensure that the Bank manages data privacy risk, maintains and continuously improves its data privacy culture and promotes the safeguarding of personal information. The data privacy policy also aims to guarantee that the Bank processes personal information in a lawful and reasonable manner, thus ensuring that the Bank is protected from criminal sanction, reputational damage, fines and penalties.

Directorship held in listed companies is as follows:

Names of directors	Names of companies
Louis RIVALLAND	Air Mauritius Limited, New Mauritius Hotels Ltd, Swan General Ltd
Clive TASKER	Stanbic Bank Uganda
Duncan WESTCOTT	Nil
Stephen SCALI	Nil
Lakshman BHEENICK	Nil
Michele AH SEE	Nil
Desiree LIM KONG	Nil
Rod POOLE	Nil

Relationships with shareholders

The Board 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	June
30 June	September
30 September	December

Sustainability

Management of the Group’s economic, social and environmental impacts and responsibilities most effectively is being systematically entrenched in group 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.

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 in the Bank
- Appointed executive director on 18 May 2010
- Holder of a BA (Hons) In Economics 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 in 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 of finance in 2006
- Fellow member of the Association of Chartered Certified Accountants (FCCA)
- Previously employed at Kemp Chatteris, Clay Ratnage Chartered Accountants in London
- Previously worked at Investec Bank (Mauritius) Ltd as accountant.

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 Hong Kong and Shanghai Banking Corporation (HSBC) for 14 years

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 Universite 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

Meenakshi SANDRASAGREN

Head: Global Markets

Profile

- Joined Standard Bank (Mauritius) Ltd 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
- Previous 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
- 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

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 Reunion and a diplome de technologie, mention Informatique de Gestion from the Mauritius Chambers of Commerce and Industry
- Previously employed at the Hong Kong and Shanghai Banking Corporation (HSBC)

Aelander MOOTOOSAMY

Head: Human Capital

Profile

- 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
- Registered Psychologist with the Health Professional Council of South Africa

Daniel LAI CHOO

Head: Marketing and Communication

Profile

- Joined Standard Bank (Mauritius) Limited in 2011
- Appointed head: marketing and communication in 2015
- Holder of a Bachelor of Commerce and a Bachelor of Commerce (Hons) from the University of the Witwatersrand
- Holder of a Master of Business Administration from the University of Surrey
- Previously worked at Barclays Mauritius for 15 years

Departures:

Neekeea Ramen

Head: Credit

Appointed head of credit in 2006. Employment with Standard Bank (Mauritius) Limited ended in December 2016.

Management committees

The chief executive has the authority to manage the Bank within the framework laid down by the Board 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).

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 within limits as set by the delegation of authority framework;
	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.

ALCO

- Chief executive (chairman)
- Head: global markets
- Head: risk and compliance
- Chief financial officer
- Head: credit
- Head: wealth and investment
- Head: investment banking
- 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;

monitor and control all trading book risk and banking book liquidity risk and interest rate risk in line with risk appetite;

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;

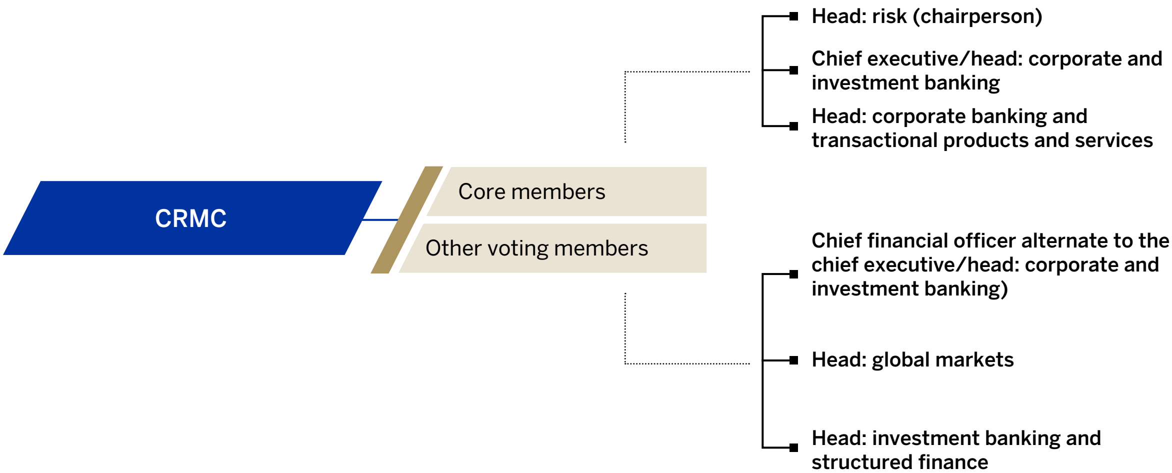
ensure effective capital management governance is in place;

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.



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
- allows 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 2016, the Bank participated in the annual local Banking survey run by KORNFERRY- HAY (America).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. It has become 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 its existing performance management system to help develop our people and motivate them to perform. This group approach enables 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 2016, a talent identification & development programme project plan has been put in place to ensure that Talent in the Bank is developed and retained. Key development programmes have been put in place to ensure the tracking of talent.

Recognition programme

Recognising employees who go the extra mile is an integral part of the Standard Bank way to build a high performing organisation. There are different programmes which the Bank has initiated in its recognition endeavour. Since 2016, the Bank has embraced the Group practice and introduced the Mark of Excellence programme. The Mark of Excellence is a high-profile annual recognition award ceremony and recognition rewards are designed to recognise the top performers within each Business Unit (BU) and Group Enabling Function (GEF) and the Bank, has followed suit by recognising it's top performers across the Bank.

The Beyond Excellence programme is another method used by 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.

During 2016 the Beyond Excellence recognition programme was very well supported by the various business units 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 group objectives; and
- pension - provides a competitive post-retirement benefit in line with group 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	14 189
Duncan WESTCOTT	21 611
Georges LEUNG SHING	2 849
Stephen SCALI	13 575
Clive TASKER	13 731
Desiree LIM KONG	9 771
Total non-executive directors	75 726
Lakshman BHEENICK	514 892
Michele AH SEE	242 740
Total executive directors	757 632
Total non-executive and executive directors	**833 358**

Auditors' fees and fees for other services

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

	2016 USD	2015 USD	2014 USD
KPMG			
- Audit fees	-	78,450	71,060
- Non-audit fees	-	-	-
PwC			
- Audit fees	**86 500**	-	-
	86 500	78 450	71 060

Sustainability report

Standard Bank Group's (the Group) sustainability journey

The very nature of our business positions us to help our clients 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 clients and stakeholders guarantees future business, which underpins our sustainability.

The Bank 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 clients, 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 Bank's long-term sustainability and its commitment to their needs. The stakeholders included were: shareholders, clients, 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 clients is on top of our list of priorities and through outstanding customer service and promoting the attitude that every unit within the Bank 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.

Energy consumption

We are dedicated to reducing the company's carbon footprint and improving its energy efficiency. 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 million a year for the Mauritius operation, thus managing this cost materially contributes to our sustainable long term financial performance.

Initiatives for energy efficiencies which were implemented in 2015 were sustained for 2016 and these include monitoring as well as sensitisation. The energy consumed in the Bank was 1,097,106 kilowatt hours (2015: 1,093,975 kilowatt hours).

Diesel Consumption for 2016 was nil as was the case in 2015 due to the fact that we had no significant power cuts.

Community

Our Corporate Social Responsibility (CSR) projects are aimed at achieving and sustaining positive social development of the communities we operate in. Through various community interventions, our effective community re-investment further reinforces our values and achieves our business objectives. The Bank's CSR initiatives are funded by an annual allocation of two percent of its chargeable income of the previous year.

Our main areas of intervention remained health, education and environment in 2016.

Education

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

In 2016, 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.

Case Noyale RCA

The Bank supported this Non-Governmental Organisation (NGO) with daily meal provision to the school children and renovation of school toilets.

Quartier de Lumiere

Supported the provision of materials and food for creative workshops (IT, painting, music) for underprivileged kids.

Environment

We firmly believe that it is our responsibility to manage the environmental and social impacts that our activities, products and services have on society and to respond to critical environmental issues. During the year, we supported Eli Africa on environmental projects such as mangroves and endemic flora reforestation.

Health

During the year, we were quite active in assisting various NGOs.

Lois Lagesse Trust Fund	Funded the purchase of braille papers, contribution for renovation of Lois Lagesse School for blinds
Mauritius Mental Health Association	Supported MMHA daily food program for 125 beneficiaries with intellectual disabilities
Rêves et Espoirs	Supported the yearly cost for services provided by psychologist
Friends in Hope	Funded the supply of materials for various workshops (therapy, art and craft, kitchen, gardening, sports and music)
Mega blood donation	A blood donation was organised for the 15th anniversary of the Bank in Mauritius. A total of 279 pints of blood were collected
Etoile d'Espérance	The Bank extended its support by making monetary contributions towards the food and drink expenses of the NGO

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 it seeks 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 NGO that they have at heart.

The NGOs that were selected by the employees for this initiative were:

- Autism Mauritius – to support setting up of a sensory room;
- Ranger Foundation Mauritius – support educational activity for children with cerebral problems;
- Association des Jeunes Inadaptes – support for stationery, food, toys and lunch;
- Friends in Hope – donation of books and setting of reading corner;
- La Colombe Shelter - renovation and refurbishing of classroom + spending time with children; and
- Centre Amities Bambous – provision of tables, chairs, water tank and educational materials.

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.

After 15 years with Standard Bank, I am very pleased and proud to belong to the family. The real key to success is being focused and work hard. Keep your eyes on the goals, and take the next step towards completing them. Great things in business are never done by one person. They're done by a team of people. Together we can move forward.

Yugesh Ramprosand
Messenger

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 2016
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.

Chairman	Chief Executive
Louis Rivalland	Lakshman Bheenick

22 March 2017

Photo: Port Louis, capital city of Mauritius

Statement of management's responsibility for financial reporting

The financial statements for the Bank's operations in Mauritius 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 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, PwC, have full and free access to the Board 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

Duncan Westcott
Director

Lakshman Bheenick
Chief Executive

22 March 2017

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Standard Bank (Mauritius) Limited (the Bank). In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Louis Rivalland
Chairman

Duncan Westcott
Director

Lakshman Bheenick
Chief Executive

22 March 2017

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.

Company Secretary

22 March 2017

Independent Auditor's Report to the shareholder of Standard Bank (Mauritius) Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Standard Bank (Mauritius) Limited (the Bank) as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

- The financial statements of Standard Bank (Mauritius) Limited set out on pages 83 to 166 comprise:
- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes comprising significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

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

Independence

We are independent of the Bank in accordance with the 'International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors are responsible for the other information. The other information comprises the financial highlights, the strategy, the non-financial performance, the Chairman and Chief Executive's review, the macroeconomic review, the management discussion and analysis, the corporate governance report, the sustainability report, the statement of compliance, the statement of management's responsibility for financial reporting, the statement of directors and the secretary's certificate but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

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

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

Independent Auditor's Report to the shareholder of Standard Bank (Mauritius) Limited

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Directors 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 Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines of the BoM and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent Auditor's Report to the shareholder of Standard Bank (Mauritius) Limited

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the Bank other than in our capacity as auditor;

(b) we have obtained all the information and explanations we have required; and

(c) in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Mauritian Banking Act 2004

The Mauritian Banking Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) 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 Mauritian Banking Act 2004 and the regulations and guidelines issued by the Bank of Mauritius; and

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

Mauritian 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 (the Code) as disclosed in the annual report on pages 45 to 71 and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report on pages 45 to 71 is consistent with the requirements of the Code.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank's shareholder in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

22 March 2017

Gilles Beesoo, licensed by FRC

Statement of financial position

As at 31 December 2016

	Note	2016 USD	2015 USD	2014 USD
Assets				
Cash and cash equivalents	7	**955 449 350**	858 078 800	2 497 991 968
Trading assets	8	**12 214 772**	39 163 539	184 035 481
Derivative assets held for risk management	9	**11 829 615**	9 016 819	4 503 937
Loans and advances to banks	10	**463 307 807**	393 710 692	270 117 616
Loans and advances to customers	11	**78 741 065**	100 752 826	249 836 871
Investment securities	12	**833 184**	474 659	2 661 958
Property, plant and equipment	13	**2 250 989**	2 871 608	3 294 570
Intangible assets	14	**29 204**	26 645	40 554
Deferred tax asset	15	**300 000**	1 177 000	2 116 000
Other assets	16	**9 589 289**	13 629 313	16 324 078
Total assets		**1 534 545 275**	1 418 901 901	3 230 923 033
Liabilities				
Deposits from banks	17	**94 374 626**	79 148 172	22 885 089
Deposits from customers	18	**1 283 183 276**	1 164 809 245	3 025 659 257
Trading liabilities	8	**-**	-	23 342 017
Derivative liabilities held for risk management	9	**11 599 090**	8 618 009	3 796 297
Other borrowed funds	19	**4 018 856**	10 996 984	43 455 945
Subordinated liabilities	20	**25 000 000**	25 000 000	25 000 000
Current tax payable	21	**202 000**	539 000	-
Other liabilities	22	**34 474 266**	40 974 564	9 597 039
Total liabilities		**1 452 852 114**	1 330 085 974	3 153 735 644
Shareholders' equity				
Share capital	23	**35 000 000**	35 000 000	35 000 000
Statutory and other reserves		**12 192 287**	10 561 693	7 423 062
Retained earnings		**34 500 874**	43 254 234	34 764 327
Total equity attributable to equity holders		**81 693 161**	88 815 927	77 187 389
Total equity and liabilities		**1 534 545 275**	1 418 901 901	3 230 923 033

Approved by the board of directors and authorised for issue on 22 March 2017.

