Standard Bank (Mauritius) Limited

ANNUAL REPORT 2017

Standard Bank Moving Forward™

Standard Bank Mauritius shares the Group's aspiration to be the leading financial services organisation, in, for and across Africa. By delivering exceptional client experiences and creating superior value, we reinforce and enhance our clients' experience and grow their businesses. From Mauritius to continent, we will continue to move Africa forward.

CONTENTS

OUR VALUES

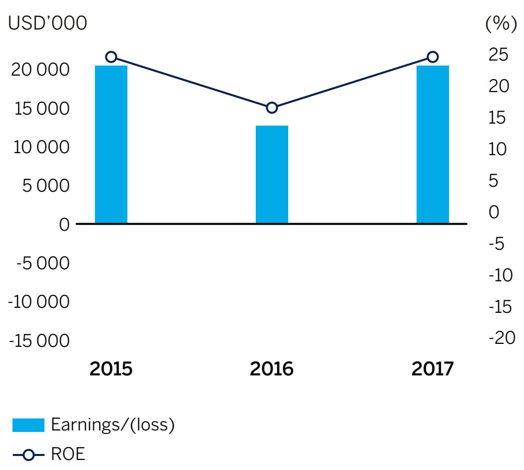
Our success and growth over the long-term is built on making a difference in the communities in which we operate. We are committed to moving Mauritius forward.

1. Serving our customers
2. Growing our people
3. Delivering to our shareholders
4. Being proactive
5. Working in teams
6. Constantly raising the bar
7. Respecting each other
8. Upholding the highest levels of integrity

REVIEW OF PERFORMANCE

	Dec 2017 USD'000	Dec 2016 USD'000	Dec 2015 USD'000
Earnings attributable to shareholders	**21 286**	12 870	21 605
Statement of financial position			
Total loans to customers	**124 135**	80 378	106 253
Total assets	**1 280 777**	1 534 545	1 418 902
Total deposits	**1 164 410**	1 377 558	1 243 957
Shareholder's funds	**90 961**	81 693	88 816
Tier 1 capital	**71 298**	81 278	87 211
Risk-weighted assets	**226 974**	207 403	214 015
Performance ratios (%)			
Return on average total assets	**1.5%**	0.9%	1.5%
Return on average equity	**24.7%**	15.1%	25.5%
Return on average tier 1 capital	**27.9%**	15.3%	24.8%
Cost to income ratio	**41%**	50%	43.3%
Non-interest income to total income	**44.5%**	50.7%	56%
Loan to deposit ratio	**16%**	11.1%	9.2%
Capital adequacy ratio			
Capital to risk-weighted assets	**32%**	48%	50.5%
Asset quality			
Non-performing loans	**812**	812	14 908
Non-performing loans ratio (%)	**0.65%**	1%	14%
Allowance for loan impairment losses	**(183)**	365	(4 949)
Credit loss ratio	**(0.2%)**	0.4%	(2.5%)
Number of employees	**138**	131	120

Earnings attributable to shareholders



NON-FINANCIAL PERFORMANCE

Strategy

The strategy of Standard Bank (Mauritius) Limited (the Bank) is centred on our commitment to Africa and directs our growth and evolution for the shared benefit of our clients, our people and all our stakeholders. It drives us to lead with purpose, to build a better business, and to position our footprint and platform for the future. Our purpose-led strategy is designed to support the Standard Bank Group's aspiration to be the leading financial services institution, in, for and across Africa, delivering an exceptional client experiences and superior value.

Whilst client centricity and consistent service delivery are the two main pillars upon which the Bank remained focus to reinforce and enhance its clients' experience, in 2017 much emphasis was placed on technology and employee engagement. A new state-of-the-art core banking system was successfully implemented in 2017 to support our strategy which aims at improving client's experiences and placing our clients at the centre of everything we do. The medium and long-term strategy is to leverage on this system by having an agile business solution operating on top of a single standardised platform. This will form the base for the next generation of ancillary banking solutions and value-added services for our clients.

Client centricity

As a financial services organisation with a broad offering of products and services, our goal is for all of our business units and corporate functions to work together seamlessly to deliver our clients' financial needs. To achieve these goals and objectives, and to create long-term and lasting relationships with our clients, we place them at the centre of everything we do. This starts with a precise understanding of their needs and how the Bank can do more to accompany them on their journey to achieving their goals by offering tailor-made banking and advisory solutions.

Consistent service delivery

The Bank is committed to delivering a high quality and consistent level of service to our customers that differentiates us from the service offered by others. Our new core banking system will, in the long-term, enable us to serve our clients more efficiently. We aim at promoting a proactive, client focused and confident culture. We optimise value to our shareholders, employees and society at large by creating a significant difference in our effectiveness in responding to client needs and by constantly exploring new avenues to grow their businesses in Africa.

New core banking implementation

Investment in strategic IT infrastructure remains key in enhancing our capabilities and improving efficiency, delivering relevant products and services that both meet our clients' needs and strengthen our competitive position. As such in October 2016, the Bank embarked on a complete overhaul of its core banking system, successfully implementing Infosys' Finacle core banking system in September 2017. The significant changeover was achieved with minimal risk impact to the Bank. By providing a more comprehensive view of client information and by accelerating processing and turnaround times, the core banking system has delivered improved efficiencies, effectiveness and innovation.

Employee engagement

We strive to create a great place to work, where our people feel deeply connected with our purpose and our clients. They are empowered and recognised for delivering against our strategic objective. How our people think and feel about work directly correlates with our client satisfaction levels and our ability to deliver on our strategy.

Other highlights

Marketing and communication focuses on enhancing the brand image and visibility of the Bank, thereby supporting business growth by raising awareness on the Bank's capabilities. It also promotes a brand culture and a committed workforce by driving a culture of engagement, pride and excellence.

In 2017, the marketing and communication initiatives were mainly focused on growing the Bank's brand equity, promoting a client-centric culture, building and nurturing relationship with clients and stakeholders and upholding the organisation's culture, values and principles.

Advertising

Our marketing strategy was supported by a brand awareness campaign which emphasised the Bank's ability to act as a platform to connect clients to the African continent and the role of the Bank in Mauritius as a platform to Africa. To reinforce the message that we leverage on our African footprint, strong focus on natural resources and local market knowledge, the campaign showcased different sectors of intervention, namely mining, agriculture and technology. The Bank positioned itself as the partner for growth on the continent it calls home.

Sponsorships

Sponsorships are an important component of the Bank's social responsibility and communication strategies. They offer us the right platform to engage with our different stakeholders and a major contributor in enhancing our brand and creating relevance in the markets in which we operate. For several years now, one of the priorities of Standard Bank's sponsorship strategy has been the promotion of arts, culture and sports. In line with our strategy, our brand, our culture and our values, our involvement as sponsor is characterised by consistency and continuity in artistic, cultural and sports commitments. In 2017, we supported the following events:

Trait d'Union

The Bank supported the Institut Français de Maurice (IFM) in cross-cultural exchanges through a series of conferences with prestigious guest speakers including Stéphane Buord, Alexandra Caude, Nathacha Appanah, Agnès Bénassy-Quéré and Pascal Boniface amongst others. This initiative enabled the Mauritian public to benefit from their knowledge and expert views on several insightful topics ranging from cultural to economic themes.

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

In the music industry, Standard Bank is viewed as the leading supporter of jazz events. Standard Bank has been a major contributor to the popularisation of jazz through annual showcases, music development programmes and artistic workshops. In Mauritius, the Bank is the title sponsor of the 'Blues dan Jazz' – Standard Bank & IFM Jazz Series. In 2017, the winner of the Standard Bank Young Artist Award, the talented South African Benjamin Jephta, performed with the French artist Guillaume Perret along with three local talents Philippe Thomas, Christophe Bertin and tablas player Nada Cunden.

Standard Bank Indian Ocean Triathlon

The Bank was the title sponsor of the 9th edition of the Indian Ocean Triathlon in 2017, one of the country's premier endurance events. At the same time, this discipline is true to the values of Standard Bank as it puts forward all the qualities that the Bank stands for: hard work, dedication, endurance and commitment as well as team work with its Corporate Triathlon Challenge.

The Standard Bank Indian Ocean Triathlon is a major event in the calendar of Mauritian triathletes and over the years has attracted participants from around the world. This sponsorship secured the sustainability of this initiative while at the same time enabling the Bank to extend its brand reach to this fast-growing sport.

South African Heritage Day

The Bank collaborated with the South African High Commission in Mauritius to mark the annual Heritage Month. Celebrated during the month of September in South Africa, the aim of this initiative is to encourage the South Africans living in Mauritius to come together and celebrate the best of the South African culture, ranging from creative expression such as music and performances, to the historical inheritance, language, and the food they eat as well as popular memories.

Standard Bank Vanilla Islands Pro-Am

Golf is an important component of our sponsorship portfolio. Standard Bank was the title sponsor of the 1st edition of the Vanilla Islands Pro-Am Tours in partnership with Sugar Beach Resort, Tamarina Golf Club and Vanilla Islands Organisation. Held in November 2017, the format of this tournament is a first in the golf space and the event is bound to become a prestigious Golf Tournament in the Indian Ocean. As part of the Tour, some of our clients had the opportunity to play with the Pros, and the second leg of the competition was played in Reunion Island.

Our golf strategy gives our brand prominent visibility and allows us to connect with clients and key target markets. The game reflects the spirit that is nurtured at Standard Bank; passion, dedication, training and competition all this within a cordial and collaborative atmosphere. Our contribution, as title sponsor aligns with our focus of connecting people of passion around common goals.

Events

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

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The Board of the Standard Bank (Mauritius) Limited is pleased to present its fifteenth Annual Report for the year ended 31 December 2017.

Overview

As demonstrated by our financial results, Standard Bank Mauritius strategy has produced a commendable performance for the year. The resilience of our operation has resulted in pleasing earnings and profitability growth. The Bank has remained focused on executing our strategy by placing the client at the center of everything we do and delivering consistent excellent service in, for and across Africa. During the year, the Bank embarked on its core banking transformation, with the successful and seamless implementation of Finacle, enabling our people to originate new accounts faster and simplify processes. This transformation supports the integration of our operations, enabling real-time banking, single view of clients and strengthen our risk management. This would not have been possible without our dedicated people, who were the critical success factor in delivering such a milestone.

Performance

We are pleased to report that the Bank has delivered a stellar financial performance this year, where earnings grew strongly from a low 2016 base of USD12.9 million to USD21.3 million, translating into an improved ROE of 24.7% (2016: 15.1%). The strong growth in revenue reflected the positive impact of growing our asset book, as well as benefiting from the positive endowment from the various interest rate hikes in 2017. Although our costs have increased on the back of further investments in our people, technology and core banking transformation, the cost to income ratio has improved from 50.0% to 40.9%. Our regulatory and capital positions remained within risk appetite.

Strategy

In 2017, we reaffirmed our strategy for 2017/2020 in delivering a universal banking and financial services to all our clients. Risk and conduct is a key component of our strategy and during the year, we have put a strong emphasis on compliance with all the applicable regulations. We remain focused on empowering our engaged and committed people to be accountable, as this is crucial in delivering exceptional client experience. We measure our success by the relevance and value we provide to our clients, regulators and people.

Corporate governance and directorate

Standard Bank Mauritius adheres to corporate governance and compliance minimum standards, instilling regulatory best practice across its operations and adhering to the requirements of the Bank of Mauritius Guidelines on Corporate Governance, the code of banking practice as well as Standard Bank Group guidelines. The composition of the Board and its committees is regularly reviewed to ensure that the balance and mix of diversity is preserved and that the Board maintains its effectiveness and efficiency at all times. The term of office of Mrs. Desirée Lim Kong ended on 22 March 2017 and Mrs. Brenda June Niehaus was appointed as non-executive director on 22 January 2018.

Looking forward

The outlook for 2018 remains challenging, but with our resilience as well as the strong platform we have established, will stand us in good stead. The Bank is committed and focused to achieve its strategic targets of client focus, employee engagement, risk and conduct and financial outcome. We remain committed to improve our ROE to meet our expected target of 20.4%.

We would like to extend our gratitude to our customers, staff and board members for their continued support throughout 2017.

Louis Rivalland,
Chairman

Lakshman Bheenick,
Chief executive

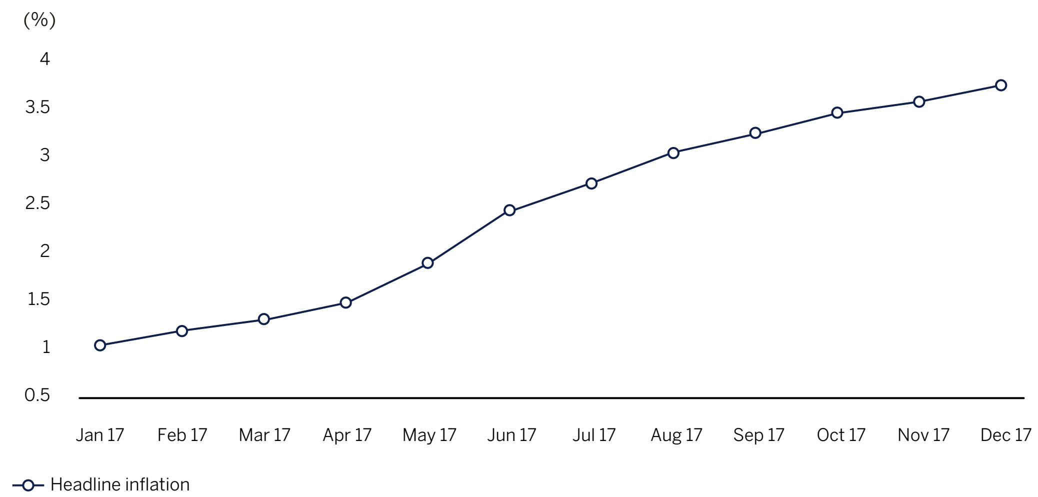
21 March 2018

MACROECONOMIC REVIEW

Being a small and open economy, Mauritius is sensitive to global economic trends, predominantly those in Europe and China. The Mauritian economy recorded stronger overall growth in 2017, with, numerous segments continuing to post substantial growth including tourism, construction, ICT, financial and business services. Investment spending increased significantly, supported by a robust increase in “building and construction work”, while exports of goods continued to contract. Real GDP growth is expected to close at 3,8% for 2017. The growth momentum is expected to be sustained on the back of accommodative monetary conditions and implementation of major public and private investment projects.

Throughout 2017, headline inflation has been on the rise ending with 3,7% for December 2017 compared to 1.0% for December 2016. The core drivers of the uptrend in consumer price index have been the rising prices of food and alcoholic beverages as well as fuel.

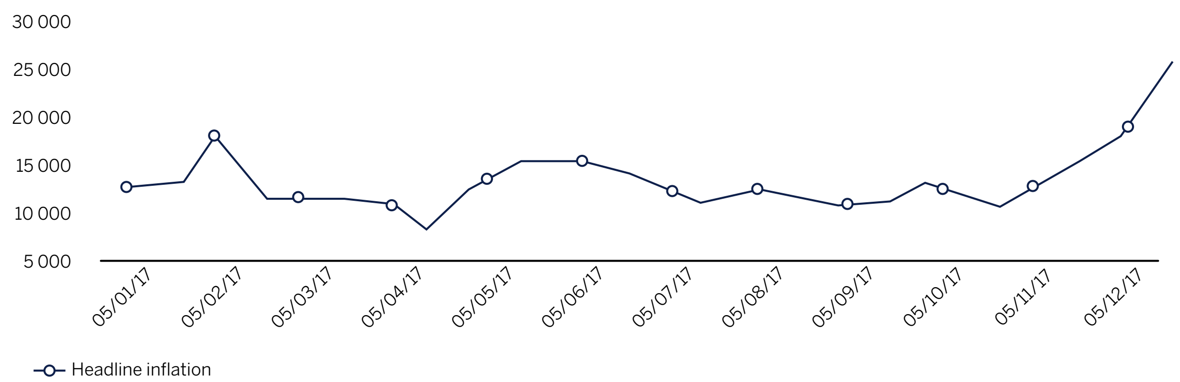
Headline inflation 2017



Although, the Monetary Policy Committee (MPC) decided to reduce the key repo rate by 50bps in September 2017 to a historical low of 3,5%, the balance of risks is for the committee to leave the policy rate unchanged for an extended period. With a view that inflationary pressures will be subdued in the foreseeable future, the MPC of the Bank of Mauritius (BoM) kept the key repo rate unchanged at its meeting held in November 2017. In light of trends observed so far, policy rate increases could also exacerbate the excess liquidity situation.

Excess liquidity in the banking system has been on an upward trajectory during 2017 and despite the BoM’ numerous attempts to sterilise liquidity, it has increased from MUR12 billion in January 2017 to MUR26 billion in December 2017. In order to gradually reduce this surplus, the Central Bank continues to conduct sterilised foreign exchange interventions and increased issuance of securities. It is expected that the prevailing excess liquidity conditions are likely to persist, as some of the large public sector projects are being financed exclusively from abroad, whilst large corporates are more raising funding through the bond market.

Excess liquidity (MUR mn)



From a fiscal sector perspective, the public sector debt to GDP ratio dropped slightly to 63.2% in December 2017 following a four year upsurge. As stipulated under the Public Debt Management Act, a target of 60% is set for the end of the fiscal year June 2021. Irrespective of the fact that the ratio is drawing closer to the ceiling of 60%, the core of public financing demands much scrutiny, especially with transactions such as the line of credit received from India which is not categorised as a public sector debt because of its structuring features.

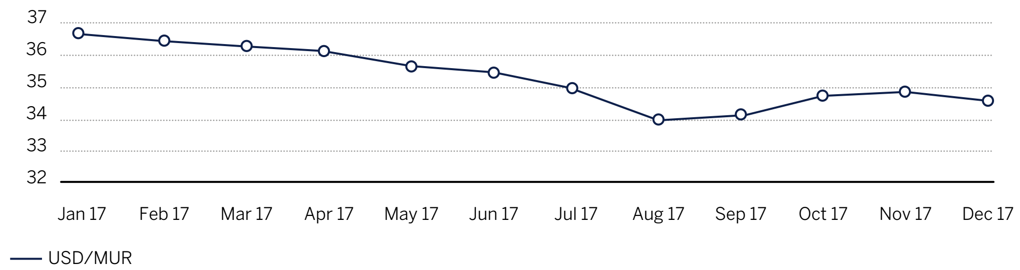
The trade deficit expanded to MUR99 billion over the period January to December 2017, an increase of 25% on a year-on-year basis. This contributed towards the level of imbalances in the economy which certainly remains an area of concern. The underlying drivers of the rising trade deficit are

- higher imports resulting from a rise in average commodity prices; and
- a decline in total exports partly caused by market access pressures.

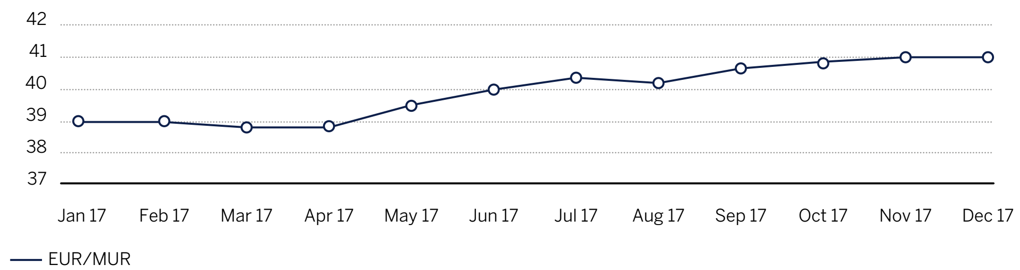
Another key factor has been the sustained appreciation of the Mauritian Rupee caused by the prevailing liquidity in the Mauritian foreign currency market. When comparing the 12 months average between 2016 and 2017, the Mauritian Rupee has showed an appreciation of 3.2% against the US dollar and 7.3% against the Pound Sterling.

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 MUR/USD exchange rate has historically tracked the EUR/USD exchange rate, due to the island nation’s strong economic ties to Europe.

Exchange rate of USD/MUR (period average)



Exchange rate of EUR/MUR (period average)



It is expected that USD/MUR will approach the 32.2 mark by the end of 2018 and even if one were to discount the country’s Balance of Payment (BOP) developments, the greater risk lies with USD/MUR falling further over the course of the coming year. Notwithstanding the fact that the exchange rate policy ties the MUR to the EUR and given that the latter is likely to appreciate against the USD, the Mauritian Rupee is expected to appreciate as well.

Source: Bank of Mauritius, Statistics Mauritius, Mauritius Statistical Office

MANAGEMENT DISCUSSION AND ANALYSIS

The results

The strategy embedded over the past two years in recalibrating our asset book and organising our strategy execution to provide a consistent excellent client service, has produced pleasing results for Standard Bank Mauritius. Our strategy to grow revenue is based on the careful selection of clients, with whom we develop long-term partnerships, in support of their growth plans. This in turn has powered our strong financial results, demonstrating the remarkable strength and excellent balance of portfolio. The strong balance sheet liability, coupled with asset growth, improved net interest margins and solid non-interest revenue growth, supported the enhanced financial results. This excellent performance was achieved through the three main pillars of the Bank, namely: transactional products and services, investment banking and global markets business.

Review by business lines

The Bank's focus remained Corporate and Investment Banking (CIB), with a wealth and investment arm. Our client coverage model remains 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.

Transactional products and services

Transactional Products and Services (TPS) houses the Bank's liability base and provide short-term credit facilities. The recovery in commodity prices in 2017 has resulted in an increase in the activities of some of our clients which operate on the African continent. These clients operate either in the mining or oil & gas space or provide goods and services to these industries. The level of deposits as at 31 December 2017 stood at USD1 billion, representing a 16% decrease compared to prior year. The loan book has decreased by 30.5% to USD35 million as some short-term facilities were repaid during the year.

TPS grew revenue mainly through its liability led strategy, underpinned by its strong deposits base coupled with growth in the trade and investor services business. Total revenue increased by 40% year-on-year. Net Interest Income (NII) contributed to 67% of the total income with the remaining 33% achieved through fees and commissions. Strong NII growth supported by strong and sustained customer flows, along with the positive endowment benefit of higher average interest rates, following the hikes in the interest rates in the US. Fees and commissions were driven mostly by remittances and trade finance activities benefited from the increase in activities from our existing clients as well as from new client acquisitions.

We expect both the asset book and liability book to grow moderately during 2018. We have experienced a sustained performance throughout 2017 and we expect the trend to continue in 2018. Business volumes are forecasted to increase further as the business activities of the clients we acquired in the last couple of years reach their optimum level. With the implementation of our new core banking system: Finacle, increased efficiency levels should be noted, resulting in higher service levels as well as a broadening of our product suite.

Global markets

Global Markets houses Standard Bank's client-driven sales and trading activities. Our professional sales and trading teams provide flow and structured solutions to corporate and institutional clients across African financial markets. Global Markets provide its clients with leading innovative solutions and access to the universal capabilities of Standard Bank Group. This enables our clients to plan ahead and enhance their core businesses.

2017 was a good year for the business unit with total revenues and profitability growing by 23% and 28% respectively from the prior year. Trading revenue was 28% higher than 2016 on the back of higher client flows following the recovery in commodity prices. Higher volatility in USD/MUR also positively impacted on results.

Towards the end of the year, the BoM implemented Basel III liquidity risk management. In order to meet the required consolidated Liquidity Coverage Ratio (LCR) of 60% as at year-end as stipulated by the BoM, the Bank has invested in US treasuries to augment its pool of High Quality Liquid Assets (HQLA).

Although these investments resulted in a contraction in margins, the Bank was able to lengthen the duration of its Group placements which had a positive impact on NII. NII registered a growth of 19% on the back of the Bank's continued efforts of balance sheet optimisation. The year also witnessed the first eMarketTrader implementation for one of our clients. eMarketTrader is Standard Bank's advanced cross-asset electronic trading platform bringing together market intelligence and research, real-time pricing, trade execution and post-trade services through a single web-based platform.

Investment banking

Investment Banking's primary aim in 2017 was to follow through on the refreshed strategy that was positioned in the third quarter of 2016. Despite some unexpected loan prepayments and delays, the business showed a marked improvement over 2016, with total revenues up by 27% and a closing loan book of USD89 million, 188% higher year-on-year. During the year, there was renewed focus on banking multinational group clients present in Mauritius, with more effective integration into the rest of the global investment banking franchise. A new head of department was hired effective on 1 September 2017.

Looking ahead to 2018, the debt book is well positioned for growth; the immediate pipeline of debt opportunities is promising. A continued focus on asset origination will be required to ensure the necessary momentum in deal closure is maintained through to the end of the year.

Our International Wealth and Investment (W&I) was under a strategic spotlight in 2017, to assess the wealth opportunities if its scope was widened. W&I is a liability driven business.

Risk and conduct

The relationships with our clients, regulators and other stakeholders will remain commercially and socially relevant. The quality of these relationships underpins our legitimacy, our reputation and the trust our stakeholders have in us. The Bank is required to adopt global best practice in financial standards. This approach spans our compliance with regulatory requirements, including the enforcements of measures to combat money laundering or other fraudulent practices. We undertake to ensure compliance with all regulatory requirements. As such, all employees are required to complete compliance training and follow our policies and procedures to maintain and strengthen our control environment, and to operate within our risk appetite.

Human capital

Our people are our strongest competitive advantage. We focus on selecting, managing and developing them to apply their expertise to serve our diverse client base and fulfil their expectations, within the ambit of risk appetite and compliance. Investment in our people is ongoing, to equip them to consistently deliver exceptional client experience and to deal with a continuous changing world.

Operations

The **trade services** department remains one of the key pillars of the Bank. During the year under review, initiatives were taken to reinforce customer relationships with existing entities and new clients. Leveraging on the proficiency and know-how of our team, trade services ensured a high level of service to its customers and achieved a very good performance. In spite of challenging market conditions, growth in business and financial performance has been reasonably good. Customer base has been expanded as well as the volume of business during the year under review. Trade revenue growth witnessed an increase of approximately 32% backed by a larger portfolio of customers while revenue increased by 26% year-on-year.

In 2017, we replaced our legacy core banking, BankMaster, with the Finacle system from Infosys. A project team was constituted that oversaw the project including requirements gathering, design and build, user acceptance testing, simulation, data migration and go-live planning. The following summarises the outcome of the project:

- smooth data migration from BankMaster to Finacle - only minor issues identified, all of which were remedied in the first week following go live;
- execution of client transactions has remained stable from go live till now;
- end user and IT staff proficiency witnessed during simulations was sustained;
- staff used and operated the system from Day 1 virtually without handholding 'Early-life' support from Infosys terminated earlier than planned;
- month-end and year-end runs carried out successfully; and
- positive feedback from wealth & investment clients in respect of new internet banking platform.

Procurement focus was on building a customer centric approach within the supply value chain networks with our stakeholders for the benefit of business and consumers. This was achieved by proactively collaborating and engaging with them to ensure continued alignment based on customer requirements, driving improved engagements with our third-party providers. This ensured the realisation of business objectives and embedding a culture of collaboration and cross-functional execution to achieve our outcomes, especially for the support of Finacle implementation. The supplier's management process risk profile was also strengthened by the adoption of the usage of a multitude of third party risk assessment platforms and tools.

IFRS 9

IFRS 9 will be implemented on 1 January 2018 and the Bank has implemented a parallel run since January 2017. Our processes included regular interaction with the regulator, an internal audit review as well as a hard close and year-end review by our external auditors. Based on this, we are well positioned for the go-live implementation date. There will be a one-off adjustment to reserves on day one. Based on December inputs, we expect an increase in the stock of balance sheet provisions of 25-50% and a minimal impact on CET 1 of approximately USD800 000. The impact will obviously be subject to circumstances and inputs as at 1 January 2018.

