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Annual report 2018

STANDARD BANK (MAURITIUS) LIMITED

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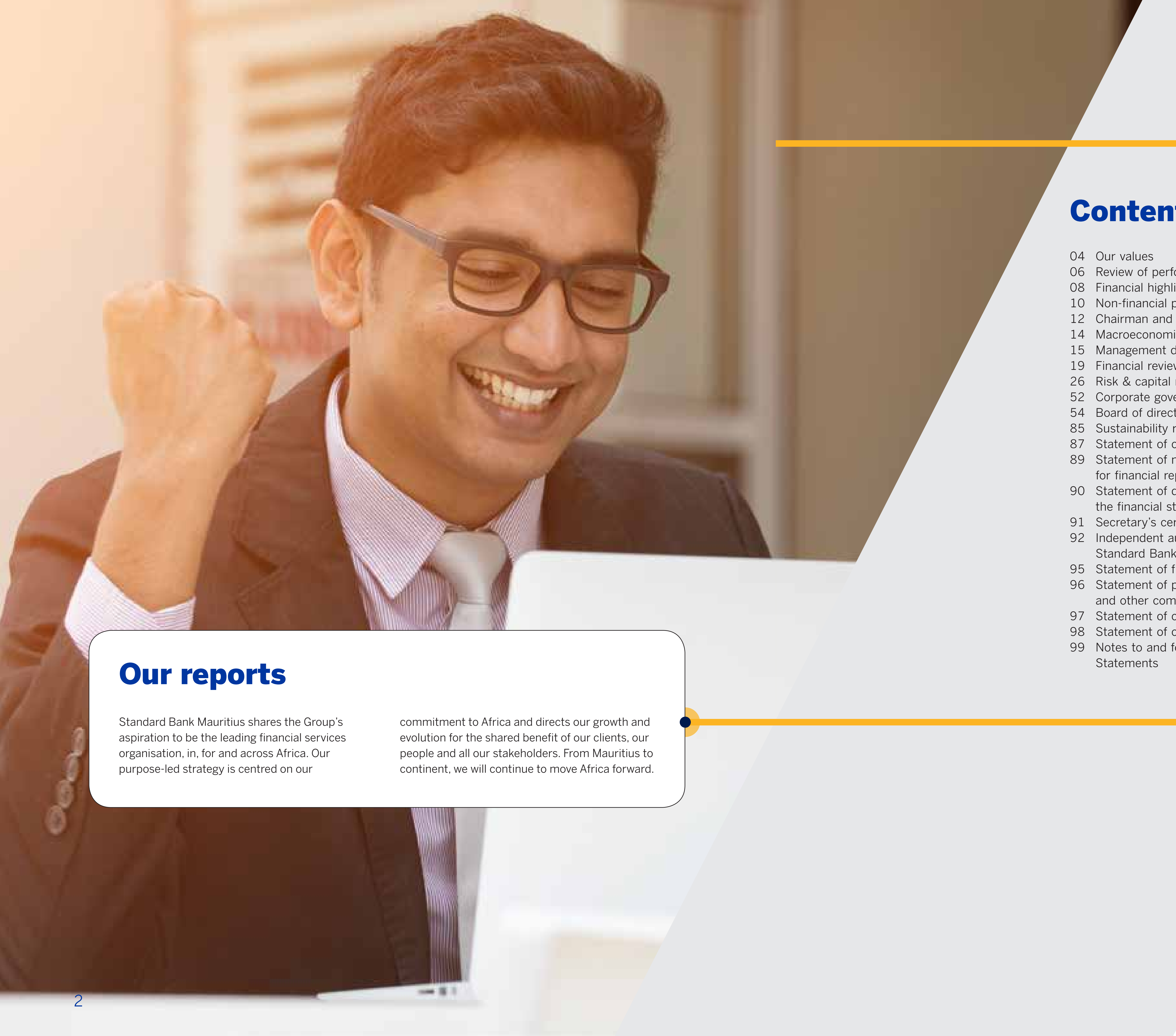
Standard Bank Moving Forward™



Our reports

Standard Bank Mauritius shares the Group's aspiration to be the leading financial services organisation, in, for and across Africa. Our purpose-led strategy 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. 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.

Serving our customers

Growing our people

Delivering to our shareholders

Being proactive

Working in teams

Constantly **raising** the bar

Respecting each other

Upholding the highest levels of integrity

Review of performance

25%
CAPITAL TO RISK-WEIGHTED ASSETS
2017: 32%

136
EMPLOYEES
2017: 138

USD115,791m
SHAREHOLDER'S FUNDS
2017:USD90,961 million

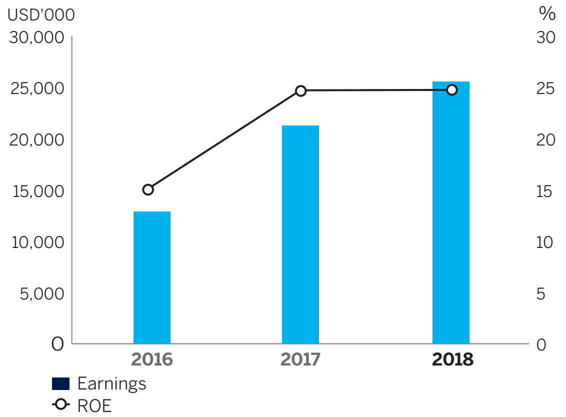
39.4%
COST INCOME RATIO
2017:41%

USD25,573m
EARNINGS ATTRIBUTABLE TO SHAREHOLDERS
2017: USD21,286 million

Financial highlights

	Dec-18 USD'000	Dec-17 USD'000	Dec-16 USD'000
Earnings attributable to shareholders	**25,573**	21,286	12,870
Statement of financial position			
Gross loans to customers	**231,933**	124,135	80,378
Total assets	**1,587,170**	1,280,777	1,534,545
Total deposits	**1,422,348**	1,164,410	1,377,558
Shareholder's funds	**115,791**	90,961	81,693
Common equity tier 1 / tier 1 capital before regulatory adjustment	**97,524**	71,298	81,278
Risk weighted assets	**380,950**	226,974	207,403
Performance ratios (%)			
Return on average total assets	**1.8%**	1.5%	0.9%
Return on average equity	**24.7%**	24.7%	15.1%
Return on average tier 1 capital	**30.3%**	27.9%	15.3%
Cost to income ratio	**39.4%**	41.0%	50.0%
Non interest income to total income	**39.5%**	44.5%	50.7%
Loan to deposit ratio	**16.0%**	16.0%	11.1%
Capital adequacy ratio			
Common equity tier 1 / tier 1 capital ratio	**24.1%**	31.4%	39.2%
Capital to risk weighted assets	**25.0%**	32.0%	48.0%
Asset quality			
Non performing loans	**812**	812	812
NPL ratio (%)	**0.4%**	0.7%	1.0%
Allowance for loan impairment losses	**839**	(183)	365
Credit loss ratio	**1.0%**	(0.2%)	0.4%
Number of employees	**136**	138	131

Earnings attributable to shareholders



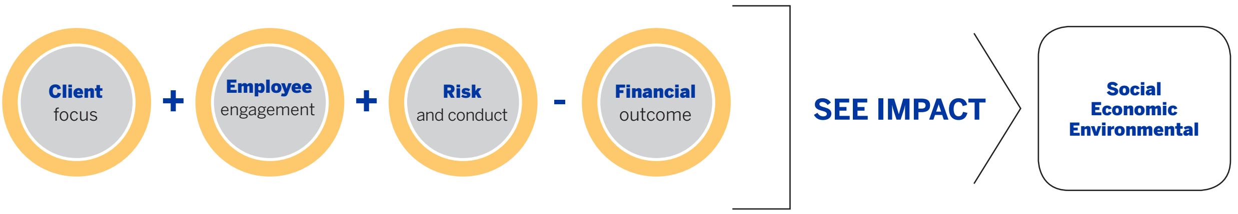
Non-financial performance

Strategy

The strategy of Standard Bank (Mauritius) Limited (the "Bank" / "Standard Bank") is designed to support the Standard Bank Group's (the "Group") aspiration to be the leading financial services institution, in, for and across Africa, delivering an exceptional client experience and superior value. Our purpose-led strategy 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. The main value drivers upon which the Bank remained focus to reinforce and enhance are: client-centricity; employee engagement; risk and conduct; financial outcomes; and the social, economic and environmental impact we need to make to drive Africa's growth.

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.

The Bank's strategic value drivers is depicted below:



Client focus

As a financial services organisation with a broad offering of products and services, 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.

Our goal is for 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.

To understand how satisfied our clients are with our service, internally facilitated client surveys appropriate for each business unit are conducted during the year. Our indicator is the Client satisfaction index (CSI), with our (CSI) score having remained unchanged since last year at 7.9. In May 2018, the Bank hosted a two-day Pan-African Business Conference jointly with Coverage Africa to present the Mauritius jurisdiction benefits for African multi-national corporations (MNCs). The conference saw the participation of Group clients from Africa, United Arab Emirates, Hong Kong and China amongst others. The aim of the Mauritius Business conference was to enable the Bank to showcase the additional benefits that Mauritius brings to the Standard Bank value proposition. Executives from top African companies, Mauritian policy makers and other key stakeholders were able to discuss investment opportunities and challenges on the continent and how Mauritius is a strategic trade, investment and financial hub for investment flows in Africa. Delegates had an excellent opportunity to network, build relationships and create business growth avenues.

Employee engagement

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

Risk and conduct

At Standard Bank we want to do the right business the right way. Our licence to operate, and our competitiveness, is a function of the trust our stakeholders have in us. Our ability to manage risk and uphold the letter and spirit of the laws, regulations, codes and standards applicable to our businesses: from regulatory capital requirements to the highest standards of ethical and responsible business practice, determines our reputation. The importance of risk and conduct is growing, as financial crime and corruption become more pervasive, and the conduct of banks comes under increasing scrutiny.

Financial outcome

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. We deliver superior value to shareholders whilst ensuring the financial performance. By delivering positive results on our client focus, employee engagement and risk and conduct value drivers, we seek to improve our financial outcome.

Digitalisation

We believe Digitalisation is more than just technology; it is about delivering our concept of Universal Financial Services Organisation (UFSO) through secure, personalised and relevant experiences to our clients and employees in real time and all the time. We have invested significant resources with a view to automating our processes and to becoming a paperless environment.

SEE Impact

The SEE impact is the social, economic and environmental (SEE) impact the Bank has in the society in which it operates. We drive Africa's growth in a responsible manner. Our social and environmental initiatives are discussed in the Sustainability section of the report on page 85.

Sponsorship

In 2018, we supported the following events:

Mauritius World AI Show and World Blockchain Summit

Blockchain forms part of Standard Bank's digitisation strategy and it ties into our vision to drive Africa's growth. We are one of the leading banks pushing innovation in the African financial sector through our collaboration across two consortiums, the South African Financial Blockchain Consortium, and the international R3 Consortium to advance Blockchain digital solutions. The Group is already engaged in a number of initiatives in Blockchain for business trade and is exploring enhancements that Blockchain technology can add to our cross border payment solutions.

As the Strategic Banking Partner, Standard Bank actively participated in the Summit where Paresh Daya, Blockchain Strategist from the Group was a keynote speaker and showcased how powerful technologies like Blockchain can unleash new avenues for growth and revolutionise the way Africans bank. By sponsoring the World AI Show and World Blockchain Summit in Mauritius, Standard Bank supported the Bank's strong commitment and efforts in encouraging FinTech innovation which we believe is key in driving Africa's economic growth and prosperity.

Africa Day – Soweto Gospel Choir

The Bank partnered with the Nelson Mandela Centre for African Culture to celebrate Africa Day and promote the African culture. A series of activities were organised and we were one of the sponsors of the unique concert of the world renowned Soweto Gospel Choir for their performance in Mauritius.

Regards croises with IFM

The Bank was one of the proud sponsors of the photo exhibition 'Regards Croisés - 50ans d'Indépendance de Maurice' organised by l'Institut Français de Maurice (IFM) on the occasion of the fiftieth anniversary of the independence of Mauritius. The exhibition exposed the artistic expressions of young local talented photographers who through their photos, shared their perception of Mauritius, the progress over the last fifty years while showcasing the intimate memory of the Mauritian life and a contemporary reading of the Mauritian society.

Client events

The Bank carried out a number of hospitality and business events during the year. To reinforce business relationship and bring clients and employees together, the Bank seized the opportunity to organise an event around the Football World Cup tournament. In a relaxed and great atmosphere, the clients were invited to watch the first match of the World Cup quarter finals: France v/s Uruguay at Hennessy Park Hotel.

The annual Heritage month is celebrated in September in South Africa. To symbolically mark the event, the Bank invited its clients to celebrate the best of the South African culture from creative expression such as music and performances, to the historical inheritance and language.

Award

The Bank has been recognised as the Best Bank in Mauritius as part of the 2018 Global Finance Award. This award recognises the success of our client-focused strategy across our African footprint.

Chairman and Chief Executive's review

Louis Rivalland
Chairman

The Board of the Standard Bank (Mauritius) Limited is pleased to present its sixteenth Annual Report for the year ended 31 December 2018.

On behalf of the Board of directors, we are pleased to present Standard Bank (Mauritius) Limited's Annual Report for the financial year ended 31 December 2018.

Overview

2018 was an excellent year for Standard Bank Mauritius. We achieved 23% core business growth and delivered an all-time performance high since 2001. Taking into consideration the increased competition and challenges presented by some of our markets on the African continent, it is a performance we are particularly proud of. Overall, the growth momentum over the past few years has accelerated.

Major projects we focused on during the year including:

- Digitalisation: our projects and investments are focused on improving our technology for serving our clients better. Being on the forefront of technology is of utmost importance nowadays and therefore we are building to make sure we remain competitive while offering agile and efficient service.
- Client onboarding process: we have streamlined our onboarding process to improve the client experience and believe that this investment will positively impact the Bank's profits in the next few years.
- Core-banking system: we continue to enhance our core-banking system, which went live in 2017.
- Office space: our increased activities, client requirements and future growth are warranting additional office space that has been secured in Tower B of 1 Cybercity.

A client and interest rate environment lead performance

Being part of the largest bank in Africa has allowed us to capitalise on opportunities from our African franchise. This is core to our financial performance and growth in 2018 as in prior years. We benefit from the growth of our clients in Africa through increased flows and transactions. One of the main drivers of our financial performance last year is our loan book, which has grown by 87% as compared to 2017. Concurrently, since most of our transactions are done in US Dollars, the interest rate hikes in the US were also favourable for the Bank growing its Net Interest Income (NII). Cost-to-income ratio slightly improved from 41.0% in 2017 to 39.4% in 2018, even though our investments in technology, people and assets over the last year increased. ROE for the financial year was 24.7%.