Chairman
Louis Rivalland

Director
Duncan Westcott

Chief Executive
Lakshman Bheenick

The notes on pages 87 to 166 form part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Note	2016 USD	2015 USD	2014 USD
Interest income		**18 757 136**	21 146 140	26 117 645
Interest expense		**(4 550 508)**	(6 969 130)	(10 381 726)
Net interest income	25	**14 206 628**	14 177 010	15 735 919
Fee and commission income		**6 695 892**	7 384 020	7 717 934
Fee and commission expense		**(242 698)**	(230 643)	(485 645)
Net fee and commission income	26	**6 453 194**	7 153 377	7 232 289
Net trading income	27	**7 923 642**	10 897 175	8 683 797
Net income from other financial instruments carried at fair value	28	**4 308**	(245 678)	284 976
Other operating income	29	**249 249**	219 336	278 958
		8 177 199	10 870 833	9 247 731
Operating income		**28 837 021**	32 201 220	32 215 939
Net impairment (charge)/loss reversal on financial assets	30	**(364 686)**	4 949 466	1 125 491
Personnel expenses	31	**(7 345 842)**	(6 529 347)	(7 254 866)
Operating lease	32	**(637 473)**	(649 625)	(808 337)
Depreciation and amortisation	13&14	**(852 349)**	(794 909)	(902 607)
Other expenses	33	**(5 594 614)**	(5 974 611)	(5 838 034)
		(14 794 964)	(8 999 026)	(13 678 353)
Profit before income tax		**14 042 057**	23 202 194	18 537 586
Income tax expense	34	**(1 172 524)**	(1 596 711)	(3 122 010)
Profit for the year		**12 869 533**	21 605 483	15 415 576
Profit attributable to equity holders		**12 869 533**	21 605 483	15 415 576
Other comprehensive income				
Items that may be reclassified to profit or loss				
Net gain on available for sale financial assets		**1 630**	868	4 539
Other comprehensive income for the year		**1 630**	868	4 539
Total comprehensive income for the year attributable to equity holders		**12 871 163**	21 606 351	15 420 115

The notes on pages 87 to 166 form part of these financial statements.

Statement of cash flows

For the year ended 31 December 2016

	Note	2016 USD	Restated 2015 USD	Restated 2014 USD
Cash flows from operating activities				
Profit before income tax		14 042 057	23 202 194	18 537 586
Adjusted for:				
Depreciation and amortisation	13/14	852 349	794 909	902 607
Gain on sale of assets		(34 227)	(5 735)	-
Net foreign exchange difference		1 384 387	-	5 213 176
Net impairment loss/(gain) on financial assets	30	364 686	(4 949 466)	(1 125 491)
Interest income		(18 757 136)	(21 146 140)	(26 117 645)
Interest expense		4 550 508	6 969 130	10 381 726
Changes in operating assets and liabilities				
Decrease in trading assets		26 948 767	144 871 942	39 601 645
Decrease/(Increase) in derivative financial instruments held for risk management		168 285	308 830	(725 886)
(Increase)/Decrease in loans and advances to banks		(69 231 015)	(123 593 076)	81 068 964
Decrease in loans and advances to customers		19 326 532	154 033 510	91 508 317
Decrease in other assets		3 870 728	708 846	2 359 383
(Decrease)/Increase in trading liabilities		-	(23 342 017)	20 992 864
Increase/(Decrease) in deposits from banks		15 211 027	56 263 084	(332 840 728)
Decrease in other borrowed funds		(6 978 128)	(32 458 961)	(110 836 467)
Increase/(Decrease) in deposits from customers		118 225 641	(1 860 850 012)	1 248 893 113
(Decrease)/Increase in other liabilities		(6 580 089)	31 842 239	(1 157 954)
(Increase)/Decrease in investment securities		(357 801)	2 188 168	(28 377)
Interest received		20 712 485	23 132 058	26 609 841
Interest paid		(4 386 691)	(7 530 760)	(11 381 771)
Income tax paid		(377 367)	-	(1 498 071)
Net cash from/(used in) operating activities		118 954 998	(1 629 561 257)	1 060 356 832
Cash flows from investing activities				
Sale of investment securities[3]		-	-	13 869 176
Capital expenditure on property, plant and equipment	13	(260 269)	(360 891)	(48 564)
Proceeds from sale of property, plant and equipment		75 133	8 980	-
Capital expenditure intangible assets	14	(14 925)	-	-
Net cash (used in)/from investing activities		(200 061)	(351 911)	13 820 612
Cash flows from financing activities				
Dividends paid		(20 000 000)	(10 000 000)	-
Net cash used in financing activities		(20 000 000)	(10 000 000)	-
Net increase/(decrease) in cash and cash equivalents		98 754 937	(1 639 913 168)	1 074 177 444
Net foreign exchange difference		(1 384 387)	-	(5 213 176)
Cash at the beginning of the year		858 078 800	2 497 991 968	1 429 027 700
Total cash at end of the year	7	955 449 350	858 078 800	2 497 991 968

The notes on pages 87 to 166 form part of these financial statements.

[3]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 2016

	Share capital USD	Statutory reserve USD	Other reserves USD	Retained earnings USD	Total USD
Balance 01 January 2014	35 000 000	7 126 544	252 222	19 348 751	61 727 517
Profit 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
Transactions with owners of the Bank					
Share based payments	-	-	39 757	-	39 757
Balance 31 December 2014	35 000 000	7 126 544	296 518	34 764 327	77 187 389
Profit 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
Transfer to statutory reserve	-	3 034 667	-	(3 034 667)	-
Transfer to general banking reserve		-	311 927	(311 927)	-
Transaction with owners of the Bank					
Dividend to equity holders	-	-	-	(10 000 000)	(10 000 000)
Share based payments	-	-	(208 831)	231 018	22 187
Balance at 31 December 2015	**35 000 000**	**10 161 211**	**400 482**	**43 254 234**	**88 815 927**
Profit for the year	-	-	-	**12 869 533**	**12 869 533**
Net change in fair value of available-for-sale financial assets	-	-	**1 630**	-	**1 630**
Total comprehensive income for the year	-	-	**1 630**	**12 869 533**	**12 871 163**
Transfer to statutory reserve	-	**1 930 430**	-	**(1 930 430)**	-
Transfer to general banking reserve	-	-	**(244 368)**	**244 368**	-
Transactions with owners of the Bank					
Dividend to equity holders	-	-	-	**(20 000 000)**	**(20 000 000)**
Share based payments	-	-	**(57 098)**	**63 169**	**6 071**
Balance at 31 December 2016	**35 000 000**	**12 091 641**	**100 646**	**34 500 874**	**81 693 161**
Note	23		35		

The notes on pages 87 to 166 form part of these financial statements.

Notes to and forming part of the financial statements

1. General Information

Standard Bank (Mauritius) Limited (the Bank) is a company incorporated and domiciled in Mauritius. The address of the Bank's registered office is Level 9, Tower A, 1 Cybercity, Ebéne, 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 07 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
Available-for-sale financial asset	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 (note 2.1(b));
- tangible assets (intangible assets other than goodwill) are accounted for at cost less accumulated depreciation (amortisation) and impairment (note 2.1(f)); and
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (note 2.1(c)).

(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 2016, the exchange rate of the Mauritian Rupee against US Dollar was 36 (2015: 35.85).

(d) Use of estimates and judgements

The preparation of the annual financial statements in conformity with IFRSs 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.

2.1 Detailed accounting policies

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

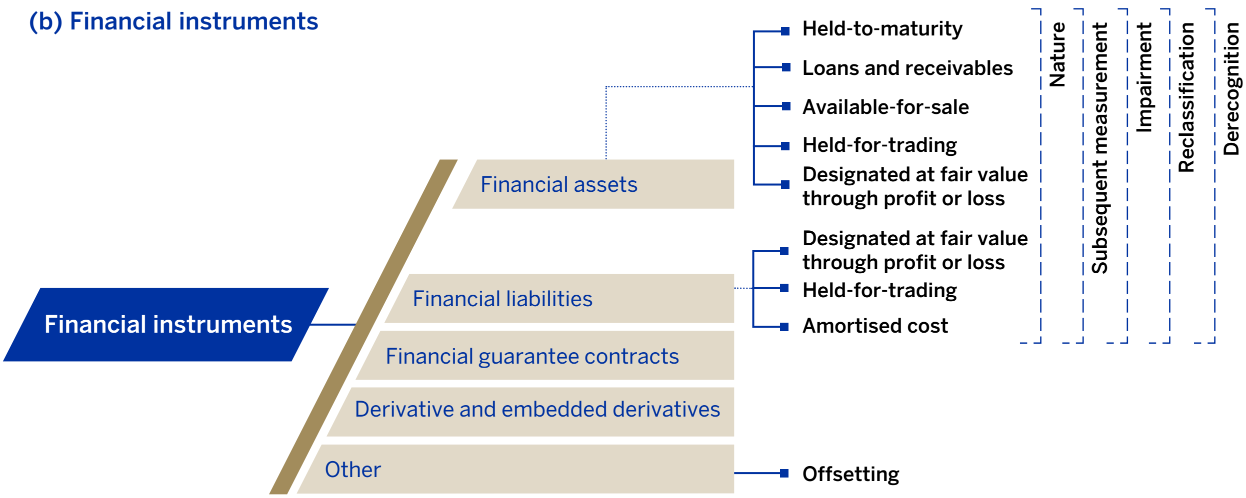
(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Bank 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 other reserves in Other Comprehensive Income (OCI) (profit or loss) 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 other comprehensive income 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 measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss.

Financial instruments are recognised (derecognised) on the date the Bank commits to purchase (sell) the instruments (trade date accounting).

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.
Held-for-trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets), those that form part of a portfolio of identified instrument that are managed together and for which there is evidence of a recent actual pattern of short term profit making. Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-traders' margin.
Designated at fair value through profit or loss	Financial assets 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 assets are managed and their performance evaluated and reported on a fair value basis; and • where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cash flows.
Available-for-sale	Financial assets that are not classified into one of the above-mentioned financial assets categories.

(ii) Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value 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	Fair value, with gains and losses recognized directly in the available-for-sale reserve until the financial asset is derecognised or impaired. Interest income on debt financial assets is recognised in interest income in terms of the effective interest rate method. Dividends received on debt (equity) available-for-sale financial assets are recognised in interest income (other revenue) within profit or loss. 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	Fair value, with gains and losses recognised in interest income/(other revenue) for all debt/(equity) financial assets.

(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 ('amortised cost')

The following criteria are used in determining whether there is objective evidence of impairment for loans or banks of loans:

- 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;
- it becomes probable 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 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 bank 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 banks of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the bank of loans but before the reporting date. In order to provide for latent losses in a bank of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss event and the date on which the Bank identifies the losses). Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge 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.
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: • if the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would not otherwise have met the definition of loans and receivables, it is permitted to be reclassified only in rare circumstances; • if the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would have met the definition of loans and receivables, it is permitted to be reclassified 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 changes in estimates of cash flows (other than credit impairment charges) 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 (including all derivative financial liabilities) and 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 not included 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 arising from changes in fair value (including interest) recognised in interest expense.
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 bank 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. 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 or liability's effective interest rate is re-determined at the date of modification taking into account the renegotiated terms.
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expired.	

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. Financial guarantee contracts are subsequently measured at the higher of the:

- present value of any expected payment, when a payment under the guarantee has become probable; or
- 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, and commodity and equity exposures. Derivative instruments used by the Bank in both trading and hedging 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.

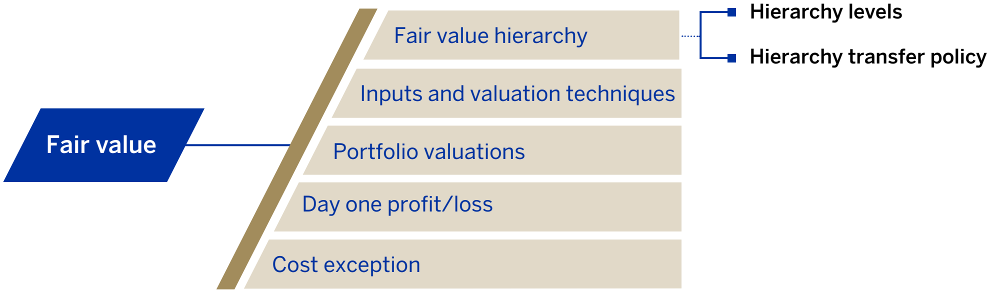
Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

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.

Item	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
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.	• Volatilities • Dividend yields • Earnings yield • Valuation multiples
Financial investments	Financial investments are non-trading financial assets and primarily comprise of sovereign debt.		• Volatilities • Dividend yields • Earnings yield • Valuation multiples

Item	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
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 and other secured and unsecured loans, overdrafts, other demand lending, term lending.	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 and debt funding	Deposits from banks and customers comprise amounts owed to banks and customers.	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 Bank's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar	• Discount rate

Item	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
		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 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, with the net fair value being allocated to the financial assets and financial liabilities.

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 is 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	Other comprehensive income	Statement of profit or loss
Defined contribution 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	Accruals are recognised for unpaid contribution.	No direct impact.	Contributions are recognised as an operating expense in the period during which services are rendered to the employees.

Type	Description	Statement of financial position	Other comprehensive income	Statement of profit or loss
	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.			
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.	No direct impact.	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	Derecognition
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	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, plant 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	These 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	Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in 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	Derecognition
	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) 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.	useful lives and depreciation method from those applied in the previous financial year. The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.	reflects current market assessments of the time value of money the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use Cash Generating Units (CGU). Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.	

Type	Initial and subsequent measurement	Useful lives, Depreciation/ Amortisation method or fair value basis	Impairment	Derecognition
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 cost to complete the development. Direct costs include software development employee costs and an appropriate portion of the relevant overheads. Expenditure subsequently incurred 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 in operating expenses on a straight-line basis at rates appropriate to the expected lives of the assets (2 to 5 years) from the date that the asset is available for use. 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.		

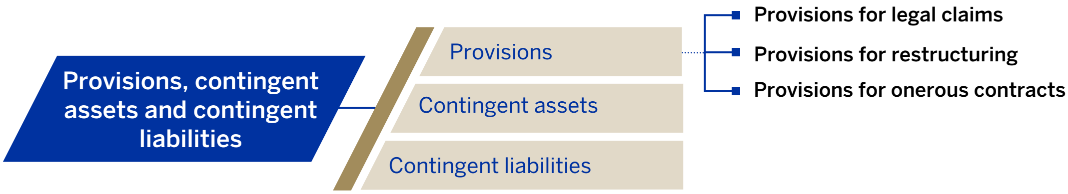
(g) Equity-linked transactions

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 the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer.
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	Statement of profit or loss
Operating lease lessee	All leases that do not meet the criteria of a financial lease are classified as operating leases.	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 operating expenses 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 a penalty is recognised as operating expenses in the period in which termination takes place.
Operating lease lessor	All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant bank accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	Operating lease income net of any incentives given to lessees is recognised on the straight-line basis or a more representative basis where applicable over the lease term and is recognised in operating expenses. When an operating lease is terminated before the lease period has expired, any payment required by the Bank by way of a penalty is recognised as income in the period in which termination takes place.