External forces review

Legal and regulatory environment

The Bank will continue to be impacted by a wave of regulatory and legislative changes. The Bank remains well informed on all pending regulations that are likely to impact our business and actively participate in discussions regarding new regulatory changes.

The legislative landscape of the financial industry has been impacted by the amendments brought about by the Finance (Miscellaneous Provisions) Act 2017. As a result, the Bank has reviewed its processes where required.

The main highlights of the changes are as follows:

- in a bid to promote the development of the local money market, the Bank of Mauritius will request financial institutions to apply for an issuer of commercial paper licence to allow for the issue of commercial paper in the form of promissory note having a maturity of not more than one year. The financial institution should qualify as an "eligible company" and should hold net assets of a total value exceeding MUR300 million not earlier than 12 months prior to the proposed issue of the commercial papers;
- another important amendment to the Banking Act pertains to the mandatory requirement for all banks to maintain a stated capital of not less than MUR400 million instead of MUR200 million. The Bank is already complying with this requirement;
- the Income Tax Act has been amended to require banks to furnish a statement of financial transactions to the Director-General of the Mauritius Revenue Authority by 15th August of every year. The statement of financial transactions should contain:
  (i) details of every individual, *société* or *sucession* that has made a deposit exceeding MUR500 000 or deposits exceeding MUR4 million in the aggregate in the preceding year; and

  (ii) details of every person, other than an individual, *société* or *succession*, that has made a deposit exceeding MUR1 million or deposits exceeding MUR8 million in the aggregate in the preceding year.

In addition, a revised national code on corporate governance 2016 was introduced in Mauritius during the course of the year. The new code sets out 8 principles which financial institutions, amongst other organisations, are required to comply. The revised code becomes effective as from the financial year ending 30 June 2018. Accordingly, the Companies Act has been amended to make it mandatory for companies to include a report on corporate governance in their annual reports. The Bank has embarked in an exercise to reinforce and consolidate its corporate governance practices.

The Data Protection Act 2014 has been repealed and replaced with a new revamped Data Protection Act 2017 to align with the New EU General Data Protection Regulations (GDPR). The key amendments are as follows:

- requirement to notify the Data Protection Commission in case of data privacy breach;
- requirement to inform the data subject in the event of a data privacy breach which is likely to result in a high risk to the rights and freedom of the data subject;
- requirement to carry an assessment of the impact of the envisaged processing operations on the protection of personal data where processing operations are likely to result in a high risk to the rights and freedom of data subjects;
- clarifications that it is the processor of personal data who bears the burden proof of establishing that a data subject has consented to the processing of their personal data; and
- extended definition of 'consent' with regards to the processing of personal data such that such consent is now required to be in either by a statement or a clear affirmative action.

Regulatory developments impacting the Bank

New and revised regulatory guidelines

The BoM and the Financial Services Commission (FSC) have issued and/or revised the following key guidelines during the year which has resulted in the Bank reviewing its policies and processes where necessary:

(i) New BoM guidelines for banks licensed to carry on private banking.
The guidelines set outs the specific regulatory and supervisory framework that would be applicable to banks undertaking private banking business.

(ii) New BoM guidelines on the issue of commercial papers
The new guidelines govern the issuance of Commercial Papers (CP) in Mauritius and outline the minimum requirements for the issuance of CPs.

(iii) Revised BoM guidance notes anti-money laundering and combating the financing of terrorism
The revised guidelines elaborate the due diligence requirements of customers in line with international standards. The guidelines further provide for all banks to conduct an enterprise-wide money laundering and terrorist financing risk assessment and review its assessment at least once every two years.

(iv) Revised FSC's code on the prevention of money laundering and terrorist financing
The code has been revised to include the features of the guidance note issued by the Financial Action Task Force (FATF) for an effective supervisory system with the aim to enhance the understanding of the relevant FATF requirements.

(v) Revised BoM guidelines on liquidity risk management
The guidelines have been substantially revised to incorporate the principles of the Basel Committee on Banking Supervision (BCBS). The Bank has met the liquidity coverage ratio requirement as at 31 December 2017.

(vi) Revised BoM guidelines on standardised approach to credit risk
The key amendment to the guidelines allows subsidiaries of foreign banks to apply a preferential risk-weight to intragroup balances with the approval of the BoM.

(vii) Revised BoM guidelines on credit concentration risk
The key amendment to the guidelines is to provide for an amended computation of credit concentration for single customers and connected counterparties now based on tier 1 capital as opposed to capital base.

(viii) Revised BoM guidelines on credit risk management
The revised guidelines elaborate the duties of the chief executive and the Board of directors of the Bank in terms of credit risk management.

(ix) Revised BoM guidelines on computation of loan-to-value ratio for residential and commercial property Loans
The guidelines have been revised to increase the maximum loan-to-value ratio of credit facilities granted to a single borrower or joint borrowers (husband and wife) for the purchase/construction of a first housing unit from 90% to 100%.

(x) Revised BoM guidelines on maintenance of accounting and other records and internal control systems
The key amendment to the guidelines require external auditors to carry out an assessment of all areas of the Bank within a maximum period of 3 years.

(xi) Revised BoM guidelines on outsourcing by financial institution
The revised guidelines provide for the usage of cloud-based services by financial institutions and outline the conditions attached to the implementation of such services.

Looking ahead

We will continue to execute our strategy by placing our clients at the centre of everything we do, earning and keeping their trust by doing the right business the right way. We will do this with the support of our dynamic and engaged team, who are deeply connected with our purpose and our clients. The key elements that we will focus in 2018 are as follows:

- client focus;
- employee engagement;
- risk and conduct; and
- financial outcome.

FINANCIAL REVIEW

Table 1: Performance against objectives by key areas

	OBJECTIVES 2017	PERFORMANCE 2017	OBJECTIVES 2018
RETURN ON EQUITY (ROE)	ROE expected to hover around 18%.	ROE was ahead of target at 24.7% on the back of enhanced revenues streams. This performance was attributable to enhanced NII driven by improved margins as well as significantly higher trading revenues flows and a contained operating expense.	An ROE of 20.4% is expected on account of a budgeted profit of USD19.2 million.
RETURN ON AVERAGE ASSETS (ROA)	ROA was estimated to increase to 0.9% on account of higher profitability.	ROA has edged up to 1.5% as a result of increased earnings.	ROA is estimated to decline to 1.2% as a result of lower profits in 2018.
OPERATING INCOME	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 income went above target by 19%. NII has increased by 23%. Non-interest income went up by 16%, driven mostly by trading income and increased transactional fees.	NII is expected to increase by 14% on account of new term facilities and enhanced margins. Non-interest income is expected to increase by 5%.
OPERATING EXPENSES	Operating cost is expected to increase by 17.1%.	Operating costs have improved by 6% on account of efficient cost containment initiatives along with capitalisation of Finacle, as well as Finacle project team costs being capitalised.	Operating cost is expected to increase by 27% driven mostly by new budgeted IT projects, Finacle amortisation and associated support cost.
COST TO INCOME	The cost to income ratio is expected to close at 52%.	Cost to income ratio improved and closed at 40.9%, due to improved revenues, tightly managed costs and capitalisation of staff dedicated on the Finacle project.	The cost to income ratio is expected to be contained at 47.5% as the Bank is projecting an increase in operating costs on the back of the amortisation of intangible assets: Finacle.

	OBJECTIVES 2017	PERFORMANCE 2017	OBJECTIVES 2018
LOANS AND ADVANCES GROWTH	The loan book is expected to increase by around 117.5%.	Loan and advances to customers lagged behind target by 29%, driven by delays in translating new term assets as planned. In addition, lower utilisation of overdraft facilities, call loans and import loans contributed to the shortfall.	The loan book is expected to increase by around 107%, on account of expected growth in client base.
DEPOSIT GROWTH	Deposits are expected to increase by 9.7% from new existing and new business.	Customer deposits were 22% behind target as a result lower deposits received.	Deposits are expected to increase by 46.3% from existing and new business.
PORTFOLIO QUALITY	Non-Performing Loans (NPL) ratio was expected to improve further as a result of better risk graded customers.	The ratio of NPL to gross loans has reduced to 0.6%. No write-off was made in the year.	NPL ratio is expected to be within the threshold of 2% to 5%.
CAPITAL MANAGEMENT	Capital management was targeted to be close around 30%.	The capital adequacy ratio closed at 31.9%, with Common Equity Tier 1 (CET 1) ratio at 31.4%.	Capital adequacy ratio is expected to close around 24.1%.

Review by financial priority area

Analysis of results

The Bank financial results for the year ended 31 December 2017 were robust, underpinned by our universal client offering. The Bank delivered a sound performance, with a growth in profit after tax of 65% to close at USD21.3 million. This strong financial performance was supported by improved revenue flows as well as significantly higher trading revenues flows. This in turn, translated into the Bank achieving a ROE of 24.7%, an improvement from 15.1% in the prior year.

Growth in operating income of 34% on prior year was primarily led by higher term facilities availed, as well as an increase in yields on bank placements following the back-to-back fed rate hikes in May, June and December 2017. Trading revenues witnessed an increase of 28% against prior year attributable to increased flows as well as quite a few significant one-off transactions. Tightly managed headcount and discretionary spend assisted in containing cost growth. Operating costs increased by 10%, delivering a positive jaw of 24% which resulted into a lower cost to income ratio of 40.9%.

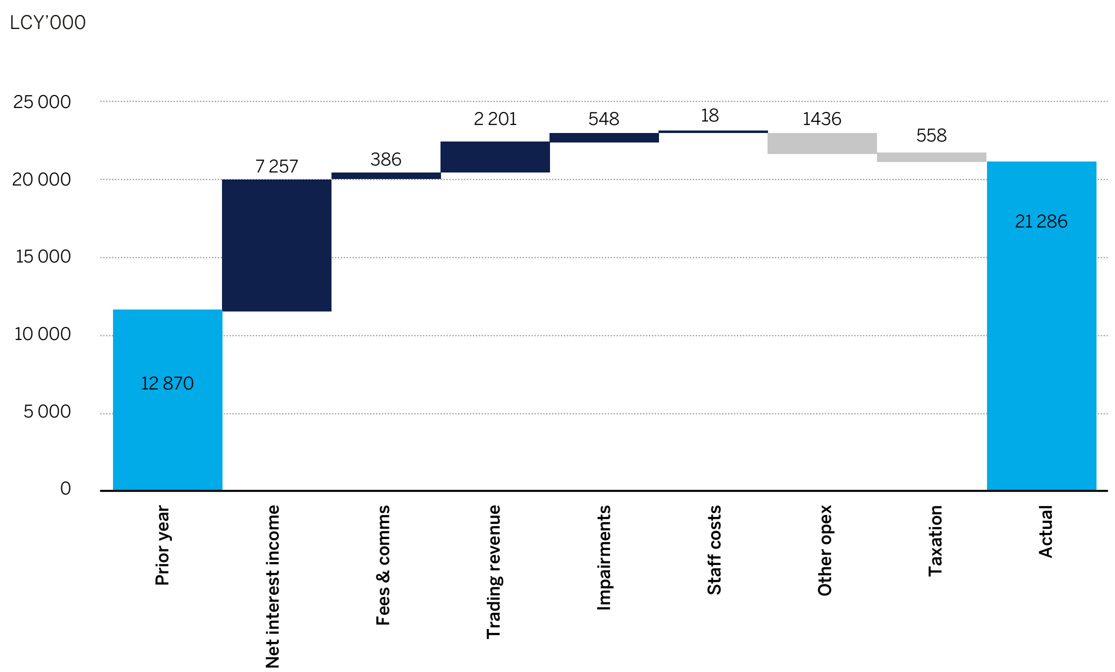
The balance sheet remains healthy and strong, despite a small decline of 16% noted on asset growth year-on-year. Better credit management resulted in an overall decline in credit loss to reach (0.2)% from 0.4% in the prior year.

The Bank embarked on an IT architecture transformation, with a complete overhaul of its core banking system being implemented in 2017. Investment in Finacle core banking system was capitalised to a tune of USD18.6 million and will be amortised over a period of 15 years.

Our capital position remained strong with a CET 1 ratio of 31.4% and a total adequacy ratio of 31.9%

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

PAT reconciliation : actual vs prior year to date



Global markets posted a good performance as a result of robust client activity and continues to be a significant contributor in driving the Bank's revenue. In 2017, their contribution to the Bank's overall total revenue year-on-year was slightly lower to close from 41.8% in 2016 to 38.5% this year. NII grew by 19% year-on-year to close at USD4.7 million, as the Bank continued its efforts of balance sheet optimisation and enhancing liquidity management. This growth was however dampened in the last quarter of 2017, following the investment in US Treasuries of USD120 million, following the implementation of the liquidity coverage ratio by the regulator. The recovery of the commodity prices on the other hand, contributed to the strong performance recorded on trading revenue, which grew by 28% year-on-year to close at USD10.1 million.

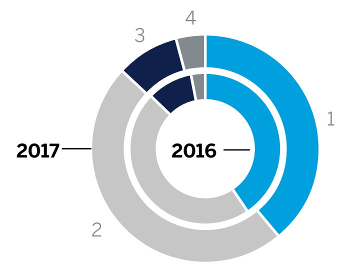
2017 marked a recovery from the challenges faced in the prior year for Investment Banking (IB). The year saw the consolidation of the new IB strategy and was confirmed by term assets growth of 188% year-on-year. The building up of the term assets book, coupled with earlier prepayments have hampered the earnings growth, leaving IB's contribution to the Bank total overall income to be flat year-on-year at 9%. Starting from a lower base, NII was up 53% compared to prior year. This upturn was lessened by a contraction in non-interest revenue, driving total revenue down 22% on prior year, on account of participation fees which did not recur. During the year, the Bank wrote back USD500 000 provision on a potential legal claim on a previously impaired asset, which has now been closed.

Transactional Products and Services (TPS) had an excellent year on the back of higher funding income following an increase in US Federal Reserve rate in March, June and December 2017 respectively. TPS contributed 48% to the Bank's overall operating income. A substantial increase of 40% in total revenues was witnessed, mostly attributable to NII, which rose by 58% to close USD12.4 million compared to USD7.9 million last year. Although, the overall TPS average deposit base declined by 21%, TPS benefited from the favourable interest rates, which enhanced its 2017 performance. On the asset side, TPS was impacted slightly by lower overdraft, trade finance and uncommitted money market facilities during the year. This was compensated by an increase in transactional volumes and rise in off-balance sheet activities through letters of credit and guarantees issued throughout the year.

A pick-up was noted in wealth and investment, where their contribution to total operating income increased year-on-year to close at 4%. NII grew by 93% to close at USD1.2 million, attributable to increased funding income on the deposit base. Non-interest revenue remains a challenge, following the change in client profile. Lower transactional fees were earned this year and triggered a drop of 4% year-on-year in fees and commission to reach USD138 000. The liabilities book for wealth and investment business declined by 2%, standing at USD127 million.

Contribution per product house to the operating income is detailed:

Operating income



		2017	2016
1	Global markets	39%	42%
2	TPS	48%	46%
3	Investment banking	9%	10%
4	Wealth	4%	3%

Revenue growth

Total income grew by 34%, triggered primarily by improved NII underpinned by enhanced margins. Non-interest income went up by 18%, supported mostly by 28% growth in trading revenues.

Net interest income

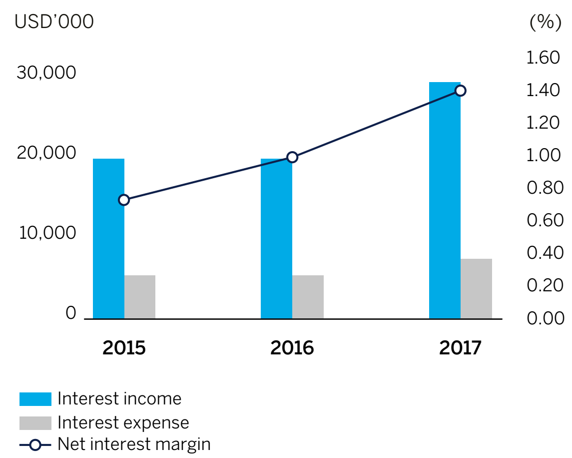
Strong NII growth was witnessed for the year under review. The enhancement of our strategic objective in 2016 translated into good asset growth, delivering a positive impact on income. NII grew by 51% to reach USD21.4 million due to a growing average loan book and expanded margins. The Bank remains focused on enhancing balance sheet optimisation, despite the various challenges faced during the year in terms of the threat of South Africa being downgraded and the implementation of the Basel III liquidity management. In addition, the various hikes in the US Federal Reserve Bank rate up by 75 basis points for the year, have contributed in delivering excellent revenues.

Interest income has increased by 52% to close at USD28.5 million compared to USD18.8 million in the prior year. The loans and advances portfolio rose significantly, with considerable growth in term facilities, offset by a drop in working capital assets. The Bank also benefited from income generated out of intra bank placements following the Fed rate hike which occurred late in December 2016, March, June and December 2017 respectively. With the implementation of the Basel III liquidity management, the Bank invested into USD120 million in US treasuries and this resulted in a dampening on interest margin.

Although the average deposit base witnessed a drop of 20%, interest expense went up by 54% to close at USD7 million at year end, as a result of the various Fed rate hikes.

Net interest margins widened by 56 bps from 0.9% to 1.5%, driven by higher average rates, loan pricing and funding margins.

Net interest income



Non-interest revenue

Growth in non-interest income over the year is attributable to the increase in transactional fee income as a result of higher transactional volumes.

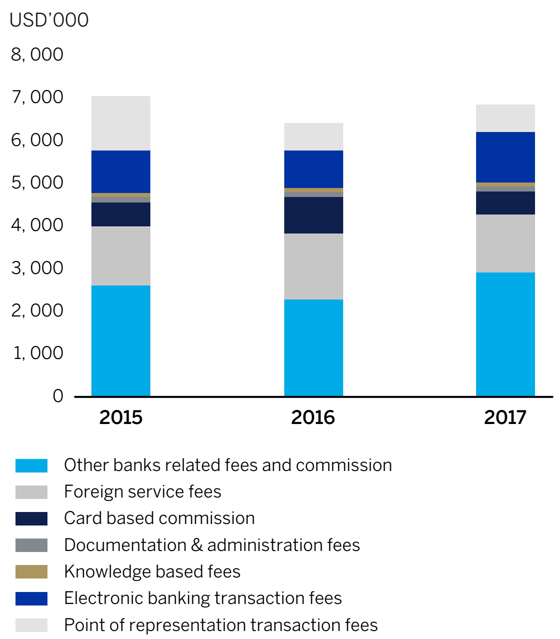
Net fees and commission revenue grew by 6% to close at USD6.8 million and benefited from a notable growth in various sectors. Higher transactional fees driven by an increase in transactional volumes has resulted in a growth of 11%.

Trade revenues levels depicted a strong growth of 34% spurred by an appreciable growth in both fees on imports and export activities, driven by increased volumes from both new and existing clients. However, knowledge-based fees recorded a drop of 31% on the back of non-recurring structuring and advisory fees during the year.

Card based commission remained under pressure, resulted in a decline of 28% which was driven by lower merchant turnover.

Despite the very difficult market conditions, gross custody income of USD576 000 was achieved in 2017, up by 45% (2016: USD398 000). The rise in custody income is attributable to the existing client base as well as some new customers on boarded in the last two quarters of the year.

Guarantee fees went down by 16% and this was driven out mostly by the underperformance of this segment.



Trading income

Despite the challenging market conditions and intensified competition, trading revenue delivered a solid performance, growing by 28% to reach USD10.1 million.

The FX sales desk, which combines corporate, retail and structured products segments, contributed 85% to the total revenue for the year. Corporate sales desk was able to maintain margin and grow volume by 40%, driving an increase of 38% year-on-year in revenue. The retail desk also reported a growth in income, up by 12% from last year.

Structured products segment witnessed a fall of 39% in income from last year. The demand for structured products has fallen continuously year-on-year, as most clients adopted a wait and see stand in the light of the Euro appreciation against the US dollar.

The FX flow trading segment delivered a decent performance with revenue up by 14% year-on-year, driven by higher client flows following the recovery in commodity prices and volatility in USD/MUR which impacted results positively. Revenue from the money market trading desk was up by 22%, driven by higher volume of forward and swap trading during the year.

Other revenue was 10% higher resulting from higher recharges of the shared services during the year to Standard Bank Trust (Mauritius) Co.

Credit impairment

Credit impairment recorded a release of USD183 000 for the year.

Portfolio credit impairment reflected a net charge of USD430 000. Additional provision raised during the year was USD1 013 000. This was driven by new disbursements and deterioration in risk grade on one name. A provision of USD583 000 was released during the year on the back of early prepayments.

Specific impairment reflected a release of USD604 000 on the back of the reversal of a fair value adjustment of USD104 000 for a restructured facility raised last year and USD500 000 provision written back on a potential legal claim of a previously impaired asset, which has now been closed.

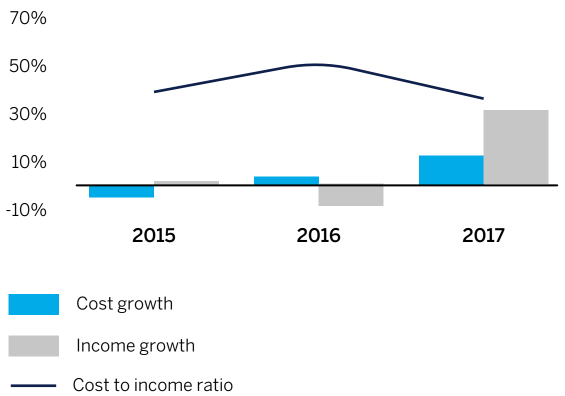
As a result, the credit loss ratio moved from 0.39% to -0.18% in 2017.The ratio of NPL as a percentage of gross loans declined further from 1.01% to 0.65%.

A detailed analysis of performing and NPL is provided in the financial risk management report on page 118.

Operating expenses

Operating expenses went up by 10% to reach USD15.8 million in 2017 in line with initiative undertaken to support business strategies. 2017 was the year of the core banking system implementation, as the Bank invested massively into a new core banking system to enhance its services. Due to cost containment measures, as well as an increase in revenues, the cost to income ratio has improved positively from 50% to 40.9%, also coupled with the capitalisation of staff costs.

Cost and income growth



Staff costs were at par compared to prior year. Headcount has increased by 5% from 131 to 138. The decline of 14% on fixed remuneration is driven by the capitalisation of core staff expenses, working full-time on the Finacle project. Variable costs went up by 18%, driven mainly by an increase in incentives costs.

	Dec 2017 USD'000	Dec 2016 USD'000	Dec 2015 USD'000
Staff cost expenses			
Staff cost			
Fixed remuneration	**3 634**	4 220	3 996
Variable remuneration and other costs	**3 692**	3 125	2 533
Total staff costs	**7 326**	7 345	6 529

Other operating expenses went up by 20%, driven mainly by investment in technology and infrastructure following the Finacle implementation. This resulted in a rise of IT support cost by 30% and prompted an increase in depreciation and amortisation by 44%, on the back of the significant investment in core banking system. Higher professional fee of 40% due to higher franchise fees as well as the work carried out this year by the auditors on Finacle implementation, IFRS9/ IFRS15 implementation.

	Dec 2017 USD'000	Dec 2016 USD'000	Dec 2015 USD'000
Operating expenses			
Other operating expenses			
IT support costs	**1 083**	833	874
Depreciation and amortisation	**1 224**	852	795
Professional fees	**1 517**	1 082	1 541
Premises	**953**	899	907
Other	**3 745**	3 418	3 302
Total other operating costs	**8 522**	7 084	7 419
Total operating costs	**15 848**	14 429	13 948
Cost to income ratio	**40.97%**	50.04%	43.32%

Tax

Total tax charge for the year was USD558 000 higher compared to 2016. This was on account of the improved profitability in 2017 and the fact that the Bank did not benefit from tax losses compared to prior year.

The effective tax rate of the Bank as a percentage of the total tax charge to the profit before tax moved from 8.4% to 7.5% in 2017. This was driven by a higher proportion of the Bank's revenue coming from segment B activities.

Dividends

A dividend of USD12 million was paid during the year to Stanbic Africa Holdings Ltd, the Bank's shareholder.

Statement of financial position

Total assets declined by 17% to reach USD1.28 billion compared to prior year. The main contributor to this drop was a reduction in the Bank placement as a result of a decline in the customer deposit base. A remarkable increase was observed in medium-term facilities by 127% to close at USD90 million compared to USD40 million in the preceding year. Deposits from banks decreased this year following a slowdown in the regional treasury activities, as well as repayments from intragroup deposits. Borrowing from Standard Bank Isle of Man declined following repayment of term assets which translated into lower funding requirements.

Cash and cash equivalents

Cash and balances with banks decreased by 40% to close at USD571 million as a result of lower group placements on the back of a reduction in customer deposit base at year end.

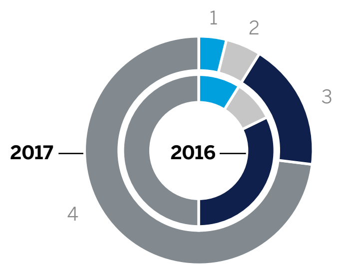
Loans and advances

Gross loans and advances to customers witnessed a growth of 54% to reach USD124 million, while loans to banks were at USD424 million.

In 2016, the Bank has embarked on a refreshed strategy, with particular focus on its core activities relating to multinationals with an African footprint as well as local corporates with an interest into Africa. Further to the implementation of the strategy we witnessed an increase in credit exposures by USD50 million related to our investment banking portfolio in 2017. The asset book remained skewed towards segment B activities, in line with our strategy.

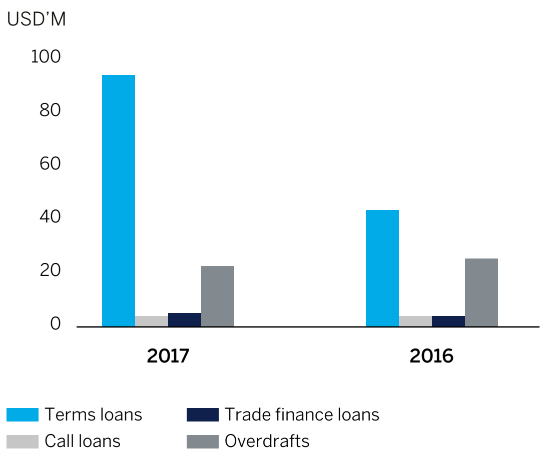
The credit loss ratio closed at -0.2%, with total allowance for credit loan losses aggregating to USD1.9 million.

Composition of gross loans and advances



		2017	2016
1	Call loan	4%	9%
2	Trade finance loans	5%	9%
3	Overdrafts	18%	32%
4	Term loans	73%	50%

Customer loans and advances



Our loans and advances book spans across various product lines. Growth, mainly from segment B assets, was recorded in the loan product for an amount of USD50 million, mainly due to increase activity in the investment banking portfolio. Overdraft, call loans and import loans have seen a reduction on a year-over-year basis mainly due to lower utilisation of limits. LC acceptance exposure has remained at the same level as last year.

Overall the product mix showed a higher weightage on the loans product increasing from 47% to 73% of our loan and advances book while the other product categories have reduced over the year.

As at 31 December 2017, the loan to deposit ratio stood at 16%. (2016: 11%).

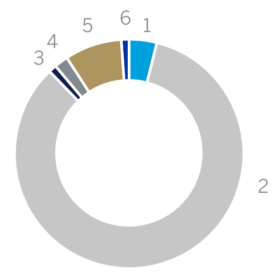
Credit exposure portfolio

As at end of December 2017, the Bank exposures to the Global Business Licence (GBL) and traders sectors were 84% and 8% respectively. Exposure within the GBL sectors remained well diversified and 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.