Strategy:

Five principles guide our strategy aligned to Standard Bank Group strategy:

- Client Centricity – Meeting our client's expectations is key. In line with this, we run surveys to measure our level of service. Looking at the results from our last survey, it is acknowledged that our clients do appreciate our service. We aim to further improve over the coming years.
- Employee Engagement – Our employees play a major role in maintaining and improving customer service levels. Happy employees result in happy clients. We are committed to investing in employee engagement, more specifically employee wellness, work-life balance and healthy eating habits.
- Risk and Conduct – In this world of money laundering across geographic boundaries, risk and conduct is critical. At Standard Bank Mauritius, we bank the right client the right way and continuously analyse the potential risks involved with our banking products and channels while ensuring an in-depth due diligence before onboarding a client.
- Financial Outcome – We are on the right trajectory and have outperformed our targeted objectives in 2018. We aim to maintain this trend in 2019 and beyond.
- SEE Impact In order to sustainably function as a business and stay relevant to society, it is important that we also play our role in helping our community. We have undertaken various CSR projects by contributing both financially as well as non-financially.

At our November Board we have reviewed our client strategy and have concluded that we will discontinue Wealth and Investment segment to allow more focus on all other client segments of the Bank whereby driving incremental value add and focus for our target clients.

Corporate governance and directorate

Adhering to corporate governance, Standard Bank Mauritius instils regulatory best practice across its operations by ensuring that we adhere to:

- the Bank of Mauritius' Guidelines on Corporate Governance;
- the standards set out in the Code of Banking Practice;
- and Standard Bank Group guidelines.

The composition of the Board and its committees is reviewed to ensure that its balance and diversity are preserved while maintaining its effectiveness and efficiency at all times. In 2018, two new board members were appointed - Arvind Hari joined the Board as an Independent directorin light of his technology expertise while Antonio Coutinho joined the Board when he was appointed Regional Chief Executive in December 2018. A new Board committee, focusing on technology and data was constituted with its first board meeting held in November 2018.

Looking forward: focusing on value creation

In light of our performance, the outlook for 2019 looks promising. Strategically, we will focus on how we can create more value: this includes retaining and optimising our current value creation channels while also exploring new channels.

Acknowledgements

We would like to express our sincere gratitude to our customers for their loyalty and continued confidence in Standard Bank Mauritius. We would also like to thank our Board of directors, our shareholder as well as our regulators, both the Bank of Mauritius and the Financial Services Commission. We also have to acknowledge our employees and executive management team, who collectively created value for all our stakeholders.

Chairman
Louis Rivalland

20 March 2019

Chief Executive
Lakshman Bheenick

Lakshman Bheenick
Chief executive

Macroeconomic review

The world economy has demonstrated a subdued performance and the consensus is that global economic growth will be further downgraded for the years to come due to uncertainties with Brexit and geopolitical tensions. At the back of the global economic growth coupled with the projected developments in the domestic economy, Mauritius' GDP for the year grew by 3.8% when measured at market prices. The construction sector did well, by exiting recession in 2017, as it continues to support growth and helped in driving the economy in 2018. The tourism sector remains resilient.

Headline inflation has kept a downward trajectory since May 2018 to reach 3.2% for the twelve months ended December 2018. The main drivers are drops in vegetable prices and international oil prices. The expectation is that inflation will continue to drop in 2019 driven by much lower international oil prices but also a fairly stable evolution in the rupee. However, upside risks to the inflation outlook should not be overlooked as well.

Given the strong transmission mechanism and persistence of withdrawal of excess liquidity in the money market, yields are likely to remain close to the level of the BOM's key repo rate.

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

The Bank of Mauritius is expected to maintain the practice of managing the Rupee through two measures of the trade-weights, leaving the direction of the Rupee heavily reliant on the path of the Euro. The Rupee/Dollar has traded in the range 33.00 to 34.50 during the year 2018, and is expected to appreciate during the coming year, given the bullish view on the Euro and subdued demand for foreign currencies in the local market.

The Monetary Policy Committee (MPC) has left the Key Repo Rate unchanged at 3.50% p.a with a view to continuing to support economic growth.

Source: Standard Bank Research, Bank of Mauritius

Management discussion and analysis

The Bank focuses on servicing leading multinational corporations with operations in Africa, and large domestic African corporations that conduct business on the continent and offshore. We target our clients based on their size, the sector and geographic market they operate in and whether we can add value to their businesses. This is done through our deep specialisation in a diversified range of sectors that serve the needs of our client base. The key sectors we focus on are mining and metals, power and infrastructure, oil and gas, consumer goods, financial services, and telecommunications. The extensive knowledge we have of our markets, gained through our on-the-ground presence, and our deep understanding of our clients' businesses allows us to continuously assess and define country, sector and client risk and opportunity. This enables us to respond quickly and appropriately to changes in our operating context. We leverage our sector diversity by purposefully allocating resources to opportunities that enable the Bank to sustain revenue growth within the parameters of carefully considered risk-taking.

The results

Our client-centric strategy has enabled the Bank to achieve sound revenue growth in 2018. The various rate hikes in the US have been beneficial to the business since the Bank is mostly a USD liability driven business and this has positively impacted net interest income. The continued good performance of commodities prices has been positive for our clients which in turn translated to the Bank witnessing increased flows from its mining clients in 2018, with this sector being a significant contributor to the FX revenue. Revenue growth, combined with effective risk and credit management and continuous focus on cost discipline has contributed in the improvement of the Bank's profitability.

The Bank delivered a robust financial performance in 2018, with revenue growth of 22.7% being achieved. The profit after tax for the year went up by 20.1%, with ROE remaining flat at 24.7%. The strong revenue increase reflected the positive impact of our asset book growth, as well as benefiting from the positive endowment effect from the various interest rate hikes in 2018. The implementation of IFRS 9's expected credit loss (ECL) impairment requirement has resulted in additional credit impairment charge of USD1.4m this year. Costs were contained this year, and this translated into an improved cost to income ratio from 41% in 2017 to 39.4% this year. The Bank's capital position remained robust, with a common equity tier 1 (CET 1) ratio of 24.1%.

Review by business lines

The Bank serves the banking, finance, trading, transactional, investment and advisory needs of a wide range of multinational companies, local and regional businesses, financial institutions, governments and parastatals. This year we have embarked on a transformation journey of our business to ensure a singular focus on our clients: to understand their needs and to gain, and keep, their trust by delivering complete solutions, helping them to bank, earn and save. Our fit-for-purpose presence in 20 countries across Africa, combined with our committed people and enabling IT platforms, supports our large, diverse client base.

Our transactional products and services (TPS) unit hosts the Bank's liability base and provides short-term credit facilities. TPS has maintained its strong performance in 2018 with total revenue increasing by 31.5% compared to last year, led by new client acquisition which increased business volumes. 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.

The average loan book reached USD50m, an increase of 52% as compared to the corresponding period last year and well ahead of budget. New facilities were disbursed in the last quarter and with a healthy pipeline in place, 2019 looks promising. We expect the average asset book to continue to grow on the back of the new facilities disbursed in the last quarter of 2018 coupled with the deal pipeline we have in store.

Average liabilities were slightly above the USD1Bn mark, representing a 10.9% decrease as compared to prior year. A strong deposit growth was experienced in the last quarter which should stand us in good stead for 2019. With our existing clients' activities growing and some key client acquisitions, business volumes are forecasted to increase further. Focus will continue to be on growing our trade finance activity.

During the year, the Bank organised the very first Mauritius Business Conference with the objective to reach out to Group clients across the continent and position Mauritius as the gateway to Africa. A few leads were generated but more importantly, awareness of the Mauritius Client Value Proposition was raised. Continuous effort has been exercised in building the franchise and the growth in the loan book attested to this, with significant strides being made in creating solutions for core Mauritian clients.

As part of our digitilisation journey, we also successfully launched the mobile app for Business Online, our Internet banking platform, making it even simpler for our clients to view and approve transactions 24/7, anywhere, anytime on their mobile device. We have connected some of our clients to our Host to Host network and the latter allow the clients' transactions to flow more efficiently to the Bank's system.

Global markets houses Standard Bank's client-driven sales and trading activities and provides clients with access to the market using risk mitigation, yield enhancement and structured funding strategies. Our professional sales and trading teams provide flow, structured and innovative solutions across multiple asset classes, tailored to the needs of corporates, state-owned enterprises, governments and institutional investors in sub-Saharan Africa. 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.

Over the past year, we enhanced our FX process and reduced our turnaround time for FX execution from our non-direct dealing mandate clients. The new process has enabled us to liaise directly with our clients, who previously used to transact through their respective Relationship Manager, thereby improving client experience and service quality. Following a new directive from BoM in February 2018, the Bank is required to conduct all interbank and corporate transactions within its quoted bid and ask MUR rates.

As part of our digitalisation journey, we onboarded a number of clients on our e-market sales platform, eMarketTrader. This is Standard Bank's advanced cross-asset electronic trading platform, which brings together market intelligence and research, real-time pricing, trade execution and post-trade services in a single web-based platform. The Central Bank suspended the Forex Market Makers (FMM) system in May 2018. As a result, the Bank was able to participate in the FX interventions carried by the Central Bank and has more counterparties with whom to cover any FX positions.

Global Markets, which accounts for 32.5% of the Bank's revenue, had a strong year, with total revenues growing by 3.5% over prior year. Trading revenue went up by 15.8% on 2017, underpinned by strong client flows. The client strategy remained unchanged with the focus being on multi-national corporates doing business in Africa and using the Mauritian jurisdiction for its ease of doing business. Although turnover increased significantly by 92%, increased pressure on margins were noted.

Looking forward, digitisation and client centricity will continue to be our key focus. The main challenge however remains concentration risks which bring about volatility in income. To mitigate this risk, acquisition of new clients is key. Calypso, our front office system, will be upgraded in 2019.

The focus for **Investment banking** in 2018 has been execution of the pipeline existing at the end of the prior year and follow-through on the key strategic aim of leveraging our balance sheet capacity and Standard Bank Group's broad network to unlock value for our multinational group clients.

2018 saw some success in the context of delivering holistic, value-added solutions to our target clients, with two major Standard Bank-led syndicated loan transactions concluded and one significant arranging mandate secured for 2019. In all instances, the clients have benefited from a coordinated multi-jurisdictional approach which leveraged the Bank's understanding of their business both in Mauritius and across the African continent. The challenge will be to continue to identify and then quickly execute such solutions for more of our target clients going forward. Client feedback on Investment Banking has also improved, with the overall surveyed client satisfaction score increasing from 7.6 in 2017 to 7.9/10 this year.

The asset growth witnessed this year has enabled the increased diversification of the book - a key medium-term goal for the business. Further diversification is required to mitigate risk to earnings both from credit risk as well as unanticipated prepayments. Increasing single obligor limits have and will continue to enable the business to participate meaningfully in debt transactions, building scale and diversification in the book.

Looking ahead to 2019, the business finds itself in a similar position to the prior year, with an opportunity pipeline to close out as early as possible. The debt book is well positioned for growth with the immediate pipeline of debt opportunities looking promising. A continued focus on asset origination will be required to ensure that the necessary momentum in deal closure is maintained through to the end of the year and substantial origination work to be done in order to deliver similar levels of balance sheet growth to that seen in 2018. The aim is to continue to pursue fee income for debt arranging and structured finance solutions as part of the wider origination drive.

Wealth and investment had a good 2018 and reported its first ever full year profit ending the year at USD54k. Although there was a focus on right scaling the client base as from mid-year, the liability book grew on average from USD134m to USD156m.

The Bank has initiated a strategy review of the Wealth and Investment business at the August board and has concluded that banking services to the Wealth segment will not be offered as from 2019. Wealth and Investment banking services will be centralised to Standard Bank Jersey and Standard Bank Isle of Man to ensure client needs are met as both Standard Bank Jersey and Isle of Man offer full international banking, investment and trust products for clients looking to manage their wealth.

Risk and conduct

Our objective to do the right business the right way is pervasive – from our compliance with regulations, including the enforcement of measures to combat money laundering, financing of terrorism or other fraudulent practices, to our ethical conduct as individuals and as a financial services organisation.

As a financial institution with a global presence, our operations are required to adopt global best practice in financial standards. Our teams maintain relationships with the banking regulators and central banks to ensure that we understand and can proactively manage increasing regulatory change. We manage risk within an agreed risk appetite, which is regularly reviewed based on the insights of our risk teams and the group risk management function. Our strategy of developing relationships with our clients and knowing the sectors and markets they operate in, enables us not only to select quality clients and projects but also to avoid risk or anticipate it and respond proactively. We adjust our risk appetite indicators to reflect changes in our clients or their operating environments.

Human capital

Our people are our strongest competitive advantage. We focus on attracting, selecting and retaining high calibre employees.

In 2018, we focused on the following key initiatives:

- Implementation of a MANCO (management committee) with each function being represented
- Implementation of mentoring programme for those identified as 'talent' within the Bank
- Team Building event to foster collaborative culture
- Inauguration of rooftop terrace and gaming room
- Driving engagement through office vibe and Are you a fan survey

Operations covers a wide range of enablement functions including Payments, Client Services, Trade Services, Global Market Operations, Operations Processing Centre, KYC Integrity, Data Services, Reconciliations, Facilities Management and Procurement. These functions exist to facilitate the needs and requirements of their customers i.e. the internal business partners and external customers. In 2018, the motto for Operations was to leverage digitisation with a view to improve business processes and client's experience.

Operations has, through numerous initiatives during 2018, demonstrated its firm willingness to leverage digitisation through:

- The integration of our KYC systems with our Core Banking platform and the embedding of the CRA methodology
- Global Payment Initiative (GPI)
- The upgrade of our internal accounts reconciliation platform

As per our Group Architecture, our KYC systems cater for Know Your Customer (KYC) obligations, Anti-Money Laundering (AML) practices as well as Foreign Account Tax Compliance Act (FATCA) requirements and other regulatory services while our Core Banking platform remains the approved source of client master record. The process required capture of data on both KYC systems and Core Banking platform. The purpose of this KYC/Core Banking Integration project was to enable seamless transferring of client's data, so that when a new client is on-boarded or when an existing client is amended, the KYC systems will send the information directly to the Core Banking platform. The integration greatly reduced the manual re-capture of information and this translated in faster turnaround time for client on-boarding.