(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 contract
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.

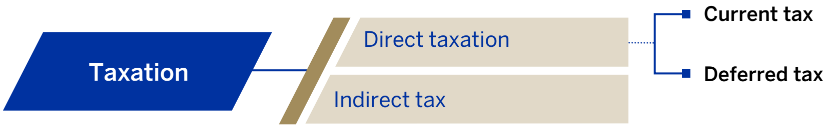
Contingent assets

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

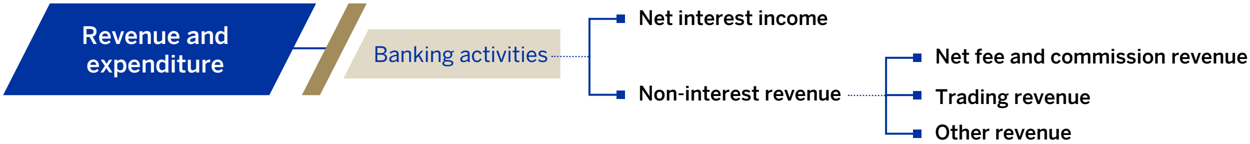
Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit, pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future 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 is recognised in the income tax expense line in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or in OCI. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous 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.
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 only 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 statement of profit or loss.	N/A

(l) Revenue and expenditure



Type	Description	Recognition 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. 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 net interest income. 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 income	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.

Type	Description	Recognition and measurement
		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.
	Net trading income	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.
	Net income from other financial instruments carried at fair value	Net income from other financial instruments carried at fair value includes gains and losses on realised available-for-sale financial assets. 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.
	Other operating income	Other operating income comprises of expenses recharged to Standard Bank Trust.

(m) Other significant accounting policies

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 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. • Segment A relates to banking business other than segment B business.
Statutory credit 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 where: (a) a person or a close member of that person's family is related to the Bank if that person:

(i) has control or joint control over the Bank;

(ii) has significant influence over the Bank; or

(iii) is a member of the key management personnel of the Bank or of a parent of the Bank.

(b) An entity is related to the Bank if any of the following conditions applies:

(i) the entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment defined benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank.

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 2016 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	Annual periods beginning on or after 1 January 2018.

Pronouncement	Title	Effective date
	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.	
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. There will be no impact on the annual financial statements.	Annual periods beginning on or after 1 January 2018.
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).	Annual periods beginning on or after 1 January 2019.

Pronouncement	Title	Effective date
	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 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.	
IFRS 2 (amendment)	**Share-based payment** The amendments are intended to eliminate diversity in practice in three main areas of the classification and measurement of share based payment transactions are: • the effects of vesting conditions on the measurement of a cash-settled share based payment transaction; • the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and • the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments will be applied prospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2018.
IFRS 4 (amendment)	**Insurance contracts** The amendment to applying IFRS 9 financial instruments with IFRS 4 insurance contracts introduces two approaches: an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the	Annual periods beginning on or after 1 January 2018.

Pronouncement	Title	Effective date
	application of IFRS 9 will continue to apply the existing financial instruments Standard IAS 39. The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility. The amendments will be applied retrospectively. There will be no impact on the annual financial statements.	
IFRIC 22	**Foreign currency transactions and advance consideration** The IFRIC provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The IFRIC will be applied retrospectively or prospectively. The impact on the annual financial statements has not yet been fully determined but is not expected to have a significant impact on the Bank.	Annual periods beginning on or after 1 January 2018.
IAS 40 (amendment)	**Investment property** The amendments clarify the requirements on transfers to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments will be applied prospectively. There will be no impact on the annual financial statements.	Annual periods beginning on or after 1 January 2018.

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.

(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			Loans and advances to banks			Investment securities		
	2016 USD	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD
At amortised costs									
Neither past due nor impaired	**79 565 690**	91 344 912	240,058,475	**463 307 807**	393 710 692	270 117 616	**833 184**	474 659	2 661 958
Past due but not impaired	**-**	-	-	**-**	-	-	**-**	-	-
Individually impaired	**812 371**[4]	14 908 259	40,222,022	**-**	-	-	**-**	-	-
Total gross amount	**80 378 061**	106 253 171	280,280,497	**463 307 807**	393 710 692	270 117 616	**833 184**	474 659	2 661 958
Allowance for impairment									
Individual	**(941 763)**	(4 912 794)	(27,929,580)	**-**	-	-	**-**	-	-
Collective	**(695 233)**	(587 551)	(2,514,046)	**-**	-	-	**-**	-	-
Total allowance for impairment	**(1 636 996)**	(5 500 345)	(30,443,626)	**-**	-	-	**-**	-	-
Net carrying amount	**78 741 065**	100 752 826	249,836,871	**463 307 807**	393 710 692	270 117 616	**-**	-	-
Available-for-sale	**-**	-	-	**-**	-	-	**833 184**	474 659	2 661 958

As at 31 December 2016, the Bank's maximum exposure to off-balance sheet credit risk was USD16 053 245 (2015: USD33 962 756).

[4]Amount is net of interest in suspense.

Analysis of credit quality (continued)

Maximum exposure to credit risk	**Performing loans**			
	Total gross advances USD	**Normal monitoring USD**	**Close monitoring USD**	**Early arrears USD**
2016				
At amortised costs				
Neither past due nor impaired	**79 565 690**	**72 140 106**	**-**	**7 425 584**
2015				
At amortised costs				
Neither past due nor impaired	91 344 912	91 344 912	-	-
2014				
At amortised costs				
Neither past due nor impaired	240 058 475	217 212 501	22 845 974	-

Maximum exposure to credit risk	**Non-performing loans**			
	Total impaired advances USD	**Sub-standard USD**	**Doubtful USD**	**Loss USD**
2016				
At amortised costs				
Individually impaired	**812 371**	**-**	**-**	**812 371**
2015				
At amortised costs				
Individually impaired	14 908 259	-	878 957	14 029 302
2014				
At amortised costs				
Individually impaired	40 222 022	817 357	-	39 404 665

Collateral held and other credit enhancements, and their financial effect

	Loans and advances to customers			Loans and advances to banks			Investment securities		
	2016 USD	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD
Against neither past due nor impaired									
Property	**18 732 245**	17 533 444	22 122 414	**-**	-	-	**-**	-	-
Equities	**770 761**	537 593	1 433 166	**-**	-	-	**-**	-	-
Cash	**-**	-	85 429	**-**	-	-	**-**	-	-
Other floating charges/ assignments and pledges	**52 019 997**	74 353 852	216 407 411	**-**	-	-	**-**	-	-
Total	**71 523 003**	92 424 889	240 048 420	**-**	-	-	**-**	-	-
Past due but not impaired									
Floating charge	**-**	-	-	**-**	-	-	**-**	-	-
Property	**-**	-	-	**-**	-	-	**-**	-	-
	-	-	-	**-**	-	-	**-**	-	-
Against individually impaired									
Floating charge	**-**	-	23 663 373	**-**	-	-	**-**	-	-
Property	**-**	11 562 375	16 558 533	**-**	-	-	**-**	-	-
	-	11 562 375	40 221 906	**-**	-	-	**-**	-	-

Collaterals held are made up of fixed charge on property, listed shares, corporate guarantees and letters of support.

Concentration of credit risk

Concentration by sector	Loans and advances to customers			Loans and advances to banks			Investment securities		
	2016 USD	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD
Agriculture & fishing	**-**	9 833 358	26 262 505	**-**	-	-	**-**	-	-
Manufacturing	**11 987 743**	17 106 412	66 759 128	**-**	-	-	**-**	-	-
Tourism	**-**	5 277 914	19 639 026	**-**	-	-	**-**	-	-
Transport	**3 509 431**	5 080 870	6 552 361	**-**	-	-	**-**	-	-
Construction	**-**	11 915 151	15 898 732	**-**	-	-	**-**	-	-
Financial and business Services	**5 561 022**	5 578 800	25 168 534	**463 307 807**	393 710 692	270 117 616	**-**	-	-
Traders	**17 324 854**	9 137 146	32 892 429	**-**	-	-	**-**	-	-
Personal	**1 730 056**	1 645 670	2 782 035	**-**	-	-	**-**	-	-
Global business licence Holders	**36 814 328**	37 080 505	68 917 949	**-**	-	-	**-**	-	-
Infrastructure	**2 638 270**	2 718 384	4 340 436	**-**	-	-	**-**	-	-
Information communication and technology	**-**	-	10 250 000	**-**	-	-	**-**	-	-
Public non-financial corporations	**812 357**	878 961	817 362	**-**	-	-	**-**	-	-
Others	**-**	-	-	**-**	-	-	**833 183**	474 659	2 661 958
	80 378 061	106 253 171	280 280 497	**463 307 807**	393 710 692	270 117 616	**833 183**	474 659	2 661 958
Concentration by location									
Africa	**79 883 763**	105 531 118	253 856 405	**463 307 807**	393 710 692	270 117 616	**833 183**	474 659	2 661 958
Europe	**494 298**	607 990	5 095 463	**-**	-	-	**-**	-	-
America	**-**	-	-	**-**	-	-	**-**	-	-
Asia	**-**	114 063	21 328 629	**-**	-	-	**-**	-	-
	80 378 061	106 253 171	280 280 497	**463 307 807**	393 710 692	270 117 616	**833 183**	474 659	2 661 958

Impaired loans and advances

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

	2016 USD	2015 USD	2014 USD
Impaired loans and advances to customers at 1 January	**14 908 259**	40 222 022	72 884 914
Change in allowance for impairment	**147 383**	(5 319 948)	(5 840 721)
Classified as impaired during the year	**-**	-	817 362
Bad debts recovered	**(10 884 642)**	-	(328 000)
Amount written off	**(3 222 809)**	(19 993 815)	(27 311 533)
Interest in suspense	**(135 820)**	-	-
Impaired loans and advances to customers at 31 December	**812 371**	14 908 259	40 222 022

(b) Liquidity risk

For the definition of liquidity risk and information of how liquidity risk is managed by the Bank, please refer to page 33 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 2016	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	94 374 626	94 374 626	-	-	-	-
Deposits from customers	1 283 183 276	1 265 065 809	5 911 045	12 206 422	-	-
Other borrowed funds	4 018 856	-	-	-	4 018 856	-
Subordinated liabilities	31 083 327	249 886	252 662	510 877	4 056 477	26 013 425
Derivative liabilities held for risk management	11 599 090	5 602 762	3 382 757	2 613 571	-	-
Other liabilities	31 927 183	31 927 183	-	-	-	-
	1 456 186 358	1 397 220 266	9 546 464	15 330 870	8 075 333	26 013 425
Financial assets						
Cash and cash equivalents	955 449 350	955 449 350	-	-	-	-
Trading assets	12 214 772	6 396 967	5 817 805	-	-	-
Loans and advances to banks	469 786 606	38 810 224	69 888 937	98 650 216	250 580 510	11 856 719
Loans and advances to customers	81 997 506	39 564 765	11 534 301	8 717 235	21 720 759	460 445
Investment securities	833 184	833 184	-	-	-	-
Derivative assets held for risk management	11 829 615	5 794 723	3 420 078	2 614 814	-	-
Other assets	9 322 311	9 322 311	-	-	-	-
	1 541 433 344	1 056 171 524	90 661 121	109 982 265	272 301 269	12 317 164

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	6 760 555	-	4 236 429	-	-
Subordinated liabilities	25 000 000	-	-	-	-	25 000 000
Unrecognised loan commitments[5]	20 905 668	-	-	20 905 668	-	-
Derivative liabilities held for risk management	8 618 009	8 618 009	-	-	-	-
Other liabilities	39 370 705	39 370 705	-	-	-	-
	1 348 848 783	1 284 973 712	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	-	-
Loans and advances to banks	393 710 692	52 461 925	120 264 266	150 984 501	70 000 000	-
Loans 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	-	-	-	-
Other assets	13 501 021	13 501 021	-	-	-	-
	1 414 698 356	987 716 206	126 998 042	163 603 636	119 078 102	17 302 370
31 December 2014						
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[5]	15 462 256	-	15 462 256	-	-	-
Derivative liabilities held for risk management	3 796 297	3 796 297	-	-	-	-
Other liabilities	7 890 576	7 890 576	-	-	-	-
	3 167 491 437	3 051 730 318	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	-	-	-	-
Loans and advances to banks	270 117 616	730 780	24 128 372	195 243 263	50 015 201	-
Loans and advances to customers	249 836 871	89 916 699	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	-	-	-	-
Other assets	16 130 091	16 130 091	-	-	-	-
	3 225 277 922	2 793 308 956	33 550 021	212 928 415	143 303 803	42 186 727

[5]Unrecognised loan commitments were reclassified from irrevocable to revocable facilities in 2016.

(ii) Depositor concentrations

	2016 %	2015 %	2014 %
MUR deposits			
Single depositor	**14.74**	12.10	43.83
Top ten depositors	**61.86**	61.82	74.46
Other foreign currency deposits			
Single depositor	**8.65**	6.44	34.88
Top ten depositors	**38.92**	31.66	74.22

	2016 USD'000	2015 USD'000	2014 USD'000
Unencumbered surplus liquidity	**818**	505	1 174
Long term funding ratio	**2.99%**	3.44%	2.29%

(iii) Liquidity reserves

	2016 USD	2015 USD	2014 USD
Cash in hand	**132 893**	117 085	99 206
Foreign currency notes and coins	**20 491**	38 446	28 564
Unrestricted balances with central bank	**13 748 010**	18 419 553	7 284 540
Interbank placements	**-**	-	9 449 674
Balances with banks abroad	**941 547 956**	839 503 716	2 481 129 984
Government of Mauritius bonds/treasury bills	**4 964 036**	17 268 581	28 206 679
	960 413 386	875 347 381	2 526 198 647

(c) Market risk

For the definition of market risk and information of how market risk is managed by the Bank, please refer to pages 33-34 under risk management section.