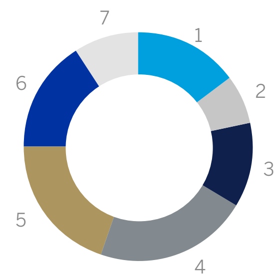
The Bank credit appetite is constantly being reviewed in light of any sector challenges and macroeconomic changes and caution is being exercised as and when appropriate. The Bank risk appetite on the textile and tourism industries remained conservative and we do not have on balance sheet exposure on those sectors as at year end.

Credit exposure portfolio mix
(%) - USD124 134 485



1	Financial and business services	4%
2	Global business licence holders	84%
3	Personal & professional	1%
4	Others	2%
5	Traders	8%
6	Transport	1%

Global business licence holders portfolio mix
(%) - USD103 849 779



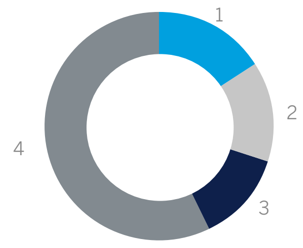
1	Agriculture & fishing	15%
2	Construction	7%
3	Mining & Quarrying	12%
4	Holding	22%
5	Telecommunications	20%
6	Transport	16%
7	Others	9%

Credit concentration for large credit exposures

The BoM guideline on credit concentration of risk was amended in September 2017 (effective date 2 October 2017). A major change to the guideline is the alignment to Basel III, whereby tier 1 capital instead of total capital base will be used as the basis for the computation of credit exposure limits.

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 10% of the tier 1 capital. A regulatory limit has been set by BoM for the aggregate of such exposures not to exceed 800% of tier 1 capital. For all exposure above 25% of tier 1 capital, our parent company, Stanbic Africa Holdings Limited (SAHL) has been informed as prescribed in the guideline.

We have specific customers whose aggregate facilities exceed 25% of our tier 1 capital. Required processes to ensure compliance to regulatory policies relating to these names are either in place or are exempt exposures as per guidelines.



1	Agriculture & fishing	16%
2	Energy	14%
3	Financial and business services	13%
4	Trading	57%

As at 31 December 2017, out of the top 17 customers or group of customers with large exposure, five customers have exposures above 25% but less than 50% of capital base. Relevant processes are in place to ensure compliance in respect of regulatory guidelines. Those exposures were from major customers with satisfactory credit risk rating.

The top 17 most significant concentrations in respect of customer or group of customers as at 31 December 2017 were as follows:

	Exposure USD'000	Percentage of tier 1 capital
Sector		
Trading (2 clients)	31 941	45%
GBL (10 clients and 2 group of clients)	172 159	241%
Financial (1 group of clients)	7 141	10%
Energy (1 client)	8 136	11%
Agriculture & fishing (1 client)	8 878	12%
	228 255	

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 and treasury notes. Lower investment was noted in treasury bills this year led by lower yields in the market, coupled with a lower demand for USD/MUR structures. There was no activity at year-end on the money markets desk, resulting in no placement activities. Trading assets was down from USD12 million to USD750 000.

Trading liabilities

There were no trading liabilities at year-end.

Derivative assets and liabilities

Derivative assets and derivative liabilities decreased by 18% and 19% to reach USD9.7 million and USD9.4 million respectively, driven mainly by a fall in client flows from structured product sales during the year.

Investment securities

Investment securities consist of treasury bills and increased to reach USD24.9 million. The increase is primarily led by the purchase of US treasuries of USD19.7 million.

Held-to-maturity investments

New US treasuries of USD98.7 million were purchased late in the year to maintain an adequate stock of unencumbered HQLA that consist of cash or assets that can be converted into cash at little or no loss of value, to meet the required Basel III Liquidity Coverage Ratio (LCR) at year end, as prescribed by the BoM.

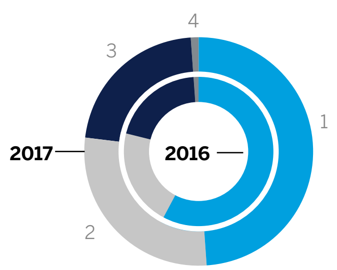
Fixed assets

The IT transformation contributed to the significant increase in fixed assets. The core banking system: Finacle was purchased for USD18.7 million and Nbol for USD1.1 million. The core banking system will be depreciated over a fifteen year period.

Deposits

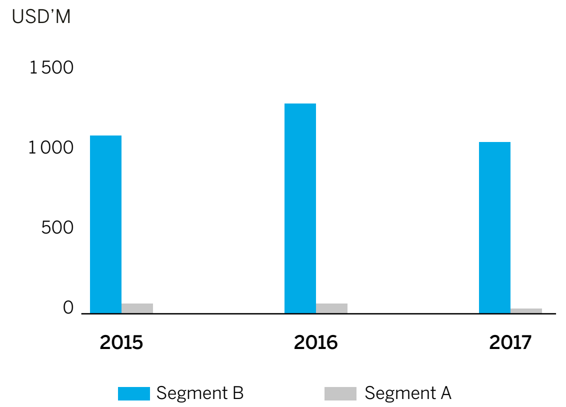
Customer deposits decreased by 14% to reach USD1.1 billion (2016: USD1.3 billion). Fixed and call deposits recorded a drop of 15% and 26% respectively. Current and savings deposits on the other hand experienced notable growths of 16% and 14% respectively.

Analysis of deposits



		2017	2016
1	Call accounts	49%	58%
2	Current accounts	28%	21%
3	Fixed deposits	22%	20%
4	Saving accounts	1%	1%

Deposit splits



Deposits from banks

Deposits from banks went down by 35% to close at USD61 million. This was driven by lower balances on operational accounts which decreased by USD26 million year-on-year.

Other borrowed funds

The increase of 2% compared to prior year is due to local interbank borrowing at year end.

Subordinated debt

The Bank's outstanding subordinated debt of USD25 million from Standard Bank of South Africa was repaid during the year.

Off-balance sheet items

Off-balance sheet exposure per sector

	2017 USD'000	2016 USD'000	2015 USD'000
Sector			
Agriculture & fishing	1 000		
Manufacturing	1 059	1 077	1 018
Telecommunications & ICT	6 299	5 580	2 836
Govt & Institutional Org (GIO) & infrastructure	89	79	92
Personal	8	15	33
Transport (airlines, shipping & others)	153	156	156
Media & Entertainment and recreational activity	3 080		
Commerce & trading (wholesale, retail & other dealers)	9 464	4 489	3 039
Property holding		5 400	5 400
Investment holding			
Financial intermediation & business services	659	5 548	522
Construction	1 293	2 689	2 759
Mining & quarrying	7 331	1 100	1 100
Energy	3 170		1 862
	33 605	26 133	18 817

Off-balance sheet items

Off-balance sheet exposure increased from USD26 million to USD34 million in 2017 as a result of increased non-fund based facilities to clients in the commerce and trading, mining and quarrying, energy, media & entertainment and recreational activities and telecommunications & ICT.

Off-balance sheet exposure by geographical concentration

	2017 USD'000
Country	
China	24
Botswana	75
France	7 827
India	45
Mauritius	24 418
South Africa	134
UK	1 000
UAE	82
	33 605

Credit quality

The Non-Performing Loans (NPLs) ratio to total loans fell from 1.0% to 0.6% as at end of December 2017. No new account was classified during the year. Credit impairment provision at year-end stood at USD2 million. During the year USD1 million was raised under the Performing Portfolio Provisioning (PPP).

To maintain the 1% regulatory requirement provision, as per BoM guidelines, an additional USD116 000 was raised and accounted for in a statutory credit risk reserve.

An additional portfolio provisioning of 1% representing USD8 000 on exposures in the personal sector, in line with the macro prudential policy measures guideline was raised.

A detailed analysis of performing and NPL is provided in the financial risk management section on page 118.

The quality of the lending book remains healthy with only one asset classified as impaired, duly provisioned for. Legal action is still in progress on the existing NPL name. 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.

There were no facilities which were renegotiated or restructured during the year.

	2017 USD	2016 USD	2015 USD
Provisioning and asset quality			
Provisions at beginning of the year	**1 636 996**	5 500 345	30 443 626
Provisions made during the year	**1 015 070**	685 165	596 382
Provisions released during the year	**(687 159)**	(325 705)	(2 641 397)
Amounts written-off	**-**	(3 222 809)	(19 993 815)
Bad debts recovered	**-**	-	(2 904 451)
Transfer to other liabilities[1]	**-**	(1 000 000)	-
Provisions at end of the year	**1 964 907**	1 636 996	5 500 345
Key ratios (%)			
Income statement charge to total loans	**-0.15**	0.45	-2.46
Total provisioning to NPLs	**242**	202	37
Specific provisions to impaired credits	**-103**	-116	20
Total provisions to total loans	**2**	2	29

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

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. Management of risks is undertaken through a framework of principles, organisational structures and measurement and monitoring processes that are aligned with the activities of the diverse business units of the Bank. 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:

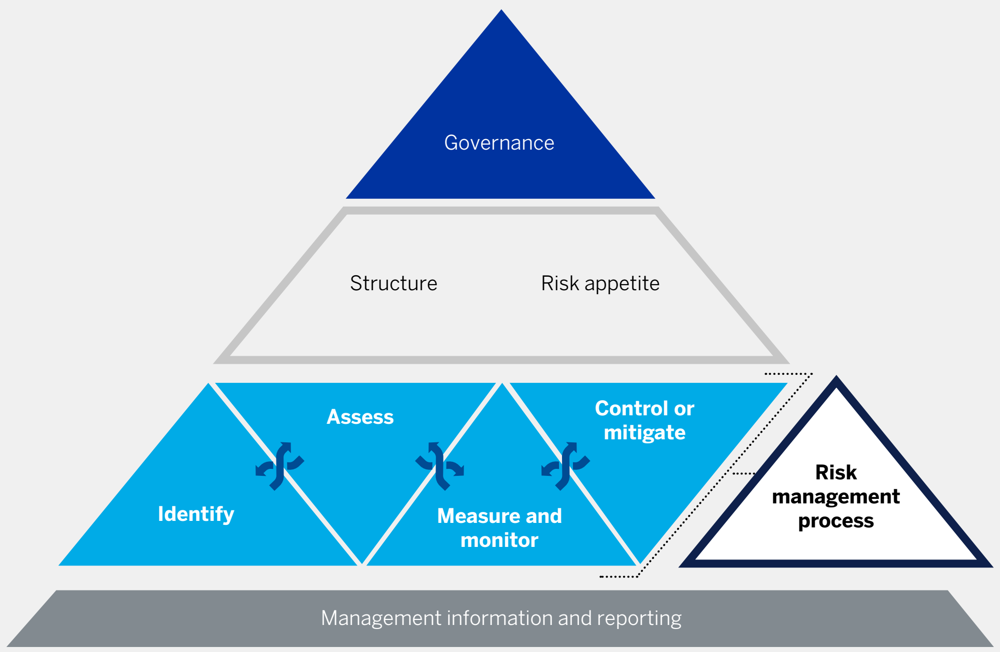
- the proactive self-identification of issues and risks including emerging risks across every business unit;
- the design, implementation and ownership of appropriate controls;
- the associated operational control remediation; and
- a strong culture of transparent and effective risk partnership.

The second line of defence functions comprise all the risk and control functions which provide 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 the internal audit unit which provides 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

The three lines of defence operate independently from one another and are accountable for maintaining structures that ensure adherence to the risk management framework at all levels.

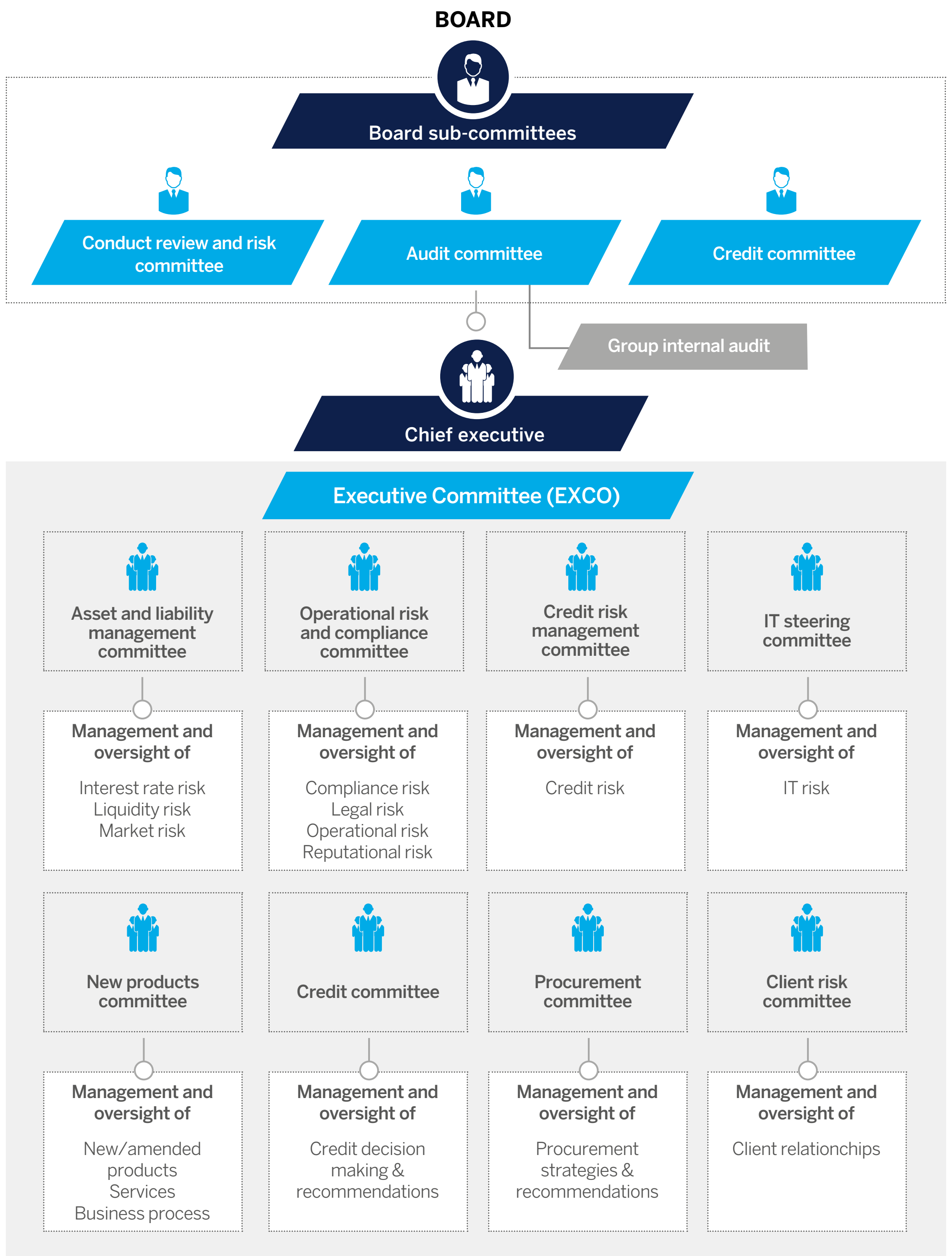


Governance

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

Risk governance standards have been developed for all major risk types that the Bank is exposed to and ensure 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.



Board and sub-committees

The Board of Directors of Standard Bank (Mauritius) Limited 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 2017, 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 has 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), IT Steering Committee and Credit Risk Management Committee (CRCM) are provided in the corporate governance report section of this annual report starting from page 48. Other main operational 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, a sub-committee of EXCO, is chaired by the 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.

Credit committee

The credit committee is the senior management credit decision-making function with a defined delegated authority as determined by the Board of Directors through the Board credit committee from time to time. The purpose of the credit committee is:

- to exercise responsibility for the independent assessment, approval, review and monitoring of all credit risk assets relating to the Bank's business; and
- to ensure that the origination and management of the assets in the portfolio is done in terms of the group's credit standard and any other guidance given to it by group governance committees from time to time.

The credit committee, a sub-committee of EXCO, is chaired by the head: credit and comprises at least four core members. The credit committee meets at least monthly or more frequently as determined by business needs.

Procurement committee

The procurement committee, which meets on a monthly basis, comprises permanent members namely 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.

Client risk committee

As a cornerstone of good practice and in line with regulatory requirements, the Bank is required to determine its appetite for establishing or continuing a business relationship with a potential or existing customer. The client risk committee, a sub-committee of EXCO, serves to give effect to the governance and control requirements of the Bank and is responsible for approving client relationships where that relationship may have adverse reputational risk implications for the Bank. Potential reputational risk may span over a wide spectrum with various parameters e.g. country of operation, nature of business activity, connection with politically exposed persons, adverse information, amongst others. The Bank, through the client risk committee, ensures that a review process is in place for all relevant accounts falling within this category.

The client risk committee is currently chaired by the head: legal and comprises six other EXCO members. The committee meets weekly or as required following the receipt of a referral.

Risk management and risk culture

The risk management team provides the day-to-day oversight on management of risk and promotes a strong risk culture across the Bank. The function aims at reinforcing the Bank's resilience by encouraging a holistic approach to the management of risk and return throughout the Bank as well as the effective management of the Bank's risk, capital and reputational profile. The following principles underpin the Bank's risk culture:

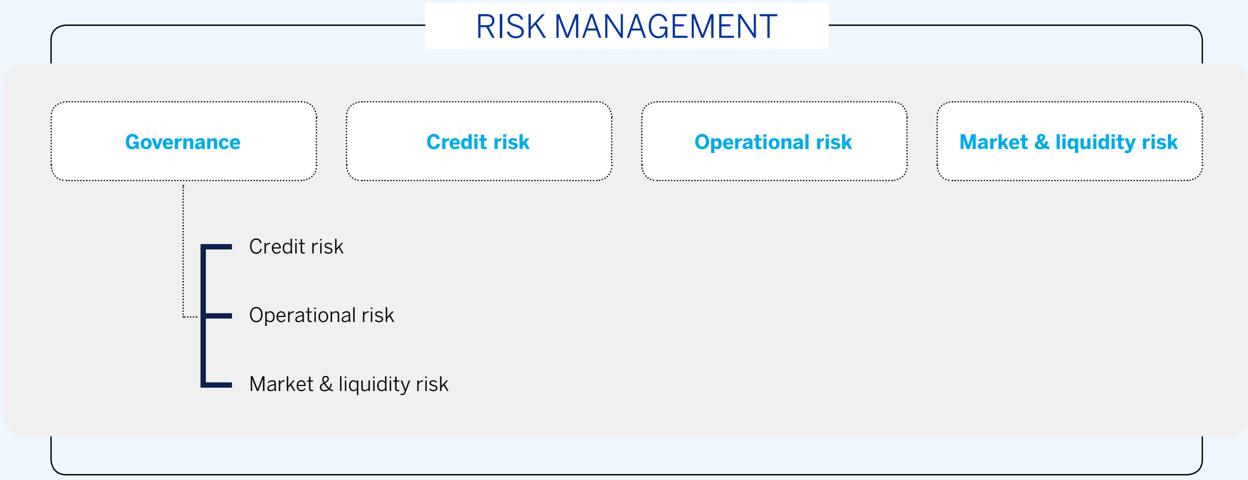
- risk is taken within the defined risk appetite and approved risk management framework;
- continuous monitoring and management of risks; and
- the Bank needs to be adequately compensated for risks taken.

The risk management team 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 function is subject to periodic assurance reviews by group internal audit where it is assessed by specialised teams for each of the different types of risk. Internal audit provides an 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, units within the risk function have been awarded satisfactory audit reports which can be translated in a control environment that is well managed, strong and mature in its approach.

Risk management function



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. Risk governance continues to ensure that regulatory and business requirements are fully embedded in the Bank's 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 officer: risk governance who reports into the country head: risk.

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

1. 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; and
- ongoing independent risk oversight and reporting to governance committees, in respect of breaches of limits, policies/procedures, risk appetite.

2. Country risk

Definition

By virtue of its strategy, the Bank is exposed to country risk. Country risk is the uncertainty whether 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.

3. 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.

The Asset and Liability Management (ALM) unit has the core objective of assessing, monitoring and managing the liquidity strategy. As an independent risk management function, ALM reports to the chief financial officer and has the duty to control and to oversight the liquidity risk management framework by being autonomous of the revenue-producing divisions.

Under the review and approval of the Board of directors and in line with the risk tolerance, senior management has the responsibility of developing the strategy, policies and practices related to liquidity risk management.

In line with our liquidity risk policy, the below outlined approaches are employed to manage liquidity risk within the established tolerance limits.

Approach to managing liquidity risk

Tactical - shorter-term	Structural - longer-term	Contingency liquidity
• Manage intraday liquidity positions • Monitor interbank levels, daily and short-term cash flow requirements • Set deposit rates in accordance with structural and contingency liquidity requirements	• 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 • Hold sufficient marketable assets against any identified concentration risks • Be informed of term funding requirements	• Monitor and manage early warning liquidity indicators • Establish and maintain liquidity contingency plans • Set appropriate liquidity buffers • Regular internal stress testing to ensure that sufficient contingent liquidity is held to cover for stressed net cash outflows

Total contingent liquidity

In order to protect the Bank against unforeseen disruptions in cash flows and to meet regulatory and internal stress testing requirements, sufficient amount of marketable liquid instruments is maintained.

The table below provides a breakdown of the Bank's eligible liquid and marketable instruments as defined by the Basel committee on banking supervision and the BOM guideline on liquidity risk management.

	2017 USD'000
Coins and banknotes	92 425
Balances with central banks	54 267 823
Securities issued by sovereigns	121 372 190
Eligible High-Quality Liquid Assets (HQLA)	175 732 439

Liquidity coverage ratio

As part of its international framework for liquidity risk, the Basel committee necessitates banks to use the Liquidity Coverage Ratio (LCR) as an assessment tool for their liquidity position. The purpose of the metric is to ensure that banks maintains an adequate stock of unencumbered HQLA that consist of cash or assets that can be converted into cash at little or no loss of value, to meet their liquidity needs for a 30-calendar day time period under a severe liquidity stress scenario.

$$\textbf{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 days}}$$

The LCR rule issued by the BoM became effective in Mauritius on the 3 November 2017 with the following transitional arrangements.

	As from 30 November 2017	As from 31 January 2018	As from 31 January 2019	As from 31 January 2020
LCR in Mauritian Rupee (MUR)	100%	100%	100%	100%
LCR in material foreign currencies	60%	70%	80%	100%
Consolidated LCR	60%	70%	80%	100%

In order to comply with the LCR requirement for material (in our case, US Dollars) and non-material (excl. MUR) currencies, part of the Bank's group placements were reallocated into US Treasury Bills' investment in order to contribute towards the HQLA pool. For the reporting period 31 December 2017, the Bank was within regulatory compliance with a MUR LCR of 357%, a USD LCR of 71% and a consolidated LCR of 110%.

4. 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 the 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 reviews and recommends the limits for approval by the Board of Directors which has the authority to set the limits at a lower level.

Risk appetite is expressed in terms of Normal Value at Risk (NVaR) and Stress Value at Risk (SVaR) for the Bank's trading operations.

Market risk appetite and limits are based on NVaR using a 95% confidence interval and a one-day holding period. This means that losses for a single day are not expected to exceed VaR with a likelihood of 95%. VaR is calculated on a historical simulation basis with 250 days of market data. SVaR uses a similar methodology to NVaR but is based on a period of financial stress and assumes a 10-day holding period and worst-case scenario with historical data spread over 1250 days.

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 is an ex-post comparison of the risk measure generated by the VaR model against actual and hypothetical daily changes in portfolio value attributable to changes in market variables. This enables the Bank to ensure the appropriateness of the VaR model.

Product control

Other controls include permissible product concentration, maximum tenors, daily price validations and balance sheet substantiation.

5. 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 market risk

The adopted approach in mitigating IRRBB essentially involves managing the potential adverse effect of interest rate movements on the banking book.

A forward-looking NII 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 and is compared to the set limits.

6. Operational risk

Identification

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal events. Operational risks can arise from all the Bank's activities. The Bank takes on additional operational risks whenever it accepts new business, originates new transactions, introduces new products, enters new markets, outsources activities and hires new staff. New operational risks may also arise from a variety of changes to internal processes, people and systems and from changes to the Bank's external environment.

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;
- technology risk;
- information risk; and
- cyber risk.

Approach to managing operational risk

The Bank's operational risk management approach serves to continually improve its ability to anticipate all material risks and to reduce, with a high degree of confidence, potential failures in processes. 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. This helps to improve the customer experience and reinforces the need for clear ownership and accountability for all risks across the Bank processes.

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

The Bank inculcates the culture of self-assessment whereby each business unit and corporate 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 mitigating 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

Key Risk Indicators (KRIs) are used to monitor the operational risk profile and alert the Bank to impending problems in a timely fashion. Relevant risks and controls highlighted in the risk and control self-assessment are monitored through KRIs. 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 and corporate functions to the operational risk team and thus enable the monitoring of the Bank's control culture and business environment and trigger mitigating actions and facilitate the forward-looking management of operational risks based on early warning signals.

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. The continuous collection of operational risk loss events is a pre-requisite for operational risk management including analysis and provision of timely information to management.

Reporting and analysis is undertaken for operational risk loss events and near-misses. This includes:

- trends in previous events, near misses, losses and business environment where such incidents are occurring;
- root cause analysis; and
- review of control improvements and other actions to prevent or mitigate the recurrence.

The execution of corrective actions identified are tracked and reported at the monthly operational risk & compliance committee.

Business resilience

A comprehensive business resilience policy and framework is in place. It assists the Bank in effectively planning for and responding to incidents and business interruptions so that the Bank can resume critical activities within the briefest delay possible, thus safeguarding its reputation and the interests of key stakeholders.

The Bank's business resilience 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 business continuity management plans, closely supported by risk, who will provide the governance, steer, oversight and reporting of the Bank's status of readiness to maintain availability of the Bank's critical business activities at acceptable pre-defined service levels.

A business continuity management forum is in place and meets on a half-yearly basis to make tactical decisions around business resilience and business continuity management practices. It is chaired by head: risk and attended by all business areas coordinators to discuss matters such as recovery facilities, testing, awareness and simulations amongst 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 and to assist business units to continue with or recover their activities with minimal disruption.

The business resilience including the IT disaster recovery strategy and business continuity management practices were refreshed in 2017 to reflect changes in the business landscape; especially in light of the deployment of the new core banking system Finacle to ensure that mission critical activities can be resumed in accordance with set recovery objectives and stakeholders' expectations.

The Bank has a fully equipped disaster recovery site which is also tested twice a year.

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

Technology risk

Technology risk is the inability to manage, develop and maintain secure, agile technology assets to support strategic objectives, operational efficiencies and robust risk management. Customer experience, as a strategic imperative, is directly and heavily influenced by effectiveness of technology in providing relevant, innovative, secure and stable digital as well as physical service offerings. The Bank's strategic imperatives namely customer centricity, digitisation and universal financial service organisation are all enabled by technology and the success or failure in achieving the technology goals will directly impact the achievement of business objectives. Technology risk is therefore a major factor in successful strategy execution.

To that effect, the Bank is seeking to enhance its technological capability and mitigate resulting risks through the following initiatives:

- rollout of IT governance consisting of board education sessions, establishment of the IT steering committee and the adoption of the group IT governance standard;
- governance and oversight of technology risk at board risk management committee level;
- infrastructure continuous service programme focusing on the review of the infrastructure landscape and enhancing the resilience of the environment and its operational procedures;
- revision of the IT architecture for the purpose of combatting fraud;
- improving the reliability of disaster recovery environment; and
- renewing its focus on root cause analysis to reduce the recurrence of technology incidents.