As part of the project, the Bank decided to use a new Document Storage Platform hosted in Mauritius; existing clients' documents were successfully migrated from the legacy platform to the new Document Storage Platform and new documents are now integrating from the KYC system. With this new feature, KYC documentation upload and retrieval improved as these documents are stored in Mauritius instead of South Africa.

Finally, the review of the CRA methodology was run concurrently with the KYC/Core Banking Integration project. This upgrade ensured compliance with Bank of Mauritius Guidelines to assess all our clients on a risk-based approach as well as to align to the Group Client Risk Assessment framework.

The Bank became a GPI Bank as from 19 November 2018. The GPI is a tracker database developed by SWIFT which is securely hosted with them and which gives end-to-end visibility on the status of a payment transaction from the moment it is sent until it is confirmed. In today's world, customers expect great transparency, they are eager to track the progress of their payments instructions up to final remittance to the ultimate beneficiaries. Until now each bank was only able to guarantee and share information on its own leg of the payment. Enrolling to the SWIFT GPI enabled the Bank to provide end-to-end payments tracking. SWIFT GPI accredited banks need to adhere to stringent performance standards with regards to their handling of inward remittances and banks who have enrolled to the service have seen a marked improvement in the time taken to credit the end beneficiaries. The main benefits for us is to ensure a better end-to-end service to clients and reduced operation costs and time spent on investigation.

Our Reconciliation unit experienced a very smooth upgrade of our accounts reconciliation platform. Same was hosted on an unsupported version previously.

Finally, the operating model of the Client Services team which outlived its original intent required a refresh in the approach. Client Centricity being one of our strategic value drivers, Client Services operating model was restructured in October 2018 to see the enablement of direct Relationship Management support staff in the Coverage/Transactional Products & Services (TPS) structure, dedicated and reporting to the Relationship Managers whereas routine query management by phone and email and due diligence on payments remained within the responsibility of Client Services, dedicated and reporting to Operations.

More projects, under the digitisation theme, were on-boarded during the last quarter of 2018 and are expected to materialise in 2019 namely:

(1) The enablement of our new Trade Finance platform through which the Bank's Trade Products will be managed from. These products include Documentary Collections, Export Letters of Credit and Guarantees and the benefits that will arise from this initiative include automated charges and commissions, automated customer advices and SWIFT correspondences.
(2) The enablement of Straight-Through-Processing (STP) between our Business Online and our Payments Processing platforms will entail reduced manual capture of information on our Payments Processing platform as the information will be received directly from our Business Online platform.

We will maintain our top-quality services supporting both our internal and external clients. We will continue to operate in a well-controlled environment and will apply more proactive processes that will comply with our internal and external requirements while ensuring cost discipline.

Internal audit provides independent and objective assurance and consulting services designed to enhance trust through transparency and add value to improve the Bank operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit assists the Bank to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and the internal control environment.

Information technology is a strategic partner in leading the Bank's digital transformation of products, services and business models. Technology has become exponentially important in powering our Business and servicing our clients and is driven by trends in cloud computing, mobility, social networking and big data among others, while spanning across devices, infrastructure, software and services.

We believe digitalisation is more than just technology; it is about delivering our Universal Financial Services Organisation (UFSO) through secure, personalised and relevant experiences to our clients and employees in real time and all the time. We have invested significant resources with a view to automating our processes and to becoming a paperless environment.

As we transition from on-premises IT infrastructure to a hybrid model, we have steadily revamped our software portfolio to the point where most of our critical applications are now available from the Group's private cloud infrastructure. Our accounts reconciliation platform was hence migrated to South Africa in the same spirit of efficiency, standardised processes, consistent representation to clients and economies of scale. We also started the migration to South Africa of our Trade Finance platform towards the end of 2018 with an expected go-live in first quarter 2019.

Our successful deployment of Office 365's suite of products is also in alignment with this journey and now enables our employees to work smarter and collaborate more effectively with ripple benefits to servicing our clients better and faster. Office 365 is also an important stepping stone to our aspirations of introducing flexi-time as well as work-from-home capabilities in the near future.

One of the guiding principle of our Client Centricity strategy is to allow for a single consistent user experience for our clients. Our clients and staff require services to be available anywhere and anytime, irrespective of channel. We have enhanced our Business Online platform with a mobile application interface and we have also launched a new Internet Banking channel for our Wealth & Investment clients. Subtle enhancements on these two platforms now allows for a better and more secure client experience. We have also embraced the Group's new Ways of Working (nWOW) concepts to implement an environment that fosters curiosity, agility, digital thinking and continuous improvement by our people which allows for quick and frequent refinement of ideas and excellent delivery to our clients.

We have embarked on an exciting journey on how we use Data to guide our decisions, create valuable insights, deliver personalised experiences as well as meet our regulatory obligations.

Our KYC systems were successfully integrated with our Core Banking platform, a first in the Group, thereby reducing the manual capture of data and mitigating the risks of errors due to human intervention. This integration has also translated in faster turn-around times for client on-boarding, ensuring compliance to regulatory guidelines as well as improving the consistency of the Bank's data across various technology platforms.

As part of the Universal financial services organisation (UFSO), the Bank has initiated the setting up of a data warehouse architecture and will be the first in the franchise to roll this out. This is part of the greater initiative of automating and enabling all regulatory reports through XBRL.

Whilst cybercrime is on the rise, we have constantly remained vigilant and aware of the tactics cyber criminals employ to compromise the Bank's Information assets. Several cyber security awareness campaigns were carried out to ensure that our staff are upskilled and aware of the various risks that could impact the Bank.

IFRS 9 "Financial Instruments"

IFRS 9 has been implemented on 1st January 2018 following a parallel run since January 2017. There has been a one-off adjustment to reserves of USD851k at the start of the year in line with the provision for adoption of this new standard. As a result, the income statement has not been impacted with the transitional provision raised in line with IFRS 9 for this financial year end. The transitional adjustment to reserves has been reviewed by our external auditors.

External forces review

Legal and regulatory environment

The Bank continues 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 participates in discussions regarding new regulatory changes.

The Finance (Miscellaneous Provisions) Act 2018, brought major changes in the legislative framework impacting mostly the global business sector. The Global Business Category 1 and 2 Licences have been abolished, with some grandfathering provisions, and replaced by new types of vehicles namely: Global Business Licenced entity and an Authorised Company. The Bank has assessed the impact on its client base with appropriate actions taken, as required.

The main highlights of the other changes brought about by the Financial (Miscellaneous Provisions) Act 2018 are as follows:

- The Mauritius government had announced some significant changes in the Budget on the Global Business sector. The measures were announced following pressures from the European Union and OECD regarding transparency and harmful tax practices. Uncertainty amongst the players in the industry after the announcement prevailed and a few representations from the industry to the regulator were made, thereby allowing some changes being made to the initial regulatory changes. The Bank did not witness any deposits flight as a result of these changes.
- As part of the Budget speech in 2018, a new tax regime for banks will come into effect, applicable as from the 2020-2021 year of assessment. The new regime replaces the 17% tax rate applicable on income from domestic clients, and the 3% tax rate applicable on income from non-residents and companies holding a Global Business Licence. Banks will be subject to a corporate tax rate of 5% on their tax chargeable income up to the first MUR1.5Bn (approx. USD44m), with a tax rate of 15% being applicable on chargeable income above the afore-mentioned threshold unless they meet certain conditions. As a result of this change, the Bank had a one-off adjustment of USD670k as a result of the change in its deferred tax rate in 2018.
- The Special levy rates for banks will also change as from the financial year 31 December 2019. Special levy under the Income Tax Act was previously applicable at 10% on chargeable income from domestic clients and 3.4% on book profit and 1% on operating income from non-residents and companies holding a Global Business Licence. Under the new legislation, Special levy is now provided for under the Value Added Tax Act and applies only to Mauritius tax resident clients. Banks having a net operating income below MUR1.2bn (approx. USD35m) will be subject to special levy at 5.5% on their net interest income and other income (before expenses) from Mauritius resident clients. A 4% levy will apply to banks having net operating income above MUR1.2bn (approx. USD35m).
- The Bank of Mauritius has been empowered to establish a Central KYC Registry whose main purpose shall be the collection of KYC records submitted by clients to financial institutions regulated by the Bank of Mauritius and the Financial Services Commission.
- With a view to combat money laundering and terrorism financing, provisions of the Banking Act have been consolidated to require banks to implement programmes against money laundering and terrorism financing, and to undertake a risk assessment prior to the launch of new products, business practices or technologies for new/existing products. In the same vein, the Financial Intelligence and Anti-Money Laundering Act has also been amended requiring banks to undertake enhanced due diligence on clients and to report to the Financial Intelligence Unit cash transactions, electronic transfers of money to and from Mauritius and currency transactions in excess of the prescribed amount.
- New offences regarding breach of Confidentiality Information of clients: Any person to whom information pertaining to a customer is disclosed in contravention with the Banking Act or any person who becomes in possession of such information relating to the affairs of a customer without just or reasonable grounds or any person who publishes in any form whatsoever, any information relating to the affairs of a customer or financial institution without the express written consent of the customer or financial institution shall commit an offence.

Regulatory developments impacting the Bank

New and revised regulatory guidelines

The Bank of Mauritius and the Financial Services Commission 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) Guideline on internet banking (Guideline has been repealed)

On 12.07.2018, the Bank of Mauritius advised that the existing Guideline on Internet Banking will be repealed and replaced by a new Guideline on Information Technology Risk Management. The new guideline will be aligned with the provisions of Section 6.53 of the Guidance notes on AML/CFT.

(ii) THE FINANCE ACT/FIAMLA / Regulations 2018

The Mauritius Finance (Miscellaneous Provisions) Act, 2018, has been promulgated in the Government Gazette. The object of the Act is to provide for the implementation of measures announced in the Budget Speech 2018-2019. Following changes brought to the Finance Act 2018, the FIAML Regulations 2003 has been revoked and the New FIAMLA Regulations 2018 became effective on 01/10/18. The Regulations provide stricter controls to the Bank such as CDD measures to verify the identity of customers and beneficial owners, maintenance of transactions records and identification of PEP.

(iii) National payment systems

The National Payment Systems (NPS) Act has been enacted, inter alia, to provide for the regulation, overseeing and supervision of national payment systems and payment systems being operated in Mauritius, and to designate the Bank of Mauritius as the authority for that purpose. The changes are relevant to the Bank and requires an in-depth analysis on the Bank's operations; affected departments being operations, marketing, business, credit, compliance and legal.

Two representatives from the Bank form part of the IPS implementation steering committee.

(iv) Data protection Act 2017 (Effective 15.01.18)

The previous Act has been repealed and replaced with the new revamped Act to align with the New EU General Data Protection Regulations (GDPR). The key changes to the legislation are express consent versus lawful processing, erasure of personal data, lawful processing, right to object, obligation to inform and the impact assessment.

Looking Forward

In the face of fast-growing competition from established banks and new competitors, we have a relentless focus on three immediate priorities – to transform into a client-centred, digitally enabled, and integrated universal financial services organisation. With our core banking platform, we will increasingly focus on front-end solutions and innovations, the benefit of which will be experienced directly by our clients. We support faster, more inclusive and sustainable economic growth throughout the continent. At the same time, we are focused on improving the returns we deliver to our shareholders. We will continue to focus on the levers available to deliver on our targets, including positive jaws, efficient capital allocation and improving returns.

Financial review

"The MDA includes forward-looking statements and there is a risk that forecasts, projections and assumptions contained therein may not materialise and that actual results may vary materially from the plans and expectations. The Bank has no plan to update any forward-looking statements periodically. The reader should, therefore, stand cautioned not to place any undue reliance on such forecasts. "

Table 1: **Performance against Objectives by key areas**

	Objectives 2018	Performance 2018	Objectives 2019
Return on Equity	ROE expected to hover around 20.4%.	ROE was at 24.7% following increases in net interest income by 18% and trading revenue by 10% coupled with a contraction in costs by 7%.	An ROE of 23.5% is expected to be generated, based on a budgeted profit of USD30.5m.
Return on Average Assets	ROA was estimated to decline to 1.2% on account of lower profitability.	Return on average asset increased to 1.8% as a result of increased earnings.	ROA is expected to close at 1.7% in 2019.
Operating Income	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 income exceeded target by 12% driven by a 18% positive impact on NII, due to an increased loan book and better margin as well as a favourable increase of 10% in trading income.	NII is expected to increase by 19% on account of new term facilities. Non-interest income is expected to increase by 15%, driven by additional fees and increased forex flows.
Operating expenses	Operating cost is expected to increase by 27%.	Operating costs went up by 18% and was below target by 7% following a rigorous cost containment	Operating Cost is expected to increase by 17% driven mostly by increased headcount, rental of new premises and professional fees.
Cost to Income	The cost to income ratio is expected to be contained at 47.5%.	Cost to income ratio improved at 39.4% following an increase in revenue coupled with the curtailment in costs.	The cost to income ratio is expected to hover around 40%.
Loans & Advances Growth	The loan book is expected to increase by 107%.	Loan and advances to customers was higher than the previous year by 88% but lower than budgeted by 9% as loans budgeted for took longer to materialise.	The loan book is expected to increase by 13%, on account of anticipated growth in client base.
Deposit Growth	Deposits are expected to increase by 46.3% from existing and new business.	Customer deposits were 22% behind target as a result of lower deposits received.	Deposits are expected to decrease by 6%.
Portfolio Quality	NPL ratio was expected to be within the threshold of 2% to 5%.	The ratio of non-performing loans 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 0.32% to 5%.
Capital Management	Capital management was targeted to be close around 24.1%	The capital adequacy ratio closed at 25.0%, with CET Tier I ratio at 24.1%.	Capital adequacy ratio is expected to close around 31.4%. with CET 1 at 30.4%

Review by financial priority area

Analysis of results

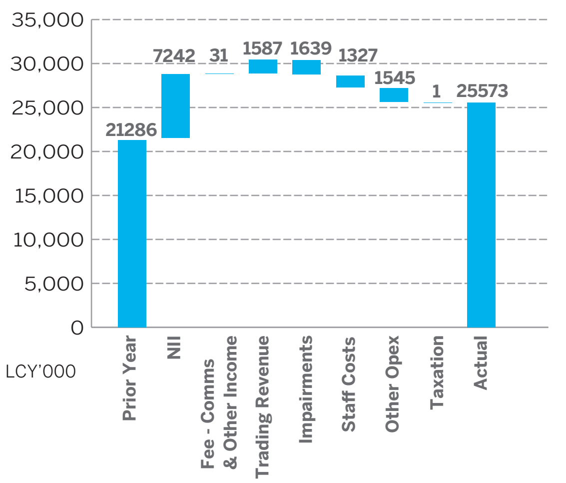
The Bank delivered a robust performance with a 20.1% growth in profit after tax on prior year to reach USD25.6m. This strong performance was delivered on the back of a significant improvement in operating income by 22.7%, supported by improved revenue flows as well as substantial higher trading revenues flows. The revenue growth was powered by the positive impact of our asset book growth, as well as benefiting from the positive endowment effect from the various interest rate hikes in 2018. The implementation of IFRS 9's expected credit loss (ECL) impairment requirement has resulted in additional credit impairment charge of USD1.4m, driving the deterioration in the credit loss ratio from a negative 0.2% in 2017 to 1.0% this year. Cost growth was contained at 18.1% and this resulted in positive jaws of 4.6% and a marginal improvement in cost to income ratio from 41.0% to 39.4%.