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

31 December 2016	Carrying amount USD	Trading portfolios USD	Non-trading portfolios USD
Assets subject to market risk			
Cash and cash equivalents	**955 449 350**	**-**	**955 449 350**
Trading assets	**12 214 772**	**12 214 772**	**-**
Derivative assets held for risk management	**11 829 615**	**11 829 615**	**-**
Loans and advances to banks	**463 307 807**	**-**	**463 307 807**
Loans and advances to customers	**78 741 065**	**-**	**78 741 065**
Investment securities	**833 184**	**-**	**833 184**
Other assets	**9 589 289**	**-**	**9 589 289**
Liabilities subject to market risk			
Deposits from banks	**94 374 626**	**-**	**94 374 626**
Deposits from customers	**1 283 183 276**	**-**	**1 283 183 276**
Derivative liabilities held for risk management	**11 599 090**	**11 599 090**	**-**
Other borrowed funds	**4 018 856**	**-**	**4 018 856**
Subordinated liabilities	**25 000 000**	**-**	**25 000 000**
Other liabilities	**34 474 266**	**-**	**34 474 266**
31 December 2015			
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
Other assets	13 629 313	-	13 629 313
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
Other liabilities	40 974 564	-	40 974 564
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
Other assets	16 324 078	-	16 324 078
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
Other liabilities	9 597 039	-	9 597 039

(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)

Desk name	Max	Min	Ave	31-Dec-16	Limit
Bankwide	98.2	2.3	25.3	7.1	255.0
FX trading	99.1	0.1	23.5	5	250.0
Consolidated interest rate trading	11.1	1.7	3.7	4.1	30.0

(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)

Desk name	Max	Min	Ave	31-Dec-16	Limit
Bankwide	277.0	8.9	80.9	12.4	1 040
FX trading	272.9	0.7	78.0	6.3	1 020
Consolidated interest rate trading	46.8	8.2	16.3	11.8	130.0

As VaR constitutes an integral part of the Bank's market risk control regime, VaR limits are established by the Board of Directors (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) 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 35 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 net interest income; 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:

31 December 2016	Less than 3 months USD	Between 3 months and 1 year USD	Over 1 year USD	Non rate sensitive USD	Total USD
Financial assets					
Cash and cash equivalents	935 058 888	-	6 000 000	14 390 462	955 449 350
Loans and advances to banks	433 620 267	28 171 641	-	1 515 899	463 307 807
Loans and advances to customers	69 104 427	5 631 090	3 982 824	22 724	78 741 065
Investment securities	833 184	-	-	-	833 184
	1 438 616 766	33 802 731	9 982 824	15 929 085	1 498 331 406
Financial liabilities					
Deposits from banks	64 000 000	-	-	30 374 626	94 374 626
Deposits from customers	1 000 696 894	17 977 868	-	264 508 515	1 283 183 276
Other borrowed funds	-	-	4 018 000	856	4 018 856
Subordinated liabilities	-	25 000 000	-	-	25 000 000
	1 064 696 894	42 977 868	4 018 000	294 883 997	1 406 576 758
	373 919 872	(9 175 137)	5 964 824	(278 954 912)	91 754 648

31 December 2015	Less than 3 months USD	Between 3 months and 1 year USD	Over 1 year USD	Non rate sensitive USD	Total USD
Financial assets					
Cash and cash equivalents	839 503 716	-	-	18 575 083	858 078 799
Loans and advances to banks	266 326 843	125 933 849	1 450 000	-	393 710 692
Loans and advances to customers	82 213 941	1 541 896	9 816 118	7 180 872	100 752 826
Investment securities	-	474 659	-	-	474 659
	1 188 044 500	127 950 404	11 266 118	25 755 955	1 353 016 976
Financial liabilities					
Deposits from banks	76 000 000	-	-	3 148 171	79 148 172
Deposits from customers	829 396 102	12 308 456	1 385 740	321 718 947	1 164 809 245
Other borrowed funds	-	-	10 996 984	-	10 996 984
Subordinated liabilities	-	25 000 000	-	-	25 000 000
	905 396 102	37 308 456	12 382 724	324 867 118	1 279 954 401
	282 648 398	90 641 948	(1 116 606)	(299 111 163)	73 062 575

31 December 2014	Less than 3 months USD	Between 3 months and 1 year USD	Over 1 year USD	Non rate sensitive USD	Total USD
Financial assets					
Cash and cash equivalents	2 492 544 178	-	-	5 447 790	2 497 991 968
Loans and advances to banks	244 341 839	25 775 777	-	-	270 117 616
Loans and advances to customers	240 848 860	1 025 784	-	7 962 227	249 836 871
Investment securities	2 154 375	507 583	-	-	2 661 958
	2 979 889 252	27 309 144	-	13 410 017	3 020 608 413
Financial liabilities					
Deposits from banks	-	20 283 331	-	2 601 758	22 885 089
Deposits from customers	3 004 320 357	21 338 900	-	-	3 025 659 257
Other borrowed funds	38 278 088	5 177 857	-	-	43 455 945
Subordinated liabilities	-	25 000 000	-	-	25 000 000
	3 042 598 445	71 800 088	-	2 601 758	3 117 000 291
	(62 709 193)	(44 490 944)	-	10 808 259	(96 391 878)

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 96% of the balance sheet with US Dollar being the primary component with a 73% weighting on the overall balance sheet. A stress test of a 100 basis points increase in US Dollar interest rates on the US Dollar book would have resulted into an increase in net interest income of USD3 372 996. A stress test of a 100 basis points decrease in US Dollar interest rates on the US Dollar book would have resulted into a decrease in NII of USD6 103 548. 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 100 basis points (bps):

	2016	2015	2014
NII Sensitivity for a 100 bps increase (75bps for 2014)	**23.12%**	26.49%	9.51%
NII Sensitivity for a 100 bps decrease (75bps for 2014)	**-41.84%**	-33.42%	-9.51%

(v) 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 US Dollars are in Euro, Pound Sterling, South African Rand and Mauritian Rupees. 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 United States Dollars, 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:

Currency	**2016 USD**	2015 USD	2014 USD
MUR	**-**	(341 366)	136 150
GBP	**71 793**	6 014	(3 126)
EUR	**30 073**	6 146	2 621
ZAR	**365 717**	62 582	4 659
Others	**64 282**	74 872	35 257
	531 865	(191 752)	175 561

(d) Capital management

For details and information on capital management please refer to pages 38 to 43 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.

The table below categorises the Bank's assets and liabilities as at 31 December 2016 between that which is financial and non-financial. All financial assets and liabilities have been classified according to their measurement category.

31 December 2016	Trading USD	Available-for-sale USD	Loans & receivables USD	Other amortised costs USD	Carrying value USD	Fair value USD
Assets						
Cash and cash equivalents	-	-	955 449 350	-	955 449 350	955 449 350
Trading assets	12 214 772	-	-	-	12 214 772	12 214 772
Derivative assets held for risk management	11 829 615	-	-	-	11 829 615	11 829 615
Loans and advances to banks	-	-	463 307 807	-	463 307 807	463 307 807
Loans and advances to customers	-	-	78 741 065	-	78 741 065	78 741 065
Investment securities	-	833 184	-	-	833 184	833 184
Other assets	-	-	-	9 322 311	9 322 311	9 322 311
	24 044 387	833 184	1 497 498 222	9 322 311	1 531 698 104	1 531 698 104
Liabilities						
Deposits	-	-	-	1 377 557 902	1 377 557 902	1 377 557 902
Trading liabilities	-	-	-	-	-	-
Derivative liabilities held for risk management	11 599 090	-	-	-	11 599 090	11 599 090
Other borrowed funds	-	-	-	4 018 856	4 018 856	4 018 856
Subordinated liabilities	-	-	-	25 000 000	25 000 000	25 000 000
Other liabilities	-	-	-	31 927 183	31 927 183	31 927 183
	11 599 090	-	-	1 438 503 941	1 450 103 031	1 450 103 031

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	-	-	-	39 163 539	39 163 539
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	-	-	100 752 826	-	100 752 826	100 752 826
Investment securities	-	474 659	-	-	474 659	474 659
Other assets	-	-	-	13 501 021	13 501 021	13 501 021
	48 180 358	474 659	1 352 542 318	13 501 021	1 414 698 356	1 414 698 356
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
Other liabilities	-	-	-	39 370 705	39 370 705	39 370 705
	8 618 009	-	-	1 319 325 106	1 327 943 115	1 327 943 115

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	-	-	2 497 991 968	-	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	-	-	249 836 871	-	249 836 871	249 836 871
Investment securities	-	2 661 958	-	-	2 661 958	2 661 958
Other assets	-	-	-	16 130 091	16 130 091	16 130 091
	188 539 418	2 661 958	3 017 946 455	16 130 091	3 225 277 922	3 225 277 922
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
Other liabilities	-	-	-	7 890 576	7 890 576	7 890 576
	27 138 314	-	-	3 124 890 867	3 152 029 181	3 152 029 181

The tables that follow analyse the Bank's financial assets and liabilities 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 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.

31 December 2016	Level 1 USD	Level 2 USD	Level 3 USD	Carrying value USD	Fair value USD
Assets					
Cash and cash equivalents	955 449 350	-	-	955 449 350	955 449 350
Trading assets	-	12 214 772	-	12 214 772	12 214 772
Derivative assets held for risk management	-	11 829 615	-	11 829 615	11 829 615
Loans and advances to banks	-	463 307 807	-	463 307 807	463 307 807
Loans and advances to customers	-	78 648 004	1 730 057	80 378 061	80 378 061
Investment securities	-	833 184	-	833 184	833 184
Other assets	8 792 527	-	529 784	9 322 311	9 322 311
	964 241 877	566 833 382	2 259 841	1 533 335 100	1 533 335 100
Liabilities					
Deposits from banks	30 341 194	64 033 432	-	94 374 626	94 374 626
Deposits from customers	1 000 433 600	282 749 676	-	1 283 183 276	1 283 183 276
Trading liabilities	-	-	-	-	-
Derivative liabilities held for risk management	-	11 599 090	-	11 599 090	11 599 090
Other borrowed funds	-	4 018 856	-	4 018 856	4 018 856
Subordinated liabilities	-	25 000 000	-	25 000 000	25 000 000
Other liabilities	28 055 528	-	3 871 655	31 927 183	31 927 183
	1 058 830 322	387 401 054	3 871 655	1 450 103 031	1 450 103 031

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	-	39 163 539	39 163 539
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	-	104 607 538	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	994 586	13 501 021	13 501 021
	866 488 074	551 070 408	2 640 219	1 420 198 701	1 420 198 701
Liabilities					
Deposits from banks	3 148 171	76 000 001	-	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
Other liabilities	32 812 260	-	6 558 445	39 370 705	39 370 705
	957 346 261	364 038 409	6 558 445	1 327 943 115	1 327 943 115

31 December 2014					
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	-	277 498 282	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	-	7 352 407	16 130 091	16 130 091
	2 506 769 652	738 817 274	10 134 622	3 255 721 548	3 255 721 548
Liabilities					
Deposits from banks	2 601 758.00	20 283 331	-	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
Other liabilities	-	-	7 890 576	7 890 576	7 890 576
	1 125 498 059	2 018 640 546	7 890 576	3 152 029 181	3 152 029 181

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 Bank's principal valuation techniques as at 31 December 2016 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

2014 / 2015 / 2016	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
Investment 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
Other assets	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
Subordinated liabilities	Discounted cash flow model	Discount rate
Other borrowed funds	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 2014	1 130 824	13 869 176
Originations	-	-
Settlements	-	-
Transfers into/(from) level 3	(1 130 824)	(13 869 176)
Balance at 31 December 2014/1 January 2015	-	-
Originations	-	-
Settlements	-	-
Transfers into/(from) level 3	-	-
Balance at 31 December 2015/31 December 2016	-	-

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 2013/1 January 2014	212 518
Settlements	(212 518)
Balance at 31 December 2014/1 January 2015	-
Settlements	-
Balance at 31 December 2015/31 December 2016	-

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.

2016 / 2015 / 2014	Valuation basis/technique	Main assumptions	Variance in fair value measurement
Other assets	Discounted cash flow model	Discount rate	1% - 1%
Loans and advances to customers	Discounted cash flow model	Discount rate	1% - 1%

5. Use of estimates and judgement

Key sources of estimation uncertainty

In preparing the annual financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. Unless otherwise stated, no material changes to assumptions have occurred during the year.

Allowances for credit losses

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

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

In terms of IFRS, the Bank is either required to or elect to measure a number of their financial assets and financial liabilities at fair value, being the price that would, respectively, 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. 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 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. Information obtained from the valuation of financial instruments is used to assess the performance of the Bank and, in particular, provides assurance that the risk and return measures that the Bank has taken are accurate and complete.

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.