Cyber risk

Cyber risk is the risk of financial loss, disruption or damage to reputation from breaches or attacks on transactions sites, systems or networks. They relate to information technology security risks that can compromise the confidentiality, availability or integrity of information or information systems.

The objective of cyber risk management is to establish a robust cybersecurity platform which is an integral component of the Group's IT strategy. The Bank leverages on the expertise of group IT security to implement robust cybersecurity measures in country.

Over the last two years, the Group has invested heavily in IT security with a view to increasing the resilience to cybercrime and other cybersecurity threats. The Group addresses cybersecurity through four disciplines:

- detection: be conscious of, understand and predict security risks and gaps;
- prevention: seek the best security knowledge and expertise from specialists;
- response: develop the agility to react quickly in identifying and mitigating security threats; and
- recovery: become resilient to recover efficiently and effectively from a cybersecurity breach.

In 2017, the Bank ran security awareness campaigns internally to ensure employees are aware of the importance of protecting sensitive information, what they should do to handle information securely, and the risks of mishandling information. In addition to that the IT security team has been re-inforced with the appointment of an IT security manager to assist with the implementation of the Group's programme of work to mitigate security risks and address gaps. Initiatives include the following:

- technology upgrade and implementation of intrusion detection and prevention mechanisms, which provide a high level of protection against external threats;
- enhanced logical access management;
- deployment of encryption software; and
- implementation of an end-point detection and response capability.

Information risk

Information risk refers to the inability to protect customer information, losses related to incomplete and inaccurate data and data breaches causing operational inefficiency and increased costs. The Bank leverages on the group's information risk management framework to maintain the confidentiality, integrity and availability of information assets stored, processed and transmitted.

Information risk management falls under the aegis of the risk unit which is responsible for executing set policies and practices in relation to information security. The Bank will be conducting an information risk control self-assessment as a first step towards managing and reducing Information risk within the Bank.

The assessment will indicate the maturity of the information risk management practices to ensure that the risks, which the Bank faces, are managed at an appropriate level of control and on a sustainable basis. The information risk control self-assessment will allow the Bank to identify gaps and implement controls to drive the risk governance and processes required and ultimately improve the control environment. An overall risk remediation plan will be maintained to record management's intent as well as track progress against it.

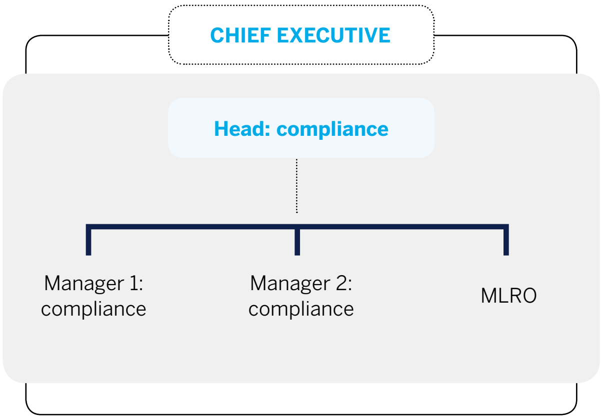
In an endeavor to address information risk gaps and mitigate ensuing threats, the Bank has invested in the following:

- promoting continued awareness around protecting sensitive banking information and credentials that could lead to fraudulent activities;
- strengthening the authentication factor for accessing systems and accounts;
- roll out of data leakage prevention systems which inhibit sensitive information from being disseminated either internally or externally; and
- implementation of end-point encryption systems to secure information and prevent its exploitation by external parties.

7. Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss of reputation that the Bank may suffer as a result of its failure to comply with laws and regulations applicable to the Group's activities.

Compliance is an independent function accountable for identifying, assessing, monitoring and reporting on whether the Bank complies with applicable laws, regulations and internal requirements. The compliance team is also accountable for providing advice to first-line-of-defence units in relation to the mitigation of compliance risks.



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. The compliance function is subject to annual internal audit.

Business units and operational units own the compliance risks associated with their departmental processes. Compliance is accountable for the implementation of an effective compliance framework, key activities of which are summarised below:

- identifying and assessing compliance risks;
- providing advice on risk mitigation to compliance risk owners in the first-line-of-defence; and
- monitoring the adequacy of risk mitigation and controls in the first-line-of-defence and reporting on the compliance risk status for the Group.

Risk appetite and stress testing

The risk appetite framework provides guidance on the following:

- setting and cascading of risk appetite;
- measurement and methodology;
- governance; and
- monitoring and reporting.

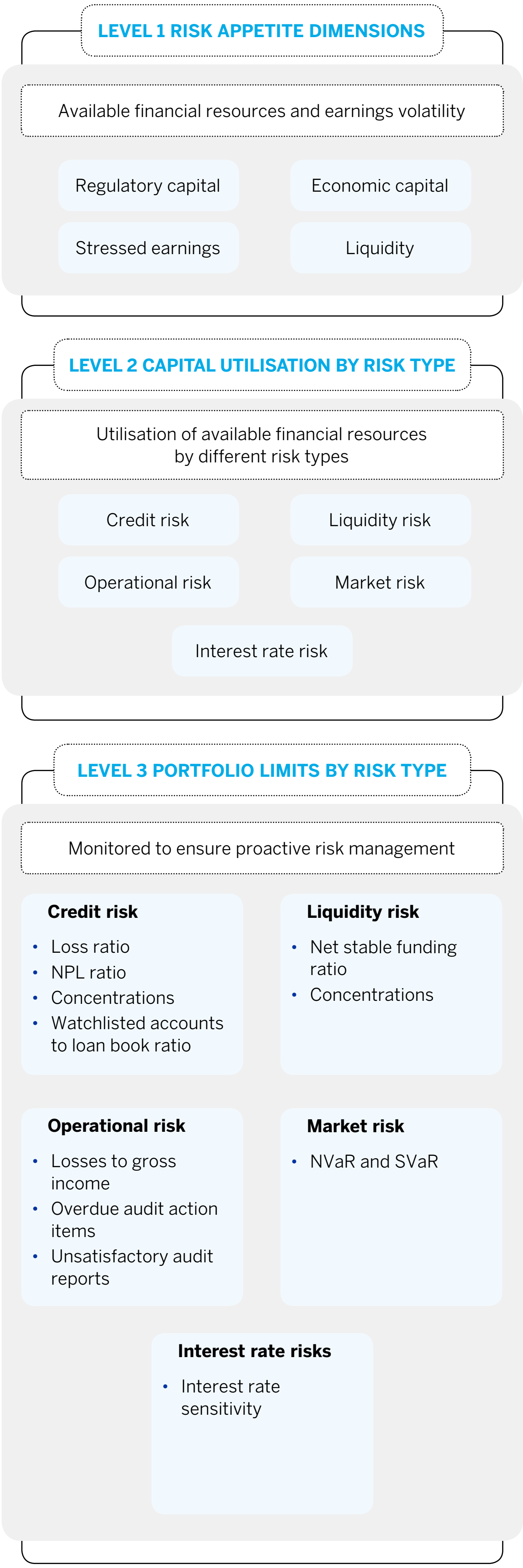
Risk appetite is an expression of the amount of risk an entity is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions.

Risk appetite trigger serves as an early warning trigger. The risk appetite trigger is set at a level that takes into account the scope and nature of available management actions and ensures that corrective management action can take effect and prevent a risk tolerance limit breach.

Risk tolerance limit is the maximum amount of risk the entity is prepared to tolerate above risk appetite. The metric is referred to as the risk tolerance limit.

Risk capacity level is the maximum amount of risk the entity 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.



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 46)

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, technology and cyber 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

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.

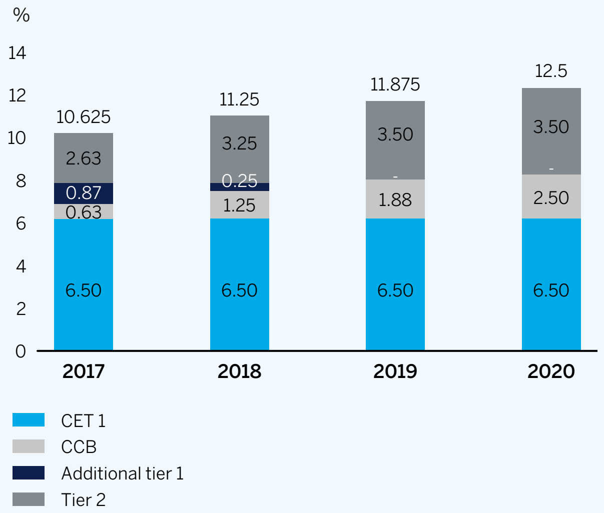
Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements, over a 10-year period effective from 1 July 2014.

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.

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.

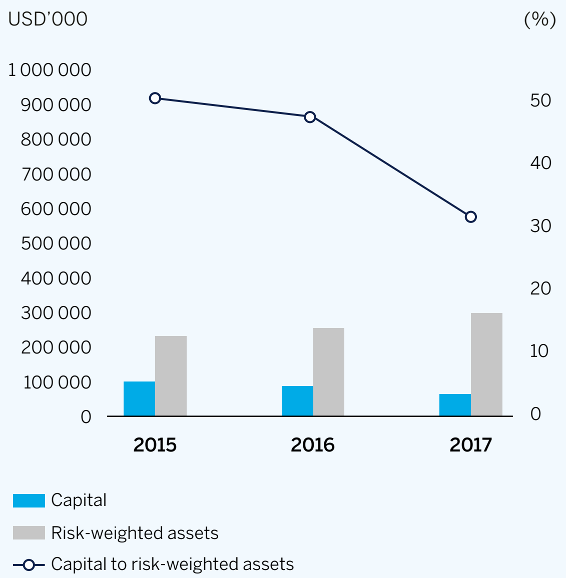
BoM minimum ratios (capital as a percentage of risk-weighted assets) effective 1 January each year (%).



As from January 2017, an additional capital conservation buffer of 0.625% was added on. This will increase by 0.625% every year to reach 2.5% in 2020.

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.

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 2017

	Basel III 2017 USD'000	Basel III 2016 USD'000	Basel III 2015 USD'000
Common equity tier 1 capital			
Share capital	**35 000**	35 000	35 000
Statutory reserve	**15 285**	12 091	10 161
Other reserves	**40 531**	34 501	43 254
Less: Deductions			
Intangible assets	**(19 518)**	(14)	(27)
Deferred tax	**-**	(300)	(1 177)
Common equity tier 1 capital	**71 298**	81 278	87 211
Other reserves	**-**	-	(1)
Subordinated debts	**-**	17 500	20 000
Provision for performing loans	**1 241**	763	899
	1 241	18 263	20 898
Total capital base	**72 539**	99 541	108 109
Risk-weighted assets for:			
Credit risk	**171 269**	154 495	160 868
Operational risk	**55 654**	52 376	52 261
Aggregate net open foreign exchange postition	**51**	532	887
Total risk-weighted assets	**226 974**	207 403	214 016
Common equity tier 1 capital	**31.41%**	39.19%	40.75%
CAPITAL ADEQUACY RATIO	**31.96%**	47.99%	50.51%

The Bank maintains appropriate levels of capital, with a CET 1 capital ratio of 31.41% (2016: 39.19%) and a total capital adequacy ratio standing at 31.96% (2016: 47.99%). During the year, the Bank repaid its subordinated debt of USD25 million and paid dividend of USD12 million to its shareholder. The significant increase in intangible assets deduction was due to capitalisation of the new core banking system. The Bank remains well positioned to meet all capital adequacy regulatory requirements.

The Bank uses the ratings assigned by moody's investors service to banks to determine the risk-weighting of exposure with banks. During the year, the rating agencies announced the rating of the SA sovereign and subsequently on South African Banks. Moody's retained its investment grade rating but placed the ratings on review for downgrade. As at year end, Standard Bank (Mauritius) Limited remains well positioned to manage the impacts of ratings downgrades, with strong capital and liquidity buffers.

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	-
Guarantee - local bank	-
Cash collateral	13 428
	13 428
Total credit risk exposure	1 681 552
% exposure covered by collaterals	0.80%

Exposures subject to the standardised approach per risk-weighting

as at 31 December 2017

CREDIT RISK	2017 Nominal amount USD'000	2017 Mitigation	2017 Risk-weight %	2017 Risk-weighted assets USD'000	2016 Risk-weighted assets USD'000	2015 Risk-weighted assets USD'000
On-balance sheet assets						
Cash items	92	-	0-20	-	-	-
Claims on sovereigns	124 152	-	0-100	-	-	-
Claims on banks	935 415	-	20-100	12 381	46 745	29 989
Claims on central banks	59 762	-	0-150	-	-	-
Claims on PSE	-	-	20-150	-	-	-
Claims on corporates	118 943	-	20-150	118 752	71 751	89 297
Past due claims	839	-	50-150	420	419	11 262
Other assets/fixed assets	3 207	-	100	3 207	6 073	9 758
Total	1 242 410	-		134 760	124 988	140 306
Non-market related off-balance sheet risk-weighted assets						
Direct credit substitute	32 198	11 700	20-100	20 498	9 938	8 558
Transaction-related contingent items	2 712	1 728	20-100	492	1 658	349
Trade related contingencies	3 056	-	20-100	611	560	760
Other commitments	2 500	-	20-100	1 250	-	4 181
Total	40 466	13 428		22 851	12 156	13 848
Market related off-balance sheet risk-weighted assets						
Interest rate contracts	-	-		-	-	5
Foreign exchange contracts	398 676	-		13 658	17 351	6 708
Total	398 676	-		13 658	17 351	6 713
Total credit risk	1 681 552	13 428		171 269	154 495	160 867
Operational risk	-	-		55 654	52 376	52 261
Aggregate net open foreign exchange position	-	-		51	532	887
Total risk-weighted assets	1 681 552	13 428		226 974	207 403	214 015

Internal capital adequacy assessment process

Internal Capital Adequacy Assessment Process (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 Standard Bank Group has embedded sound internal capital adequacy assessment processes throughout the group and across all its subsidiaries. Standard Bank (Mauritius) Limited is aligned to 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 75% 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 stressed 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 an 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.

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

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

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

During 2017, 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 global stagnation, global protectionism and single obligor default scenarios. 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) a person who has significant interest in the financial institution or the financial institution has significant interest in the person;

(b) a director or senior officer of the financial institution;

(c) close family members of the above;

(d) an entity that is controlled by a person described above; or

(e) 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 2017.

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 168 to 171.

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 BoM)
- Custodian services licence
- Distribution of financial products licence
- Investment advisor licence

Introduction

A robust and sound corporate governance practice is the way to win and maintain a sustained public trust in our financial system.

The Bank continuously strives to nurture and preserve the standard of corporate governance to the highest level. This 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 towards all stakeholders.

The ultimate holding company of Standard Bank (Mauritius) Limited is the Standard Bank Group Limited (SBG), who applies local and international best practice in corporate governance. The Group and its subsidiaries adhere to the principles of the code of corporate practices and conduct (king code) whilst at the same time ensuring adherence to the legal and regulatory requirements on corporate governance under the local jurisdiction. This framework assists the Board in performing its role of providing risk oversight and strategic guidelines as well as ensuring compliance to evolving regulatory requirements.

Standard Bank (Mauritius) Limited is directly held by Stanbic Africa Holdings Limited (SAHL), a company incorporated in the United Kingdom. SAHL is wholly owned by SBG.

The Board of directors of Standard Bank (Mauritius) Limited are aware of their legal duties and 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 BoM guidelines on corporate governance; and
- the financial reporting council (compliance with the code of corporate governance) guidelines.

During the year, a revised national code on corporate governance for Mauritius (2016) was issued under the auspice of the national committee of corporate governance. The new code has set out eight principles that all organisations should implement, as summarised below:

Principle 1: governance structure

All organisations should be headed by an effective board. Responsibilities and accountabilities within the organisation should be clearly identified.

Principle 2: the structure of the board and its committees

The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate board committees may be set up to assist the Board in the effective performance of its duties.

Principle 3: director appointment procedures

There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders.

Principle 4: director duties, remuneration and performance

Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Each director must be able to allocate sufficient time to discharge his or her duties effectively. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information strategy, information technology and information security. The Board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives.

Principle 5: risk governance and internal control

The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.

Principle 6: reporting with integrity

The Board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its annual report and on its website.

Principle 7: audit

Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's internal and external auditors.

Principle 8: relations with shareholders and other key stakeholders

The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

The principles set out in the new code shall become applicable as from the financial period ending 30 June 2018. Whilst the Bank is confident that its current corporate governance structure is robust and aligned to the eight principles as set out above, the Board shall be focusing on reinforcing the effectiveness of its governance practices.

Board of directors

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

- it acts as 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 encompassing short as well as 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 analyse the performance of senior management in delivering and achieving 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 and wide breadth of backgrounds and professional experience from the financial, legal, accounting, IT to commercial sectors. The structure is as follows:

BOARD OF DIRECTORS

Executive directors

Lakshman BHEENICK
(Chief executive)

Michele AH SEE
(Head : risk)

Non-executive directors

Jean Michel Louis RIVALLAND
(Chairman)

Duncan James WESTCOTT

Roderick Terner Forbes POOLE

Clive Robert TASKER

Stephen Vincent SCALI

Brenda June NIEHAUS

The term of office of Mrs Marie Desirée Jean Lim Kong ended on 22 March 2017.

On 22 January 2018, Mrs Brenda June Niehaus has been appointed as non-executive director.

The composition of the Board and its committees is regularly reviewed to ensure that the balance and mix of diversity is preserved and that the Board maintains its effectiveness and efficiency at all times.

Board of directors

Chairman and chief executive

There is a clear and effective division of accountability and responsibility between the chairman and the 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, these roles are carried out by two different persons. 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 and unlimited 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 and also in full-time employment with the Bank.

Lakshman BHEENICK

Personal profile
- Aged 45
- Holder of a BA (Hons) in economy from University of Manchester (England) in 1995

Current
- Appointed executive director on 18 May 2010
- Chief executive of Standard Bank (Mauritius) Limited
- 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 51
- 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 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 Price Waterhouse Coopers Mauritius in audit

Non-executive directors

After his six years as an independent director, Mr Stephen Vincent Scali was supported by the Board to act as a non-executive director.

Jean Michel Louis RIVALLAND

Personal profile
- Aged 47
- Holder of a Bachelor Degree in Actuarial Sciences and Statistics
- Fellow of the Institute of Actuaries of United Kingdom
- Fellow of the Institute of Actuaries of South Africa

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

Previous
- Served as 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 62
- 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 and board audit 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 68
- 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 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 Price Waterhouse Coopers in South Africa

Stephen Vincent SCALI

Personal profile
- Aged 45
- Holder of a Juris Doctor from Harvard Law School, USA
- Holder of a MA in Industrial Relations from the University of Warwick in England
- Admitted to the New York Bar in 2002
- Non-Practising Solicitor of England and Wales

Current
- Appointed independent director in June 2011
- Appointed chairman of board credit committee
- Member of the Board audit committee

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
- Head of the Mauritius office of Conyers Dill and Pearman

Roderick Terner Forbes POOLE

Personal profile
- Aged 56
- Holder of a Bachelor of Commerce from the University of South Africa

Current
- Appointed non-executive director on 7 November 2016
- Currently group head: change in business transformation
- Member of the risk management/conduct review committee and board credit committee

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

Brenda June NIEHAUS

Personal profile
- Aged 57
- Holder of a certificate of Advanced Management Program from Harvard University
- 34 years of IT experience within the financial services industry

Current
- Appointed non-executive director in January 2018
- Currently senior IT board advisor of Standard Bank Group

Previous
- Joined the Standard Bank Group in 2007 as IT executive
- Served as chief information officer for the Standard Bank Group Rest of Africa region for the period 2008 to 2011
- Served as chief information officer of personal and business banking of Standard Bank Group for the period 2011 to 2013
- Group chief technology officer for group technology shared services of Standard Bank Group in 2013
- Served as group chief information officer of Standard Bank Group for the period 2014 to 2017

Appointment of directors

DIRECTOR

- 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 board and board committees
- Appointed by the shareholder at the annual meeting held in March every year

Company secretary

COMPANY SECRETARY

- Facilitate evaluation of board and committee effectiveness
- Monitors compliance with regulations and informs board of relevant changes in legislations and governance best practices
- Training of directors
- Oversees the induction of new directors
- Provides guidance to the Board
- Ensures the Board remains cognisant of its duties and responsibilities

1. LOUIS RIVALLAND (CHAIRMAN)
Appointed as non-executive director in 2007

2. LAKSHMAN BHEENICK
Appointed executive director on 18 May 2010

3. MICHELE AH SEE
Appointed as executive Director on 17 February 2014

4. RODERICK POOLE
Appointed non-executive director on 7 November 2016

5. DUNCAN WESTCOTT
Appointed independent director in September 2010

6. STEPHEN SCALI
Appointed independent director in June 2011

7. CLIVE TASKER
Appointed as non-executive director in February 2016

8. BRENDA NIEHAUS
Appointed non-executive director in January 2018

Executive director | Non-executive director

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 to the Bank within a framework of prudent and effective controls enabling 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 2017, directors were provided with an update on International Financial Reporting Standards (IFRS) 9. Similarly, directors have also undergone a compliance AML Training as well as a training on cyber security and succession planning. All trainings were given and delivered by Standard Bank Group trainers, including, the head of group IFRS, the head of group compliance, head of group IT security and the head of human capital, East Africa region respectively.
3. BOARD MEMBERS' APPOINTMENT, AND OVERALL EFFECTIVENESS AND EVALUATION OF THE BOARD	• Annual assessment of the Board is conducted against set objectives. • Board assessment is made to review and further the Board's effectiveness. • Any improvement area and recommendations are assessed and action plan for implementation is discussed and agreed. • Performance of the chairman, chief executive, individual 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 2017, individual questionnaires on the effectiveness of the Board, its committees and its individual directors were completed, the consolidated feedback tabulated and discussed at the Board meeting in November 2017. No major concern has been highlighted. • An overall positive collective performance has been noted. • The Board shall also make recommendations on the composition of the Board to the shareholder at that annual meeting. • The Board approves the appointment of the chairperson and membership of all board committees
4. ETHICS AND ORGANISATIONAL INTEGRITY	• The Bank 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 2016 code of ethics of the Mauritius Bankers Association (MBA). • 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. • The Board assumes the responsibilities for succession planning and for the appointment and induction of new directors to the Board. • 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 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.

9. TECHNOLOGY AND INFORMATION GOVERNANCE	• The Board is responsible for the governance of technology and information. • The Board has delegated its authority to the Risk Management/Conduct Review Committee (RMCRC) to review, monitor and provide guidance on matters pertaining to the Bank's technology and information strategy, information technology and information security governance, operations, policies and controls. • The RMCRC ensures the establishment of effective technology and information management functions in the Bank, the heads of which act as a reference point for all aspects relating to technology and information management within the Bank. • A management sub-committee, IT steerco, has also been established to ensure that technology and information governance framework includes relevant structures, accountability, policies, standards, processes and mechanism to enable the delivery of value to the business and the mitigation of risks. • The RMCRC is also mandated to assess the suitability and affordability of significant IT investments in relation to the Bank's approved budget. • During the course of the year 2017, the RMCRC has approved numerous IT policies including IT security management policy, IT service continuity management policy and IT third party management policy.
10. 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; and
- continue to monitor the Bank's operational and financial performance.

Board and committees responsibilities as at 31 December 2017

BOARD AUDIT COMMITTEE

Duncan Westcott (chairman) | **Clive Tasker** | **Stephen Scali**

SUMMARY OF KEY TERMS OF REFERENCE	Assist the Board in honouring its responsibilities for monitoring the quality of the financial statements of the Bank. It reviews the accounting policies, financial reporting and regulatory compliance practices 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 and evaluate reports from external auditors with regard to deviations and weaknesses in accounting and operational controls and ensure that in case of issues, they 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 Bank'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; and
	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 Bank 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;

SUMMARY OF KEY TERMS OF REFERENCE (CONTINUED)	
	review the Bank's compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the Bank 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 directors 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; and
- review reports from management.

The Board, through the RMCRC, is responsible for the governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

RMCRC 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 MANAGEMENT/CONDUCT REVIEW COMMITTEE

Clive Tasker (chairman) | **Duncan Westcott** | **Roderick Poole** | **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 of directors and ensuring that these are in line with the Bank's policy;
	ensure compliance overall risk profile of the Bank;
	review procedures dealing with related party transactions, the disclosure of information to customers, the resolution of customer complaints and compliance with group's code of banking practice and ethics, as adopted by the Bank;
	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; and
- continue to monitor capital adequacy of the Bank and review the impact of significant transactions on capital.

BOARD CREDIT COMMITTEE

Stephen Scali (chairman) | **Clive Tasker** | **Duncan Westcott** | **Roderick Poole** | **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 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 Credit Risk Management Committee (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 Bank 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 Standard Bank Group credit risk governance standard as adopted by the Bank; 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; and
- 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	4*	4	4
	Stephen SCALI	4	3	N/A	4
	Duncan WESTCOTT	5	5	4	4
	Roderick POOLE**	3	1***	3	3
Independent	Desiree LIM KONG****	1	1	N/A	N/A

* At the Board of directors held in March 2017, Mr Clive Tasker was appointed as member of board audit committee.
** At the Board of directors held in March 2017, Mr Roderick Poole was appointed as member of board credit committee.
*** Mr Roderick Pool acted as alternate to Mr Stephen Scali at the Board audit committee held in August 2017.
**** The term of office of Mrs Desiree Lim Kong ended on the 22 March 2017.

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 Bank has implemented guidelines to restrict directors and embargoed employees from dealing in its securities.

A personal account trading policy is in place 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.

Furthermore, a conflict of interest policy is in place requiring directors and employees to disclose any conflict of interest situation including disclosure of any directorships held in any other legal entity. In line with this policy, the company secretary maintains a register whereby all disclosures of interests of the directors are recorded. The register is available for consultation to the shareholder upon written request to the company secretary. Any disclosure made by a director during the course of a quarter is submitted for noting by the Board of directors at the subsequent board meeting.

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 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, Sacos Group Ltd, New Mauritius Hotels Ltd, Swan General Ltd, Swan Life Ltd
Clive Tasker	Stanbic Bank Uganda
Duncan Westcott	Lewis Group Limited
Stephen Scali	Nil
Lakshman Bheenick	Nil
Michele Ah See	Nil
Roderick Poole	Nil
Brenda Niehaus	Mr Price Group Ltd

Relationships with shareholders

The Board of directors has the important role of overseeing management performance on behalf of the shareholder. The shareholder necessarily has 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

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

General management

Cole ACUTT | Head: investment banking

Profile

- Appointed as head investment banking in October 2017
- Holder of a Bachelor of Business Science (Finance Honours) from the University of Cape Town
- Joined Standard Bank Johannesburg, as graduate trainee on the Standard Bank corporate and investment banking graduate programme
- Appointed as specialised credit origination manager, structured and leveraged credit Africa, Standard Bank Johannesburg
- Occupied the position of transaction manager, diversified lending and leverage in Standard Bank Johannesburg and Nairobi respectively
- Prior to joining Standard Bank (Mauritius) Limited, was senior transaction manager, diversified lending and leverage, Standard Bank of South Africa

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 ClaridenLeu AG, ClaridenLeu 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

Daniel NG TSEUNG | Head: corporate banking/transactional products and services

Profile

- Joined Standard Bank (Mauritius) Limited in February 2014 as head corporate banking/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)

Meenakshi SANDRASAGREN | Head: global markets

Profile

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

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

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)

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

Nigel HOU | Head: credit

Profile

- Appointed as head: credit in March 2017
- Holder of a Bachelor of Commerce in Finance from McGill University, Montreal, Quebec and also a CFA Charterholder
- Joined Standard Bank in 2009 as credit origination manager – wholesale
- Appointed as accounts risk manager in 2013 and manager, investment banking in 2015
- Worked as senior analyst at TD Canada Trust in Quebec

Daniel LAI CHOO | Head: marketing & communication

Profile

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

Aelander MOOTOOSAMY | Head: human capital

Profile

- Appointed as head: human capital in November 2015 with Standard Bank (Mauritius) Limited
- Holder of a Masters in Social Sciences from the University of Natal in Durban, South Africa and 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

Departures:

Bipin Gooriah
Head: compliance
October 2017

Management committees

The chief executive has the authority to manage the Bank within the framework laid down by the Board of directors and the Standard Bank 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'). An IT Steering Committee ('IT STEERCO') has also been set up during the course of the year with the principle objective of providing assurance to EXCO and the Board of directors that management has implemented effective IT governance structures that support the effective and efficient management of IT resources, the optimisation of IT costs and the mitigation of IT risk in a secure and sustainable manner.