The good performance has resulted in the return on equity being maintained at 24.7%, on par with prior year, providing further evidence that we are on track executing our strategy, with business being stabilised. The Bank's capital position remained strong, with a common equity tier 1 (CET 1) ratio of 24.1% and a total adequacy ratio of 25.0%. Our balance sheet is robust, given both our strong capital and risk positions.

The Balance Sheet remains healthy and strong, with total assets significantly increasing by 23.9% driven by increases in term loans and placements.

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

Earnings attributable to shareholders



Global Markets (GM) posted another good performance this year with total income growth of 3.5% from prior year, with trading revenue being 15.8% higher than 2017, underpinned by strong client flows. Net Interest Income (NII) went down by 24.7% on prior year and was adversely impacted by margin contraction due to investments in sovereign bonds. This translated into a drop in GM's contribution to the Bank's overall total revenue from 38.5% in 2017 to 32.5% this year. This year the balance sheet optimisation efforts slowed down as the Bank increased its investments in treasury bills to meet the Bank of Mauritius liquidity coverage ratio requirements. The growth in the loan book has also dampened Global market ability to generate additional revenue, as the available excess funds were deployed to fund term assets. Profitability grew by 2.9%, dented by an increase in costs arising from the amortisation of Finacle, the Bank's core banking system which was implemented in 2017.

Transactional products and services (TPS) has recorded an excellent performance with increases in total revenue of 31.5% over the previous year. Their contribution to the Bank's overall total revenue has improved from 48% in 2017 to 51.2% this year. An increased utilisation in credit facilities drove the asset growth by 52% on average, while average customer deposits declined by 11%. Total income generated went up by 31.4% on prior year, attributable to net interest income, which rose by 43.5% to close at USD17.8m. Net interest income (NII) growth was reinforced with the benefit of higher average interest rates, following the various hikes in the US. NII contributed to 73.1% of the total income while the remaining 26.9% was achieved through fees and commissions. Both transactional volumes and non fund based facilities through letters of credit and guarantees issued throughout the year contributed to non interest income increasing by 7.1% year on year.

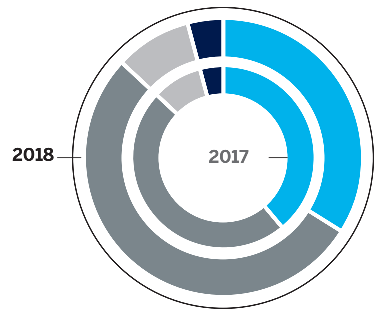
2018 has seen continued growth in **Investment Banking's (IB)** term lending book, with growth of 44% in term loans being witnessed, closing at USD129.2m. This has enabled the heightened diversification of the book and the continuous building up of the term book during the year has allowed NII to substantially increase by 46.6% year on year. A contraction in non-interest revenue was noted, as the fee-earning component of the business was not active this year. This downturn did not adversely impact revenue, with total income from Investment Banking growing by 19.6% year on year. Contribution to the Bank's overall total income has increased from last year and was at 9.0% for 2018.

Provisions for credit impairments had a key impact on headline earnings this year, with substantial credit provisioning of USD1.1m being raised, mostly on one particular asset having the largest impact. Managing that particular asset and maintaining a high standard of prudence and pragmatism in our origination efforts going forward will be critical.

Wealth and Investment contribution to total revenue remained at par with last year at 3.6%. Net interest income grew by 15.4% to close at USD1.4m, attributable to increased funding income on the deposit base. Non interest revenue also increased by 24% to reach USD269k. The liabilities book for Wealth and Investment business increased by 135% on average.

Contribution per product house to the Operating Income is detailed:

Contribution per product house



	2018	2017
Global Markets	34	39
TPS	53	48
Investment Banking	9	9
Wealth	4	4

Revenue growth

Total income grew by 22.7%, triggered by improved net interest income driven by enhanced margins and non-interest income went up by 9.0%, underpinned by enhanced forex flows.

Net interest income

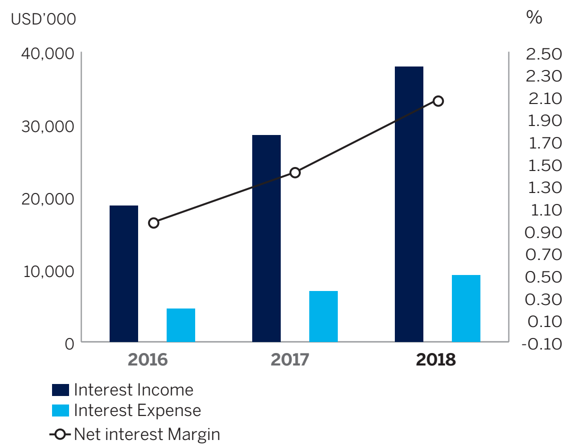
Despite challenges faced during the year in relation to the drop in average deposits from our customers base, the Bank delivered an enhanced net interest income. The growth in the loan asset book growth had a positive impact on income, in spite of the margin contraction witnessed as a result of the investment in highly liquid assets this year. Net interest income grew by 33.7% to reach USD28.7m on the back of an expanding loan book and enhanced margins.

Interest income has increased by 33% to close at USD37.9m compared to USD28.5m in the prior year. The average loans and advances portfolio rose significantly by 39%, due to new disbursements of term facilities and higher utilisation of short term credit facilities being witnessed. The Bank also benefited from income generated out of intra bank placements following the various Fed rate hikes which occurred in 2018. This increase in revenue was offset by a contraction in margin, following the investment of USD140m in US treasury bills to meet the liquidity coverage ratio as required by the Bank of Mauritius Guideline.

Although average deposit from customers were lower by 7% compared to prior year, interest paid to customers went up by 24% driven by increases in interest rates.

This translated into net interest margins widening by 65 bps from 1.42% to 2.1%, driven by higher average rates, loan pricing and funding margins.

Net Interest Income

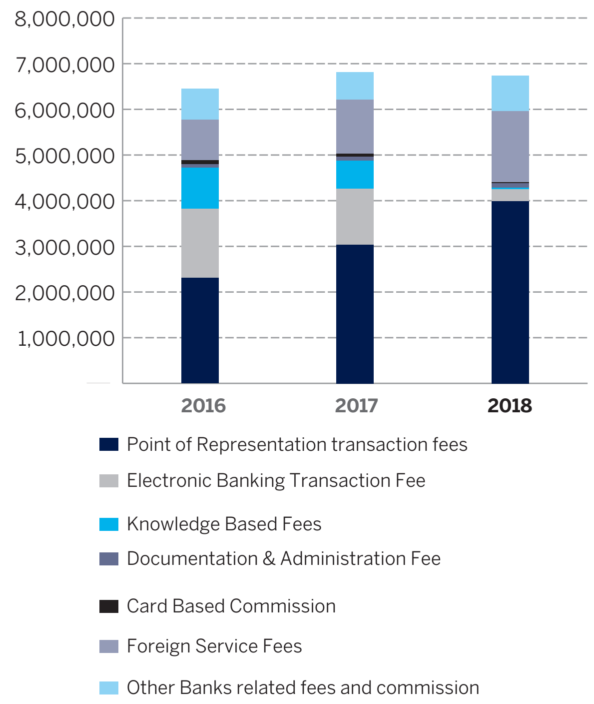


Non-interest revenue (NIR)

A 9.0% growth in non-interest income this year was noted, attributable to the enhanced trading revenue which rose by 14.7%, supported by strong forex flows.

Transactional activities remained subdued this year with transactional fees remaining at par with the prior year. Trade revenue levels depicted a strong growth of 31% spurred by an appreciable growth in both fees on imports and export activities, driven by increased volumes from both new and existing clients. The drop in knowledge based fees by almost 95% on the back of non-recurring structuring and advisory fees has been mitigated by the gains made in trade finance income. Custody income has remained at par with prior year, as a result of a strategic rethink on the custody business. Guarantee fees outperformed this year and were higher by 25%, driven by increased activity in this segment. This translated into net fees and commission revenue remaining almost at par with prior year at USD6.7m compared to USD6.8m in 2017.

Non Interest Revenue



Trading income

Trading revenue went up by 14.7% year-on-year to reach USD11.6m. The increase in revenue was mainly driven by an increase in corporate sales volume from major clients. The FX flow trading, which is the main income generator, contributed 98% of the trading revenue. The desk managed to grow foreign exchange volume by 92%.

Revenue from FX flow trading was 4% lower than 2017. The money market trading desk experienced a fall in trading revenue of 49% compared to prior year, resulting from a reduction in swap activities. As a result of the volatility prevailing in the foreign exchange market, client requirements for hedging solution were lower, driving a significant fall in demand for structured products.

Other revenue was 15.4% higher resulting from higher recharges of the shared services during the year to Standard Bank Trust (Mauritius) Co.

Credit impairment

IFRS 9 has been implemented on 1st January 2018 following a parallel run initiated since January 2017. There has been a one-off adjustment to reserves of USD835k at the start of the year in line with the provision for adoption of this new standard. As a result, the income statement has not been impacted with the transitional provision raised in line with IFRS 9 on 1st January 2018.

IFRS 9 required additional credit provisioning to be raised on financial investments, loans to banks and non fund based facilities. This has resulted in an additional credit impairment charge of USD39k for the year. Additional provision raised as Stage 1 for loan and advances to customers for the year was USD342k, driven by new asset disbursement and movement in risk grades. USD1,044k was raised as stage 2 provision on loans and advances this year. An overall release in credit impairment of USD346k was recorded on the back of early prepayments. The overall additional provision raised for the year under IFRS 9 was USD1.8m.

Specific impairment remained at the same level as last year at USD839k for one NPL account.

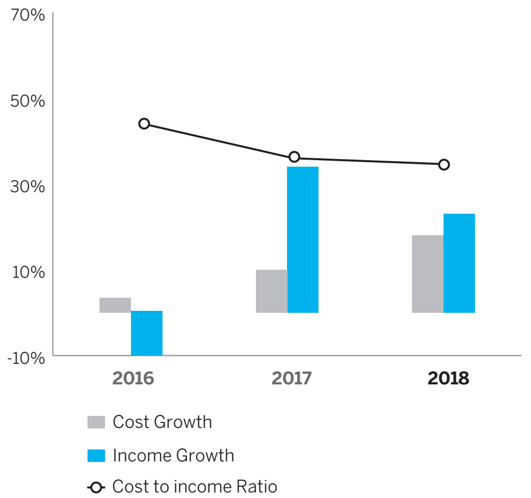
As a result, the credit loss ratio moved from -0.2% to 1.0% in 2018. The ratio of non-performing loan as a percentage of gross loans moved from 0.65% to 0.35% this year.

A detailed analysis of performing and non-performing loans is provided in the financial risk management report on page 133.

Operating expenses

Operating Expenses went up by 18.1% to reach USD18.7m in 2018. The increase in costs over the prior year is attributable to the capitalisation of 2017 staff costs associated to the Finacle implementation, along with the amortisation of Finacle, being a significant contributor to the increase. Cost containment measures implemented in 2017 were maintained in 2018, with the cost to income ratio reducing marginally from 41.0% to 39.4%.

Cost and Income Growth



Staff costs went up by 18.5% compared to prior year. Headcount has decreased by 1.5% from 138 to 136. The increase of 31.4% on fixed remuneration is driven by the capitalisation of core staff expenses, working full time on the Finacle project in 2017, coupled with the appointment of senior officers last year. Variable costs went up by 5.8%, driven mainly by an increase in incentives costs.

Operating expenses

Staff costs expenses	2016 USD'000	2017 USD'000	2018 USD'000
Staff costs			
Fixed remuneration	4,220	3,634	**4,777**
Variable remuneration and other costs	3,125	3,692	**3,905**
Total staff costs	7,345	7,326	**8,682**

Other operating expenses went up by 17.8%, driven mainly by the full year amortisation of the core banking system following the Finacle implementation in 2017. IT support cost dropped by 18.7%, as a result of IT projects that did not materialise. Professional fees went up by 4.6% on account of higher franchise fee paid to Group. Premises expenses went up by 8.7%, driven by additional floor space to accommodate expansion. Other expenses went up by 21.7% on account of increased training activities for staff.

Operating expenses	2016 USD'000	2017 USD'000	2018 USD'000
Other operating expenses			
IT support costs	833	1,083	**884**
Depreciation and amortisation	852	1,224	**1,971**
Professional fees	1,082	1,517	**1,587**
Premises	899	953	**1,036**
Other	3,418	3,745	**4,560**
Total other operating costs	7,084	8,522	**10,038**
Total operating costs	14,429	15,848	**18,720**
Cost to income ratio	50.04%	40.97%	**39.43%**

Tax

Tax charge for the year was at par with 2017. The effective tax rate of the Bank moved from 7.5% to 6.3% in 2018, driven by a higher proportion of the Bank's revenue coming from Segment B activities in 2018, with a drop in Segment A activities being witnessed in 2018. The new tax rates as enacted by the Finance (Miscellaneous Provisions) Act 2018 will apply to the Bank as from the year ending 31 December 2020. However, the new rates have already been applied for deferred tax purposes with a one off adjustment of USD670k in September 2018 as per requirements of IAS 12: Income Taxes.

Dividends

No dividends were paid in 2018 as funds were kept to cater for growth in business.

Statement of financial position

Total assets increased by 23.9% over the prior year to close at USD1.59bn This was driven by an increase in bank placement as a result of increases in customer deposits in December 2018. Customer loans also increased by 86.8% to reach USD232m. Deposits from banks went down, along with the borrowings from banks which also decreased following the repayment of medium term assets.

Cash and cash equivalents

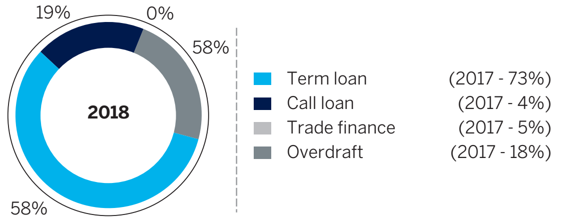
Cash and balances with banks increased by 53.3% to close at USD875m following increases in bank placements resulting from the increase in deposits.