6. Segmental reporting

Statement of financial position as at 31 December 2016

		Segment A			Segment B			Bank		
	Note	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD
Assets										
Cash and cash equivalents	7	**13 901 394**	18 575 084	16 861 984	**941 547 956**	839 503 716	2 481 129 984	**955 449 350**	858 078 800	2 497 991 968
Trading assets	8	**12 214 772**	39 163 539	184 035 481	**-**	-	-	**12 214 772**	39 163 539	184 035 481
Derivative assets held for risk management	9	**2 396 498**	3 990 613	1 813 724	**9 433 117**	5 026 206	2 690 213	**11 829 615**	9 016 819	4 503 937
Loans and advances to banks	10	**37 264 725**	326 843	730 780	**426 043 082**	393 383 849	269 386 836	**463 307 807**	393 710 692	270 117 616
Loans and advances to customers	11	**14 386 622**	26 449 007	54 526 561	**64 354 443**	74 303 819	195 310 310	**78 741 065**	100 752 826	249 836 871
Investment securities	12	**833 184**	474 659	2 661 958	**-**	-	-	**833 184**	474 659	2 661 958
Property, plant and equipment	13	**2 250 989**	2 871 608	3 294 570	**-**	-	-	**2 250 989**	2 871 608	3 294 570
Intangible assets	14	**29 204**	26 645	40 554	**-**	-	-	**29 204**	26 645	40 554
Deferred tax assets	15	**308 912**	870 912	1 027 912	**-**	306 088	1 088 088	**308 912**	1 177 000	2 116 000
Other assets	16	**9 175 950**	11 549 714	11 956 334	**413 339**	2 079 599	4 367 744	**9 589 289**	13 629 313	16 324 078
Total assets		**92 762 250**	104 298 624	276 949 858	**1 441 791 937**	1 314 603 277	2 953 973 175	**1 534 554 187**	1 418 901 901	3 230 923 033
Liabilities										
Deposits from banks	17	**22 593 696**	23 110 700	1 784 367	**71 780 930**	56 037 472	21 100 722	**94 374 626**	79 148 172	22 885 089
Deposits from customers	18	**104 442 327**	104 880 415	103 934 582	**1 178 740 949**	1 059 928 830	2 921 724 675	**1 283 183 276**	1 164 809 245	3 025 659 257
Trading liabilities	8	**-**	-	23 342 017	**-**	-	-	**-**	-	23 342 017
Derivatives liabilities held for risk management	9	**5 845 076**	3 411 473	1 619 444	**5 754 014**	5 206 536	2 176 853	**11 599 090**	8 618 009	3 796 297
Other borrowed funds	19	**-**	-	-	**4 018 856**	10 996 984	43 455 945	**4 018 856**	10 996 984	43 455 945
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	-	**202 000**	179 000	-	**202 000**	539 000	-
Deferred tax liabilities	15	**-**	-	-	**8 912**	-	-	**8 912**	-	-
Other liabilities	22	**5 220 749**	7 848 583	7 594 208	**29 253 517**	33 125 981	2 002 831	**34 474 266**	40 974 564	9 597 039
Total liabilities		**138 101 848**	139 611 171	138 274 618	**1 314 759 178**	1 190 474 803	3 015 461 026	**1 452 861 026**	1 330 085 974	3 153 735 644
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		**1 518 433**	1 614 053	1 408 644	**10 673 854**	8 947 640	6 014 418	**12 192 287**	10 561 693	7 423 062
Retained earnings		**8 235 818**	14 455 024	12 689 345	**26 265 056**	28 799 210	22 074 982	**34 500 874**	43 254 234	34 764 327
Total equity attributable to equity holders		**9 754 251**	16 069 077	14 097 989	**71 938 910**	72 746 850	63 089 400	**81 693 161**	88 815 927	77 187 389
Total equity and liabilities		**147 856 099**	155 680 248	152 372 607	**1 386 698 088**	1 263 221 653	3 078 550 426	**1 534 554 187**	1 418 901 901	3 230 923 033

Income statement for the year ended 31 December 2016

		Segment A			Segment B			Bank		
	Note	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD
Interest income		**962 988**	2 015 430	3 320 100	**17 794 148**	19 130 710	22 797 545	**18 757 136**	21 146 140	26 117 645
Interest expense		**(658 638)**	(1 248 934)	(1 761 398)	**(3 891 870)**	(5 720 196)	(8 620 328)	**(4 550 508)**	(6 969 130)	(10 381 726)
Net interest income	25	**304 350**	766 496	1 558 702	**13 902 278**	13 410 514	14 177 217	**14 206 628**	14 177 010	15 735 919
Fee and commission income		**531 129**	482 913	700 922	**6 164 763**	6 901 107	7 017 012	**6 695 892**	7 384 020	7 717 934
Fee and commission expense		**(242 698)**	(230 643)	(309 452)	**-**	-	(176 193)	**(242 698)**	(230 643)	(485 645)
Net fee and commission income	26	**288 431**	252 270	391 470	**6 164 763**	6 901 107	6 840 819	**6 453 194**	7 153 377	7 232 289
Net trading income	27	**2 919 752**	4 678 113	4 102 000	**5 003 890**	6 219 062	4 581 797	**7 923 642**	10 897 175	8 683 797
Net (loss)/income from other financial instruments carried at fair value	28	**4 308**	(245 678)	284 976	**-**	-	-	**4 308**	(245 678)	284 976
Other income	29	**249 249**	219 336	278 958	**-**	-	-	**249 249**	219 336	278 958
		3 173 309	4 651 771	4 665 934	**5 003 890**	6 219 062	4 581 797	**8 177 199**	10 870 833	9 247 731
Operating income		**3 766 090**	5 670 537	6 616 106	**25 070 931**	26 530 683	25 599 833	**28 837 021**	32 201 220	32 215 939
Net impairment loss (charge)/reversal on financial assets	30	**(208 300)**	317 443	(1 985)	**(156 386)**	4 632 023	1 127 476	**(364 686)**	4 949 466	1 125 491
Personnel expenses	31	**(959 360)**	(1 149 798)	(1 489 914)	**(6 386 482)**	(5 379 549)	(5 764 952)	**(7 345 842)**	(6 529 347)	(7 254 866)
Operating lease expenses	32	**(83 254)**	(114 397)	(166 006)	**(554 219)**	(535 228)	(642 331)	**(637 473)**	(649 625)	(808 337)
Depreciation and amortisation	13&14	**(852 349)**	(794 909)	(902 607)	**-**	-	-	**(852 349)**	(794 909)	(902 607)
Other expenses	33	**(729 368)**	(932 811)	(1 260 486)	**(4 865 246)**	(5 041 800)	(4 577 548)	**(5 594 614)**	(5 974 611)	(5 838 034)
		(2 832 631)	(2 674 472)	(3 820 998)	**(11 962 333)**	(6 324 554)	(9 857 355)	**(14 794 964)**	(8 999 026)	(13 678 353)
Profit before income tax		**933 459**	2 996 065	2 795 108	**13 108 598**	20 206 129	15 742 478	**14 042 057**	23 202 194	18 537 586
Income tax expense	34	**(572 214)**	(582 854)	(2 078 010)	**(600 310)**	(1 013 857)	(1 044 000)	**(1 172 524)**	(1 596 711)	(3 122 010)
Profit for the year		**361 245**	2 413 211	717 098	**12 508 288**	19 192 272	14 698 478	**12 869 533**	21 605 483	15 415 576

Statement of profit or loss and other comprehensive Income as at 31 December 2016

	Segment A			Segment B			Bank		
	2016 USD	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD	**2016 USD**	2015 USD	2014 USD
Profit for the year	**361 245**	2 413 211	717 098	**12 508 288**	19 192 272	14 698 478	**12 869 533**	21 605 483	15 415 576
Other comprehensive Income									
Net gain on available-for-sale financial assets	**1 630**	868	4 539	**-**	-	-	**1 630**	868	4 539
Other comprehensive income for the year	**1 630**	868	4 539	**-**	-	-	**1 630**	868	4 539
Total comprehensive income for the year	**362 875**	2 414 079	721 637	**12 508 288**	19 192 272	14 698 478	**12 871 163**	21 606 351	15 420 115
Total comprehensive income attributable to equity holders	**362 875**	2 414 079	721 637	**12 508 288**	19 192 272	14 698 478	**12 871 163**	21 606 351	15 420 115
	362 875	2 414 079	721 637	**12 508 288**	19 192 272	14 698 478	**12 871 163**	21 606 351	15 420 115

7. Cash and cash equivalents

	2016 USD	2015 USD	2014 USD
Bank total			
Cash in hand	**132 893**	117 085	99 206
Foreign currency notes and coins	**20 491**	38 446	28 564
Unrestricted balances with central bank	**13 748 010**	18 419 553	7 284 540
Interbank placements	**-**	-	9 449 674
Balances with banks abroad	**941 547 956**	839 503 716	2 481 129 984
	955 449 350	858 078 800	2 497 991 968
Segment A			
Cash in hand	**132 893**	117 085	99 206
Foreign currency notes and coins	**20 491**	38 446	28 564
Unrestricted balances with central bank	**13 748 010**	18 419 553	7 284 540
Interbank placements	**-**	-	9 449 674
	13 901 394	18 575 084	16 861 984
Segment B			
Balances with banks abroad	**941 547 956**	839 503 716	2 481 129 984

8. Trading assets and liabilities

Trading assets			
Bank total & segment A			
Non-derivatives			
Treasury bills	**4 130 852**	16 793 922	25 544 721
Treasury notes	**-**	-	-
Money market	**8 083 920**	22 369 617	158 490 760
	12 214 772	39 163 539	184 035 481
Trading liabilities			
Bank total & segment A			
Derivative liabilities-money market	**-**	-	23 342 017

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.

	2016			2015			2014		
	Fair value assets USD	**Fair value liabilities USD**	**Nominal amount USD**	Fair value assets USD	Fair value liabilities USD	Nominal amount USD	Fair value assets USD	Fair value liabilities USD	Nominal amount USD
Bank total									
Interest rate	**-**	**-**	**-**	8 638	8 638	653 439	213 998	213 998	5 937 525
Options	**8 232 920**	**8 232 921**	**734 958 125**	6 975 402	6 975 168	415 703 865	2 634 352	2 634 352	186 130 433
Foreign exchange	**3 596 695**	**3 366 169**	**357 490 251**	2 032 779	1 634 203	223 271 776	1 655 587	984 054	103 231 985
	11 829 615	**11 599 090**	**1 092 448 376**	9 016 819	8 618 009	639 629 080	4 503 937	3 832 404	295 299 943
Segment A									
Interest rate	**-**	**-**	**-**	8 638	8 638	653 439	213 998	-	5 937 525
Options	**2 387 844**	**5 845 076**	**367 479 063**	3 749 161	3 226 006	322 617 577	1 503 962	1 130 390	143 509 264
Foreign exchange	**8 654**	**-**	**365 497**	232 814	176 829	19 570 065	95 764	489 054	21 693 405
	2 396 498	**5 845 076**	**367 844 560**	3 990 613	3 411 473	342 841 081	1 813 724	1 619 444	171 140 194
Segment B									
Interest rate	**-**	**-**	**-**	-	-	-	-	213 998	-
Options	**5 845 076**	**2 387 845**	**367 479 062**	3 226 241	3 749 162	93 086 288	1 130 389	1 503 855	42 621 169
Foreign exchange	**3 588 041**	**3 366 169**	**357 124 754**	1 799 965	1 457 374	203 701 711	1 559 824	459 000	81 538 580
Credit	**-**	**-**	**-**	-	-	-	-	-	-
	9 433 117	**5 754 014**	**724 603 816**	5 026 206	5 206 536	296 787 999	2 690 213	2 176 853	124 159 749

10. Loans and advances to banks

	2016 USD	2015 USD	2014 USD
Bank total			
Loans and advances to banks	**463 307 807**	393 710 692	270 117 616
Segment A			
Loans and advances to banks	**37 264 725**	326 843	730 780
Segment B			
Loans and advances to banks	**426 043 082**	393 383 849	269 386 836
Remaining term to maturity			
Bank total			
Up to 3 months	**37 284 382**	52 462 493	730 780
Over 3 months and up to 6 months	**68 203 620**	120 263 698	24 128 372
Over 6 months and up to 12 months	**98 442 955**	150 984 501	195 243 263
Over 1 year and up to 5 years	**248 900 674**	70 000 000	50 015 201
Over 5 years	**10 476 176**	-	-
	463 307 807	393 710 692	270 117 616
Remaining term to maturity			
Segment A			
Up to 3 months	**35 260 155**	326 843	730 780
Over 3 months and up to 6 months	**2 004 570**	-	-
	37 264 725	326 843	730 780
Remaining term to maturity			
Segment B			
Up to 3 months	**2 024 227**	52 135 650	-
Over 3 months and up to 6 months	**66 199 030**	120 263 698	24 128 372
Over 6 months and up to 12 months	**98 442 955**	150 984 501	195 243 263
Over 1 year and up to 5 years	**248 900 694**	70 000 000	50 015 201
Over 5 years	**10 476 176**	-	-
	426 043 082	393 383 849	269 386 836
Current assets	**203 930 957**	323 710 692	220 102 415
Non-current assets	**259 376 850**	70 000 000	50 015 201

11. Loans and advances to customers

	2016 USD	2015 USD	2014 USD
Bank total			
Personal loans	**1 730 056**	1 645 670	1 519 520
Corporate customers	**28 075 725**	68 020 923	128 748 063
Entities outside Mauritius	**50 572 280**	36 586 578	150 012 914
	80 378 061	106 253 171	280 280 497
Less specific allowance for impairment 11 (d)	**(941 763)**	(4 912 794)	(27 929 580)
Less collective allowance for impairment 11 (d)	**(695 233)**	(587 551)	(2 514 046)
	78 741 065	100 752 826	249 836 871
Loans and advances to customers			
Segment A			
Personal loans	**771 338**	537 744	1 519 520
Corporate customers	**14 626 033**	30 941 966	59 830 114
	15 397 371	31 479 710	61 349 634
Less specific allowance for impairment 11 (e)	**(837 357)**	(4 912 851)	(6 374 928)
Less collective allowance for impairment 11 (e)	**(173 392)**	(117 852)	(448 145)
	14 386 622	26 449 007	54 526 561
Loans and advances to customers			
Segment B			
Personal loans	**958 718**	1 107 926	-
Corporate customers	**13 449 692**	37 078 957	68 917 949
Entities outside Mauritius	**50 572 280**	36 586 578	150 012 914
	64 980 690	74 773 461	218 930 863
Less specific allowance for impairment 11 (e)	**(104 406)**	57	(21 554 652)
Less collective allowance for impairment 11 (e)	**(521 841)**	(469 699)	(2 065 901)
	64 354 443	74 303 819	195 310 310