EXCO

Chief executive (chairman)	Head : wealth and investment	Head : investment banking	Head: global markets	Head: credit
Head: human capital	Head: risk	Head: legal and company secretary	Head: corporate banking/ transactional products and services	Chief financial officer
Chief information officer	Head: operations	Head: Compliance	Head: marketing and communication	

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 Bank'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 Standard Bank Group;
	outline risk parameters and policy including credit policy and credit management strategies;
	control issues relating to the day-to-day management of the Bank; and
	oversee any other issues specifically delegated to EXCO by the Board of directors.

ALCO

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

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 Standard Bank Group, the Bank and/or regulatory authority limits and grow the Bank's balance sheet size and after tax profits in line with budget.

CREDIT RISK MANAGEMENT COMMITTEE

Core members

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

Other voting members

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

SUMMARY OF KEY TERMS OF REFERENCE	
	Quorum required: three core members;
	chief financial officer can act as alternate to chief executive/head: corporate and investment banking;
	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 (chairperson)
Head: wealth and investment
Head: corporate banking/ transactional products and services
Head: global markets
Chief information officer
Head: operations
Head: legal and company secretary
Chief financial officer
Chief executive

SUMMARY OF KEY TERMS OF REFERENCE	
	Quorum: 50% of members + 1 member 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.

IT STEERCO

Chief executive (chairman)
Head: wealth and investment
Head: corporate banking/ transactional products and services
Head: investment banking
Head: global markets
Chief information officer
Head: operations
Chief financial officer
Head: risk

SUMMARY OF KEY TERMS OF REFERENCE	
	Quorum: 50% of members + 1 member and should include the chairperson;
	review the following IT governance domains: enterprise IT governance, strategic alignment, value delivery, risk management, resource management and performance management;
	ensure that the IT governance framework includes relevant structures, accountabilities, policies, standards, processes and mechanisms to enable the delivery of value to the business and the mitigation of risks;
	ensure adequate internal control frameworks are adopted and implemented and that the independent assurance is provided to EXCO and the Board on the effectiveness thereof; and
	review material IT audit findings and monitor the resolution of issues.

Statement of remuneration philosophy

Governance

Remuneration is considered as a critical component for the management of the Bank. Remuneration, usually, is translated into reward and benefits structures and is equated to total reward which is the addition of fixed and variable pay for all employees, depending on seniority and roles. In Mauritius total reward of an employee usually consists of:

FIXED PAY	VARIABLE PAY
Basic salary	Discretionary bonus
Car/travel allowance	
Housing allowance	
Medical scheme	
Pension scheme	
Life cover	
Personal accident cover	

The Bank's policy aims at paying at 50th percentile of the market for all positions. Market survey results are provided on an annual basis by Hay Kornferry since 2008.

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, which the Bank has adopted, complements its existing performance management system to help develop our people and motivate them to perform. It enables us to develop a clearer understanding of capabilities needed across the Bank, as well as identifies 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 2017, an integrated talent agenda has been deployed to ensure that talent is identified and retained.

Performance management

An upgraded version of the performance management framework has been implemented in 2017, known as perform to grow and the key differentiator of this new philosophy is based on coaching employees to deliver superior performance by adhering to the highest level of values of the Bank. The values are:

- serving our customers;
- growing our people;
- delivering to our shareholders;
- being proactive;
- working in teams;
- constantly raising the bar; and
- upholding the highest levels of integrity.

Finacle project

A group of approximately 40 employees were involved in the delivery and implementation of the Finacle project. Some staff was dedicated full time to the project while others did it on a part time basis. This provided growth opportunities to our employees who could show and develop their abilities.

A specific financial bonus has been earmarked to distribute to employees who were part of the project team for the delivery and implementation of Finacle.

Employee engagement

Since 2015, the Bank drives employee engagement, as it is believed that employees who are engaged significantly lower the risk of turnover and are more invested in the success of the Bank.

The following initiatives have been implemented:

- Employee engagement platform; and
- EXCO buddy system.

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 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 Standard Bank, Mauritius, has followed suit by recognising it's top performers across the Bank.

Beyond excellence is Standard Bank's recognition programme. It is a tool for employees to publicly recognise others within our organisation. These employees stand out as exceptional performers who have gone above and beyond what their role demands of them. Beyond excellence programme is applicable to all permanent employees. Staffs who feel appreciated and valued are likely to be more committed to the organisation.

In this programme, there are four recognition rewards namely:

- non-monetary awards;
- recognition day;
- gift or voucher; and
- reward with cash through payroll.

In 2017, the beyond excellence recognition programme was very well supported by the various BU and a total of 108 beyond excellence were awarded 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 Bank objectives; and
- pension - provides a competitive post-retirement benefit in line with Bank employees.

Remuneration structure

Executive directors and non-executive directors fees

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

	USD
Louis Rivalland	15 075
Duncan Westcott	22 447
Stephen Scali	14 407
Clive Tasker	20 437
Desiree Lim Kong	2 010
Total non-executive directors	74 376
Lakshman Bheenick	616 799
Marie-Michele Ah See	249 072
Total executive directors	865 871
Total non-executive and executive directors	**940 247**

Auditors' fees and fees for other services

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

	2017 USD	2016 USD	2015 USD
KPMG			
- Audit fees	-	-	78 450
- Non-audit fees	-	-	-
PwC			
- Audit fees	101 000	80 000	-
- Non-audit fees	6 500	6 500	-
	107 500	86 500	78 450

SUSTAINABILITY REPORT

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

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

Standard 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 customers, our staff, our shareholders, and 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, customers, employees, suppliers, regulators and society and the environment. We also take into consideration those factors that affect the financial stability and growths 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 and benefits, employee wellbeing, climate change, regulatory changes, decentralised procurement, ethical procurement and corporate social investment.

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

We aim to be an employer of choice for talented local people who understand local dynamics, and who can provide the nuanced insight we need to achieve our strategy. We have well-developed talent management and leadership development programmes in place to nurture the skills we need to meet our strategic objectives. Our people management focus includes increasing engagement with our employees and building morale across the group. It is important to ensure that our people feel part of the group and are able to apply an enterprise-wide mind-set 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

Standard Bank (Mauritius) Limited 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 is 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 have been implemented and include monitoring as well as sensitisation. The energy consumed in Standard Bank (Mauritius) Limited was 1 118 827 kilowatt hours (2016: 1 097 106 kilowatt hours).

Diesel consumption for 2017 was negligible, as we had no significant power cuts.

Community

Social relevance is fundamental to our survival and success and underpins our purpose and vision. Through our Corporate Social Responsibility (CSR) projects, the Bank aims at achieving sustainable positive social development of the communities in which we operate. Through various community interventions, our effective community re-investment further reinforces our values and achieves our business objectives. Our CSR initiatives are funded by an annual allocation of two percent of its chargeable income of the previous year.

For 2017, our main areas of intervention were health and education.

Education

We are very passionate about education. Education is a means for an individual to climb up the social ladder and is the driving force behind uplifting society. The Bank firmly believes that education promotes socioeconomic development. Our involvement in this area is through:

Scholarships

In 2017, 12 students benefitted from the Standard Bank scholarship. Each beneficiary had their university fees financed and they also received a monthly stipend.

Case Noyale RCA

The Bank supported this NGO with daily meal provision to their beneficiaries and the renovation of their school toilets.

Quartier de Lumiere

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

Health

We have been assisting various NGOs throughout the year.

Rêves et Espoirs	We supported the yearly cost for services provided by psychologist to their beneficiaries.
Friends in Hope	We funded the supply of materials for various workshops (therapy, art and craft, kitchen, gardening, sports and music).
Etoile d'Esperance	We contributed to the food and drink expenses of the NGO.

Staff involvement

Standard Bank commemorates Nelson Mandela International Day by encouraging all employees to give their time to the community. Celebrated on 18 July, 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. Everyone has the ability and the responsibility to change the world for the better therefore, the Bank gave the opportunity to its employees to give back time to the community by allowing them to help a Non-Governmental Organisation (NGOs) that they have at heart.

The NGOs selected by the employees to mark the Mandela day were:

- Association des Amis de Don Bosco –The employees contributed to enhance the living conditions of the children by improving the current infrastructure of the orphanage; and
- Elles c Nous Association – The employees helped to improve the infrastructure by purchasing some of the classroom furniture and embellished the building by painting one of the external walls and doing some gardening in the yard.

Scholarship scheme – buddy initiative

For the first time, a 'buddy framework' has been set up to guide our CSR scholarship beneficiaries. Each scholarship awardee has been assigned a voluntary staff member of the Bank to chaperon and guide them throughout their studies.

Looking ahead

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 maintain good relationships with customers, employees and other stakeholders enable us to create value over the long-term.

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 2017

We, the directors of Standard Bank (Mauritius) Limited, confirm that to the best of our knowledge the PIE has not complied with the following sections of the Code of Corporate Governance (April 2004) and the reasons for non-compliance are as follows:

(i) Section 3.5

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

(ii) Sections 11.3 and 11.4

Remuneration and nomination committee
Pursuant to BoM guideline on corporate governance, the Bank has been dispensed from setting up a remuneration and nomination committee by the BoM on the basis that the remuneration and nomination matters are being effectively addressed at the level of the group's remuneration and nomination committee.

(iii) Section 2.2.2

Requirement to have at least two independent directors
The Bank has a majority of non-executive directors. The Bank, being a subsidiary of a foreign bank conducting largely segment B activities, is exempted from the requirement of having independent directors pursuant to the BoM guideline on corporate governance.

Louis Rivalland,
Chairman

Lakshman Bheenick,
Chief executive

21 March 2018

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 (IFRS) 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 of directors and its committees to discuss the audit and matters arising there from, such as their observations and fairness of financial reporting and the adequacy of internal controls.

Louis Rivalland,
Chairman

Duncan Westcott,
Director

Lakshman Bheenick,
Chief executive

21 March 2018

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 Bank. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether IFRS 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

21 March 2018

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

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 2017, 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 Standard Bank (Mauritius) Limited's accompanying financial statements comprise:

- the statement of financial position as at 31 December 2017;
- 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' responsibilities in respect of the financial statements 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF STANDARD BANK (MAURITIUS) LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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; and
- 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.

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 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 and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF STANDARD BANK (MAURITIUS) LIMITED (CONTINUED)

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

Gilles Beesoo, licensed by FRC

21 March 2018

Statement of financial position

As at 31 December 2017

	Note	2017 USD	2016 USD	2015 USD
Assets				
Cash and cash equivalents	7	**570 823 648**	955 449 350	858 078 800
Trading assets	8	**749 636**	12 214 772	39 163 539
Derivative assets held-for-risk management	9	**9 674 017**	11 829 615	9 016 819
Loans and advances to banks	10	**424 145 193**	463 307 807	393 710 692
Loans and advances to customers	11	**122 169 578**	78 741 065	100 752 826
Investment securities	12	**24 949 390**	833 184	474 659
Held-to-maturity investments	13	**98 663 423**	-	-
Property, plant and equipment	14	**2 037 435**	2 250 989	2 871 608
Intangible assets	15	**19 517 579**	29 204	26 645
Deferred tax asset	16	**-**	300 000	1 177 000
Other assets	17	**8 046 618**	9 589 289	13 629 313
Total assets		**1 280 776 517**	1 534 545 275	1 418 901 901
Liabilities				
Deposits from banks	18	**60 895 260**	94 374 626	79 148 172
Deposits from customers	19	**1 103 515 134**	1 283 183 276	1 164 809 245
Derivative liabilities held-for-risk management	9	**9 353 440**	11 599 090	8 618 009
Other borrowed funds	20	**4 097 627**	4 018 856	10 996 984
Subordinated liabilities	21	**-**	25 000 000	25 000 000
Current tax payable	22	**630 313**	202 000	539 000
Deferred tax liability	16	**38 000**	-	-
Other liabilities	23	**11 285 967**	34 474 266	40 974 564
Total liabilities		**1 189 815 741**	1 452 852 114	1 330 085 974
Shareholders' equity				
Share capital	24	**35 000 000**	35 000 000	35 000 000
Statutory and other reserves	36	**15 414 664**	12 192 287	10 561 693
Retained earnings		**40 546 112**	34 500 874	43 254 234
Total equity attributable to equity holders		**90 960 776**	81 693 161	88 815 927
Total equity and liabilities		**1 280 776 517**	1 534 545 275	1 418 901 901

Approved by the Board of directors and authorised for issue on 21 March 2018.

Louis Rivalland,
Chairman

Duncan Westcott,
Director

Lakshman Bheenick,
Chief executive

The notes on pages 93 to 174 form part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Note	2017 USD	2016 USD	2015 USD
Interest income		**28 481 564**	18 757 136	21 146 140
Interest expense		**(7 018 359)**	(4 550 508)	(6 969 130)
Net interest income	26	**21 463 205**	14 206 628	14 177 010
Fee and commission income		**7 188 411**	6 695 892	7 384 020
Fee and commission expense		**(373 345)**	(242 698)	(230 643)
Net fee and commission income	27	**6 815 066**	6 453 194	7 153 377
Net trading income	28	**10 121 660**	7 923 642	10 897 175
Net income/(loss) from other financial instruments carried at fair value	29	**7 438**	4 308	(245 678)
Other operating income	30	**273 897**	249 249	219 336
		10 402 995	8 177 199	10 870 833
Operating income		**38 681 266**	28 837 021	32 201 220
Net impairment gain/(charge) on financial assets	31	**183 343**	(364 686)	4 949 466
Personnel expenses	32	**(7 325 926)**	(7 345 842)	(6 529 347)
Operating lease	33	**(651 227)**	(637 473)	(649 625)
Depreciation and amortisation	14&15	**(1 223 735)**	(852 349)	(794 909)
Other expenses	34	**(6 646 935)**	(5 594 614)	(5 974 611)
		(15 664 480)	(14 794 964)	(8 999 026)
Profit before income tax		**23 016 786**	14 042 057	23 202 194
Income tax expense	35	**(1 730 447)**	(1 172 524)	(1 596 711)
Profit for the year		**21 286 339**	12 869 533	21 605 483
Profit attributable to equity holders		**21 286 339**	12 869 533	21 605 483
Other comprehensive income				
Items that may be reclassified to profit or loss				
Net (loss)/gain on available-for-sale financial assets		**(15 008)**	1 630	868
Other comprehensive income for the year		**(15 008)**	1 630	868
Total comprehensive income for the year attributable to equity holders		**21 271 331**	12 871 163	21 606 351

The notes on pages 93 to 174 form part of these financial statements.

Statement of cash flows

For the year ended 31 December 2017

	Note	2017 USD	2016 USD	2015 USD
Cash flows from operating activities				
Profit before income tax		**23 016 786**	14 042 057	23 202 194
Adjusted for:				
Depreciation and amortisation	14/15	**1 223 735**	852 349	794 909
Loss/(Gain) on sale of assets		**1 301**	(34 227)	(5 735)
Net foreign exchange difference		**199 355**	1 384 387	-
Net impairment (gain)/charge on financial assets	31	**(183 343)**	364 686	(4 949 466)
Interest income		**(28 481 564)**	(18 757 136)	(21 146 140)
Interest expense		**7 018 359**	4 550 508	6 969 130
Changes in operating assets and liabilities				
Decrease in trading assets		**11 465 136**	26 948 767	144 871 942
(Increase)/Decrease in derivative financial instruments held-for-risk management		**(90 052)**	168 285	308 830
Decrease/(Increase) in loans and advances to banks		**39 582 278**	(69 231 015)	(123 593 076)
(Increase)/Decrease in loans and advances to customers		**(43 689 776)**	19 326 532	154 033 510
Decrease in other assets		**1 398 471**	3 870 728	708 846
Decrease in trading liabilities		**-**	-	(23 342 017)
(Decrease)/Increase in deposits from banks		**(33 489 941)**	15 211 027	56 263 084
Increase/(Decrease) in other borrowed funds		**78 772**	(6 978 128)	(32 458 961)
(Decrease)/Increase in deposits from customers		**(179 742 064)**	118 225 641	(1 860 850 012)
(Decrease)/Increase in other liabilities		**(22 706 982)**	(6 580 089)	31 842 239
(Increase)/Decrease in investment securities		**(24 091 010)**	(357 801)	2 188 168
Interest received		**27 832 010**	20 712 485	23 132 058
Interest paid		**(6 933 862)**	(4 386 691)	(7 530 760)
Income tax paid		**(819 978)**	(377 367)	-
Net cash (used in)/from operating activities		**(228 412 369)**	118 954 998	(1 629 561 257)
Cash flows from investing activities				
Capital expenditure on property, plant and equipment	14	**(600 200)**	(260 269)	(360 891)
Proceeds from sale of property, plant and equipment		**-**	75 133	8 980
Capital expenditure intangible assets	15	**(19 899 655)**	(14 925)	-
Purchase of held-to-maturity investments		**(98 514 123)**	-	-
Net cash used in investing activities		**(119 013 978)**	(200 061)	(351 911)
Cash flows from financing activities				
Repayment of subordinated debt	21	**(25 000 000)**	-	-
Dividends paid	38(xi)	**(12 000 000)**	(20 000 000)	(10 000 000)
Net cash used in financing activities		**(37 000 000)**	(20 000 000)	(10 000 000)
Net (decrease)/increase in cash and cash equivalents		**(384 426 347)**	98 754 937	(1 639 913 168)
Net foreign exchange difference		**(199 355)**	(1 384 387)	-
Cash at the beginning of the year		**955 449 350**	858 078 800	2 497 991 968
Total cash at end of the year	7	**570 823 648**	955 449 350	858 078 800

The notes on pages 93 to 174 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2017

Note	Share capital USD 24	Statutory reserve USD	Other reserves USD 36	Retained earnings USD	Total USD
Balance at 1 January 2015	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 owner of the Bank					
Dividend to equity holders (Note 38)	-	-	-	(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	-
Transaction with owner of the Bank					
Dividend to equity holders (Note 38)	-	-	-	(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
Profit for the year	**-**	**-**	**-**	**21 286 339**	**21 286 339**
Net change in fair value of available-for-sale financial assets	**-**	**-**	**(15 008)**	**-**	**(15 008)**
Total comprehensive income for the year	**-**	**-**	**(15 008)**	**21 286 339**	**21 271 331**
Transfer to statutory reserve	**-**	**3 192 951**	**-**	**(3 192 951)**	**-**
Transfer to general banking reserve	**-**	**-**	**48 107**	**(48 107)**	**-**
Transactions with owners of the Bank					
Dividend to equity holders (Note 38)	**-**	**-**	**-**	**(12 000 000)**	**(12 000 000)**
Share-based payments	**-**	**-**	**(3 673)**	**(43)**	**(3 716)**
Balance at 31 December 2017	**35 000 000**	**15 284 592**	**130 072**	**40 546 112**	**90 960 776**

The notes on pages 93 to 174 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, Ebène, Mauritius.

The Bank obtained its banking licence issued by the BoM effective from November 2001.

The Bank is primarily involved in investment and corporate banking with a wealth and investment arm. 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):

(i) distribution of financial products. (effective from 17 August 2010)

(ii) investment adviser (restricted) (effective from 20 August 2010)

(iii) investment adviser (representative) (effective from 20 August 2010)

(iv) custody licences: non-collective investment schemes (effective from 7 February 2007) and collective investment schemes (effective from 17 April 2009)

The principal accounting policies applied in the presentation of the Bank annual financial statements are set out below. The Bank's accounting policies are consistent with that of the prior year unless stated otherwise.

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:

- available-for-sale financial assets, derivative financial instruments, assets held-for-trading, financial assets and liabilities classified at fair value through profit or loss, and liabilities for cash-settled share-based payment arrangements.

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 (Accounting policy 2.1.(b));
- tangible assets (intangible assets other than goodwill) are accounted for at cost less accumulated depreciation (amortisation) and impairment (Accounting policies 2.1.(e)); and
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (Accounting policy 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 2017, the rate of the Mauritian Rupee against US Dollar was 33.30. (2016: 36.00)

(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 except as required in terms of the adoption of the following:

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

The accounting policies are consistent with those reported in the previous year except for of the adoption of the following amendments effective for the current period:

Early adoption of revised standards:
Amendment to IFRS 2 classification and measurement of share-based payment transactions (IFRS 2): the amendments eliminates diversity in practice in three main areas namely, (1) effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; (2) classification of a share-based payment transaction with net settlement features for withholding tax obligations and (3) 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 abovementioned amendment to the IFRS standards and circular, adopted on 1 January 2017, did not have any effect on the Bank's previously reported financial results or disclosures and had no material impact on the Bank's accounting policies.

Disclosure initiative – amendments to IAS 7
The adoption of the amendments to IAS 7 has resulted in additional disclosures in the financial statements in respect of changes in the Bank's liabilities arising from financing activities. The Bank has provided a reconciliation for the movement of its subordinated liabilities in note 21 – subordinated liabilities.

The Bank has also provided a net debt reconciliation in note 7 cash and cash equivalent.

2.1 Detailed accounting policies

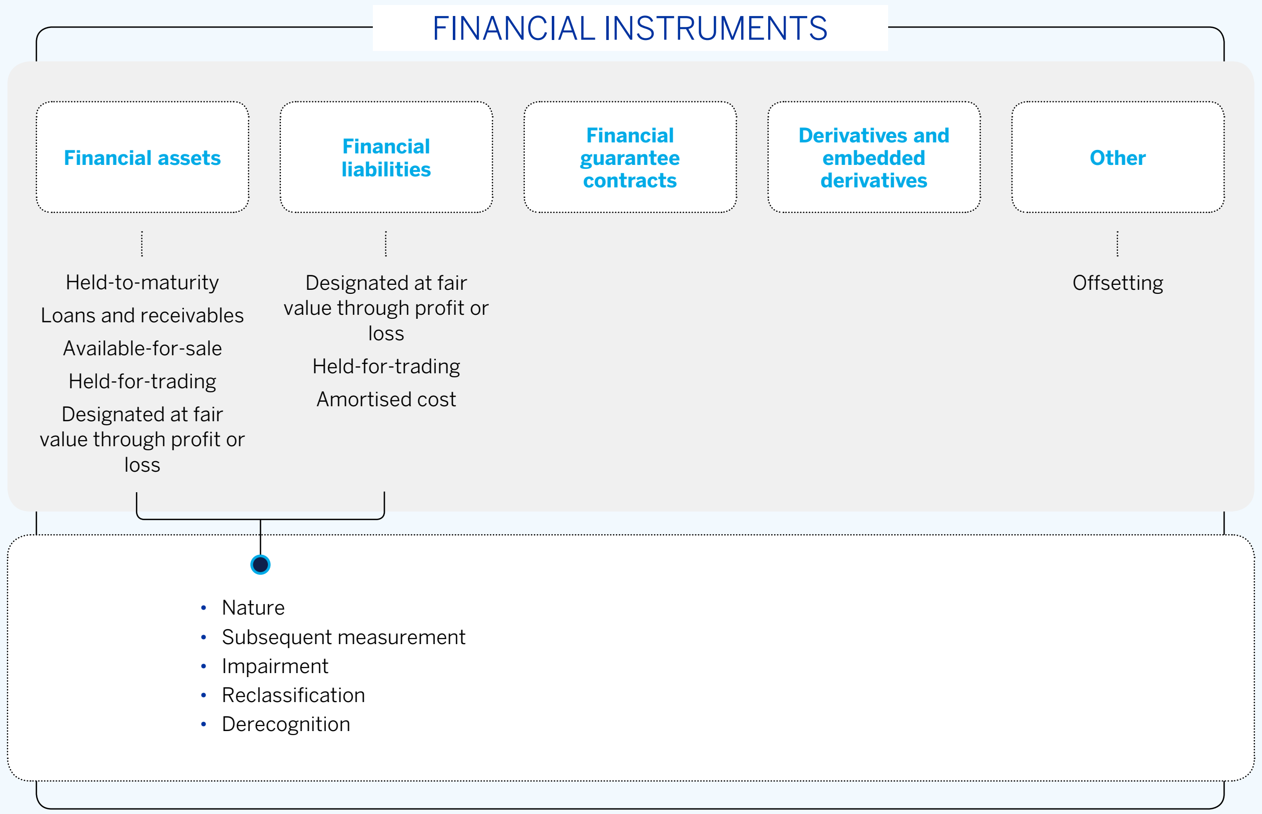
The accounting policies set out below have been applied consistently to all periods presented in the annual financial statements.

a. Foreign currency translations

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.

b. Financial instruments



Initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction cost 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.
LOAN 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 taking.
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.

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.
LOAN 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 recognised 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. Interest (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.

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 group 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 group of financial assets with similar credit risk characteristics and collectively assesses impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment. Impairment of group 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 group of loans but before the reporting date. In order to provide for latent losses in a group 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.

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; and • 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.

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.

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 in the above categories.

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.

Derecognition of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
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 and others 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. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

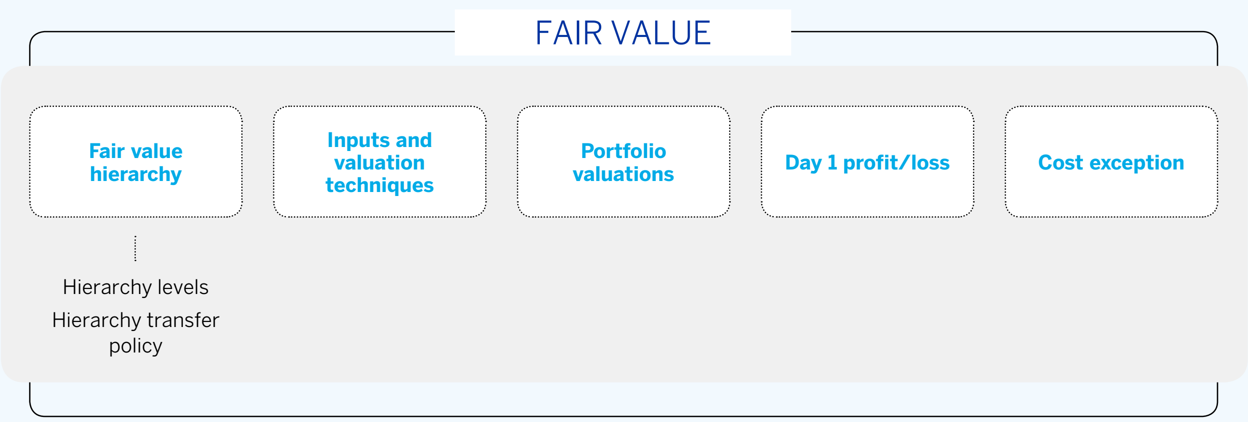
Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined 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.

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.

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.