Loans and advances

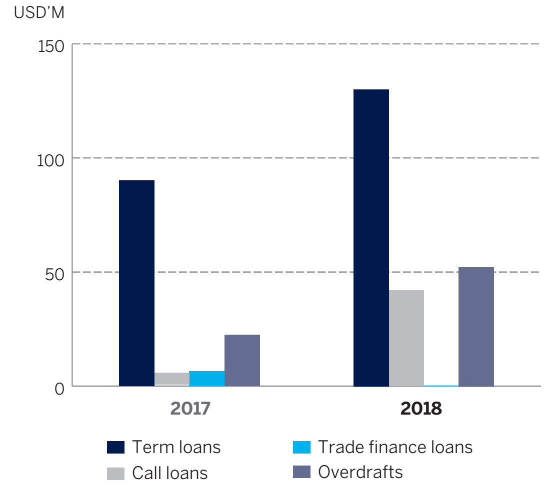
Gross loans and advances to customers witnessed a growth of 86.8% to reach USD232m, while loans to banks were at USD302m.

The Bank remains particularly focussed 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 this strategy back in 2016, we witnessed an increase in credit exposures year over year and the loan book has grown from USD124m in 2017 to reach USD232m in 2018. The asset book remained skewed towards Segment B activities, in line with our strategy.

Composition of gross loans and advances



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 USD130m, mainly due to increase activity in the Investment Banking portfolio. Overdraft, Call Loans, Loans and LC Acceptance as well have seen an increase year on year, mainly due to new disbursement and higher utilisation of limits. Import Loan exposure has shown a reduction from USD2.2m last year to USD166k in 2018 explained by a lower utilisation by one of our major customers.

Overall the product mix showed a higher weightage on the Loans product which represented around 56% of our Loan and Advances book while both Overdraft and Call Loans have increased by 22% and 18% respectively, showing a better diversification in terms of product categories in comparison to last year.

As at 31 December 2018, the loan to deposit ratio stood at 16%. (2017: 16%).

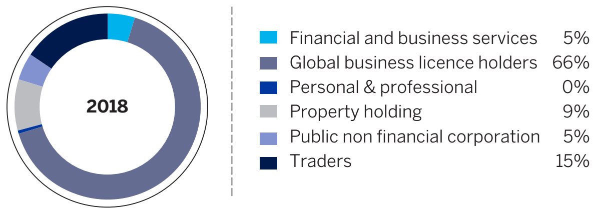
Credit exposure portfolio

As at end of December 2018, the Bank exposures to the Global Business Licence (GBL) and Traders sectors were 65.9% and 15.4% respectively. Exposure within the GBL sectors remained well diversified and in line with our sector cap policy.

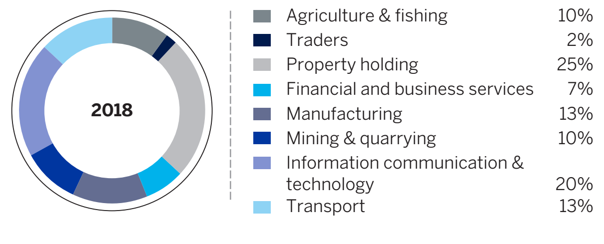
The Bank continues to trade with the established Tier 1 domestic counterparties, where working capital and short-term requirements are being financed, whilst continuing to service mainly the multinational corporates through the Segment B counterparties.

The Bank credit appetite is constantly being reviewed in relation to any sector challenges and macroeconomic changes and caution is exercised as and when appropriate. The Bank's appetite with respect to sectors where it is exposed, has remained constant compared to the previous year, except for the Mining and Quarrying, where we have slightly increased our appetite.

Credit exposure portfolio mix (%)



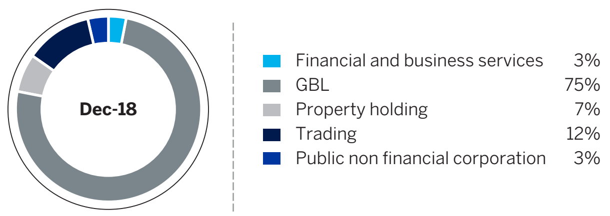
Global business licence holders portfolio mix (%)



A large credit exposure is defined by the Bank of Mauritius 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 Bank of Mauritius for the aggregate of such exposures not to exceed 800% of Tier 1 Capital. For all exposures 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.

Concentration for large exposures



As at 31 December 2018, out of the top 17 customers or group of customers with large exposure, one customer had exposure above 25% but less than 50% of Tier 1 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 2018 were as follows:

Sector	Exposure (USD'000)	Percentage of Tier 1 captal
Trading (1 client)	34,702	36%
GBL (11 clients and 3 group of clients)	222,730	228%
Financial (1 group of clients)	9,887	10%
Property holding (1 client)	20,273	21%
Public non-financial corporation (1 client)	10,178	10%
	297,769	

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. Led by higher yields in the market, holdings of MUR treasury bills for trading purpose went up from USD750k to USD2.5m

Trading liabilities

There were no trading liabilities at year-end.

Derivative assets and liabilities

Derivative assets and derivatives liabilities on derivative instruments held-for-trading experienced a significant drop of 87% each to reach USD1.3m and USD1.7m respectively. The drop was because of a reduction in volume of back-to-back FX options and client flows from structured products.

Inclusive of the derivative liability is also a derivative held for hedging. During the later part of the year, the Bank entered into interest rate swap agreements to hedge its banking book interest rate risk exposure from fixed rate loans. These interest rate derivatives are classified as derivatives held-for-hedging and hedge accounting was applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). There was a derivative liability of USD413k at year end on these contracts.

Financial investments

Financial investments which consist of MUR treasury bills and US treasuries, increased by 19.2% to reach USD147m.

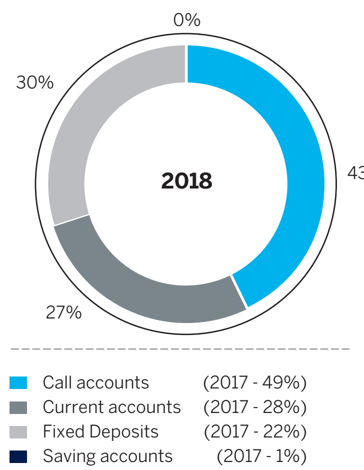
The Bank is required to maintain an adequate stock of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash at little or no loss of value, to meet the required Basel III Liquidity Coverage Ratio (LCR), as prescribed by the Bank of Mauritius. The increase in financial investments represent additional investments to meet the LCR requirement.

Deposits

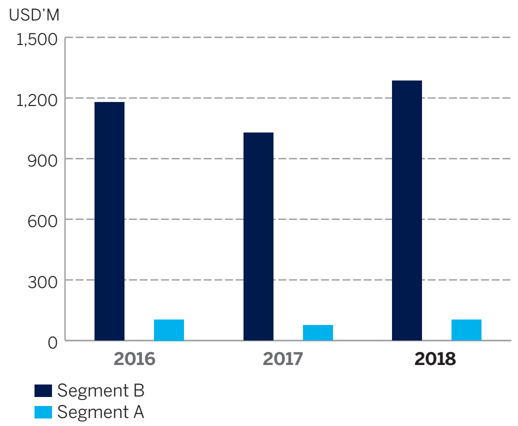
Customer deposits increased by 25.7% to close at USD1.4bn (2017: USD1.1bn). Growth of 21.8% in current deposits, 66.7% in fixed deposits and 10.6% in call deposits were witnessed in 2018. A drop in savings deposits by 38.7% was noted.

Analysis of deposits

Deposits



Deposits



Deposits from banks

Deposits from banks went down by 43% to close at USD34.7m. This was driven by lower balances from regional treasury deposits.

Other borrowed funds

Other borrowed funds decreased by 65.5% as a result of repayment of some term facilities that were funded by borrowings from related parties. There was no local interbank borrowings as at end of December 2018.

Off balance sheet items

Off balance sheet exposure per sector

Sector	2016	2017	2018
Agriculture & Fishing	-	1,000	1,000
Manufacturing	1,077	1,059	1,004
Telecommunications & ICT	5,580	6,299	40
Govt & Institutional Org (GIO) & infrastructure	79	89	36
Personal	15	8	8
Transport (Airlines, Shipping & Others)	156	153	153
Media & Entertainment and recreational activity	-	3,080	4,080
Commerce & Trading (Wholesale, Retail & Other dealers)	4,489	9,464	13,470
Property Holding	5,400	-	-
Financial Intermediation & Business Services	5,548	659	3,415
Construction	2,689	1,293	7,619
Mining & Quarrying	1,100	7,331	4,304
Energy	-	3,170	1,103
	26,133	33,605	36,232

Off balance sheet items

Off Balance Sheet exposure increased from USD34m to USD36m in 2018 as a result of increased non-fund based facilities to clients mainly in the commerce and trading, construction, Financial Intermediation & Business Services and Media & Entertainment.

Off balance sheet exposure by geographical concentration

Country	2017 USD'000	2018 USD'000
China	24	108
Botswana	75	133
France	7,827	11,681
India	45	-
Mauritius	24,418	20,416
South Africa	134	2,850
UK	1,000	1,000
UAE	82	44
	33,605	36,232

Credit quality

The implementation of IFRS 9's expected credit loss (ECL) impairment requirement has resulted in additional credit impairment charge of USD1.45m in balance sheet impairments, an increase of 98% on the 2017 IAS 39 Balance Sheet. The net provision raised in the balance sheet under IFRS 9 was USD4.0m for the year. This was mainly driven by new asset disbursements as well as non-funded facilities, loan to banks and financial investments. This in turn has driven the credit loss ratio to close at 1.0%, with total allowance for credit loan losses aggregating to USD4.286m under IFRS 9.

The non-performing loans (NPLs) ratio to total loans fell from 0.65% to 0.35% as at end of December 2018. No new account was classified during the year. Specific credit impairment provision at year end stood at USD839k.

The level of provision on the performing book was higher than the 1% regulatory requirement provision, as per Bank of Mauritius guidelines, thereby no additional statutory credit risk reserve was raised.

No additional portfolio provisioning in line with the macro prudential policy measures guideline was raised for personal sector for the same reasons as stated above.

A detailed analysis of performing and non-performing loans is provided in the financial risk management section on pages 137-141.

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 non-performing loan 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.

Risk & capital management report

Introduction

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

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

CREDIT RISK	Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk.
COUNTRY RISK	Country risk, also referred to as cross-border country risk, is the uncertainty that obligors will be able to fulfil obligations given political or economic conditions in the country.
COMPLIANCE RISK	Compliance risk is the risk of legal or regulatory sanction, financial loss or damage to reputation that the Bank may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its financial services activities.
FUNDING AND LIQUIDITY RISK	Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.
MARKET RISK	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, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.
OPERATIONAL RISK	Operational risk is the risk of loss suffered as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.
BUSINESS RISK	Business risk is the risk of earnings variability, resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.
REPUTATIONAL RISK	Reputational risk is the risk of potential or actual damage to the Bank's image which may impair the profitability and/or sustainability of its business.

RISK GOVERNANCE

The Bank's approach to managing risk and capital is set out in the Bank's Risk Management Framework, which is endorsed by the Board of directors. The framework has two components:

GOVERNANCE DOCUMENTS

Governance documents comprise standards, frameworks and policies which set out the requirements for the identification, assessment, measurement, monitoring, managing and reporting of risks and the effective management of capital.

Governance standards and framework are approved by the Board.

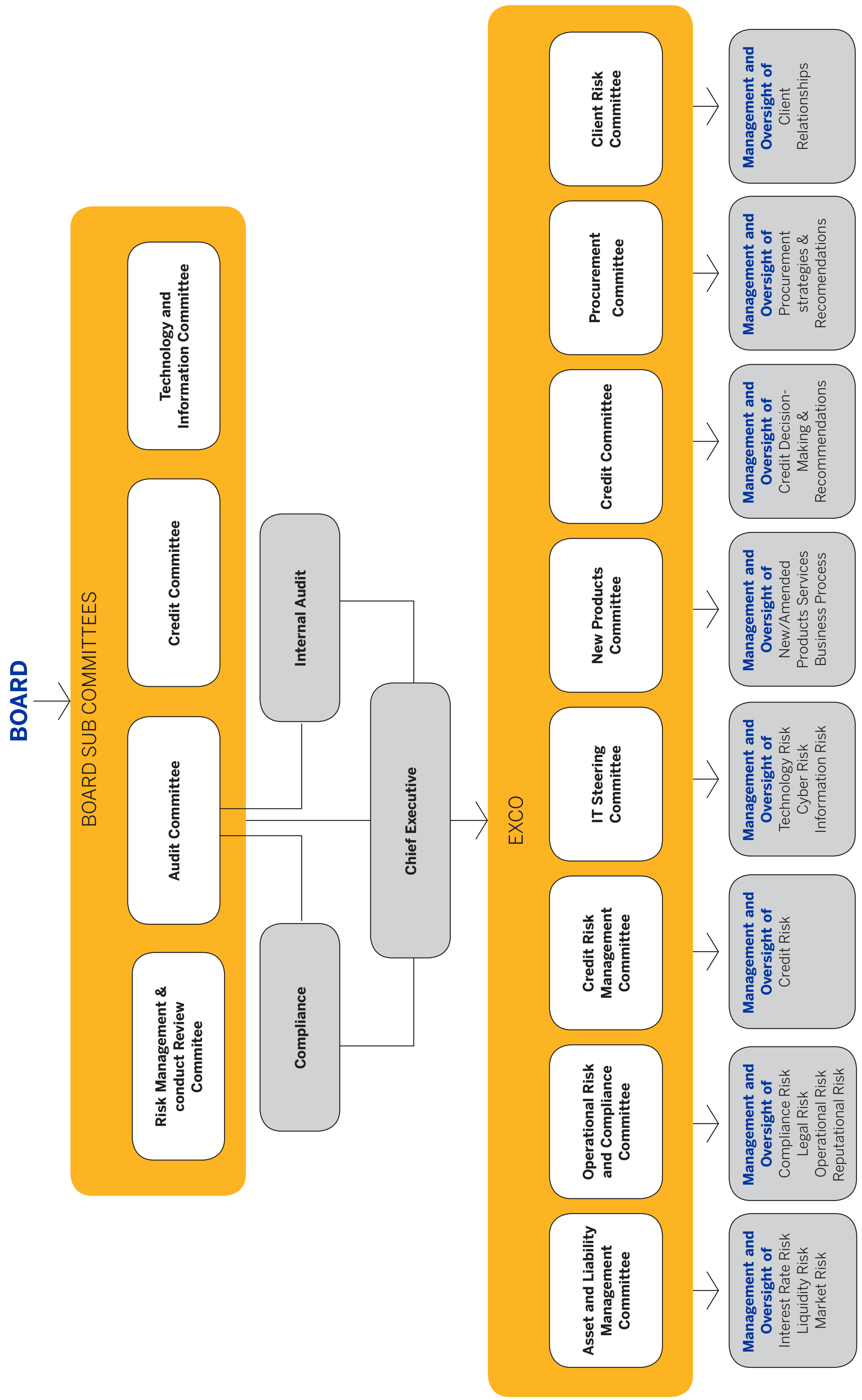
GOVERNANCE COMMITTEES

Governance committees are in place at both a board and management level. These committees have mandates and delegated authorities that are regurlarly reviewed.