(a) Remaining term to maturity

	2016 USD	2015 USD	2014 USD
Bank total			
Up to 3 months	**39 237 319**	33 008 529	120 360 325
Over 3 months and up to 6 months	**8 962 426**	2 784 938	6 759 691
Over 6 months and up to 12 months	**4 448 244**	9 220 839	17 685 153
Over 1 year and up to 5 years	**27 268 514**	50 905 818	93 288 602
Over 5 years	**461 558**	10 333 047	42 186 726
	80 378 061	106 253 171	280 280 497
Remaining term to maturity Segment A			
Up to 3 months	**14 017 070**	27 742 582	38 949 993
Over 3 months and up to 6 months	**-**	537 592	6 411 342
Over 6 months and up to 12 months	**-**	-	1 530 066
Over 1 year and up to 5 years	**1 380 301**	3 197 988	14 458 233
Over 5 years	**-**	-	-
	15 397 371	31 478 162	61 349 634
Remaining term to maturity Segment B			
Up to 3 months	**25 220 249**	5 265 947	81 410 332
Over 3 months and up to 6 months	**8 962 426**	2 247 346	348 349
Over 6 months and up to 12 months	**4 448 244**	9 220 839	16 155 087
Over 1 year and up to 5 years	**25 888 213**	47 707 830	78 830 369
Over 5 Years	**461 558**	10 333 047	42 186 726
	64 980 690	74 775 009	218 930 863
Current assets	**52 647 989**	45 014 306	144 805 169
Non-current assets	**27 730 072**	61 238 865	135 475 328

(b) Credit concentration of risk by industry sectors

	2016 USD	2015 USD	2014 USD
Bank total			
Agriculture and fishing	-	9 833 358	26 262 505
Manufacturing	11 987 743	17 106 412	66 759 128
Tourism	-	5 277 914	19 639 026
Transport	3 509 431	5 080 870	6 552 361
Construction	-	11 915 151	15 898 732
Financial and business services	5 561 022	5 578 800	25 168 534
Traders	17 324 854	9 137 146	32 892 429
Personal	1 730 056	1 645 670	2 782 035
Global business licence holders	36 814 328	37 080 505	68 917 949
Others	3 450 627	3 597 345	15 407 798
	80 378 061	106 253 171	280 280 497
Segment A			
Agriculture and fishing	-	-	-
Manufacturing	113 911	3 311 495	6 482 929
Tourism	-	-	-
Transport	-	-	-
Construction	-	11 915 151	14 866 787
Financial and business services	5 561 022	5 578 800	21 819 127
Traders	5 501 028	6 537 627	11 513 644
Personal	770 783	537 744	1 519 520
Others	3 450 627	3 597 345	5 147 627
	15 397 371	31 478 162	61 349 634
Segment B			
Agriculture and fishing	-	9 833 358	26 262 505
Manufacturing	11 873 832	13 794 917	60 276 199
Tourism	-	5 277 914	19 639 026
Transport	3 509 431	5 080 870	6 552 361
Construction	-	-	1 031 945
Financial and business services	-	-	3 349 407
Traders	11 823 826	2 599 519	21 378 785
Personal	959 273	1 107 926	1 262 515
Global business licence holders	36 814 328	37 080 505	68 917 949
Others	-	-	10 260 171
	64 980 690	74 775 009	218 930 863

(c) Segmental analysis-geographical area

	2016 USD	2015 USD	2014 USD
Africa	**79 883 763**	105 531 118	253 952 588
Europe	**494 298**	607 990	5 095 443
Oceania & others	**-**	114 063	21 232 466
	80 378 061	106 253 171	280 280 497

(d) Allowance for credit impairment

	Specific allowances for impairment USD	Portfolio allowances for impairment USD	Total USD
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**
Provision for credit impairment for the year	**251 883**	**433 282**	**685 165**
Loans written off out of allowance	**(3 222 809)**	**-**	**(3 222 809)**
Provisions released	**(105)**	**(325 600)**	**(325 705)**
Transfer to other liabilities[6]	**(1 000 000)**	**-**	**(1 000 000)**
Balance at 31 December 2016	**941 763**	**695 233**	**1 636 996**

[6]Relates to reclassification of land transfer tax provision incurred on account of impaired facility from specific provisioning to other liabilities

(e) Allowance for credit impairment by industry sectors

	2016					2015	2014
	Gross amount of loans USD	Impaired loans USD	Specific allowances for credit impairment USD	Collective/ portfolio allowances for credit impairment USD	Total allowances for credit impairment USD	Total allowances for credit impairment USD	Total allowances for credit impairment USD
Bank Total							
Agriculture and fishing	-	-	-	-	-	140 662	262 625
Manufacturing	11 987 743	-	104 406	208 962	313 368	224 667	1 518 525
Tourism	-	-	-	-	-	16 823	196 390
Transport	3 509 431	-	-	19 340	19 340	19 640	65 524
Construction	-	-	-	-	-	4 075 332	5 115 400
Financial and business services	5 561 022	-	-	62 260	62 260	21 564	251 685
Traders	17 324 854	-	-	164 376	164 376	38 408	424 602
Personal	1 730 056	-	-	4 173	4 173	2 653	34 560
Global business licence holders	36 814 328	-	-	231 811	231 811	112 620	22 024 836
Others	3 450 627	812 357	837 357	4 311	841 668	847 976	549 479
	80 378 061	812 357	941 763	695 233	1 636 996	5 500 345	30 443 626
Segment A							
Agriculture and fishing	-	-	-	-	-	-	-
Manufacturing	113 911	-	-	-	-	68 611	915 763
Tourism	-	-	-	-	-	-	-
Transport	-	-	-	-	-	-	-
Construction	-	-	-	-	-	4 075 332	5 105 081
Financial and business services	5 561 022	-	-	62 260	62 260	21 564	218 191
Traders	5 501 028	-	-	104 962	104 962	16 353	114 442
Personal	770 783	-	-	1 859	1 859	867	21 934
Others	3 450 627	812 357	837 357	4 311	841 668	847 976	447 662
	15 397 371	812 357	837 357	173 392	1 010 749	5 030 703	6 823 073

Impaired loans of USD812 357 as at 31 December 2016 were from clients resident in Mauritius.

	Gross amount of loans USD	Impaired loans USD	Specific allowances for credit impairment USD	Collective/ portfolio allowances for credit impairment USD	Total allowances for credit impairment USD	2015 Total USD	2014 Total USD
Segment B							
Agriculture and fishing	-	-	-	-	-	140 662	262 625
Manufacturing	11 873 832	-	104 406	208 962	313 368	156 056	602 762
Tourism	-	-	-	-	-	16 823	196 390
Transport	3 509 431	-	-	19 340	19 340	19 640	65 524
Construction	-	-	-	-	-	-	10 319
Financial and business services	-	-	-	-	-	-	33 494
Traders	11 823 826	-	-	59 414	59 414	22 055	310 160
Personal	959 273	-	-	2 314	2 314	1 786	12 626
Global business licence holders	36 814 328	-	-	231 811	231 811	112 620	22 024 153
Others	-	-	-	-	-	-	101 817
	64 980 690	-	104 406	521 841	626 247	469 642	23 620 553

(f) Charges/Charge offs for specific allowances for credit impairments

	2016	2015	
	Specific allowances for credit impairment	Specific allowances for credit impairment	Charges/ (Charge offs) for the year
	USD	USD	USD
Bank total			
Manufacturing	**104 406**	-	104 406
Construction	**-**	4 075 332	(4 075 332)
Global business licence holders	**-**	-	-
Others	**837 357**	837 462	(105)
	941 763	4 912 794	(3 971 031)
Segment A			
Construction	**-**	4 075 332	(4 075 332)
Others	**837 357**	837 462	(105)
	837 357	4 912 794	(4 075 437)
Segment B			
Manufacturing	**104 406**	-	104 406
	104 406	-	104 406

12. Investment securities

	2016 USD	2015 USD	2014 USD
Unlisted – available-for-sale			
Comprising of			
Treasury notes	**833 184**	474 659	2 661 958
	833 184	474 659	2 661 958
Segment A			
Treasury notes	**833 184**	474 659	2 661 958
	833 184	474 659	2 661 958

Maturity analysis

	2016 USD	2015 USD	2014 USD
Bank total			
Up to 3 months	**833 184**	474 659	-
Over 3 months and up to 6 months	**-**	-	2 661 958
	833 184	474 659	2 661 958
Segment A			
Up to 3 months	**833 184**	474 659	-
Over 3 months and up to 6 months	**-**	-	2 661 958
	833 184	474 659	2 661 958

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 01 January 2014	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	39 234	-	361 282
Disposals	-	-	-	(14 974)	(14 974)
Transfers	114 874	(510 038)	395 164	-	-
Balance at 31 December 2015	3 330 337	812 620	2 200 025	63 020	6 406 002
Acquisitions	169 750	11 299	38 612	40 607	260 269
Disposals	(8 970)	(3 303)	-	(69 741)	(82 014)
Balance at 31 December 2016	**3 491 117**	**820 616**	**2 238 637**	**33 886**	**6 584 256**
Depreciation and impairment losses					
Balance at 01 January 2014	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	241 813	14 090	781 000
Disposal	-	-	-	(11 730)	(11 730)
Balance at 31 December 2015	2 227 843	444 371	820 392	41 788	3 534 394
Depreciation for the year	499 683	82 596	246 146	11 558	839 983
Disposal	(8 738)	(2 560)	-	(29 812)	(41 110)
Balance at 31 December 2016	**2 718 788**	**524 407**	**1 066 538**	**23 534**	**4 332 267**
Carrying amounts					
Balance at 31 December 2016	**772 329**	**296 209**	**1 172 099**	**10 352**	**2 250 989**
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

There were no capitalised borrowing costs related to the acquisition of equipment during the year (2015: Nil).

There is no significant property or equipment for which title is restricted or which is pledged as security for liabilities.

14. Intangible assets

	USD
Bank total and segment A	
Computer software	
Cost	
Balance at 01 January 2014	177 467
Acquisitions	-
Disposals	-
Balance at 31 December 2014	177 467
Acquisitions	-
Disposals	-
Balance at 31 December 2015	177 467
Acquisitions	14 925
Disposals	-
Balance at 31 December 2016	192 392
Amortisation and impairment losses	
Balance at 01 January 2014	106 039
Amortisation for the year	30 874
Disposals	-
Balance at 31 December 2014	136 913
Amortisation for the year	13 909
Disposals	-
Balance at 31 December 2015	150 822
Amortisation for the year	12 366
Disposals	-
Balance at 31 December 2016	163 188
Carrying amount at 31 December 2016	29 204
Carrying amount at 31 December 2015	26 645
Carrying amount at 31 December 2014	40 554

There were no capitalised borrowing costs related to the acquisition of software during the year (2015: nil).

15. Deferred tax

The movement on the deferred tax amount is as follows:

	2016 USD	2015 USD	2014 USD
Bank total			
At 1 January	**1 177 000**	2 116 000	3 654 000
Income statement charge	**(877 000)**	(939 000)	(480 000)
Effect of change in tax rate	**-**	-	(1 058 000)
At 31 December 2016	**300 000**	1 177 000	2 116 000
Segment A			
At 1 January	**870 912**	1 027 912	1 706 912
Income statement charge	**(562 000)**	(157 000)	(211 912)
Effect of change in tax rate	**-**	-	(467 088)
Deferred tax asset as at 31 December	**308 912**	870 912	1 027 912
Segment B			
At 1 January	**306 088**	1 088 088	1 947 088
Income statement charge	**(315 000)**	(782 000)	(268 088)
Effect of change in tax rate	**-**	-	(590 912)
Deferred tax (liability)/asset as at 31 December	**(8 912)**	306 088	1 088 088

Deferred income tax assets and liabilities are attributable to the following items:

	2016 USD	2015 USD	2014 USD
Deferred tax assets:			
General provision for bad and doubtful debts	**191 000**	769 000	1 732 000
Unutilised tax losses	**-**	293 000	377 000
Other temporary differences	**170 000**	357 000	109 000
	361 000	1 419 000	2 218 000
Deferred tax liabilities:			
Other temporary differences	**-**	-	-
Accelerated depreciation	**(61 000)**	(242 000)	(102 000)
	(61 000)	(242 000)	(102 000)

The deferred tax charge/(release) in the statement of profit or loss comprise the following differences:

	2016 USD	2015 USD	2014 USD
General provision for bad and doubtful debts	**578 000**	963 000	1 955 000
Unutilised tax losses	**293 000**	-	-
Other temporary differences	**187 000**	(164 000)	(397 000)
Accelerated depreciation	**(181 000)**	140 000	(20 000)
	877 000	939 000	1 538 000

16. Other assets

	2016 USD	2015 USD	2014 USD
Mandatory balances with central bank	**8 792 527**	8 394 895	8 777 684
Accrued interest receivable	**-**	4 111 540	6 062 594
Property held-for-sale	**-**	-	236 220
Current tax receivable (note 21)	**-**	-	1 266
Other	**796 762**	1 122 878	1 246 314
	9 589 289	13 629 313	16 324 078
Segment A			
Mandatory balances with central bank	**8 792 527**	8 394 895	8 777 684
Accrued interest receivable	**-**	2 265 162	1 933 798
Property held-for-sale	**-**	-	236 220
Current tax receivable (note 21)	**-**	-	1 266
Other	**383 423**	889 657	1 007 366
	9 175 950	11 549 714	11 956 334
Segment B			
Accrued interest receivable	**-**	1 846 378	4 128 796
Other	**413 339**	233 221	238 948
	413 339	2 079 599	4 367 744

Deposits are placed with the central bank for the purpose of reserve requirements and are therefore not available-for-use.

The Bank held property as a consequence of enforcement of security over loan and advances.

Accrued interest for 2016 of USD2 021 262 has been reclassified under loan and advances to customers/banks and cash and cash equivalent.