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 and interest rate derivatives that are held-for-trading.	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.	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.	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
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; and 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.	Discount rate

Item	Description	Valuation technique	Main inputs and assumptions, (level 2 and 3 fair value hierarchy items)
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 instruments held as assets stated in the section above.	• Discount rate

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

Portfolio valuations

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

d. Employee benefits

EMPLOYEE BENEFITS

Post-employment benefits

Defined contributions plans

Termination benefits

Short-term 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 service in the current and prior periods. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund. 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.	Accruals are recognised for unpaid contribution. The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.	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
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 (NPS).	A liability is recognised for the amount contributed by the employee.		Expensed to profit or loss in the period in which they fall due.

e. Non-financial assets (Intangible assets and property and equipment)

NON-FINANCIAL ASSETS

Tangible assets

Equipment

Intangible assets

Computer software
Other intangible assets

Type	Initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment	Derecogntion
Tangible assets	Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in profit or loss as incurred. Depreciation, impairment losses and gains and losses on disposal of assets are included in profit or loss. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) 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.	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 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.	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 reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (CGUs). 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	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	Derecogntion
			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.	
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.	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.	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.	
	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.			
Other intangible assets	The Bank recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in operating expenses as incurred. Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss.	Amortisation is recognised in operating expenses on a straight-line basis over the estimated useful lives of the intangible assets, not exceeding 20 years, from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary.		

f. Equity-linked transactions

EQUITY COMPENSATION PLANS

Equity-settled share-based payments

Cash-settled share-based payments

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.

g. Leases

LEASES

Operating lease lessee

Type	Description	Statement of financial position	Statement of profit or loss
Operating lease lessee	All leases that do not meet the criteria of a finance 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.

Type	Description	Statement of financial position	Statement of profit or loss
Operating lease lessor	All leases that do not meet the criteria of a finance 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.

h. Provisions, contingent assets and contingent liabilities

PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions | Contingent assets | Contingent liabilities

Provisions for legal claims
Provision for restructuring
Provision for onerous contracts

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 include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

i. Taxation

TAXATION

Direct taxation

Current tax
Deferred tax

Indirect tax

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

j. Revenue and Expenditure

REVENUE AND EXPENDITURE

Banking activities

Net interest income
Non-interest revenue

- Net fee and commission revenue
- Trading revenue
- Other revenue

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 ((b) 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 income).
	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. 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.

Type	Description	Recognition and measurement
	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.

k. Other significant accounting policies

OTHER SIGNIFICANT ACCOUNTING POLICIES

Segment reporting	Statutory credit risk reserve	Related party

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 • has control or joint control over the Bank; • has significant influence over the Bank; or • is a member of the key management personnel of the Bank or of a parent of the Bank.

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

- 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);
- 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);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- 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;
- the entity is controlled or jointly controlled by a person identified in (a);
- 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); or
- 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 2017 and have not been applied in preparing these annual financial statements.

Pronouncement

IFRS 9 financial instruments

Effective date: 1 January 2018

IFRS 9 Financial Instruments (IFRS 9) will replace the existing standard dealing with the accounting treatment for financial instruments IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) as from 1 January 2018.

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:

- revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in OCI as opposed to the income statement;
- an Expected Credit Loss (ECL) impairment model; and
- revised requirements and simplifications for hedge accounting.

Comparative financial results and elections

IFRS 9 is required to be adopted retrospectively from 1 January 2018, with the exception of IFRS 9's hedge accounting requirements where the standard permits an entity to choose as its accounting policy to continue to apply with IAS 39 hedge accounting requirements instead of the requirements in IFRS 9.

The Bank has elected not to restate its comparative financial statements. Accordingly, the difference between the previous (IAS 39) and new (IFRS 9) carrying values will be recognised in the Bank's opening retained earnings as at 1 January 2018.

Project governance

The Bank structured its IFRS 9 implementation project in such a way as to effectively enable the delivery of the IFRS 9 requirements. The IFRS 9 implementation project board provided strategic direction to the project, monitored the project's progress, and identified required interventions and project interdependencies. Locally a project steering committee have been established to ensure that the IFRS9 project is moving in the right direction and to identify what needs to be done from an entity perspective. In order to ensure appropriate board oversight, the IFRS 9 project reported on its activities, status and outcomes to the Board Audit Committee (BAC).

The BAC and IFRS 9 chairperson meet with the central bank on a quarterly basis so as to provide the regulator an oversight and update on the Bank progress.

The Bank's IFRS 9 implementation project included a September 2017 hard close process, which was used to test the Bank's readiness for the transition to IFRS 9. The results of the hard close were assessed by external audit to assist management in determining the Bank's readiness and the results and findings were communicated to the BAC.

IFRS 9 requirements

The following is a summary of IFRS 9's key requirements:

Classification of financial assets and liabilities

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and its contractual cash flow characteristics.

The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.

All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised in OCI with no subsequent recognition in the profit and loss.

IFRS 9's classification and measurement requirements are expected to have a negligible net impact on the Bank's reserves as at 1 January 2018.

Expected credit loss impairment model

IFRS 9's ECL impairment model's requirements will represent the most material IFRS 9 impact.

The IASB developed the IFRS 9 ECL impairment model with the objective of transitioning from an incurred loss approach to an expected loss model which will require entities to recognise impairment losses in advance of an exposure having objective evidence of impairment. The ECL model will apply to financial assets measured at either amortised cost or at 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 recognised for a financial asset where the credit risk of that financial asset increased significantly since initial recognition (unless the credit risk of the financial asset is low) as well as for certain contract assets and trade receivables or where the exposure is classified as in default. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses.

Significant increase in credit risk or low credit risk

The assessment of significant increase in credit risk for the Bank's CIB exposures will be based on changes in internal credit ratings, together with the expected outlook for the specific sector and industry and other relevant available information. For the Bank's CIB exposures, the determination will be set to identify significant deterioration in credit risk before the exposure reaches a past due status of 30 days. Exposures for which there is a significant increase in credit risk but for which the credit risk is low remain in stage one. Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions are unlikely to reduce the exposure's ability to fulfil its contractual obligations.

Forward-looking information

In determining whether there has been a significant increase in credit risk and in determining the expected credit loss calculation, IFRS 9 requires the consideration of forward-looking information. The determination of significant increase in credit risk is required to include consideration of all reasonable and supportable information available without undue cost or effort. This information will typically include forward-looking information based on expected macro-economic conditions and specific factors that are expected to impact individual portfolios.

The incorporation of forward-looking information represents a significant change from existing accounting requirements which are based on observable events. The forward-looking information will be based on the group's economic expectations, industry and sub-sector specific expectations as well as expert management judgement. The use of such information will incorporate management judgement and is hence expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations. During the year, the forward-looking information was approved at ALCO and was then submitted to be included in the ECL engine.

Default

While default is not specifically defined by IFRS 9, the Bank has aligned the determination of default with its existing internal credit risk management definitions and approaches. Default is determined as occurring at the earlier of:

- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

In some cases, additional specific criteria are set according to the nature of the lending product.

Impact assessment on reserves

The IFRS 9's requirements noted above are expected to reduce the Bank's reserves at 1 January 2018 in the range of USD800 000 - 1 million.

The following table details the key drivers.

IFRS 9 ECL DRIVER	REASON
Stage one (12-month expected loss)	The 12-month expected loss requirement for exposures will result in an increase in impairments
Stage two (lifetime expected loss for items for which there is a significant increase in credit risk)	IFRS 9 will require a lifetime loss to be recognised for items for which there has been a significant increase in credit risk. This requirement will affect credit impairments.
Stage three (lifetime expected loss for credit impaired exposures)	Whilst IFRS 9 contains similar requirements to that of existing accounting requirements, an increase in impairment provisions will be recognised as a result of the requirement to include the probability of multiple lifetime defaults.
Off-balance sheet exposures	The IFRS 9 requirement for impairments for off-balance sheet facilities results in the requirement for additional credit impairments.
Forward-looking information	The inclusion of forward-looking economic information could increase the level of provisions as a result of the possible consequence of deteriorating economic conditions.

Tax implications

The Mauritius Revenue Authority(MRA) has not issued any amendments to the mauritian Income Tax Act to cater for provisioning levels under IFRS 9. Both specific and portfolio provisioning are non-deductible for tax purposes. The only impact will be an increase in deferred tax asset of around USD15 000, due to higher IFRS 9 provisioning.

Capital implications

IFRS 9 will affect the Bank's regulatory capital requirements. The expected increase in impairment provisions, together with the increase in the Bank's deferred tax asset carrying value will reduce tier 1 capital. This reduction in tier 1 capital will, however be partially reduced by an increase in tier 2 capital as a result of higher portfolio provisioning. During the year, several simulations were made to the capital adequacy ratio to assess the impact of IFRS 9. The impact assessment on the Bank's capital adequacy ratio indicates that the Bank will remain adequately capitalised following the implementation of IFRS 9.

IFRS 9 financial instruments amendment

Effective date: 1 January 2019 earlier application is permitted

On 12 October 2017, IASB issued an amendment to IFRS 9 (the amendment). This allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The amendment is not expected to have a material impact on the Bank.

IFRS 15 revenue from contracts with customers

Effective date: 1 January 2018

This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

The standard will be applied retrospectively. The standard does not apply to revenue associated with financial instruments, and therefore does not impact majority of the Bank's revenue. The Bank has identified and reviewed the contracts with customers that are within the scope of this standard which indicate that IFRS 15 will not materially impact the Bank on transition.

IFRS 16 leases

Effective date: 1 January 2019 earlier application permitted

This standard will replace the existing standard IAS 17 leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.

The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a Right Of Use (ROU) asset together with a liability for the future payments are to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it is currently being 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. However, the Bank has formed an IFRS 16 working group and detailed project plan, identifying key responsibilities and milestones of the project. The Bank is in the process of determining the estimated impact as well as discussing the system requirements to accommodate IFRS 16's principles.

IAS 19 employee benefits (amendments)

Effective date: 1 January 2019 earlier application permitted

The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

3.Financial risk management

3 (a) 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.

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		
	2017 USD	2016 USD	2015 USD	**2017 USD**	2016 USD	2015 USD	**2017 USD**	2016 USD	2015 USD
At amortised costs									
Neither past due nor impaired	**123 322 094**	79 565 690	91 344 912	**424 145 193**	463 307 807	393 710 692	**123 612 813**	833 184	474 659
Past due but not impaired	-	-	-	-	-	-	-	-	-
Individually impaired	**812 391**[1]	812 371[2]	14 908 259	-	-	-	-	-	-
Total gross amount	**124 134 485**	80 378 061	106 253 171	**424 145 193**	463 307 807	393 710 692	**123 612 813**	833 184	474 659
Allowance for impairment									
Individual	**(839 384)**	(941 763)	(4 912 794)	-	-	-	-	-	-
Collective	**(1 125 523)**	(695 233)	(587 551)	-	-	-	-	-	-
Total allowance for impairment	**(1 964 907)**	(1 636 996)	(5 500 345)	-	-	-	-	-	-
Net carrying amount	**122 169 578**	78 741 065	100 752 826	**424 145 193**	463 307 807	393 710 692	-	-	-
Available-for-sale		-	-	-	-	-	**123 612 813**	833 184	474 659

As at 31 December 2017, the Bank's maximum exposure to off balance sheet credit risk was USD27 037 734 (2016: USD16 053 245).

[1]Amount is net of interest in suspense.
[2]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
2017				
At amortised costs				
Neither past due nor impaired	123 322 094	112 826 071	10 496 023	-
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	-	-

Maximum exposure to credit risk		Non-performing loans		
	Total impaired advances USD	Sub-standard USD	Doubtful USD	Loss USD
2017				
At amortised costs				
Individually impaired	812 391	-	-	812 391
2016				
At amortised costs				
Individually impaired	812 371	-	-	812 371
2015				
At amortised costs				
Individually impaired	14 908 259	-	878 957	14 029 302

Collateral held and other credit enhancements, and their financial effect

	Loans and advances to customers			Loans and advances to banks			Investment securities		
	2017 USD	2016 USD	2015 USD	2017 USD	2016 USD	2015 USD	2017 USD	2016 USD	2015 USD
Against neither past due nor impaired									
Property	29 096 305	18 732 245	17 533 444	-	-	-	-	-	-
Equities	796 565	770 761	537 593	-	-	-	-	-	-
Other floating charges/assignments and pledges	85 929 818	52 019 997	74 353 852	-	-	-	-	-	-
Total	115 822 688	71 523 003	92 424 889	-	-	-	-	-	-
Past due but not impaired									
Floating charge	-	-	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Against individually impaired									
Floating charge	-	-	-	-	-	-	-	-	-
Property	-	-	11 562 375	-	-	-	-	-	-
	-	-	11 562 375	-	-	-	-	-	-

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 2017 USD	2016 USD	2015 USD	Loans and advances to banks 2017 USD	2016 USD	2015 USD	Investment securities 2017 USD	2016 USD	2015 USD
Agriculture & fishing	**-**	-	9 833 358	**-**	-	-	**-**	-	-
Manufacturing	**-**	11 987 743	17 106 412	**-**	-	-	**-**	-	-
Tourism	**-**	-	5 277 914	**-**	-	-	**-**	-	-
Transport	**1 816 552**	3 509 431	5 080 870	**-**	-	-	**-**	-	-
Construction	**-**	-	11 915 151	**-**	-	-	**-**	-	-
Financial and business services	**5 108 355**	5 561 022	5 578 800	**424 145 193**	463 307 807	393 710 692	**-**	-	-
Traders	**10 317 722**	17 324 854	9 137 146	**-**	-	-	**-**	-	-
Personal	**1 220 993**	1 730 056	1 645 670	**-**	-	-	**-**	-	-
Global business licence holders	**103 849 779**	36 814 328	37 080 505	**-**	-	-	**-**	-	-
Infrastructure	**1 008 693**	2 638 270	2 718 384	**-**	-	-	**-**	-	-
Information communication and technology	**-**	-	-	**-**	-	-	**-**	-	-
Public non-financial corporations	**812 391**	812 357	878 961	**-**	-	-	**-**	-	-
Others	**-**	-	-	**-**	-	-	**24 949 390**	833 184	474 659
	124 134 485	80 378 061	106 253 171	**424 145 193**	463 307 807	393 710 692	**24 949 390**	833 184	474 659
Concentration by location									
Africa	**116 655 744**	79 883 763	105 531 118	**424 145 193**	463 307 807	393 710 692	**5 230 260**	833 184	474 659
Europe	**7 415 940**	494 298	607 990	**-**	-	-	**-**	-	-
America	**-**	-	-	**-**	-	-	**19 719 130**	-	-
Asia	**62 801**	-	114 063	**-**	-	-	**-**	-	-
	124 134 485	80 378 061	106 253 171	**424 145 193**	463 307 807	393 710 692	**24 949 390**	833 184	474 659

Concentration by sector	Held-to-maturity investments 2017 USD	2016 USD	2015 USD
Others	**98 663 423**	-	-
	98 663 423	-	-
Concentration by location			
Africa	**-**	-	-
Europe	**-**	-	-
America	**98 663 423**	-	-
Asia	**-**	-	-
	98 663 423	-	-

Impaired loans and advances

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

	2017 USD	2016 USD	2015 USD
Impaired loans and advances to customers at 1 January	**812 371**	14 908 259	40 222 022
Change in allowance for impairment	**20**	147 383	(5 319 948)
Bad debts recovered	**-**	(10 884 642)	-
Amount written-off	**-**	(3 222 809)	(19 993 815)
Interest in suspense	**-**	(135 820)	-
Impaired loans and advances to customers at 31 December	**812 391**	812 371	14 908 259

(b) Liquidity risk

For the definition of liquidity risk and information of how liquidity risk is managed by the Bank, please refer to page 35 under risk management section.

As at 31 December 2017, the Bank was within regulatory compliance with a MUR Liquidity Coverage Ratio (LCR) of 357%, a USD LCR of 71% and a consolidated LCR of 110%.

Liquidity coverage ratio disclosures:

Consolidated in USD **High quality liquid assets**	**Total unweighted value** (quarterly average of monthly observations)[1] **USD**	**Total weighted value** (quarterly average of monthly observations)[1] **USD**
Total HQLA	153 050 003	151 617 234
Cash outflows		
Retail deposits and deposits from small business customers (less stable)	111 197 988	24 827 262
Unsecured wholesale funding (non-operational deposits)	996 563 247	619 062 655
Outflows related to derivative exposures and other collateral requirements	8 923 830	8 923 830
Credit and liquidity facilities	31 940 478	3 659 504
Other contingent funding obligations	47 996 544	2 399 827
Total cash outflows	**1 196 622 087**	**658 873 078**
Cash inflows		
Inflows from fully performing exposures	558 918 435	556 586 509
Total cash inflows	**558 918 435**	**556 586 509**
		Total adjusted value
Total HQLA		**151 617 234**
Total net cash outflows		**164 718 270**
Liquidity coverage ratio (%)		**92%**
Quarterly average of daily HQLA[2]		**84 426 712**

The HQLA comprise mainly of investment in US treasury bills, Government of Mauritius treasury bills, BoM bills, coins and bank notes and qualifying central bank reserves.

The cash outflows represent the funding of the Bank categorised as per the guideline on liquidity risk management and weighted at the appropriate run-off rate (most conservative between internal data and the regulatory guideline). The Bank's cash inflows comprise mainly of group placements maturing within the next 30 days.

The Bank seek to exceed the minimum LCR requirement with a sufficient buffer to allow for funding flows volatility as determined by its internal liquidity risk appetite.

[1] The quarterly average of monthly observations is based on November and December 2017 month end figures.
[2] The quarterly average of daily HQLA is based on close of day figures over the period 3 November 2017 to 29 December 2017.

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 2017	**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	60 895 260	60 895 260	-	-	-	-
Deposits from customers	1 103 515 134	1 069 483 507	20 342 634	13 688 993	-	-
Derivative liabilities held-for-risk management	9 353 440	8 410 571	217 199	725 670	-	-
Other borrowed funds	4 097 627	1 743 277	-	-	2 354 350	-
Other liabilities	9 429 119	9 429 119	-	-	-	-
	1 187 290 580	1 149 961 734	20 559 833	14 414 663	2 354 350	-
Financial assets						
Cash and cash equivalents	570 823 648	570 823 648	-	-	-	-
Trading assets	749 636	749 636	-	-	-	-
Loan and advances to banks	437 724 030	53 567 759	95 793 958	160 922 824	114 443 571	12 995 918
Loan and advances to customers	140 293 517	28 815 315	1 646 411	20 955 519	88 451 844	424 428
Investment securities	25 255 256	3 753 754	-	21 501 502	-	-
Held-to-maturity investments	100 000 000	-	-	100 000 000	-	-
Derivative assets held-for-risk management	9 674 017	8 709 703	238 644	725 670	-	-
Other assets	7 794 930	7 794 930	-	-	-	-
	1 292 315 034	674 214 745	97 679 013	304 105 515	202 895 415	13 420 346

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	-	-	-
Loan and advances to banks	469 786 606	38 810 224	69 888 937	98 650 216	250 580 510	11 856 719
Loan 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						
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[3]	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	-	-
Loan and advances to banks	393 710 692	52 461 925	120 264 266	150 984 501	70 000 000	-
Loan and advances to customers	100 752 826	23 609 619	1 541 896	9 220 839	49 078 102	17 302 370
Investment securities	474 659	474 659	-	-	-	-
Derivative assets held-for-risk management	9 016 819	9 016 819	-	-	-	-
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

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

(ii) Depositor concentrations

	2017 %	2016 %	2015 %
MUR deposits			
Single depositor	16.66	14.74	12.10
Top ten depositors	71.64	61.86	61.82
Other foreign currency deposits			
Single depositor	7.70	8.65	6.44
Top ten depositors	39.57	38.92	31.66

	2017 USD'000	2016 USD'000	2015 USD'000
Unencumbered surplus liquidity	520	818	505
Long-term funding ratio	1.38%	2.99%	3.44%

(iii) Liquidity reserves

	2017 USD	2016 USD	2015 USD
Cash in hand	72 108	132 893	117 085
Foreign currency notes and coins	20 317	20 491	38 446
Unrestricted balances with central bank	52 313 771	13 748 010	18 419 553
Interbank placements	-	-	-
Balances with banks abroad	518 417 452	941 547 956	839 503 716
Government of Mauritius bonds/treasury bills	5 979 896	4 964 036	17 268 581
US treasury bills	118 382 553	-	-
	695 186 097	960 413 386	875 347 381

(c) Market risk

For the definition of market risk and information of how market risk is managed by the Bank, please refer to page 37 under risk management section.

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

31 December 2017	Carrying amount USD	Trading portfolios USD	Non-trading portfolios USD
Assets subject to market risk			
Cash and cash equivalents	**570 823 648**	**-**	**570 823 648**
Trading assets	**749 636**	**749 636**	**-**
Derivative assets held-for-risk management	**9 674 017**	**9 674 017**	**-**
Loans and advances to banks	**424 145 193**	**-**	**424 145 193**
Loans and advances to customers	**122 169 578**	**-**	**122 169 578**
Investment securities	**24 949 390**	**-**	**24 949 390**
Held-to-maturity investments	**98 663 423**	**-**	**98 663 423**
Other assets	**7 794 930**	**-**	**7 794 930**
Liabilities subject to market risk			
Deposits from banks	**60 895 260**	**-**	**60 895 260**
Deposits from customers	**1 103 515 134**	**-**	**1 103 515 134**
Derivative liabilities held-for-risk management	**9 353 440**	**9 353 440**	**-**
Other borrowed funds	**4 097 627**	**-**	**4 097 627**
Other liabilities	**9 429 119**	**-**	**9 429 119**
31 December 2016			
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	9 322 311	-	9 322 311
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	31 927 183	-	31 927 183
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	13 501 021	-	13 501 021
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	39 370 705	-	39 370 705

(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 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	Avg	31-Dec-17	Limit
Bankwide	151.5	1.8	44.7	6.9	255.0
FX trading	151.4	0.7	44.7	6.8	250.0
Interest rate trading	6.9	0.0	1.8	0.4	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	Avg	31-Dec-17	Limit
Bankwide	204.1	5.7	74.5	10.7	1 180.0
FX trading	204.8	1.0	74.2	12.4	1 020.0
Interest rate trading	24.3	2.3	9.3	8.0	600.0

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

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

(iv) 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 37 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 2017	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	481 519 895	26 722 911	-	62 580 842	570 823 648
Loans and advances to banks	385 875 572	36 571 395	-	1 698 226	424 145 193
Loans and advances to customers	116 158 389	241 000	2 353 571	3 416 618	122 169 578
Investment securities	759 829	24 172 169	-	17 392	24 949 390
Held-to-maturity investments	3 002 323	95 511 799	-	149 301	98 663 423
	987 316 008	183 219 274	2 353 571	67 862 379	1 240 751 232
Financial liabilities					
Deposits from banks	58 256 223	241 000	2 353 571	44 466	60 895 260
Deposits from customers	758 375 082	33 783 914	-	311 356 138	1 103 515 134
Other borrowed funds	4 095 920	-	-	1 707	4 097 627
	820 727 225	34 024 914	2 353 571	311 402 311	1 168 508 021
	166 588 783	149 194 360	-	(243 539 932)	72 243 211

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					
Financial assets					
Cash and cash equivalents	839 503 716	-	-	18 575 084	858 078 800
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	1 353 016 977
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)	73 062 576

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 more than 95% of the balance sheet with US Dollar being the primary component with a 80% 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 USD2 690 047. 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 net interest income of USD6 533 993. The Bank's banking book has been within the set limit for the past three years.

The table below shows the net interest income sensitivity of the US Dollar book for a change of 100 basis points

	2017	2016	2015
NII sensitivity for a 100 bps increase	12.33%	23.12%	26.49%
NII sensitivity for a 100 bps decrease	-29.95%	-41.84%	-33.42%

(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	2017 USD	2016 USD	2015 USD
MUR	-	-	(341 366)
GBP	(27 558)	71 793	6 014
EUR	23 162	30 073	6 146
ZAR	(23 644)	365 717	62 582
Others	7 865	64 282	74 872
	(20 175)	531 865	(191 752)

(d) Capital management

For details and information on capital management please refer to page 41 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 2017 between that which is financial and non-financial. All financial assets and liabilities have been classified according to their measurement category.