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 Bank's governance infrastructure, reflecting the expectations and requirements of the Board and its committees in respect of key risk areas. The standards set out minimum control requirements and ensure alignment and consistency in the manner in which the major risk types and capital management metrics across the Bank are dealt with, from identification to reporting.

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

Structure



Board and sub-committees

The Board of 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 2018, 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.
- 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, Asset and Liability Management Committee, Operational Risk and Compliance Committee, IT Steering Committee and Credit Risk Management Committee are provided in the Corporate Governance Report section of this annual report starting from page 52. Other main operational Committees of the Bank are:

New products committee (NPC)

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 meet 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.

THREE LINES OF DEFENSE MODEL

THE FIRST LINE
BUSINESS LINES

The **First Line** of defence consists of the management of business lines. It is the responsibility of first line management to identify and manage risks. This includes, at an operational level, the day-to-day effective management of risk in accordance with agreed risk policies, appetite and controls. Effective first line management includes:

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

THE SECOND LINE
RISK MANAGEMENT AND COMPLIANCE

The second line of defence functions provide independent oversight and assurance. Resources provide oversight of risks and support management in ensuring that their specific risks are effectively managed as close to the source as possible.

The second line of defence functions develop, implement and intergrate governance standards, frameworks and policies for each material risk type to which the Bank is exposed. This ensures consistency and an enterprise-wide approach across business lines. Compliance with the standards and frameworks is ensured through self-assessments by the second line of defence and reiews by IA.

THE THIRD LINE
INTERNAL AUDIT (IA)

The Third line of defence provides independent and objective assurance to the Board and senior management on the effectiveness of the first and second lines of defence. This responsibility lies with the IA function.

RISK CULTURE

The Bank leverages on the three lines of defence model to build and maintain a strong risk culture, where resilience is a priority for the effective management of risk across the Bank. Focus is placed on multiple drivers to enhance risk culture, with emphasis on doing the right business, the right way. Employees are empowered to act with confidence, drive meaningful behavioural changes and place the customer at the centre of everything they do, through the embedding of the Bank's values and ethics policies, compliance training and whistle-blowing programmes.

Key components of the Bank's Risk culture include:

- **Tone from the top** – Directors, Executive Management and employees are required to consistently act professionally and ethically in line with the principles of integrity, accountability and transparency, thus promoting and maintaining trust across the Bank.
- **Robust risk governance** – Executive Management continuously ensure that legal, regulatory and business requirements are fully embedded in the Bank's policies, processes and governance frameworks supported by robust control mechanisms to comply with same.
- **Focus on key and emerging risks** – Executive Management is accountable to proactively identify and manage principal and emerging risks.

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.

REPORTING

The Bank's risk appetite, risk profile and risk exposures are reported on a regular basis to the Board and Senior Management through various governance committees. Risk management reports are tabled at the formalised governance structures at both Board and Management Risk Committees levels.

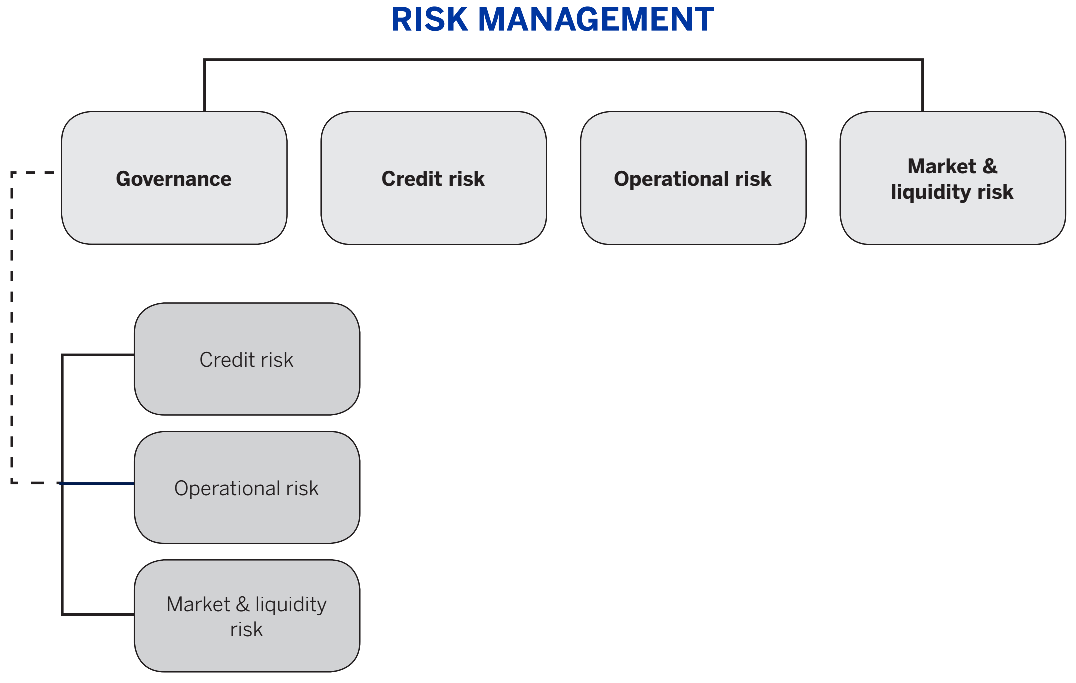
Risk data aggregation and risk reporting (RDARR)

In January 2013, the Basel Committee on Banking Supervisions (BCBS) published principles for effective RDARR with the aim of improving the quality of information that banks use in decision making, particularly as it pertains to risk management. The BCBS 239 principles set out criteria for governance, risk data aggregation, risk reporting practices and supervisory review.

These principles set out the regulatory expectations around the management of critical risk data and reporting. Specifically, BCBS 239 imposes control, documentation and repeatability requirements on banks' risk data and reporting practices. As part of the Basel principles, banks are required to establish a group Risk Data Aggregations and Risk Reporting governance framework to ensure strong RDARR governance arrangement. A framework has been incepted at the level of the Head Office and is being implemented in a phased manner across the various entities forming part of the Standard Bank Group.

Compliance with the BCBS 239 principles, as operationalised through the Group's governance framework and supporting RDARR policies, is being addressed in a phased manner in Mauritius and over a multiyear period due to the scope and scale of activities required

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 Chief Executive and to Group Risk. 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.

1. CREDIT RISK*

Overview and definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk.

Approach to managing credit risk

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the Bank, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the Bank's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions

Uses of internal estimates

The Bank's credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring
- pricing transactions
- determining IFRS 9 impairment provisions

Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The Bank's credit risk portfolio is well diversified. The Bank's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing. The Bank's audited annual financial statements include an industry segmental and geographical analysis of gross loans and advances and specific credit impairments.

Credit Risk Mitigation

Wherever warranted, the Bank will attempt to mitigate credit risk, including counterparty credit risk (CCR), to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

In the case of collateral where the Bank has an unassailable legal title, the Bank's policy requires collateral to meet certain criteria for recognition in loss given default (LGD) modelling, including:

- being readily marketable and liquid
- being legally perfected and enforceable
- having a low valuation volatility
- being readily realisable at minimum expense
- having no material correlation to the obligor credit quality
- having an active secondary market for resale.

The main types of collateral obtained by the Bank for its exposures include:

- fixed charges over commercial and industrial properties
- floating charges
- pledges of receivables
- corporate guarantees

Governance

Credit risk is managed through the Bank's governance committees, the Credit Risk Management Committee ("CRMC") and the Board Credit Committee ("BCC").

2. COUNTRY RISK

Overview and 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. Once rated, the countries are then categorised into High, Medium or low risk.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance
- co-financing with multilateral institutions
- structures to mitigate transfer and convertibility risk such as
- collection, collateral and margining deposits outside the country in question.

Governance

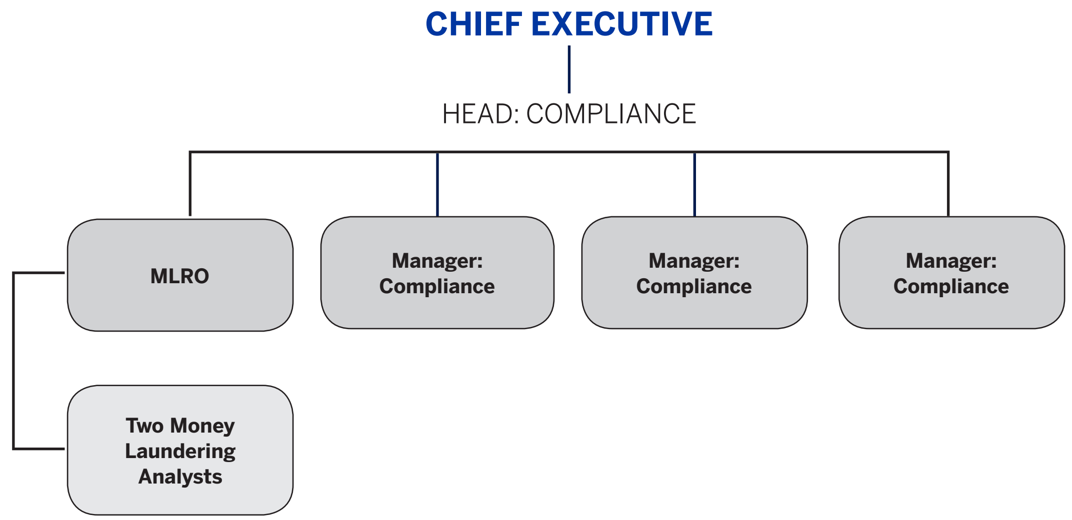
The primary management level governance committee overseeing this risk type is the Bank's CRMC. The principal governance document is the country risk policy.

*Information in this section has been audited

3. 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 Bank'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 Bank.

3. FUNDING AND LIQUIDITY RISK

1. Approach to managing liquidity risk*

The nature of the Bank's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Bank manages liquidity in accordance with applicable regulations and within Standard Bank's risk appetite framework. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity to ensure that payment obligations can be met under both normal and stressed conditions and that regulatory minimum requirements are met at all times. This is achieved through a combination of maintaining adequate liquidity buffers and to ensure that cash flow requirements can be met. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Bank manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

*Information in this section has been audited

LIQUIDITY MANAGEMENT CATEGORIES

TACTICAL (SHORT-TERM) LIQUIDITY RISK MANAGEMENT	STRUCTURAL (LONG-TERM) LIQUIDITY RISK MANAGEMENT	CONTINGENCY LIQUIDITY RISK MANAGEMENT
• manage intra-day liquidity positions • monitor interbank shortage levels • monitor daily cash flow requirements • manage short-term cash flows • manage daily foreign currency liquidity • set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO. • ensure compliance with the Bank of Mauritius Liquidity Coverage Ratio (LCR).	• ensure a structurally sound statement of financial position • identify and manage structural liquidity mismatches • determine and apply behavioural profiling • manage long-term cash flows • aim for a diversified funding base • inform term funding requirements • assess foreign currency liquidity exposures • establish liquidity risk appetite • ensure appropriate transfer pricing of liquidity costs	• monitor and manage early warning liquidity indicators • establish and maintain contingency funding plans • undertake regular liquidity stress • testing and scenario analysis • convene ad-hoc ALCO as a liquidity crisis management committee, if needed • set liquidity buffer levels in accordance with anticipated stress events • advise on the diversification of liquidity buffer portfolios • ensure compliance with the Bank of Mauritius Liquidity Coverage Ratio (LCR).

The LCR is a metric introduced by the BCBS to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking the Bank's high-quality liquid assets (HQLA) and dividing it by net cash outflows.

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

LCR IMPLEMENTATION TIMELINE

	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%

The bank exceeded the consolidated 70% minimum phase-in requirement for 2018 with a ratio of 85%. The MUR LCR was at 183% and the USD LCR at 84%.

2. Governance

The primary governance committee overseeing liquidity risk is the Asset and Liability Management Committee (ALCO).

3. Liquidity characteristics and metrics

OVERVIEW OF LIQUIDITY AND FUNDING METRICS

	2018	2017
Total liquidity reserves (USDm)	1,188	695
Eligible BOM LCR HQLA (USDm)	165	176
Single depositor (MUR%)	34.65%	16.66%
Top 10 depositors (MUR%)	70.15%	71.64%
Single depositor (FCY%)	6.39%	7.70%
Top 10 depositors (FCY%)	37.63%	39.57%
BOM LCR (Quarterly average of monthly observations%)	88%	92%

As at 31 December 2018, the Bank was within regulatory compliance with a MUR Liquidity Coverage Ratio (LCR) of 183%, a USD LCR of 84% and a consolidated LCR of 85%.

Liquidity coverage ratio (LCR) Disclosures:

Consolidated in USD	TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)[1]	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)[1]
HIGH-QUALITY LIQUID ASSETS	USD	USD
Total high-quality liquid assets (HQLA)	170,698,791	167,618,150
CASH OUTFLOWS		
Retail deposits and deposits from small business customers (Less Stable)	127,381,036	27,899,724
Unsecured wholesale funding (Non-operational deposits)	1,128,159,528	719,375,591
Outflows related to derivative exposures and other collateral requirements	631,050	631,050
Credit and liquidity facilities	106,112,156	15,278,915
Other contingent funding obligations	36,694,474	1,834,724
TOTAL CASH OUTFLOWS	**1,398,978,244**	**765 020,004**
CASH INFLOWS		
Inflows from fully performing exposures	743,120,763	734,372,908
TOTAL CASH INFLOWS	**743,120,763**	**734,372,908**

	TOTAL ADJUSTED VALUE
TOTAL HQLA	**167,618,150**
TOTAL NET CASH OUTFLOWS	**191,255,001**
LIQUIDITY COVERAGE RATIO (%)	**88%**
QUARTERLY AVERAGE OF DAILY HQLA[2]	**147,181,696**

The high-quality liquid assets comprise mainly of investment in US Treasury Bills, Government of Mauritius Treasury Bills, Bank of Mauritius 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.