17. Deposits from banks

Bank total			
Money market deposits	**64 033 432**	76 000 000	21 100 722
Other deposits from banks	**30 341 194**	3 148 172	1 784 367
	94 374 626	79 148 172	22 885 089
Segment A			
Money market deposits	**20 001 467**	20 000 000	-
Other deposits from banks	**2 592 229**	3 110 700	1 784 367
	22 593 696	23 110 700	1 784 367
Segment B			
Money market deposits	**44 031 965**	56 000 000	20 283 331
Other deposits from banks	**27 748 965**	37 472	817 391
	71 780 930	56 037 472	21 100 722

18. Deposits from customers

	2016 USD	2015 USD	2014 USD
Bank total			
Corporates			
-Demand deposits			
Current accounts	**264 222 513**	321 954 856	280 031 049
Savings accounts	**8 803 082**	8 885 357	9 278 187
Call accounts	**727 408 006**	590 545 617	858 029 473
-Time deposits			
Up to 3 months	**264 632 208**	218 330 555	1 828 482 873
Over 3 months and up to 6 months	**5 911 045**	16 989 360	40 756 312
Over 6 months and up to 12 months	**12 206 422**	6 678 981	5 815 811
Over 1 year and up to 5 years	**-**	1 424 519	3 265 552
	1 283 183 276	1 164 809 245	3 025 659 257
Segment A			
- Demand deposits			
Current accounts	**37 666 025**	42 205 971	17 059 722
Savings accounts	**8 803 082**	8 885 357	9 278 187
Call accounts	**29 065 779**	45 959 721	13 037 598
-Time deposits			
Up to 3 months	**20 874 816**	1 563 759	51 967 411
Over 3 months and up to 6 months	**2 874 146**	3 110 045	8 393 573
Over 6 months and up to 12 months	**5 158 479**	1 760 863	947 678
Over 1 year and up to 5 years	**-**	1 394 699	3 250 413
	104 442 327	104 880 415	103 934 582
Segment B			
-Demand deposits			
Current accounts	**226 556 489**	279 748 885	262 971 327
Call accounts	**698 342 226**	544 585 896	844 991 875
-Time deposits			
Up to 3 months	**243 757 392**	216 766 796	1 776 515 462
Over 3 months and up to 6 months	**3 036 899**	13 879 315	32 362 739
Over 6 months and up to 12 months	**7 047 943**	4 918 118	4 868 133
Over 1 year and up to 5 years	**-**	29 820	15 139
	1 178 740 949	1 059 928 830	2 921 724 675
Current assets	**1 283 183 276**	1 163 384 726	3 022 393 705
Non-current assets	**-**	1 424 519	3 265 552

19. Other borrowed funds

Bank total & segment B			
Borrowings from banks	**4 018 856**	10 996 984	43 455 945

Borrowings from banks represent long term unsecured funding for two facilities from Standard Bank Isle of Man. The funds are repayable in a single instalment at maturity. The first funding of USD723 000 earns a coupon payment of 3.21% and will mature on 31 May 2018 and the second funding of USD3 295 000, maturing on 30 June 2020, carries a coupon payment of 3.97%.

20. Subordinated liabilities

Lender	Date issued	Maturity date	Rate	Notional value USD	Carrying value USD
SBSA	December 2012	December 2022	USD 3 months Libor + 3.84% 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 2014 to 2016.

	2016 USD	2015 USD	2014 USD
Bank total and segment B			
SBSA	**25 000 000**	25 000 000	25 000 000

21. Current tax liabilities

	2016 USD	2015 USD	2014 USD
Bank total			
Income tax based on chargeable income	**202 000**	539 000	1 064 000
Advanced payments made	**-**	-	(1 065 266)
	202 000	539 000	(1 266)
Segment A			
Income tax based on chargeable income	**-**	360 000	905 000
Advanced payments made	**-**	-	(661 752)
	-	360 000	243 248
Segment B			
Income tax based on chargeable income	**202 000**	179 000	159 000
Advanced payments made	**-**	-	(403 514)
	202 000	179 000	(244 514)

22. Other liabilities

	2016 USD	2015 USD	2014 USD
Accrued interest payable	**-**	200 573	756 281
Accrued expense	**1 735 116**	1 391 556	609 014
Unsettled money market transactions[7]	**28 055 528**	32 812 260	-
Others	**4 683 622**	6 570 175	8 231 744
	34 474 266	40 974 564	9 597 039
Segment A			
Accrued interest payable	**-**	105 011	63 986
Accrued expense	**1 735 116**	1 391 556	609 014
Others	**3 485 633**	6 352 016	6 921 208
	5 220 749	7 848 583	7 594 208
Segment B			
Accrued interest payable	**-**	95 562	692 295
Accrued expense	**-**	-	-
Unsettled money market transactions	**28 055 528**	32 812 260	-
Others	**1 197 989**	218 159	1 310 536
	29 253 517	33 125 981	2 002 831

Accrued interest for 2016 USD354 454 has been reclassified under deposits.

[7]Relate to uncleared balances on nostro accounts for money market transactions with value date after trade date. These are cleared within 2 business days.

23. Share capital

	2016 USD	2015 USD	2014 USD
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
Unissued capital Ordinary (5,000,000 shares of USD1 each)	**5 000 000**	5 000 000	5 000 000

24. Contingent liabilities

	2016 USD	2015 USD	2014 USD
Guarantees on account of customers	**23 332 670**	15 015 504	50 323 250
Letters of credit and other obligations on account of customers	**2 800 245**	3 801 068	10 338 866
Spot foreign exchange contracts	**3 836 871**	1 540 351	3 992 642
Accepted letters of credit	**4 201 444**	5 895 624	9 637 188
Liabilities for swaps and forwards	**356 665 019**	411 287 779	160 370 269
	390 836 249	437 540 326	234 662 215
Segment A			
Guarantees on account of customers	**1 175 792**	1 150 737	1 192 440
Letters of credit and other obligations on account of customers	**20 900**	2 080 033	2 715 085
Spot foreign exchange contracts	**281 313**	35 886	6 584
Accepted letters of credit	**131 266**	296 181	68 343
Liabilities for swaps and forwards	**313 889**	24 532 031	36 419 899
	1 923 160	28 094 868	40 402 351
Segment B			
Guarantees on account of customers	**22 156 878**	13 864 767	49 130 810
Letters of credit and other obligations on account of customers	**2 779 345**	1 721 035	7 623 781
Spot foreign exchange contracts	**3 555 558**	1 504 465	3 986 058
Accepted letters of credit	**4 070 178**	5 626 443	9 568 845
Liabilities for swaps and forwards	**356 351 130**	386 755 748	123 950 370
	388 913 089	409 472 458	194 259 865

25. Net interest income

	2016 USD	2015 USD	2014 USD
Bank total			
Interest income			
Loans and advances to banks	**13 637 507**	12 333 332	13 437 715
Loans and advances to customers	**4 953 413**	8 570 076	12 469 821
Investment securities	**30 951**	46 440	71 577
Other	**135 265**	196 292	138 532
Total interest income	**18 757 136**	21 146 140	26 117 645
Interest expense			
Deposits from banks	**(664 010)**	(1 079 696)	(2 849 883)
Deposits from customers	**(2 951 841)**	(5 056 803)	(6 711 403)
Subordinated liabilities	**(934 657)**	(832 631)	(820 440)
Total interest expense	**(4 550 508)**	(6 969 130)	(10 381 726)
Net interest income	**14 206 628**	14 177 010	15 735 919
Segment A			
Interest income			
Loans and advances to banks	**125 608**	70 926	59 899
Loans and advances to customers	**806 429**	1 828 700	3 050 092
Investment securities	**30 951**	46 440	71 577
Other	**-**	69 364	138 532
Total interest income	**962 988**	2 015 430	3 320 100
Interest expense			
Deposits from banks	**(73 094)**	(39 247)	(20 088)
Deposits from customers	**(585 544)**	(1 209 687)	(1 741 310)
Total interest expense	**(658 638)**	(1 248 934)	(1 761 398)
Net interest income	**304 350**	766 496	1 558 702
Segment B			
Interest income			
Loans and advances to banks	**13 511 899**	12 262 406	13 377 816
Loans and advances to customers	**4 146 984**	6 741 376	9 419 729
Investment securities	**-**	-	-
Other	**135 265**	126 928	-
Total interest income	**17 794 148**	19 130 710	22 797 545
Interest expense			
Deposits from banks	**(590 916)**	(1 040 449)	(2 829 795)
Deposits from customers	**(2 366 297)**	(3 847 116)	(4 970 093)
Subordinated liabilities	**(934 657)**	(832 631)	(820 440)
Total interest expense	**(3 891 870)**	(5 720 196)	(8 620 328)
Net interest income	**13 902 278**	13 410 514	14 177 217

All of the Bank's net interest income was derived from financial instruments carried at amortised cost.

26. Net fee and commission income

	2016 USD	2015 USD	2014 USD
Fee and commission income			
Corporate banking customer fees	**4 169 700**	5 021 828	4 151 540
Corporate banking credit related fees	**1 232 466**	1 360 643	2 295 745
Investment banking fees	**895 442**	597 171	762 871
Custody fees	**398 284**	404 378	507 778
Total fee and commission income	**6 695 892**	7 384 020	7 717 934
Fee and commission expense	**(242 698)**	(230 643)	(485 645)
Net fee and commission income	**6 453 194**	7 153 377	7 232 289
Segment A			
Fee and commission income			
Corporate banking customer fees	**86 920**	43 526	108 068
Corporate banking credit related fees	**45 925**	35 009	65 075
Investment banking fees	**-**	-	20 000
Custody fees	**398 284**	404 378	507 779
Total fee and commission income	**531 129**	482 913	700 922
Fee and commission expense	**(242 698)**	(230 643)	(309 452)
Net fee and commission income	**288 431**	252 270	391 470
Segment B			
Fee and commission income			
Corporate banking customer fees	**4 082 780**	4 978 302	4 043 472
Corporate banking credit related fees	**1 186 541**	1 325 634	2 230 669
Investment banking fees	**895 442**	597 171	742 871
Total fee and commission income	**6 164 763**	6 901 107	7 017 012
Fee and commission expense	**-**	-	(176 193)
Net fee and commission income	**6 164 763**	6 901 107	6 840 819

27. Net trading income

	2016 USD	2015 USD	2014 USD
Fixed income/money market	**88 075**	689 906	1 422 156
Foreign exchange	**7 262 052**	9 130 525	6 895 472
Other	**573 515**	1 076 744	366 169
	7 923 642	10 897 175	8 683 797
Segment A			
Fixed income/money market	**88 075**	689 906	1 422 156
Foreign exchange	**2 258 162**	2 911 463	2 315 894
Other	**573 515**	1 076 744	363 950
	2 919 752	4 678 113	4 102 000
Segment B			
Fixed income/money market	**-**	-	-
Foreign exchange	**5 003 890**	6 219 062	4 579 578
Other	**-**	-	2 219
	5 003 890	6 219 062	4 581 797

28. Net income from other financial instruments carried at fair value

	2016 USD	2015 USD	2014 USD
Bank total and segment A			
Government bonds/treasury bills	**8 587**	(33 582)	(58 724)
Other	**(4 279)**	(212 096)	343 700
	4 308	(245 678)	284 976

29. Other income

	2016 USD	2015 USD	2014 USD
Bank total and segment A			
Rental income and recharges	**249 249**	219 336	278 958

30. (a) Net impairment charge/(loss reversal) on financial assets

	2016 USD	2015 USD	2014 USD
Bank total			
Loans and advances to customers	**381 845**	(4 887 919)	(1 029 120)
Accepted letters of credit	**(17 159)**	(61 547)	(96 371)
	364 686	(4 949 466)	(1 125 491)
Segment A			
Loans and advances to customers	**207 439**	(318 350)	2 668
Accepted letters of credit	**861**	907	(683)
	208 300	(317 443)	1 985
Segment B			
Loans and advances to customers	**174 406**	(4 569 569)	(1 031 788)
Accepted letters of credit	**(18 020)**	(62 454)	(95 688)
	156 386	(4 632 023)	(1 127 476)

30. (b) Breakdown of net impairment (loss reversal)/charge on loans and advances to customers

Bank total	2016 USD	2015 USD	2014 USD
Provision made	**676 222**	596 382	1 782 619
Provision released	**(294 377)**	(2 532 301)	(2 483 739)
Recoveries	**-**	(2 952 000)	(328 000)
	381 845	(4 887 919)	(1 029 120)
Segment A			
Provision made	**283 783**	484 867	1 055 892
Provision released	**(76 344)**	(803 217)	(1 053 224)
Recoveries	**-**	-	-
	207 439	(318 350)	2 668
Segment B			
Provision made	**392 439**	111 515	727 409
Provision released	**(218 033)**	(1 729 084)	(1 431 197)
Recoveries	**-**	(2 952 000)	(328 000)
	174 406	(4 569 569)	(1 031 788)

31 (a) Personnel expenses

Bank total			
Wages and salaries	**4 766 346**	4 142 059	4 260 127
Other personnel expenses	**1 969 065**	1 854 766	2 248 732
Compulsory social security obligations	**39 031**	97 826	109 626
Contributions to defined contribution plans	**451 046**	412 510	460 308
Share-based payment-cash settled	**120 354**	22 186	176 073
	7 345 842	6 529 347	7 254 866
Segment A			
Wages and salaries	**622 481**	729 404	874 892
Other personnel expenses	**257 229**	326 618	461 816
Compulsory social security obligations	**5 098**	17 227	22 514
Contributions to defined contribution plans	**58 906**	72 642	94 532
Share-based payment-cash settled	**15 646**	3 907	36 160
	959 360	1 149 798	1 489 914
Segment B			
Wages and salaries	**4 143 865**	3 412 655	3 385 235
Other personnel expenses	**1 711 836**	1 528 148	1 786 916
Compulsory social security obligations	**33 933**	80 599	87 112
Contributions to defined contribution plans	**392 140**	339 868	365 776
Share-based payment-cash settled	**104 708**	18 279	139 913
	6 386 482	5 379 549	5 764 952

31 (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 (the Group) 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 2016	2015	2014
Equity growth scheme reconciliation				
Rights outstanding at beginning of year		-	188	188
Granted		-	-	-
Exercised[8]		-	-	-
Lapsed		-	-	-
Transfer out		-	(188)	-
Rights outstanding at end of year[9]		-	-	188

There were no outstanding rights to employees as at 31 December 2016.

(ii) Share incentive scheme

	Option price range (cents)	Number of options 2016	2015	2014
Share incentive scheme reconciliation				
Options outstanding at beginning of year		**76 488**	99 320	123 750
Transfers		-	(12 050)	-
Granted		-	-	-
Exercised	62.39 – 98.00	**(32 205)**	(10 782)	(24 430)
Lapsed		-	-	-
Options outstanding at end of year		**44 283**	76 488	99 320

The weighted average group's share price for the period to 31 December 2016 year end was ZAR151.63 (2015: ZAR147.88)

[8] During the year, 20,302 (2015: nil) shares were issued to settle the outstanding appreciated rights value.

[9] At 31 December 2016, the Bank issued 29,248 (2015: 0) the Group shares to settle outstanding appreciated rights value.