31 December 2017	Trading USD	Available-for- sale USD	Loans & receivables USD	Other amortised costs USD	Carrying value USD	Fair value USD
Assets						
Cash and cash equivalents	-	-	570 823 648	-	570 823 648	570 823 648
Trading assets	749 636	-	-	-	749 636	749 636
Derivative assets held-for-risk management	9 674 017	-	-	-	9 674 017	9 674 017
Loans and advances to banks	-	-	424 145 193	-	424 145 193	424 145 193
Loans and advances to customers	-	-	122 169 578	-	122 169 578	122 169 578
Investment securities	-	24 949 390	-	-	24 949 390	24 949 390
Held-to-maturity investments	-	-	-	98 663 423	98 663 423	98 663 423
Other assets	-	-	-	7 794 930	7 794 930	7 794 930
	10 423 653	24 949 390	1 117 138 419	106 458 353	1 258 969 815	1 258 969 815
Liabilities						
Deposits	-	-	-	1 164 410 394	1 164 410 394	1 164 410 394
Trading liabilities	-	-	-	-	-	-
Derivative liabilities held-for-risk management	9 353 440	-	-	-	9 353 440	9 353 440
Other borrowed funds	-	-	-	4 097 627	4 097 627	4 097 627
Other liabilities	-	-	-	9 429 119	9 429 119	9 429 119
	9 353 440	-	-	1 177 937 140	1 187 290 580	1 187 290 580

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						
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

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 2017	**Level 1 USD**	**Level 2 USD**	**Level 3 USD**	**Carrying value USD**	**Fair value USD**
Assets					
Cash and cash equivalents	**570 823 648**	**-**	**-**	**570 823 648**	**570 823 648**
Trading assets	**-**	**749 636**	**-**	**749 636**	**749 636**
Derivative assets held-for-risk management	**-**	**9 674 017**	**-**	**9 674 017**	**9 674 017**
Loans and advances to banks	**-**	**424 145 193**	**-**	**424 145 193**	**424 145 193**
Loans and advances to customers	**-**	**120 940 777**	**1 228 801**	**122 169 578**	**122 169 578**
Investment securities	**-**	**24 949 390**	**-**	**24 949 390**	**24 949 390**
Held-to-maturity investments	**-**	**98 663 423**	**-**	**98 663 423**	**98 663 423**
Other assets	**7 442 747**	**-**	**352 183**	**7 794 930**	**7 794 930**
	578 266 395	**679 122 436**	**1 580 984**	**1 258 969 815**	**1 258 969 815**
Liabilities					
Deposits from banks	**4 850 643**	**56 044 617**	**-**	**60 895 260**	**60 895 260**
Deposits from customers	**861 982 671**	**241 532 463**	**-**	**1 103 515 134**	**1 103 515 134**
Derivative liabilities held-for-risk management	**-**	**9 353 440**	**-**	**9 353 440**	**9 353 440**
Other borrowed funds	**1 502 213**	**2 595 414**	**-**	**4 097 627**	**4 097 627**
Other liabilities	**4 729 258**	**-**	**4 699 861**	**9 429 119**	**9 429 119**
	873 064 785	**309 525 934**	**4 699 861**	**1 187 290 580**	**1 187 290 580**

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	-	78 741 065	-	78 741 065	78 741 065
Investment securities	-	833 184	-	833 184	833 184
Other assets	8 792 527	-	529 784	9 322 311	9 322 311
	964 241 877	566 926 443	529 784	1 531 698 104	1 531 698 104
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					
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	8 409 274	4 097 161	994 586	13 501 021	13 501 021
	866 488 074	547 215 696	994 586	1 414 698 356	1 414 698 356
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

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 2017 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

2015/2016/2017	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

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

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

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

2015/2016/2017	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 2017

	Note	Segment A 2017 USD	Segment A 2016 USD	Segment A 2015 USD	Segment B 2017 USD	Segment B 2016 USD	Segment B 2015 USD	Bank 2017 USD	Bank 2016 USD	Bank 2015 USD
Assets										
Cash and cash equivalents	7	**52 406 196**	13 901 394	18 575 084	**518 417 452**	941 547 956	839 503 716	**570 823 648**	955 449 350	858 078 800
Trading assets	8	**749 636**	12 214 772	39 163 539	**-**	-	-	**749 636**	12 214 772	39 163 539
Derivative assets held-for-risk management	9	**5 536 522**	2 396 498	3 990 613	**4 137 495**	9 433 117	5 026 206	**9 674 017**	11 829 615	9 016 819
Loans and advances to banks	10	**145 155**	37 264 725	326 843	**424 000 038**	426 043 082	393 383 849	**424 145 193**	463 307 807	393 710 692
Loans and advances to customers	11	**9 313 241**	14 386 622	26 449 007	**112 856 337**	64 354 443	74 303 819	**122 169 578**	78 741 065	100 752 826
Investment securities	12	**5 230 260**	833 184	474 659	**19 719 130**	-	-	**24 949 390**	833 184	474 659
Held-to-maturity investments	13	**-**	-	-	**98 663 423**	-	-	**98 663 423**	-	-
Property, plant and equipment	14	**-**	2 250 989	2 871 608	**2 037 435**	-	-	**2 037 435**	2 250 989	2 871 608
Intangible assets	15	**-**	29 204	26 645	**19 517 579**	-	-	**19 517 579**	29 204	26 645
Deferred tax assets	16	**-**	308 912	870 912	**-**	-	306 088	**-**	308 912	1 177 000
Other assets	17	**7 664 464**	9 175 950	11 549 714	**382 154**	413 339	2 079 599	**8 046 618**	9 589 289	13 629 313
Total assets		**81 045 474**	92 762 250	104 298 624	**1 199 731 043**	1 441 791 937	1 314 603 277	**1 280 776 517**	1 534 554 187	1 418 901 901
Liabilities										
Deposits from banks	18	**24 815 832**	22 593 696	23 110 700	**36 079 428**	71 780 930	56 037 472	**60 895 260**	94 374 626	79 148 172
Deposits from customers	19	**75 733 805**	104 442 327	104 880 415	**1 027 781 329**	1 178 740 949	1 059 928 830	**1 103 515 134**	1 283 183 276	1 164 809 245
Derivatives liabilities held-for-risk management	9	**159 979**	5 845 076	3 411 473	**9 193 461**	5 754 014	5 206 536	**9 353 440**	11 599 090	8 618 009
Other borrowed funds	20	**1 502 213**	-	-	**2 595 414**	4 018 856	10 996 984	**4 097 627**	4 018 856	10 996 984
Subordinated liabilities	21	**-**	-	-	**-**	25 000 000	25 000 000	**-**	25 000 000	25 000 000
Current tax liabilities	22	**393 609**	-	360 000	**236 704**	202 000	179 000	**630 313**	202 000	539 000
Deferred tax liability	16	**-**	-	-	**38 000**	8 912	-	**38 000**	8 912	-
Other liabilities	23	**3 899 428**	5 220 749	7 848 583	**7 386 539**	29 253 517	33 125 981	**11 285 967**	34 474 266	40 974 564
Total liabilities		**106 504 866**	138 101 848	139 611 171	**1 083 310 875**	1 314 759 178	1 190 474 803	**1 189 815 741**	1 452 861 026	1 330 085 974
Shareholders' equity										
Share capital	24	**-**	-	-	**35 000 000**	35 000 000	35 000 000	**35 000 000**	35 000 000	35 000 000
Other reserves		**1 954 885**	1 518 433	1 614 053	**13 459 779**	10 673 854	8 947 640	**15 414 664**	12 192 287	10 561 693
Retained earnings		**7 469 831**	8 235 818	14 455 024	**33 076 281**	26 265 056	28 799 210	**40 546 112**	34 500 874	43 254 234
Total equity attributable to equity holders		**9 424 716**	9 754 251	16 069 077	**81 536 060**	71 938 910	72 746 850	**90 960 776**	81 693 161	88 815 927
Total equity and liabilities		**115 929 582**	147 856 099	155 680 248	**1 164 846 935**	1 386 698 088	1 263 221 653	**1 280 776 517**	1 534 554 187	1 418 901 901

Income statement for the year ended 31 December 2017

	Note	Segment A 2017 USD	Segment A 2016 USD	Segment A 2015 USD	Segment B 2017 USD	Segment B 2016 USD	Segment B 2015 USD	Bank 2017 USD	Bank 2016 USD	Bank 2015 USD
Interest income		**741 604**	962 988	2 015 430	**27 739 960**	17 794 148	19 130 710	**28 481 564**	18 757 136	21 146 140
Interest expense		**(603 725)**	(658 638)	(1 248 934)	**(6 414 634)**	(3 891 870)	(5 720 196)	**(7 018 359)**	(4 550 508)	(6 969 130)
Net interest income	26	**137 879**	304 350	766 496	**21 325 326**	13 902 278	13 410 514	**21 463 205**	14 206 628	14 177 010
Fee and commission income		**721 421**	531 129	482 913	**6 466 990**	6 164 763	6 901 107	**7 188 411**	6 695 892	7 384 020
Fee and commission expense		**(373 345)**	(242 698)	(230 643)	**-**	-	-	**(373 345)**	(242 698)	(230 643)
Net fee and commission income	27	**348 076**	288 431	252 270	**6 466 990**	6 164 763	6 901 107	**6 815 066**	6 453 194	7 153 377
Net trading income	28	**3 612 170**	2 919 752	4 678 113	**6 509 490**	5 003 890	6 219 062	**10 121 660**	7 923 642	10 897 175
Net (loss)/income from other financial instruments carried at fair value	29	**7 438**	4 308	(245 678)	**-**	-	-	**7 438**	4 308	(245 678)
Other income	30	**273 897**	249 249	219 336	**-**	-	-	**273 897**	249 249	219 336
		3 893 505	3 173 309	4 651 771	**6 509 490**	5 003 890	6 219 062	**10 402 995**	8 177 199	10 870 833
Operating income		**4 379 460**	3 766 090	5 670 537	**34 301 806**	25 070 931	26 530 683	**38 681 266**	28 837 021	32 201 220
Net impairment loss reversal/(charge) on financial assets	31	**612 750**	(208 300)	317 443	**(429 407)**	(156 386)	4 632 023	**183 343**	(364 686)	4 949 466
Personnel expenses	32	**(829 435)**	(959 360)	(1 149 798)	**(6 496 491)**	(6 386 482)	(5 379 549)	**(7 325 926)**	(7 345 842)	(6 529 347)
Operating lease expenses	33	**(73 731)**	(83 254)	(114 397)	**(577 496)**	(554 219)	(535 228)	**(651 227)**	(637 473)	(649 625)
Depreciation and amortisation	14&15	**-**	(852 349)	(794 909)	**(1 223 735)**	-	-	**(1 223 735)**	(852 349)	(794 909)
Other expenses	34	**(728 035)**	(729 368)	(932 811)	**(5 918 900)**	(4 865 246)	(5 041 800)	**(6 646 935)**	(5 594 614)	(5 974 611)
		(1 018 451)	(2 832 631)	(2 674 472)	**(14 646 029)**	(11 962 333)	(6 324 554)	**(15 664 480)**	(14 794 964)	(8 999 026)
Profit before income tax		**3 361 009**	933 459	2 996 065	**19 655 777**	13 108 598	20 206 129	**23 016 786**	14 042 057	23 202 194
Income tax expense	35	**(839 018)**	(572 214)	(582 854)	**(891 429)**	(600 310)	(1 013 857)	**(1 730 447)**	(1 172 524)	(1 596 711)
Profit for the year		**2 521 991**	361 245	2 413 211	**18 764 348**	12 508 288	19 192 272	**21 286 339**	12 869 533	21 605 483

Statement of profit or loss and other comprehensive income as at 31 December 2017

	Note	Segment A 2017 USD	Segment A 2016 USD	Segment A 2015 USD	Segment B 2017 USD	Segment B 2016 USD	Segment B 2015 USD	Bank 2017 USD	Bank 2016 USD	Bank 2015 USD
Profit for the year		**2 521 990**	361 245	2 413 211	**18 764 349**	12 508 288	19 192 272	**21 286 339**	12 869 533	21 605 483
Other comprehensive income										
Net (loss)/gain on available-for-sale financial assets		**(15 008)**	1 630	868	**-**	-	-	**(15 008)**	1 630	868
Other comprehensive income for the year		**(15 008)**	1 630	868	**-**	-	-	**(15 008)**	1 630	868
Total comprehensive income for the year		**2 506 982**	362 875	2 414 079	**18 764 349**	12 508 288	19 192 272	**21 271 331**	12 871 163	21 606 351
Total comprehensive income attributable to equity holders		**2 506 982**	362 875	2 414 079	**18 764 349**	12 508 288	19 192 272	**21 271 331**	12 871 163	21 606 351
		2 506 982	362 875	2 414 079	**18 764 349**	12 508 288	19 192 272	**21 271 331**	12 871 163	21 606 351

7. Cash and cash equivalents

	2017 USD	2016 USD	2015 USD
Bank-total			
Cash in hand	**72 108**	132 893	117 085
Foreign currency notes and coins	**20 317**	20 491	38 446
Unrestricted balances with central bank	**52 313 771**	13 748 010	18 419 553
Balances with banks abroad	**518 417 452**	941 547 956	839 503 716
	570 823 648	955 449 350	858 078 800
Segment A			
Cash in hand	**72 108**	132 893	117 085
Foreign currency notes and coins	**20 317**	20 491	38 446
Unrestricted balances with central bank	**52 313 771**	13 748 010	18 419 553
	52 406 196	13 901 394	18 575 084
Segment B			
Balances with banks abroad	**518 417 452**	941 547 956	839 503 716

Net debt reconciliation
This section sets out an analysis of net debt and the movement in net debt for the year.

	2017	2016	2015
Cash and cash equivalents	**570 823 648**	955 449 350	858 078 800
Borrowings - repayable within one year	**(2 684 642)**	(1 423 429)	(1 423 429)
Borrowings - repayable after one year	**(1 412 985)**	(27 595 427)	(34 573 555)
	566 726 021	926 430 494	822 081 816
Cash and cash equivalent	**570 823 648**	955 449 350	858 078 800
Gross debt - fixed interest rates	**(1 502 213)**	-	-
Gross debt - variable interest rates	**(2 595 414)**	(29 018 856)	(35 996 984)
	566 726 021	926 430 494	822 081 816

	Cash USD	Other borrowed funds within one year USD	Other borrowed funds after one year USD	Subordinated liabilities after one year USD	Total USD
Net debt as at 1 January 2017	955 449 350	(1 423 429)	(2 595 427)	(25 000 000)	926 430 494
Cash flows	(384 625 702)	(1 261 213)	1 182 442	25 000 000	(359 704 473)
Net debt as at 31 December 2017	570 823 648	(2 684 642)	(1 412 985)	-	566 726 021

8. Trading assets and liabilities

	2017 USD	2016 USD	2015 USD
Trading assets			
Bank-total and segment A			
Non-derivatives			
Treasury bills	**749 636**	4 130 852	16 793 922
Money market	**-**	8 083 920	22 369 617
	749 636	12 214 772	39 163 539

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.

	2017			2016			2015		
	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
Options	5 443 391	5 443 266	230 696 626	8 232 920	8 232 921	734 958 125	6 975 402	6 975 168	415 703 865
Foreign exchange	4 230 626	3 910 174	543 928 901	3 596 695	3 366 169	357 490 251	2 032 779	1 634 203	223 271 776
	9 674 017	9 353 440	774 625 527	11 829 615	11 599 090	1 092 448 376	9 016 819	8 618 009	639 629 080
Segment A									
Interest rate	-	-	-	-	-	-	8 638	8 638	653 439
Options	5 378 220	65 046	115 348 313	2 387 844	5 845 076	367 479 063	3 749 161	3 226 006	322 617 577
Foreign exchange	158 302	94 933	13 317 312	8 654	-	365 497	232 814	176 829	19 570 065
	5 536 522	159 979	128 665 625	2 396 498	5 845 076	367 844 560	3 990 613	3 411 473	342 841 081
Segment B									
Interest rate	-	-	-	-	-	-	-	-	-
Options	65 171	5 378 220	115 348 313	5 845 076	2 387 845	367 479 062	3 226 241	3 749 162	93 086 288
Foreign exchange	4 072 324	3 815 241	530 611 589	3 588 041	3 366 169	357 124 754	1 799 965	1 457 374	203 701 711
	4 137 495	9 193 461	645 959 902	9 433 117	5 754 014	724 603 816	5 026 206	5 206 536	296 787 999

10. Loans and advances to banks

	2017 USD	2016 USD	2015 USD
Bank-total			
Loans and advances to banks	**424 145 193**	463 307 807	393 710 692
Segment A			
Loans and advances to banks	**145 155**	37 264 725	326 843
Segment B			
Loans and advances to banks	**424 000 038**	426 043 082	393 383 849
Remaining term to maturity			
Bank-total			
Up to 3 months	**50 271 927**	37 284 382	52 462 493
Over 3 months and up to 6 months	**94 630 434**	68 203 620	120 263 698
Over 6 months and up to 12 months	**159 972 894**	98 442 955	150 984 501
Over 1 year and up to 5 years	**109 416 155**	248 900 674	70 000 000
Over 5 years	**9 853 783**	10 476 176	-
	424 145 193	463 307 807	393 710 692
Remaining term to maturity			
Segment A			
Up to 3 months	**145 155**	35 260 155	326 843
Over 3 months and up to 6 months	**-**	2 004 570	-
	145 155	37 264 725	326 843
Remaining term to maturity			
Segment B			
Up to 3 months	**50 126 772**	2 024 227	52 135 650
Over 3 months and up to 6 months	**94 630 434**	66 199 030	120 263 698
Over 6 months and up to 12 months	**159 972 894**	98 442 955	150 984 501
Over 1 year and up to 5 years	**109 416 155**	248 900 694	70 000 000
Over 5 years	**9 853 783**	10 476 176	-
	424 000 038	426 043 082	393 383 849
Current assets	**304 875 255**	203 930 957	323 710 692
Non-current assets	**119 269 938**	259 376 850	70 000 000

11. Loans and advances to customers

	2017 USD	2016 USD	2015 USD
Bank-total			
Personal loans	**1 220 993**	1 730 056	1 645 670
Corporate customers	**113 264 455**	28 075 725	68 020 923
Entities outside Mauritius	**9 649 037**	50 572 280	36 586 578
	124 134 485	80 378 061	106 253 171
Less specific allowance for impairment 11 (d)	**(839 384)**	(941 763)	(4 912 794)
Less collective allowance for impairment 11 (d)	**(1 125 523)**	(695 233)	(587 551)
	122 169 578	78 741 065	100 752 826
Loans and advances to customers			
Segment A			
Personal loans	**796 565**	771 338	537 744
Corporate customers	**9 414 676**	14 626 033	30 941 966
	10 211 241	15 397 371	31 479 710
Less specific allowance for impairment 11 (e)	**(839 384)**	(837 357)	(4 912 851)
Less collective allowance for impairment 11 (e)	**(58 616)**	(173 392)	(117 852)
	9 313 241	14 386 622	26 449 007
Loans and advances to customers			
Segment B			
Personal loans	**424 428**	958 718	1 107 926
Corporate customers	**103 849 779**	13 449 692	37 078 957
Entities outside Mauritius	**9 649 037**	50 572 280	36 586 578
	113 923 244	64 980 690	74 773 461
Less specific allowance for impairment 11 (e)	**-**	(104 406)	57
Less collective allowance for impairment 11 (e)	**(1 066 907)**	(521 841)	(469 699)
	112 856 337	64 354 443	74 303 819
11.(a)Remaining term to maturity			
Bank-total			
Up to 3 months	**27 391 788**	39 237 319	33 008 529
Over 3 months and up to 6 months	**241 137**	8 962 426	2 784 938
Over 6 months and up to 12 months	**18 242 853**	4 448 244	9 220 839
Over 1 year and up to 5 years	**77 834 279**	27 268 514	50 905 818
Over 5 years	**424 428**	461 558	10 333 047
	124 134 485	80 378 061	106 253 171
Remaining term to maturity			
Segment A			
Up to 3 months	**8 775 323**	14 017 070	27 742 582
Over 3 months and up to 6 months	**-**	-	537 592
Over 6 months and up to 12 months	**1 435 918**	-	-
Over 1 year and up to 5 years	**-**	1 380 301	3 199 536
Over 5 years	**-**	-	-
	10 211 241	15 397 371	31 479 710

	2017 USD	2016 USD	2015 USD
Remaining term to maturity			
Segment B			
Up to 3 months	**18 616 465**	25 220 249	5 265 947
Over 3 months and up to 6 months	**241 137**	8 962 426	2 247 346
Over 6 months and up to 12 months	**16 806 935**	4 448 244	9 220 839
Over 1 year and up to 5 years	**77 834 279**	25 888 213	47 707 830
Over 5 Years	**424 428**	461 558	10 331 499
	113 923 244	64 980 690	74 773 461
Current assets	**45 875 778**	52 647 989	45 014 306
Non-current assets	**78 258 707**	27 730 072	61 238 865
(b) Credit concentration of risk by industry sectors			
Bank-total			
Agriculture & fishing	**-**	-	9 833 358
Manufacturing	**-**	11 987 743	17 106 412
Tourism	**-**	-	5 277 914
Transport	**1 816 552**	3 509 431	5 080 870
Construction	**-**	-	11 915 151
Financial and business services	**5 108 355**	5 561 022	5 578 800
Traders	**10 317 722**	17 324 854	9 137 146
Personal	**1 220 993**	1 730 056	1 645 670
Global business licence holders	**103 849 779**	36 814 328	37 080 505
Others	**1 821 084**	3 450 627	3 597 345
	124 134 485	80 378 061	106 253 171
Segment A			
Agriculture & fishing	**-**	-	-
Manufacturing	**-**	113 911	3 311 495
Tourism	**-**	-	-
Transport	**-**	-	-
Construction	**-**	-	11 915 151
Financial and business services	**5 108 355**	5 561 022	5 578 800
Traders	**2 485 236**	5 501 028	6 539 175
Personal	**796 566**	770 783	537 744
Others	**1 821 084**	3 450 627	3 597 345
	10 211 241	15 397 371	31 479 710
Segment B			
Agriculture & fishing	**-**	-	9 833 358
Manufacturing	**-**	11 873 832	13 794 917
Tourism	**-**	-	5 277 914
Transport	**1 816 552**	3 509 431	5 080 870
Construction	**-**	-	-
Financial and business services	**-**	-	-
Traders	**7 832 486**	11 823 826	2 597 971
Personal	**424 427**	959 273	1 107 926
Global business licence holders	**103 849 779**	36 814 328	37 080 505
Others	**-**	-	-
	113 923 244	64 980 690	74 773 461

	2017 USD	2016 USD	2015 USD
(c) Segmental analysis geographical area			
Africa	**116 655 744**	79 883 763	105 531 118
Europe	**7 415 940**	494 298	607 990
Oceania & others	**62 801**	-	114 063
	124 134 485	80 378 061	106 253 171

	Specific allowances for impairment USD	Portfolio allowances for impairment USD	Total USD
(d) Allowance for credit impairment			
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[4]	(1 000 000)	-	(1 000 000)
Balance at 31 December 2016	**941 763**	**695 233**	**1 636 996**
Provision for credit impairment for the year	**2 027**	**1 013 043**	**1 015 070**
Provisions released	**(104 406)**	**(582 753)**	**(687 159)**
Balance at 31 December 2017	**839 384**	**1 125 523**	**1 964 907**

[4] 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

	2017					2016	2015
	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 & fishing	-	-	-	-	-	-	140 662
Manufacturing	-	-	-	-	-	313 368	224 667
Tourism	-	-	-	-	-	-	16 823
Transport	**1 816 552**	-	-	**2 649**	**2 649**	19 340	19 640
Construction	-	-	-	-	-	-	4 075 332
Financial and business services	**5 108 355**	-	-	**44 971**	**44 971**	62 260	21 564
Traders	**10 317 722**	-	-	**39 573**	**39 573**	164 376	38 408
Personal	**1 220 993**	-	-	**3 252**	**3 252**	4 173	2 653
Global business licence holders	**103 849 779**	-	-	**1 033 087**	**1 033 087**	231 811	112 620
Others	**1 821 084**	**812 391**	**839 384**	**1 991**	**841 375**	841 668	847 976
	124 134 485	**812 391**	**839 384**	**1 125 523**	**1 964 907**	1 636 996	5 500 345
Segment A							
Agriculture & fishing	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	68 611
Tourism	-	-	-	-	-	-	-
Transport	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	4 075 332
Financial and business services	**5 108 355**	-	-	**44 971**	**44 971**	62 260	21 564
Traders	**2 485 236**	-	-	**9 532**	**9 532**	104 962	16 353
Personal	**796 566**	-	-	**2 122**	**2 122**	1 859	867
Others	**1 821 084**	**812 391**	**839 384**	**1 991**	**841 375**	841 668	847 976
	10 211 241	**812 391**	**839 384**	**58 616**	**898 000**	1 010 749	5 030 703

Impaired loans of USD812 391 as at 31 December 2017 were from clients resident in Mauritius.

	2017					2016	2015
Segment B							
Agriculture & fishing	-	-	-	-	-	-	140 662
Manufacturing	-	-	-	-	-	313 368	156 056
Tourism	-	-	-	-	-	-	16 823
Transport	**1 816 552**	-	-	**2 649**	**2 649**	19 340	19 640
Construction	-	-	-	-	-	-	-
Financial and business services	-	-	-	-	-	-	-
Traders	**7 832 486**	-	-	**30 041**	**30 041**	59 414	22 055
Personal	**424 427**	-	-	**1 130**	**1 130**	2 314	1 786
Global business licence holders	**103 849 779**	-	-	**1 033 087**	**1 033 087**	231 811	112 620
Others	-	-	-	-	-	-	-
	113 923 244	-	-	**1 066 907**	**1 066 907**	626 247	469 642

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

	Specific allowances for credit impairment 2017 USD	Specific allowances for credit impairment 2016 USD	Charges/(Charge offs) for the year USD
Bank-total			
Manufacturing	-	104 406	(104 406)
Others	839 384	837 357	2 027
	839 384	941 763	(102 379)
Segment A			
Others	839 384	837 357	2 027
	839 384	837 357	2 027
Segment B			
Manufacturing	-	104 406	(104 406)
	-	104 406	(104 406)

12. Investment securities

	2017 USD	2016 USD	2015 USD
Unlisted – available-for-sale			
Comprising of			
Treasury notes	24 949 390	833 184	474 659
	24 949 390	833 184	474 659
Segment A			
Treasury notes	5 230 260	833 184	474 659
	5 230 260	833 184	474 659
Segment B			
Treasury notes	19 719 130	-	-
	19 719 130	-	-
(b) Maturity analysis			
Bank-total			
Up to 3 months	3 750 969	833 184	474 659
Over 6 months and up to 12 months	21 198 421	-	-
	24 949 390	833 184	474 659
Segment A			
Up to 3 months	3 750 969	833 184	474 659
Over 6 months and up to 12 months	1 479 291	-	-
	5 230 260	833 184	474 659
Segment B			
Over 6 months and up to 12 months	19 719 130	-	-
	19 719 130	-	-

13. Held-to-maturity investments

	2017 USD	2016 USD	2015 USD
Bank-total and segment B			
Comprising of			
Treasury notes	98 663 423	-	-
	98 663 423	-	-
(b) Maturity analysis			
Bank-total and segment B			
Over 6 months and up to 12 months	98 663 423	-	-
	98 663 423	-	-

This comprises of US treasuries purchased for liquidity purposes following the implementation of Basel III liquidity coverage ratio.

14. Property, plant and equipment

	Computer equipment USD	Office equipment USD	Furniture and fittings USD	Motor vehicles USD	Total USD
Bank-total and segment B					
Cost					
Balance at 1 January 2015	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)	395 163	-	-
Balance at 31 December 2015	3 330 337	812 620	2 200 025	63 020	6 406 002
Acquisitions	169 750	11 299	38 613	40 607	260 269
Disposals	(8 970)	(3 303)	-	(69 741)	(82 014)
Balance at 31 December 2016	3 491 117	820 616	2 238 638	33 886	6 584 257
Acquisitions	399 084	440	33 654	167 022	600 200
Disposals	-	-	(11 218)	-	(11 218)
Balance at 31 December 2017	**3 890 201**	**821 056**	**2 261 074**	**200 908**	**7 173 239**
Depreciation and impairment losses					
Balance at 1 January 2015	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	4 333 267
Depreciation for the year	470 295	81 722	236 530	23 908	812 455
Disposal	-	-	(9 918)	-	(9 918)
Balance at 31 December 2017	**3 189 083**	**606 129**	**1 293 150**	**47 442**	**5 135 804**
Carrying amounts					
Balance at 31 December 2017	**701 118**	**214 927**	**967 924**	**153 466**	**2 037 435**
Balance at 31 December 2016	772 329	296 209	1 172 100	10 352	2 250 990
Balance at 31 December 2015	1 102 494	368 249	1 379 633	21 232	2 871 608

15. Intangible assets

	Computer software USD	Other intangible assets USD	Total USD
Bank-total and segment B			
Cost			
Balance at 1 January 2015	177 467	-	177 467
Acquisitions	-	-	-
Disposals	-	-	-
Balance at 31 December 2015	177 467	-	177 467
Acquisitions	-	14 925	14 925
Disposals	-	-	-
Balance at 31 December 2016	177 467	14 925	192 392
Acquisitions	98 841	19 800 814	19 899 655
Disposals	-	-	-
Balance at 31 December 2017	**276 308**	**19 815 739**	**20 092 047**
Amortisation and impairment losses			
Balance at 1 January 2015	136 913	-	136 913
Amortisation for the year	13 909	-	13 909
Disposals	-	-	-
Balance at 31 December 2015	150 822	-	150 822
Amortisation for the year	12 366	-	12 366
Disposals	-	-	-
Balance at 31 December 2016	163 188	-	163 188
Amortisation for the year	14 868	396 412	411 280
Disposals	-	-	-
Balance at 31 December 2017	**178 056**	**396 412**	**574 468**
Carrying amount at 31 December 2017	98 252	19 419 327	19 517 579
Carrying amount at 31 December 2016	14 279	14 925	29 204
Carrying amount at 31 December 2015	26 645	-	26 645

There were no capitalised borrowing costs related to the acquisition of software during the year (2016: nil).