Contingency liquidity risk management

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event. The updating of contingency funding plans, while considering budget forecasting, continues to be a focus area for the asset liability management team.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical and historical events. These are conducted on the Bank's funding profiles and liquidity positions. The crisis impact is typically measured over a 30 calendar-day period as this is considered the most crucial time horizon for a liquidity event. This measurement period is also consistent with the LCR requirements.

Anticipated on and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Bank's ability to maintain sufficient liquidity under adverse conditions.

Internal stress testing metrics are supplemented with the regulatory LCR in monitoring the Bank's ability to survive severe stress scenarios.

The Bank seeks to exceed the minimum LCR requirement with a sufficient buffer to allow for funding flow volatility as determined by its internal liquidity risk appetite. A buffer is maintained above the minimum regulatory requirement to cater for balance sheet and market volatility.

[1] The quarterly average of monthly observations is based on October, November and December 2018 month end figures.

[2] The quarterly average of daily HQLA is based on close of day figures over the 1 October 2018 to 31 December 2018 period.

Structural liquidity mismatch

Maturity analysis of financial liabilities using behavioural profiling

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

To highlight potential risks within the Bank's defined liquidity risk thresholds, structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of statement of financial position items.

4. MARKET RISK*

Overview and definition

The Bank defines market risk as the risk of a change in market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

Governance

The market risk management framework applied in the Bank is consistent with the Group's market risk management framework. The Market Risk Standard and Policy approved by the Bank board ensures that the measurement, reporting, monitoring and management of market risk follows a common governance framework.

The Market Risk Management unit is independent of trading operations and accountable to ALCO to monitor market risk exposures due to trading and banking activities. The Market Risk Management unit is responsible for the identification, measurement, management, control and reporting of market risk as outlined in the Market Risk Standard with support from the group market risk teams. Exposures and excesses are monitored and reported daily to SBM management and group line management, reported monthly to ALCO. Where breaches in limits and triggers occur, actions are taken by the Market Risk Management unit to ensure that traders hedge exposures back in line with approved market risk appetite with such breaches being reported to management and ALCO.

Management and Measurement

Management	Measurement
The Board-approved Market Risk policy outlines the framework and principles designed to properly identify, measure, monitor, manage and report market risk in order to minimise the risk of financial loss. Board monitors compliance with the policy and ensures that an appropriately mandated ALCO is established to enforce compliance with the policy. Market Risk translates the risk appetite into limits and triggers and allocates these to individual trading desks in the form of trading limits and authorised product mandates. Any violations are managed in accordance with the policy. Market risk is measured under both normal and stressed market conditions. Stress testing is done to augment other risk measures, such as VaR and market risk factor sensitivities. Market Risk ensures that the trading portfolio is carried at fair value by ensuring that the market risk models used to mark-to-market are appropriate (model validation) and that the inputs into those models are relevant and reflective of current market conditions (price validation).	Measurement of trading exposures under normal market conditions is based on Value at Risk defined with a 1 day holding period, 95% confidence interval and historical data for the last 12 months. Measurement of daily trading exposures under stress market conditions is based on Value at Risk defined with a 10 day holding period, worst case and historical data for a period of period 5 years. Value at Risk being the loss with a given probability and over a given period of time. The Bank uses historical VaR at Risk. Risk sensitivities highlight how exposed a portfolio is to certain market variables notably exchange rates and interest rates. FX risk monitored through FX Delta and Interest Rate risk is monitored through PV01. FX Delta being the present value of foreign currency positions reflecting how exposed the Bank is to fluctuations in exchange rates. PV01 being the change in the present value or mark-to-market value of the portfolio as a result of moving interest rates up by 1 basis point (0.01%). Stress testing provides an indication of the potential losses that could occur under extreme market conditions. The Bank stress tests its trading exposures and measures the impact of severe exchange rates and interest rates historical and hypothetical events as follows: Cross Market Stress Test • Cross market stress scenarios are drawn from historical events that reflect periods of abnormal market movements, market crashes and unusual correlations between different asset classes, reduced liquidity or crisis situations for the country. These scenarios will represent movements observed in risk factors across different markets and portfolios are stressed accordingly. The Bank also simulates a financial crisis on: • historical events such as the Russian Crisis in 1998, 9/11 terrorist attack in New York, Long-Term Capital Management L.P. (LTCM) bail out in 1998, bond crisis in 2003. • hypothetical scenarios such as the Flight to Quality, Dollar Flight, Weakness in Chinese Economy and Euro Crisis.

*Information in this section has been audited

Risk appetite

The Market Risk Standard outlines the approach for setting risk appetite. The Market Risk Policy details the risk appetite approach followed for market risk. Risk appetite is expressed in terms of the following compulsory and optional measures for the Bank's trading operations:

- A Value at Risk (VaR) and stressed VaR (SVaR) appetite (compulsory for trading portfolios and liquid investment portfolios).
- An appetite for loss under stress market conditions (compulsory).
- A regulatory or economic capital value (optional).

Market risk appetite is based on VaR using a 95% confidence interval and a one day holding period. This means that losses are not expected to exceed the VaR number for a single day, with a likelihood of 95% (or 19 days out of 20). The VaR calculation assumes no corrective action is taken during the assumed holding period. However, where actual losses do exceed a VaR number, the VaR number does not indicate the magnitude of the loss.

VaR is calculated on a historical simulation basis with 250 days of market data. Stressed VaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10 day holding period and worst case scenario.

If the Bank enters a period of market volatility that turns out to be a stressed scenario, stop loss procedures are in place to cap losses. Stop loss triggers are set to ensure that losses suffered in trading do not erode, or have the potential to erode, the income generated by the market making and sales activity. As such, the overall objective is to preserve the Bank's revenue. A stop loss trigger alert can result in any or all of the following actions being taken:

- Risk position reduction.
- Risk limit(s) reduction.
- Transfer of positions out of the control of the relevant trader and into that of management.

Stress testing is undertaken to give an indication of the magnitude of the loss given extreme market events. Stressed VaR is supplemented by additional stress tests carried out by the Bank including the following: cross market stress testing, where stress movements are applied to each risk factors across different markets; interest rate (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 is based on a 10-day holding period, worst case and historical data for a period of 5 years i.e. if the worst 10-day market movement observed during the historical period were to recur, the loss recorded could be as high as the projected number.

VaR constitutes an integral part of the Bank's market risk control regime and limits and triggers are established by the Board annually for all trading and non-trading portfolios. Exposures are reviewed daily by the Bank's treasury and market risk for each fair-valued portfolio and consolidated across the trading desks. The quality of the VaR model is continuously monitored by back testing the VaR results for trading books. All backtesting exceptions and any exceptional revenues on the profit side of the VaR distribution are investigated.

Breaches in limits and triggers are reported and corrective action is taken to either motivate an increase of limits or reduce risk. All limits and triggers are end of day based.

5. INTEREST RATE RISK IN THE BANKING BOOK*

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
- Endowment risk: Exposure arising out of the net differential between interest rate insensitive assets such as on-earning assets and interest rate insensitive liabilities such as non-interest bearing liabilities and equity.

Approach to managing interest rate risk

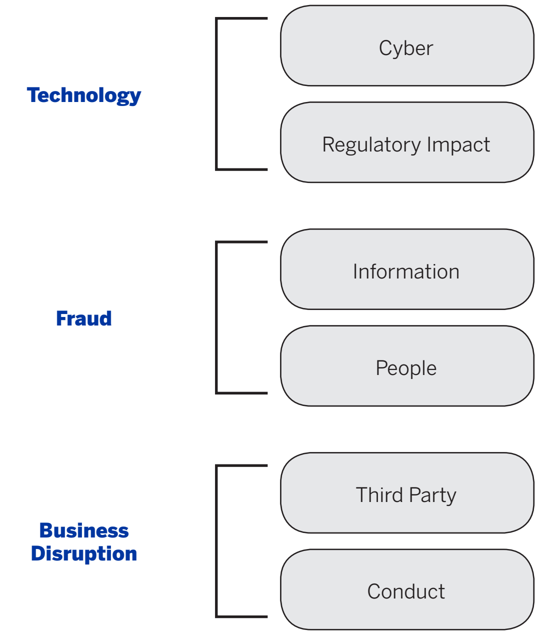
The adopted approach in mitigating IRRBB essentially involves managing the potential adverse effect of interest rate movements on the banking book.

A forward-looking net interest income forecast is used to quantify the Bank's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenarios, to determine the effect these changes may have on future earnings. Balance sheet projections and the impact on net interest income due to rate changes cover a minimum of 12 months forecasting and is compared to the set limits. Desired changes to the interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles.

6. OPERATIONAL RISK

Overview and definition

Operational risk is the risk of loss suffered as a result of the inadequacy of or failure in internal processes, people and systems or from external events. Operational 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 the following:



*Information in this section has been audited

Approach to managing operational risk

The Bank recognises that operational risk exists in the natural course of business activity and adheres to the Group's operational risk governance framework, which sets out the minimum standards for operational risk management adopted across all legal entities across the Standard Bank Group. This framework aligns to the Bank's strategy by demonstrating that the purpose of operational risk management is not to eliminate all risks, which is not economically viable, but rather to enable Management to weigh the payoff between risk and reward. The framework also ensures that adequate and consistent governance is in place, guiding management to avoid unacceptable risks such as:

- breaking the law;
- damaging the group's reputation;
- disrupting services to customers;
- wilful conduct failures;
- inappropriate market conduct;
- knowingly breaching regulatory requirements; and
- causing environmental damage.

The Bank's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist Line Management in understanding their residual risk and managing their risk profile within risk appetite. The management of operational risk primarily resides in first line, supported by second line with dedicated centres of excellence. The operational risk management function forms part of the second line of defence and is an independent area, reporting to the Head: Risk.

The core capabilities of operational risk ensure alignment and integration across:

- developing and maintaining the operational risk governance framework;
- facilitating the business's adoption of the operational risk framework;
- regulatory oversight;
- monitoring and assurance;
- reporting; and
- challenging the risk profile and providing guidance and advice as thought leaders.

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

Risk & controls self-assessment (RCSA)

The Bank inculcates the culture of self-assessment 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 (KRIs)

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 Key Risk Indicators 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

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 is tracked and reported at the monthly Operational Risk & Compliance Committee.

Insurance cover

The Bank has contracted insurance covers to mitigate operational risk; these covers are reviewed on an annual basis. The Board, through the Risk function, ensures that an adequate insurance programme is in place designed to protect the Bank against loss resulting from its business activities. The principal insurance policies in place are outlined below:

Banking (Financial Risks)

- Crime Insurance
- Professional Indemnity Insurance
- Directors' & Officers' Liability Insurance

Non-Banking (Non-Financial Risks)

- Assets All Risks including Business Interruption
- Employers Liability
- Group Personal Accident
- Public Liability

Motor Vehicles

- This insurance provides a comprehensive cover for motor vehicles owned or leased by the Bank.

Governance

The primary management level governance committee overseeing operational risk is the Operational Risk & Compliance Committee. The primary governance documents are the operational risk governance framework and the operational risk governance standard. Operational risk subtypes are referred to in other governance committees and have governance documents applicable to each risk subtype.

Operational risk subtypes

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 and digitization 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.

In 2018, a team was established at Group level to improve resilience of systems (particularly the core banking system, Finacle) and infrastructure to improve client and staff experience. The process for managing major incidents was overhauled to improve diagnosis and resolution of incidents. This can be attributed to the executive focus being placed on all dimensions of IT and the management of risks associated with incidents, which also minimises customer impact. Given the nature and scale of the Bank's business, some interruption is inevitable and IT incidents and downtime cannot be completely avoided. Management focus and capability is placed on the ability to predict, prevent, detect and rapidly respond to, and manage the risks associated with incidents. The implementation of the core banking system has proved invaluable in mitigating operational risks associated with non-standardised legacy platforms.

IT governance was embedded in-country through the IT Steering Committee and further re-inforced with the establishment of the Information and Technology Committee at Board level.

Cyber risk

Cyber Risk is the risk of financial loss, disruption or damage to reputation from breaches or attacks on transaction sites, systems or networks. Cybercrime includes cyber fraud, data theft, extortion (ransomware) and malicious business disruption. The escalation in the scale and sophistication of cybercrime is amplified by the growing digitisation of businesses and the complexity of running ageing systems.

The Bank is cognisant of the mounting risk posed by cybercrime and significant investments have been made to enhance security capabilities and accelerate its strategic directives. In response to the growing volume and sophistication of cybercrime incidents and attacks, the Bank has endorsed the Group's IT cyber security strategy which is centred around the four key pillars of governance, culture, capability and community, all of which are crucial for an effective cyber defence strategy. 2018 saw a continued focus on improving cyber security capabilities including the following key initiatives:

- 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;
- Introduction and expansion of digital security capabilities;
- Continuous improvement of incident response capability;
- Independent assessment of cyber security posture by Group Internal Audit;
- Mock cyber-attacks scenarios conducted to improve resistance;
- Ongoing awareness and training sessions;
- Use of intelligence and early warning indicators to proactively mitigate the effect of an attack before it commences; and
- Deployment of End-Point Detection and Response cyber detection capability.

Cyber risk receives extensive focus at every level of the Bank across various governance and management committees. There is increased cyber awareness at board level with cyber crime being a business-as-usual topic in risk committees. It is also worth noting that the Standard Bank Group has contracted a cyber protection policy for all legal entities falling within the group to cover for losses and claims that might arise due to cybercrimes.

Regulatory impact risk

Regulatory Impact Risk is the risk of incurring reputational and financial losses due to the Bank's inability to keep abreast of regulatory developments and comply with and keep abreast of regulatory requirements. The Bank has no tolerance for knowingly breaching regulatory requirements and aims to comply with all regulations relevant to the different parts of the business. Details on how the Bank manages Regulatory Impact Risk has been outlined in the Compliance Risk section above.

Fraud risk

Fraud Risk is the risk of loss, regulatory sanction or risk to reputation due to fraud, violent crime and misconduct internally from staff and externally. The Bank has no appetite for willful misconduct and aims to limit fraud losses in the pursuit of its strategic objectives. The in-country Risk Team leverages on the Group's specialised intelligence team namely Group Investigation and Fraud Risk Unit to manage financial crime.