31 (b) Share-based payments (continued)

The following options granted to employees had not been exercised at 31 December 2016:

Number of ordinary shares	Option price range (cents)	Weighted average price (cents)	Option expiry date
1 000	9.800	9.800	Year to 31 December 2017
1 500	9.200	9.200	Year to 31 December 2018
6 500	6.239	6.239	Year to 31 December 2019
6 658	11.194	11.194	Year to 31 December 2020
28 625	9.880	9.880	Year to 31 December 2021
44 283			

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			

Total expenses recognised in staff costs for 2016 was USD14 602 (2015: USD22 186).

(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 Group'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 pay out is determined with reference to the group's share price on vesting date.

The final value is calculated with reference to the number of units multiplied by The Group 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 2016 and the amount charged for the year under the scheme amounts to USD120 354. Total expenses recognised in staff costs for 2016 was USD120 354 (2015: USD103 981).

Reconciliation	Units Dec-16	Units Dec-15
Units outstanding at beginning of year	22 179	19 165
Granted	21 553	12 310
Transferred out	-	-
Exercised	(9 663)	(9 296)
Lapsed	-	-
	34 069	22 179
Units outstanding at end of the year		
Weighted average fair value at grant date (R)	151.63	156.96
Expected life (years)	2.51	2.51
Risk-free interest rate (%)	8.23	7.12

32. Operating lease expenses

	2016 USD	2015 USD	2014 USD
Bank total			
Operating lease expense	**637 473**	649 625	808 337
Segment A			
Operating lease expense	**83 254**	114 397	166 006
Segment B			
Operating lease expense	**554 219**	535 228	642 331

Operating lease commitments

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

Bank total			
Buildings			
Less than one year	**638 007**	411 283	464 393
Between one and five years	**294 833**	541 225	712 968
	932 840	952 508	1 177 361
Bank total			
Motor vehicle and equipment			
Less than one year	**34 928**	49 854	97 204
Between one and five years	**22 000**	31 593	69 601
	56 928	81 447	166 805

The operating lease commitments comprise mainly of building. The lease terms make provision for a yearly increment of 6% in the operating lease charges.

The Bank has the exclusive right of use of the building enabling it to benefit from its use and direct how the asset is used.

33. Other expenses

Bank total			
Software licensing and other information technology cost	**831 784**	874 347	299 897
Professional fees	**1 082 105**	1 541 117	1 362 467
Marketing & advertising	**302 694**	140 043	288 181
Bank charges	**682 337**	717 955	610 343
Other	**2 695 694**	2 701 149	3 277 146
	5 594 614	5 974 611	5 838 034
Segment A			
Software licensing and other information technology cost	**108 631**	153 970	61 589
Professional fees	**141 030**	235 338	294 947
Marketing & advertising	**39 450**	21 385	62 386
Bank charges	**88 929**	109 636	132 127
Other	**351 328**	412 482	709 437
	729 368	932 811	1 260 486

33. Other expenses (continued)

	2016 USD	2015 USD	2014 USD
Segment B			
Software licensing and other information technology cost	**723 153**	720 377	238 308
Professional fees	**941 075**	1 305 779	1 067 520
Marketing & advertising	**263 244**	118 658	225 795
Bank charges	**593 408**	608 319	478 216
Other	**2 344 366**	2 288 667	2 567 709
	4 865 246	5 041 800	4 577 548

34. Income tax (credit)/expense

Analysis of tax expense			
Bank total			
Current tax expense			
Current tax based on adjusted profit	**63 000**	-	543 460
Deferred tax movement	**877 000**	939 000	1 538 000
Under/(over) provision in previous years	**7 659**	53 694	520 010
Special levy	**139 000**	539 000	520 540
Absorbed value added tax	**50 822**	53 201	-
Other taxes	**35 043**	11 816	-
	1 172 524	1 596 711	3 122 010
Segment A			
Current tax expense			
Current tax based on adjusted profit	**-**	-	543 061
Deferred tax movement	**562 000**	157 000	679 000
Under provision in previous years	**(1 000)**	45 670	494 010
Special levy	**-**	359 000	361 939
Absorbed value added tax	**6 637**	9 368	-
Other taxes	**4 577**	11 816	-
	572 214	582 854	2 078 010
Segment B			
Current tax expense			
Current tax based on adjusted profit	**63 000**	-	399
Deferred tax movement	**315 000**	782 000	859 000
Under provision in previous years	**8 659**	8 024	26 000
Special levy	**139 000**	180 000	158 601
Absorbed value added tax	**44 185**	43 833	-
Other taxes	**30 466**	-	-
	600 310	1 013 857	1 044 000

34. Income tax (credit)/expense (continued)

	2016 USD	2015 USD	2014 USD
Reconciliation of effective tax rate			
Bank total			
Net profit/(loss) before income taxes	**14 042 057**	23 202 194	18 537 586
Current tax based on adjusted profit	**551 950**	-	543 460
Non-allowable expenses	**23 112**	-	-
Deferred tax charge	**-**	939 000	1 538 000
Over provision in previous years	**98 262**	53 694	520 010
Deferred tax not recognised	**332 782**	-	-
Special levy	**139 280**	539 000	520 540
Losses utilised against segment B	**(58 726)**	-	-
Absorbed value added tax	**50 822**	53 201	-
Other taxes	**35 042**	11 816	-
Current tax based on adjusted profit	**551 950**	-	543 460
	1 172 524	1 596 711	3 122 010
Segment A			
Net profit before income taxes	**933 459**	2 996 065	2 795 108
Current tax based on adjusted profit	**158 692**	-	543 061
Non-allowable expenses	**10 986**	-	-
Deferred tax charge	**-**	157 000	679 000
Over provision in previous years	**57 733**	45 670	494 010
Deferred tax not recognised	**332 782**	-	-
Special levy	**-**	359 000	361 939
Losses utilised against segment B	**-**	-	-
Absorbed value added tax	**7 115**	9 368	-
Other taxes	**4 906**	11 816	-
	572 214	582 854	2 078 010
Segment B			
Net profit/(loss) before income taxes	**13 108 598**	20 206 129	15 742 478
Current tax based on adjusted profit	**393 258**	-	399
Non-allowable expenses	**12 126**	-	-
Deferred tax charge	**-**	157 000	679 000
Over provision in previous years	**40 529**	8 024	26 000
Special levy	**139 280**	180 000	158 601
Losses utilised against segment B	**(58 726)**	-	-
Absorbed value added tax	**43 707**	43 833	-
Other taxes	**30 136**	-	-
	600 310	1 013 857	1 044 000

35. Statutory and other reserves

	Credit risk reserves USD	Fair value reserves USD	Share-based payment USD	Total USD
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
Transfer between reserves	-	-	-	-
Balance at end of year 2014/beginning of year 2015	-	(2 444)	298 962	296 518
Net gains 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/beginning of year 2016	**311 927**	**(1 576)**	**90 131**	**400 482**
Net gain on available-for-sale financial investments	**-**	**1 630**	**-**	**1 630**
Share-based payment	**-**	**-**	**(57 098)**	**(57 098)**
Transfer to general banking reserve	**(244 368)**	**-**	**-**	**(244 368)**
Balance at end of year 2016	**67 559**	**54**	**33 033**	**100 646**

Statutory reserve

A statutory reserve of USD 12 091 641 as at 31 December 2016 (2015: USD10 161 211 and 2014: USD7 126 544) has been set aside to comply with the Banking Act. This reserve represents accumulated transfers from the Bank's retained earnings and is not distributable.

Credit risk reserves

The Bank makes an appropriation from retained earnings to credit risk reserves for unforeseen risks and future.

Fair value reserves

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.

Share-based payment

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

	2016 USD	2015 USD	2014 USD
Bank total			
Loans and other facilities			
Undrawn credit facilities	-	20 905 668	15 462 256
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

37. Related parties

	2016 USD	2015 USD	2014 USD
Emoluments:			
Full time directors	757 632	702 872	756 129
Non-executive directors	75 726	68 134	61 251
Key management personnel	1 277 492	1 363 127	1 340 873
Emoluments – key management personnel			
Short term employee benefits	1 626 092	1 637 339	1 381 367
Recharges[10]	(370 482)	(279 857)	(68 036)
Deferred bonus scheme	21 882	5 645	27 542
	1 277 492	1 363 127	1 340 873

[10] Recharges for services rendered.

37. Related parties (continued)

The following transactions were carried out with related parties:

	2016 USD	2015 USD	2014 USD
(i) Balances and placements with parent			
At 01 January	**1 098 468 565**	2 619 306 802	1 813 845 546
Made during the year	**84 781 099 787**	151 819 966 725	113 875 966 196
Repaid during the year	**(84 743 248 518)**	(153 340 804 962)	(113 070 504 940)
At 31 December	**1 136 319 834**	1 098 468 565	2 619 306 802
Loans and advances to parent			
At 01 January	**5 000 000**	2 678 571	3 436 364
Made during the year	**-**	2 321 429	-
Repaid during the year	**-**	-	(757 793)
At 31 December	**5 000 000**	5 000 000	2 678 571
Interest received from parent during the year	**11 349 398**	9 501 350	8 444 624
Accrued interest receivable from parent at 31 December	**1 716 053**	1 496 112	3 242 204
(ii) Balances and placements with other related parties			
At 01 January	**85 489**	237 641	13 291 588
Made during the year	**157 897 551**	-	-
Repaid during the year	**-**	(152 152)	(13 053 947)
At 31 December	**157 983 040**	85 489	237 641
Loans and advances to other related parties			
At 01 January	**116 298 000**	100 000 000	100 000 000
Made during the year	**-**	16 298 000	-
Repaid during the year	**(49 928 955)**	-	-
At 31 December	**66 369 045**	116 298 000	100 000 000
Interest received from other related entities during the year	**2 116 010**	2 712 518	4 025 965
Accrued interest receivable from other related entities at 31 December	**253 367**	135 502	134 094

Placements and loans are agreed at commercial rates and on same terms and conditions as for all customers of the Bank. Furthermore, none of the facilities provided during the year under review was non-performing.

37. Related parties (continued)

	2016 USD	2015 USD	2014 USD
(iii) Borrowings from parent			
At 01 January	**10 996 984**	43 455 945	154 292 412
Received during the year	**-**	-	-
Repaid during the year	**(6 978 984)**	(32 458 961)	(110 836 467)
At 31 December	**4 018 000**	10 996 984	43 455 945
Interest paid during the year	**302 739**	873 637	2 516 966
Interest payable at 31 December	**32 822**	8 923	85 876

Borrowings are agreed at commercial rates and on same terms and conditions as for all customers of the Bank.

	2016 USD	2015 USD	2014 USD
(iv) Deposits from other related parties			
At 01 January	**56 428 563**	20 463 033	32 654 643
Received during the year	**-**	35 965 530	-
Repaid during the year	**(12 326 758)**	-	(12 191 610)
At 31 December	**44 101 805**	56 428 563	20 463 033
Interest paid on deposits	**288 097**	165 436	306 754
Interest payable at 31 December	**32 822**	11 248	166 849
(v) Deposits from parent			
At 01 January	**3 110 675**	-	324 642 538
Received during the year	**-**	3 110 675	-
Repaid during the year	**(1 550 512)**	-	(324 642 538)
At 31 December	**1 560 163**	3 110 675	-
Interest paid on deposits	**-**	1 266	5 139

Balances relate to vostro accounts.

	2016 USD	2015 USD	2014 USD
(vi) Subordinated liabilities	**25 000 000**	25 000 000	25 000 000
Interest paid	**934 657**	832 631	820 440
(vii) Deposits from directors			
At 01 January	**63 476**	143 860	227 425
Received during the year	**132 879**	-	-
Repaid during the year	**-**	(80 385)	(83 865)
At 31 December	**196 355**	63 475	143 860
Interest paid during the year	**1 255**	2 888	5 131

All deposits are agreed at commercial rates and on same terms and conditions as for all customers and staff of the Bank.

37. Related parties (continued)

	2016 USD	2015 USD	2014 USD
(viii) Recharges			
Recharges to other related entities	463 639	414 069	280 732
Recharges to parent	181 594	140 501	-
(ix) Expenses			
Management fees paid to parent	866 861	956 041	1 083 316
Other expenses paid to parent	1 136 545	972 192	1 412 796
Other expenses paid to other related entities	-	9 312	-
	2 003 406	1 937 545	2 496 112
Most of the other expenses paid to parent relate to IT support costs.			
(x) Amounts accrued but not yet paid for services rendered by parent			
Management fees	254 824	228 615	268 871
IT Support services	598 997	551 067	381 919
Licence fee	124 152	-	-
Others	-	1 275	7 127
	977 973	780 957	657 917
(xi) Dividend paid to owner	20 000 000	10 000 000	-

The Bank did not have any non-performing related party exposure as at 31 December 2016 (2015: nil and 2014: nil).

As at 31 December 2016, the Bank's top six exposures to related parties was USD1,4 billion which was 17 times the Bank's tier 1 capital.

38. Prior year restatement of cash flow statement

Prior year figures for cash flows from operating activities were amended to disclose interest income and interest expense. Cash flow from operating activities were also amended to reflect the net foreign exchange difference on cash and cash equivalents and loans and advances to banks.

Cash flows from operating activities
Changes in operating assets and liabilities

	As previously stated	Reclassification	Restated
2015			
Other assets	2 694 764	1 985 918	708 846
Interest income	-	(21 146 140)	(21 146 140)
Interest received	-	23 132 058	23 132 058
Other liabilities	31 280 609	(561 630)	31 842 239
Interest expense	-	6 969 130	6 969 130
Interest paid	-	(7 530 760)	(7 530 760)
2014			
Other assets	2 851 579	492 196	2 359 383
Interest income	-	(26 117 645)	(26 117 645)
Interest received	-	26 609 841	26 609 841
Other liabilities	(2 157 999)	(1 000 045)	(1 157 954)
Interest expense	-	10 381 726	10 381 726
Interest paid	-	(11 381 771)	(11 381 771)
Net foreign exchange difference	-	-	-
Adjusted in "cash flows from operating activities"	-	5 213 176	5 213 176
Net foreign exchange difference	-	(5 213 176)	(5 213 176)

39. Parent companies

The immediate parent company is Stanbic Africa Holdings Ltd, a company incorporated in the United Kingdom and the ultimate parent 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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