16. Deferred tax

The movement on the deferred tax amount is as follows:

	2017 USD	2016 USD	2015 USD
Bank-total			
At 1 January	**300 000**	1 177 000	2 116 000
Income statement charge	**(338 000)**	(877 000)	(939 000)
Effect of change in tax rate	**-**	-	-
At 31 December 2017	**(38 000)**	300 000	1 177 000
Segment A			
At 1 January	**308 912**	870 912	1 027 912
Income statement charge	**(71 252)**	(562 000)	(157 000)
Effect of change in tax rate	**-**	-	-
Deferred tax asset as at 31 December	**237 660**	308 912	870 912
Segment B			
At 1 January	**(8 912)**	306 088	1 088 088
Income statement charge	**(266 748)**	(315 000)	(782 000)
Effect of change in tax rate	**-**	-	-
Deferred tax (liability)/asset as at 31 December	**(275 660)**	(8 912)	306 088

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

	2017 USD	2016 USD	2015 USD
Deferred tax assets:			
General provision for bad and doubtful debts	**185 000**	191 000	769 000
Unutilised tax losses	**-**	-	293 000
Other temporary differences	**85 000**	170 000	357 000
	270 000	361 000	1 419 000
Deferred tax liabilities:			
Other temporary differences	**-**	-	-
Accelerated depreciation	**(308 000)**	(61 000)	(242 000)
	(308 000)	(61 000)	(242 000)

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

	2017 USD	2016 USD	2015 USD
General provision for bad and doubtful debts	**(6 000)**	578 000	963 000
Unutilised tax losses	**-**	293 000	-
Other temporary differences	**(85 000)**	187 000	(164 000)
Accelerated depreciation	**(247 000)**	(181 000)	140 000
	(338 000)	877 000	939 000

17. Other assets

	2017 USD	2016 USD	2015 USD
Mandatory balances with central bank	**7 442 747**	8 792 527	8 394 895
Accrued interest receivable	**-**	-	4 111 540
Other	**603 871**	796 762	1 122 878
	8 046 618	9 589 289	13 629 313
Segment A			
Mandatory balances with central bank	**7 442 747**	8 792 527	8 394 895
Accrued interest receivable	**-**	-	2 265 162
Other	**221 717**	383 423	889 657
	7 664 464	9 175 950	11 549 714
Segment B			
Accrued interest receivable	**-**	-	1 846 378
Other	**382 154**	413 339	233 221
	382 154	413 339	2 079 599

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

18. Deposits from banks

	2017	2016	2015
Bank-total			
Money market deposits	**56 044 617**	64 033 432	76 000 000
Other deposits from banks	**4 850 643**	30 341 194	3 148 172
	60 895 260	94 374 626	79 148 172
Segment A			
Money market deposits	**20 020 372**	20 001 467	20 000 000
Other deposits from banks	**4 795 460**	2 592 229	3 110 700
	24 815 832	22 593 696	23 110 700
Segment B			
Money market deposits	**36 024 245**	44 031 965	56 000 000
Other deposits from banks	**55 183**	27 748 965	37 472
	36 079 428	71 780 930	56 037 472

19. Deposits from customers

	2017 USD	2016 USD	2015 USD
Bank-total			
Corporates			
Demand deposits			
-Current accounts	**306 599 787**	264 222 513	321 954 856
-Savings accounts	**10 074 574**	8 803 082	8 885 357
-Call accounts	**540 946 042**	727 408 006	590 545 617
Time deposits			
-Up to 3 months	**211 863 104**	264 632 208	218 330 555
-Over 3 months and up to 6 months	**20 342 634**	5 911 045	16 989 360
-Over 6 months and up to 12 months	**13 688 993**	12 206 422	6 678 981
-Over 1 year and up to 5 years	**-**	-	1 424 519
	1 103 515 134	1 283 183 276	1 164 809 245
Segment A			
Demand deposits			
-Current accounts	**36 147 436**	37 666 025	42 205 971
-Savings accounts	**10 074 574**	8 803 082	8 885 357
-Call accounts	**15 683 215**	29 065 779	45 959 721
Time deposits			
-Up to 3 months	**11 551 619**	20 874 816	1 563 759
-Over 3 months and up to 6 months	**2 068 659**	2 874 146	3 110 045
-Over 6 months and up to 12 months	**208 302**	5 158 479	1 760 863
-Over 1 year and up to 5 years	**-**	-	1 394 699
	75 733 805	104 442 327	104 880 415
Segment B			
Demand deposits			
-Current accounts	**270 452 351**	226 556 489	279 748 885
-Call accounts	**525 262 827**	698 342 226	544 585 896
Time deposits			
-Up to 3 months	**200 311 485**	243 757 392	216 766 796
-Over 3 months and up to 6 months	**18 273 975**	3 036 899	13 879 315
-Over 6 months and up to 12 months	**13 480 691**	7 047 943	4 918 118
-Over 1 year and up to 5 years	**-**	-	29 820
	1 027 781 329	1 178 740 949	1 059 928 830
Current assets	**1 103 515 134**	1 283 183 276	1 163 384 726
Non-current assets	**-**	-	1 424 519

20. Other borrowed funds

	2017 USD	2016 USD	2015 USD
Bank-total			
Borrowings from banks	**4 097 627**	4 018 856	10 996 984
Bank - segment A			
Borrowings from banks	**1 502 213**	-	-
Bank - segment B			
Borrowings from banks	**2 595 414**	4 018 856	10 996 984

Segment B 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 USD241 000 earns a coupon payment of 3.21% and will mature on 31 May 2018 and the second funding of USD2 354 000, maturing on 30 June 2020, carries a coupon payment of 3.97%.

21. 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 fully repaid its subordinated debt in December 2017.

	2017 USD	2016 USD	2015 USD
Bank-total and segment B			
SBSA	**-**	25 000 000	25 000 000

22. Current tax liabilities

	2017	2016	2015
Bank-total			
Income tax based on chargeable income	**1 306 000**	202 000	539 000
Advanced payments made	**(675 687)**	-	-
	630 313	202 000	539 000
Segment A			
Income tax based on chargeable income	**761 000**	-	360 000
Advanced payments made	**(367 391)**	-	-
	393 609	-	360 000
Segment B			
Income tax based on chargeable income	**545 000**	202 000	179 000
Advanced payments made	**(308 296)**	-	-
	236 704	202 000	179 000

23. Other liabilities

	2017 USD	2016 USD	2015 USD
Accrued interest payable	-	-	200 573
Accrued expense	1 856 848	1 735 116	1 391 556
Unsettled money market transactions[5]	4 729 258	28 055 528	32 812 260
Others	4 699 861	4 683 622	6 570 175
	11 285 967	34 474 266	40 974 564
Segment A			
Accrued interest payable	-	-	105 011
Accrued expense	210 231	1 735 116	1 391 556
Others	3 689 197	3 485 633	6 352 016
	3 899 428	5 220 749	7 848 583
Segment B			
Accrued interest payable	-	-	95 562
Accrued expense	1 646 617	-	-
Unsettled money market transactions	4 729 258	28 055 528	32 812 260
Others	1 010 664	1 197 989	218 159
	7 386 539	29 253 517	33 125 981

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

24. Share capital

	2017 USD	2016 USD	2015 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

25. Contingent liabilities

	2017 USD	2016 USD	2015 USD
Guarantees on account of customers	17 091 416	23 332 670	15 015 504
Letters of credit and other obligations on account of customers	16 512 923	2 800 245	3 801 068
Spot foreign exchange contracts	12 457 872	3 836 871	1 540 351
Accepted letters of credit	4 361 625	4 201 444	5 895 624
Liabilities for swaps and forwards	535 389 907	356 665 019	411 287 779
	585 813 743	390 836 249	437 540 326
Segment A			
Guarantees on account of customers	1 254 947	1 175 792	1 150 737
Letters of credit and other obligations on account of customers	3 055 734	20 900	2 080 033
Spot foreign exchange contracts	907 362	281 313	35 886
Accepted letters of credit	17 625	131 266	296 181
Liabilities for swaps and forwards	12 504 505	313 889	24 532 031
	17 740 173	1 923 160	28 094 868
Segment B			
Guarantees on account of customers	15 836 471	22 156 878	13 864 767
Letters of credit and other obligations on account of customers	13 457 189	2 779 345	1 721 035
Spot foreign exchange contracts	11 550 509	3 555 558	1 504 465
Accepted letters of credit	4 344 000	4 070 178	5 626 443
Liabilities for swaps and forwards	522 885 401	356 351 130	386 755 748
	568 073 570	388 913 089	409 472 458

26. Net interest income

	2017 USD	2016 USD	2015 USD
Bank-total			
Interest income			
Loans and advances to banks	21 445 556	13 637 507	12 333 332
Loans and advances to customers	6 096 619	4 953 413	8 570 076
Investment securities	263 557	30 951	46 440
Other	675 832	135 265	196 292
Total interest income	28 481 564	18 757 136	21 146 140
Interest expense			
Deposits from banks	(983 911)	(664 010)	(1 079 696)
Deposits from customers	(5 010 291)	(2 951 841)	(5 056 803)
Subordinated liabilities	(1 024 157)	(934 657)	(832 631)
Total interest expense	(7 018 359)	(4 550 508)	(6 969 130)
Net interest income	21 463 205	14 206 628	14 177 010
Segment A			
Interest income			
Loans and advances to banks	113 437	125 608	70 926
Loans and advances to customers	544 425	806 429	1 828 700
Investment securities	83 742	30 951	46 440
Other	-	-	69 364
Total interest income	741 604	962 988	2 015 430
Interest expense			
Deposits from banks	(26 161)	(73 094)	(39 247)
Deposits from customers	(577 564)	(585 544)	(1 209 687)
Total interest expense	(603 725)	(658 638)	(1 248 934)
Net interest income	137 879	304 350	766 496
Segment B			
Interest income			
Loans and advances to banks	21 332 119	13 511 899	12 262 406
Loans and advances to customers	5 552 194	4 146 984	6 741 376
Investment securities	179 815	-	-
Other	675 832	135 265	126 928
Total interest income	27 739 960	17 794 148	19 130 710
Interest expense			
Deposits from banks	(957 750)	(590 916)	(1 040 449)
Deposits from customers	(4 432 727)	(2 366 297)	(3 847 116)
Subordinated liabilities	(1 024 157)	(934 657)	(832 631)
Total interest expense	(6 414 634)	(3 891 870)	(5 720 196)
Net interest income	21 325 326	13 902 278	13 410 514

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

27. Net fee and commission income

	2017 USD	2016 USD	2015 USD
Fee and commission income			
Corporate banking customer fees	4 619 174	4 169 700	5 021 828
Corporate banking credit related fees	1 377 577	1 232 466	1 360 643
Investment banking fees	615 429	895 442	597 171
Custody fees	576 231	398 284	404 378
Total fee and commission income	7 188 411	6 695 892	7 384 020
Fee and commission expense	(373 345)	(242 698)	(230 643)
Net fee and commission income	6 815 066	6 453 194	7 153 377
Segment A			
Fee and commission income			
Corporate banking customer fees	70 817	86 920	43 526
Corporate banking credit related fees	74 373	45 925	35 009
Investment banking fees	-	-	-
Custody fees	576 231	398 284	404 378
Total fee and commission income	721 421	531 129	482 913
Fee and commission expense	(373 345)	(242 698)	(230 643)
Net fee and commission income	348 076	288 431	252 270
Segment B			
Fee and commission income			
Corporate banking customer fees	4 548 357	4 082 780	4 978 302
Corporate banking credit related fees	1 303 204	1 186 541	1 325 634
Investment banking fees	615 429	895 442	597 171
Total fee and commission income	6 466 990	6 164 763	6 901 107
Fee and commission expense	-	-	-
Net fee and commission income	6 466 990	6 164 763	6 901 107

28. Net trading income

	2017	2016	2015
Fixed income/money market	196 394	88 075	689 906
Foreign exchange	9 575 647	7 262 052	9 130 525
Other	349 619	573 515	1 076 744
	10 121 660	7 923 642	10 897 175
Segment A			
Fixed income/money market	168 842	88 075	689 906
Foreign exchange	3 093 709	2 258 162	2 911 463
Other	349 619	573 515	1 076 744
	3 612 170	2 919 752	4 678 113
Segment B			
Fixed income/money market	27 552	-	-
Foreign exchange	6 481 938	5 003 890	6 219 062
Other	-	-	-
	6 509 490	5 003 890	6 219 062

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

	2017 USD	2016 USD	2015 USD
Bank-total and segment A			
Government bonds/treasury bills	**2 151**	8 587	(33 582)
Other	**5 287**	(4 279)	(212 096)
	7 438	4 308	(245 678)

30. Other income

	2017	2016	2015
Bank-total and segment A			
Rental income and recharges	**273 897**	249 249	219 336

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

	2017	2016	2015
Bank-total and segment A			
Loans and advances to customers	**(169 029)**	381 845	(4 887 919)
Accepted letters of credit	**(14 314)**	(17 159)	(61 547)
	(183 343)	364 686	(4 949 466)
Segment A			
Loans and advances to customers	**(610 366)**	207 439	(318 350)
Accepted letters of credit	**(2 384)**	861	907
	(612 750)	208 300	(317 443)
Segment B			
Loans and advances to customers	**441 337**	174 406	(4 569 569)
Accepted letters of credit	**(11 930)**	(18 020)	(62 454)
	429 407	156 386	(4 632 023)

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

	2017	2016	2015
Bank-total			
Provision made	**1 011 787**	676 222	596 382
Provision released	**(1 180 816)**	(294 377)	(2 532 301)
Recoveries	**-**	-	(2 952 000)
	(169 029)	381 845	(4 887 919)
Segment A			
Provision made	**51 301**	283 783	484 867
Provision released	**(661 667)**	(76 344)	(803 217)
Recoveries	**-**	-	-
	(610 366)	207 439	(318 350)
Segment B			
Provision made	**960 486**	392 439	111 515
Provision released	**(519 149)**	(218 033)	(1 729 084)
Recoveries	**-**	-	(2 952 000)
	441 337	174 406	(4 569 569)

32. (a) Personnel expenses

	2017 USD	2016 USD	2015 USD
Bank-total			
Wages and salaries	**3 782 858**	4 766 346	4 142 059
Other personnel expenses	**2 806 139**	1 969 065	1 854 766
Compulsory social security obligations	**20 471**	39 031	97 826
Contributions to defined contribution plans	**464 601**	451 046	412 510
Share-based payment-cash settled	**251 857**	120 354	22 186
	7 325 926	7 345 842	6 529 347
Segment A			
Wages and salaries	**428 292**	622 481	729 404
Other personnel expenses	**317 709**	257 229	326 618
Compulsory social security obligations	**2 317**	5 098	17 227
Contributions to defined contribution plans	**52 602**	58 906	72 642
Share-based payment-cash settled	**28 515**	15 646	3 907
	829 435	959 360	1 149 798
Segment B			
Wages and salaries	**3 354 566**	4 143 865	3 412 655
Other personnel expenses	**2 488 430**	1 711 836	1 528 148
Compulsory social security obligations	**18 154**	33 933	80 599
Contributions to defined contribution plans	**411 999**	392 140	339 868
Share-based payment-cash settled	**223 342**	104 708	18 279
	6 496 491	6 386 482	5 379 549

(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 SBG share price at the date the option is granted. The equity growth scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights.

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3 4 5	50 75 100	10 years
Type B	5 6 7	50 75 100	10 years
Type C	2 3 4	50 75 100	10 years
Type D	2 3 4	33 67 100	10 years
Type E	3 4 5	33 67 100	10 years

(i) Equity growth scheme

	Appreciation right price (cents)	2017	Participation rights 2016	2015
Equity growth scheme reconciliation				
Rights outstanding at beginning of year		-	-	188
Granted		-	-	-
Exercised[1]		-	-	-
Lapsed		-	-	-
Transfer out		-	-	(188)
Rights outstanding at end of year		-	-	-

There were no outstanding rights to employees as at 31 December 2017.

(ii) Share incentive scheme

	Option price range (cents)	2017	Number of options 2016	2015
Share incentive scheme reconciliation				
Options outstanding at beginning of year		44 283	76 488	99 320
Transfers	62.39 – 111.94	(14 000)	-	(12 050)
Granted		-	-	-
Exercised	98.80 – 111.94	(4 095)	(32 205)	(10 782)
Options outstanding at end of year		26 188	44 283	76 488

The weighted average SBG share price for the period to 31 December 2017 year-end was ZAR 157.29 (2016: ZAR 151.63)
[1] During the year, 26 188(2016: 20 302) shares were issued to settle the outstanding appreciated rights value.
[2] At 31 December 2017, the Bank issued 26 188 (2016: 29 248) SBG shares to settle outstanding appreciated rights value.

The following options granted to employees had not been exercised at 31 December 2017:

Number of ordinary shares	Option price range (cents)	Weighted average price (cents)	Option expiry date
2,500	6.239	6.239	Year to 31 December 2019
23,688	9.880	9.880	Year to 31 December 2021
26,188			

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			

Total expenses recognised in staff costs for 2017 was nil (2016: USD14 602).

(iii) Deferred bonus scheme

In 2012, changes were made to the existing Deferred Bonus Scheme (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 Standard Bank 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 2017 and the amount charged for the year under the scheme amounts to USD184 558. Total expenses recognised in staff costs for 2017 was USD251 857 (2016: USD120 354).

Reconciliation	Units Dec-17	Units Dec-16
Units outstanding at beginning of year	34 069	22 179
Granted	-	21 553
Transferred out	(466)	-
Exercised	(14 791)	(9 663)
Lapsed	-	-
	18 812	34 069
Units outstanding at end of the year		
Weighted average fair value at grant date (R)	n/a	151.63
Expected life (years)	n/a	2.51
Risk-free interest rate (%)	n/a	8.23

33. Operating lease expenses

	2017 USD	2016 USD	2015 USD
Bank-total			
Operating lease expense	**651 227**	637 473	649 625
Segment A			
Operating lease expense	**73 731**	83 254	114 397
Segment B			
Operating lease expense	**577 496**	554 219	535 228

Operating lease commitments

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

	2017 USD	2016 USD	2015 USD
Bank-total			
Buildings			
Less than one year	**292 582**	638 007	411 283
Between one and five years	**-**	294 833	541 225
	292 582	932 840	952 508
Bank-total			
Motor vehicle and equipment			
Less than one year	**132 991**	34 928	49 854
Between one and five years	**117 927**	22 000	31 593
	250 918	56 928	81 447

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.

34. Other expenses

	2017 USD	2016 USD	2015 USD
Bank-total			
Software licensing and other information technology cost	**731 163**	831 784	874 347
Professional fees	**1 516 618**	1 082 105	1 541 117
Marketing & advertising	**362 720**	302 694	140 043
Bank charges	**779 182**	682 337	717 955
Other	**3 257 252**	2 695 694	2 701 149
	6 646 935	5 594 614	5 974 611
Segment A			
Software licensing and other information technology cost	**80 084**	108 631	153 970
Professional fees	**166 115**	141 030	235 338
Marketing & advertising	**39 729**	39 450	21 385
Bank charges	**85 343**	88 929	109 636
Other	**356 764**	351 328	412 482
	728 035	729 368	932 811
Segment B			
Software licensing and other information technology cost	**651 079**	723 153	720 377
Professional fees	**1 350 503**	941 075	1 305 779
Marketing & advertising	**322 991**	263 244	118 658
Bank charges	**693 839**	593 408	608 319
Other	**2 900 488**	2 344 366	2 288 667
	5 918 900	4 865 246	5 041 800

35. Income tax expense

	2017 USD	2016 USD	2015 USD
Analysis of tax expense			
Bank-total			
Current tax expense			
Current tax based on adjusted profit	**822 059**	63 000	-
Deferred tax movement	**338 000**	877 000	939 000
Under provision in previous years	**6 795**	7 659	53 694
Special levy	**483 941**	139 000	539 000
Absorbed value added tax	**29 326**	50 822	53 201
Other taxes	**50 326**	35 043	11 816
	1 730 447	1 172 524	1 596 711
Segment A			
Current tax expense			
Current tax based on adjusted profit	**479 316**	-	-
Deferred tax movement	**69 000**	562 000	157 000
Under provision in previous years	**-**	(1 000)	45 670
Special levy	**281 683**	-	359 000
Absorbed value added tax	**3 321**	6 637	9 368
Other taxes	**5 698**	4 577	11 816
	839 018	572 214	582 854
Segment B			
Current tax expense			
Current tax based on adjusted profit	**342 743**	63 000	-
Deferred tax movement	**269 000**	315 000	782 000
Under provision in previous years	**6 795**	8 659	8 024
Special levy	**202 258**	139 000	180 000
Absorbed value added tax	**26 005**	44 185	43 833
Other taxes	**44 628**	30 466	-
	891 429	600 310	1 013 857

35. Income tax expense (continued)

	2017 USD	2016 USD	2015 USD
Reconciliation of effective tax rate			
Bank-total			
Net profit before income taxes	**23 016 786**	14 042 057	23 202 194
Current tax based on adjusted profit	**822 059**	551 950	-
Non-allowable expenses	**25 171**	23 112	-
Deferred tax charge	**338 052**	-	939 000
Over provision in previous years	**6 795**	98 262	53 694
Deferred tax not recognised	**(25 223)**	332 782	-
Special levy	**483 941**	139 280	539 000
Losses utilised against segment B	**-**	(58 726)	-
Absorbed value added tax	**29 326**	50 822	53 201
Other taxes	**50 326**	35 042	11 816
	1 730 447	1 172 524	1 596 711
Segment A			
Net profit before income taxes	**3 361 008**	933 459	2 996 065
Current tax based on adjusted profit	**479 316**	158 692	-
Non-allowable expenses	**10 286**	10 986	-
Deferred tax charge	**69 340**	-	157 000
Over provision in previous years	**-**	57 733	45 670
Deferred tax not recognised	**(10 627)**	332 782	-
Special levy	**281 683**	-	359 000
Losses utilised against segment B	**-**	-	-
Absorbed value added tax	**3 321**	7 115	9 368
Other taxes	**5 698**	4 906	11 816
	839 018	572 214	582 854
Segment B			
Net profit/(loss) before income taxes	**19 655 777**	13 108 598	20 206 129
Current tax based on adjusted profit	**342 743**	393 258	625 000
Non-allowable expenses	**14 886**	12 126	-
Deferred tax charge	**268 712**	-	157 000
Over provision in previous years	**6 794**	40 529	8 024
Under provision in previous years	**(14 597)**	-	-
Deferred tax not recognised	**202 258**	-	-
Special levy	**-**	139 280	180 000
Losses utilised against segment B	**26 005**	(58 726)	-
Absorbed value added tax	**44 628**	43 707	43 833
Other taxes	**-**	30 136	-
	891 429	600 310	1 013 857

36. Statutory and other reserves

	Credit risk reserves USD	Fair value reserves USD	Share-based payment USD	Total USD
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 gains 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/beginning of year 2017	**67 559**	**54**	**33 033**	**100 646**
Net loss on available-for-sale financial investments	**-**	**(15 008)**	**-**	**(15 008)**
Share-based payment	**-**	**-**	**(3 673)**	**(3 673)**
Transfer to general banking reserve	**48 107**	**-**	**-**	**48 107**
Balance at end of year 2017	**115 666**	**(14 954)**	**29 360**	**130 072**

Statutory reserve

A statutory reserve of USD15 284 592 as at 31 December 2017 (2016: USD12 091 641 and 2015 USD: 10 161 211) 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.

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.

37. Commitments

	2017 USD	2016 USD	2015 USD
Bank-total			
Loans and other facilities			
Undrawn credit facilities	**2 500 000**	-	20 905 668
Segment A			
Loans and other facilities			
Undrawn credit facilities	**-**	-	-
Segment B			
Loans and other facilities			
Undrawn credit facilities	**2 500 000**	-	20 905 668

38. Related parties

Emoluments:			
Full time directors	**865 871**	757 632	702 872
Non-executive directors	**74 376**	75 726	68 134
Key management personnel	**1 414 935**	1 277 492	1 363 127
Emoluments – key management personnel			
Short-term employee benefits	**1 574 811**	1 626 092	1 637 339
Recharges[7]	**(215 300)**	(370 482)	(279 857)
Deferred bonus scheme	**55 424**	21 882	5 645
	1 414 935	1 277 492	1 363 127

[7] Recharges for services rendered.

38. Related parties (continued)

The following transactions were carried out with related parties:

	2017 USD	2016 USD	2015 USD
Balances and placements with Parent			
At 1 January	**1 136 319 834**	1 098 468 565	2 619 306 802
Made during the year	**74 311 264 854**	84 781 099 787	151 819 966 725
Repaid during the year	**(74 735 168 665)**	(84 743 248 518)	(153 340 804 962)
At 31 December	**712 416 023**	1 136 319 834	1 098 468 565
Loans and advances to parent			
At 1 January	**5 000 000**	5 000 000	2 678 571
Made during the year	**-**	-	2 321 429
Repaid during the year	**(5 000 000)**	-	-
At 31 December	**-**	5 000 000	5 000 000
Interest received from parent during the year	**18 441 749**	11 349 398	9 501 350
Accrued interest receivable from parent at 31 December	**2 131 874**	1 716 053	1 496 112
Balances and placements with Other related parties			
At 1 January	**157 983 040**	85 489	237 641
Made during the year	**-**	157 897 551	-
Repaid during the year	**(57 689 800)**	-	(152 152)
At 31 December	**100 293 240**	157 983 040	85 489
Loans and advances to other related parties			
At 1 January	**66 369 045**	116 298 000	100 000 000
Made during the year	**-**	-	16 298 000
Repaid during the year	**(628 427)**	(49 928 955)	-
At 31 December	**65 740 618**	66 369 045	116 298 000
Interest received from other related entities during the year	**2 419 837**	2 116 010	2 712 518
Accrued interest receivable from other related entities at 31 December	**283 476**	253 367	135 502

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.

38. Related parties (continued)

	2017 USD	2016 USD	2015 USD
(iii) Borrowings from parent			
At 1 January	**4 018 000**	10 996 984	43 455 945
Received during the year	**-**	-	-
Repaid during the year	**(1 422 586)**	(6 978 984)	(32 458 961)
At 31 December	**2 595 414**	4 018 000	10 996 984
Interest paid during the year	**139 438**	302 739	873 637
Interest payable at 31 December	**843**	32 822	8 923

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

	2017 USD	2016 USD	2015 USD
(iv) Deposits from other related parties			
At 1 January	**44 101 805**	56 428 563	20 463 033
Received during the year	**1 334 000 000**	-	35 965 530
Repaid during the year	**(1 342 103 283)**	(12 326 758)	-
At 31 December	**35 998 522**	44 101 805	56 428 563
Interest paid on deposits	**614 520**	288 097	165 436
Interest payable at 31 December	**25 087**	32 822	11 248
(v) Deposits from parent			
At 1 January	**1 560 163**	3 110 675	-
Received during the year	**2 204 523**	-	3 110 675
Repaid during the year	**-**	(1 550 512)	-
At 31 December	**3 764 686**	1 560 163	3 110 675
Interest paid on deposits	**-**	-	1 266

Balances relate to vostro accounts.

	2017 USD	2016 USD	2015 USD
(vi) Subordinated liabilities	**-**	25 000 000	25 000 000
Interest paid	**1 024 157**	934 657	832 631
(vii) Deposits from Directors			
At 1 January	**196 355**	63 475	143 860
Received during the year	**216 627**	132 879	-
Repaid during the year	**(108 693)**	-	(80 385)
At 31 December	**304 288**	196 354	63 475
Interest paid during the year	**8 440**	1 255	2 888

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

	2017 USD	2016 USD	2015 USD
(viii) Recharges			
Recharges to other related entities	**175 316**	463 639	414 069
Recharges to parent	**28 842**	181 594	140 501
(ix) Expenses			
Management fees paid to parent	**1 163 656**	866 861	956 041
Other expenses paid to parent	**1 004 047**	1 136 545	972 192
Other expenses paid to other related entities	**-**	-	9 312
	2 167 703	2 003 406	1 937 545

Most of the other expenses paid to parent relate to IT support costs.

	2017 USD	2016 USD	2015 USD
(x) Amounts accrued but not yet paid for services rendered by parent			
Management fees	**291 813**	254 824	228 615
IT support services	**760 846**	598 997	551 067
Licence fee	**-**	124 152	-
Others	**-**	-	1 275
	1 052 659	977 973	780 957
(xi) Dividend paid to owner	**12 000 000**	20 000 000	10 000 000

The Bank did not have any non-performing related party exposure as at 31 December 2017 (2016: nil and 2015: nil).

As at 31 December 2017, the Bank's top six exposures to related parties was USD881 million which was 12 times the Bank's tier 1 capital.

(xii) IT transformation – Finacle
During the year the Bank purchased a new core banking system: Finacle for an amount of USD19 800 814 from SBSA.

39. 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)

40. 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.

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