The Bank continues to operate with a zero tolerance for employee misconduct and independently investigates all allegations of employee misconduct. Employees are also provided with ongoing awareness and training and are provided with the appropriate tools for escalating and reporting misconduct anonymously through the independent whistleblowing capability. The Group also has an incentivised staff program, FraudStop, to encourage employees to log genuine cases of external fraud for which they are financially rewarded.

Information risk

Information Risk is the risk of accidental or intentional unauthorised use, access, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity and availability of information and which would potentially harm the business. 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 Risk Team has been re-inforced with the appointment of an Information Risk Manager to assist with the implementation of the Group's programme of work to mitigate information risks and address gaps. The team will be conducting a gap analysis against the Information Risk Management Governance landscape 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 gap analysis will allow the Bank to identify areas of improvement and implement controls to drive the risk governance and processes required and ultimately enhance 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 endeavour 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. Continuing improvement in rules has improved ability to detect potential information
- leakage events.
- Implementation of end-point encryption systems to secure information and prevent its exploitation by external parties.
- Establishment of clear processes will prevent sensitive data from being compromised.
- Finalisation of Data Retention Schedules at sub-business unit levels clearly defining the type of information asset held, the medium of storage and the retention period.

People risk

Our ability to differentiate Standard Bank as client-focused and digitally enabled organisation through the successful execution of our strategy by our people in an intensely competitive environment will be impacted negatively by an inability to attract and retain committed people and not creating an environment that enables our people to grow in order to remain relevant in a rapidly evolving world of work. The Bank tracks and monitors employee engagement with three key indicators, namely voluntary turnover rate, regrettable turnover and an annual employee net promoter score.

Over the years, the Bank has introduced a range of reward and recognition initiatives to support client centricity, retain top talent and ensure sustainable long-term performance. In 2018, the Bank introduced a new performance management philosophy and approach that drives regular line manager coaching to support personal improvement, growth and business contribution. Additionally, the Bank has continued to provide staff with access to online learning platforms and digital libraries to ensure fit-for purpose learning anytime, anywhere and on any device. Top and senior management transformation reviews for all business units and corporate functions ensure a focus on the identification and development of diverse talent pools. The Bank has also rolled out an employee insights platform which enables the rapid deployment of surveys to gauge how staff think and feel about working for the Bank and to ask for their input when reshaping solutions that will directly impact them. The bank has also delivered a range of health and wellness initiatives to employees across the Bank, including wellness days, medical assessments and counselling services, and offered a range of training initiatives to build personal resilience and coping skills.

Business disruption risk

Business Disruption Risk is the risk of infrastructure failure, environmental impact or change failure disrupting the services to and of the Bank. Business continuity management is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of both the Bank's and its stakeholders.

A comprehensive Business Resilience Policy and Standard are in place. They assist 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 the Risk Team, 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. The Bank's business resilience capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

The Bank aims to achieve optimal Business Resilience performance, as defined in the Business Resilience Standard and evidenced through a demonstration of an implemented fit-for-purpose Business Resilience capability when critical services, functions and systems encounter business disruption. A Business Resilience Dashboard 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 Group and is also tabled at the relevant governance committees. Simulations were performed in 2018 to assist with quick and effective response to consequences of a risk event. Exercises and tests included the Work Area Recovery Site Test, IT Disaster Recovery Capability for all in–country and group-hosted systems and applications, a cyberattack scenario and fire evacuations to adequately prepare Management to respond quickly and effectively in the event of a catastrophic event.

The Bank leverages on the following Group capabilities:

- Well-practiced and well-rehearsed IT security and cyber security incident response teams which convene on a regular basis either in response to real-life incidents or during simulation exercises.
- Documented cyber extortion response plan which details specific actions to be carried out during cyber incidents.
- Well-staffed 24/7 Cyber Security Operations Centre which monitors all cyber-vulnerabilities and attacks, including malware.

Third party risk

Third Party Risk refers to the risk of losses or disruptions due to ineffective management of third-party relationships. To that effect the following guidelines in respect of third party management have been established for all entities of the Standard Bank Group:

- No appetite for entering into transactions with sanctioned suppliers;
- No tolerance for contractual agreements concluding outside the procurement process;
- No tolerance for procurement happening outside the governance process. This includes sourcing, purchasing and contracting processes.

Prior to establishing any relationship with third parties, it is the Bank's policy to conduct background checks and due diligence on the concerned third parties. Service providers/suppliers undergo a stringent due diligence process before the Bank enters into a relationship with a service provider/supplier and before a service provider/supplier is onboarded. Enhanced due diligence process in place for high-risk suppliers/service providers which include adverse media checks and checks related to fraud and negative publicity. Periodic monitoring and checks are conducted on active critical suppliers/service providers including risk assessments on their financial performance, security policies, data privacy, amongst others.

At a Group level, a mandate has been established and a strategy developed to build a universal capability, enabled by Group Procurement, to strategically and proactively manage third-party risk and compliance, and to ensure more value driven and collaborative third-party relationships. The Group is looking forward towards designing and implementing a framework and operating model which is fit-for-purpose and which considers the Group's risk culture and encompasses the appropriate level of accountability and responsibility.

Conduct risk

Conduct Risk is the risk that detriment is caused to the Bank's clients, the market or the Bank itself because of inappropriate execution of business activities. To effectively manage conduct risk, the Standard Bank Group has developed a conduct framework that follows a culture-led strategy to embed culture and manage conduct. The conduct framework including the establishment and embedment of the reporting architecture i.e. metrics, management information, and conduct reporting enables the Board and Executive Management in all legal entities across the Standard Bank Group to exercise oversight and evidence good conduct risk management. Governance structures ensure business ownership are in place to manage conduct risks. From a Board, Board Committee and Executive Management perspective, conduct is closely monitored through the Executive Committee, the Board Risk Management & Conduct Review Committee and the main Board. The conduct framework facilitates a continuous process to identify conduct risk, which allows the Bank to keep abreast of economic and regulatory development to meet regulatory expectations. Conduct reporting to Senior Management and the Board includes both quantitative and qualitative metrics. The conduct dashboards in fact take into consideration different reporting pillars, such as strategy, culture, governance, product, quality sales and advice.

7. BUSINESS RISK

Business risk includes strategic risk. Strategic risk is the risk that the Bank's future business plans and strategies may be inadequate to prevent financial loss or protect the Bank's competitive position and shareholder returns. The Bank's business plans and strategies are discussed and approved by Executive Management and the Board and, where appropriate, subjected to stress tests.

Business risk is usually caused by the following:

- inflexible cost structures.
- market-driven pressures, such as decreased demand, increased competition or cost increases.
- bank-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

The Bank mitigates business risk in a number of ways, including:

- detailed analysis of the business cases.
- the application of new product processes per business line through which the risks and mitigating controls for new and amended products and services are evaluated.
- stakeholder management to ensure favourable outcomes from external factors beyond the Bank's control.
- monitoring the profitability of product lines and customer segments.
- maintaining tight control over the Bank's cost base, including the management of its cost-to-income ratio, which allows for early intervention and management action to reduce costs.
- being alert and responsive to changes in market forces.
- a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth; and building contingency plans into the budget that allow for costs to be significantly reduced in the event that expected revenues do not materialise.
- increasing the ratio of variable costs to fixed costs which creates flexibility to reduce costs during an economic downturn.
- stress testing techniques applied to assess the resilience of the Bank's planned earnings under macroeconomic downturn conditions.

The primary governance committee for overseeing this risk is the Assets & Liabilities Committee.

8. REPUTATIONAL RISK

Reputation is defined as what stakeholders say and think about the Bank, including its staff, customers and clients, investors, counterparties, regulators, policymakers, and society at large. The Bank's reputation can be harmed from an actual or perceived failure to fulfil the expectations of its stakeholders due to a specific incident or from repeated breaches of trust.

Reputational harm can adversely affect the Bank's ability to maintain existing business, generate new business relationships, access capital, enter new markets, and secure regulatory licences and approvals.

Safeguarding and proactively managing the Bank's reputation is of paramount importance. There is growing awareness of reputational risks arising from compliance breaches, social and environmental considerations, as well as from ethical considerations linked to countries, clients and sectors.

The Bank manages reputational risk from a tactical and reactive perspective as well as from a strategic and

proactive perspective. In respect to crisis response, the Bank's crisis management processes are designed to minimise the reputational impact of such events or developments. A Crisis Management Team is in place at Executive level. This includes ensuring that the Bank's perspective is fairly represented in the media.

The principal governance document is the reputational risk governance standard and the Bank's qualitative Risk Appetite Statement includes a statement on reputation. The Bank's code of ethics is an important reference point for all staff. The Bank's Ethics Officer is the formal custodian of the code of ethics.

RISK APPETITE AND STRESS TESTING

Overview

The key to the Bank's long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and its strategy. Risk appetite is set and stress testing activities are undertaken at a risk type and legal entity level.

Governance

The primary management level governance committee overseeing risk appetite and stress testing is the Assets & Liabilities Committee. The principal governance documents are the risk appetite governance framework and the stress testing governance framework.

Risk appetite

Risk appetite governance framework

The risk appetite governance framework guides:

- the setting and cascading of risk appetite by risk type and legal entity;
- measurement and methodology;
- governance;
- monitoring and reporting of the risk profile; and
- escalation and resolution.

The Bank has adopted the following definitions, where entity to its legal entity:

Risk appetite: an expression of the amount or type of risk the Bank is 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: an early warning trigger set at a level that accounts for 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: the maximum amount of risk the Bank is prepared to tolerate above risk appetite. The metric is referred to as a risk tolerance limit.

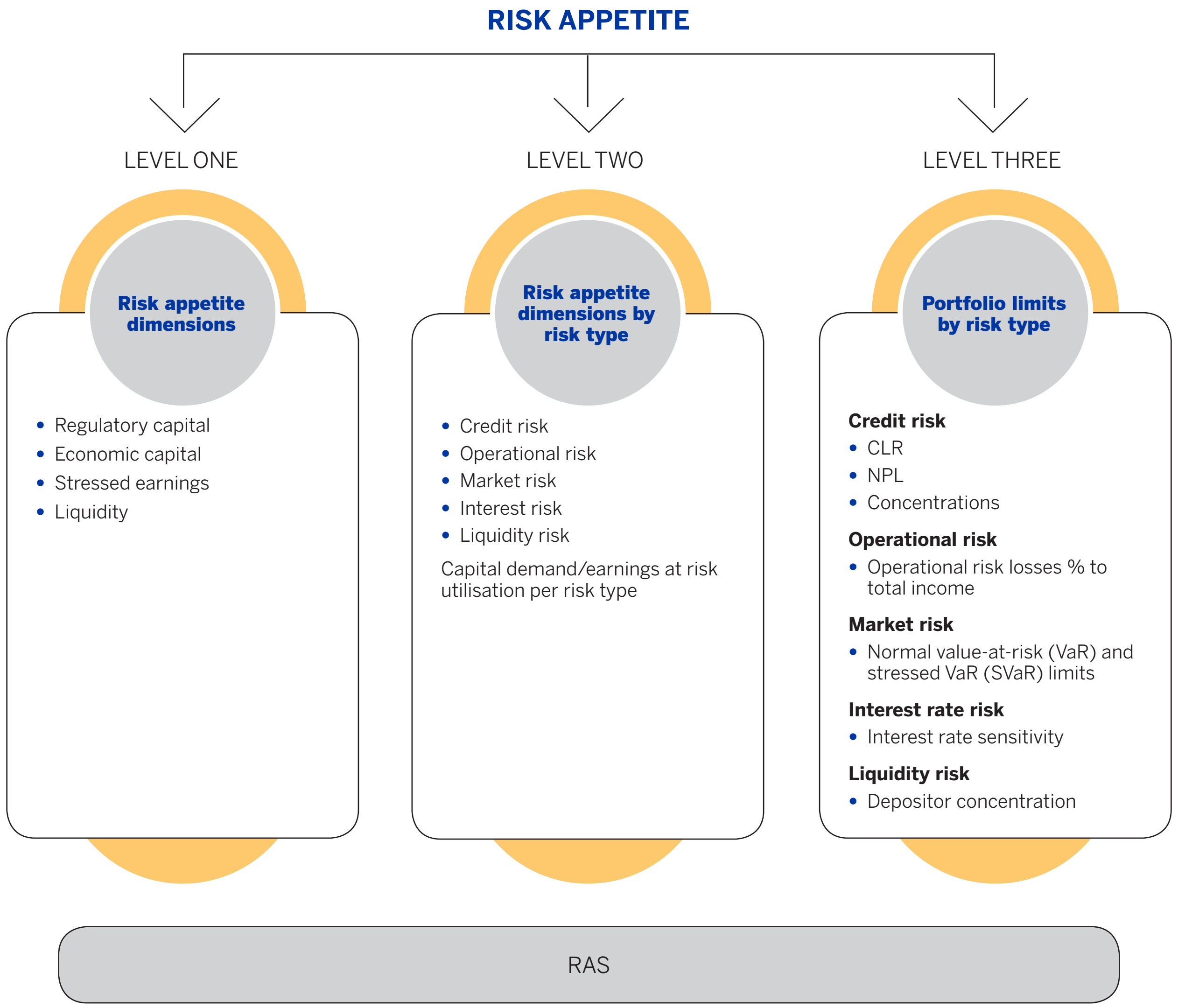
Risk Capacity: the maximum amount of risk the Bank is able to support within its available financial resources.

Risk Appetite Statement (RAS): the documented expression of risk appetite and risk tolerance which have been approved by the Board. The RAS is reviewed and revised, if necessary, on an annual basis.

Risk Profile: the risk profile is defined in terms of three dimensions, namely:

- current or forward risk profile;
- unstressed or stressed risk profile; and
- pre- or post-management actions.

The following diagram provides a schematic view of the three levels of risk appetite and the integral role that risk types play in the process of cascading risk appetite from dimensions such as regulatory capital, economic capital, stressed earnings and liquidity to more granular portfolio limits.



Risk Appetite Statement

Executive Management and the Board Risk Management & Conduct Review Committee are responsible for recommending the RAS for approval by the Board. In developing the RAS, Executive Management considers the Bank's strategy and the desired balance between risk and return. The Board Risk Management & Conduct Review Committee reviews the Bank's current risk profile on a quarterly basis and forward risk profile (both stressed and unstressed) at least annually.

Level one risk appetite dimensions can be either quantitative or qualitative.

Quantitative level one risk appetite dimensions relate to available financial resources and earnings volatility. The standardised quantitative dimensions used by the Bank are:

- stressed earnings
- economic capital
- regulatory capital
- liquidity.

The Bank's qualitative RAS, set out below, serves as a guide for embedding the risk appetite framework to guide strategic and operational decision making across the Bank.

- **Capital position:** The Bank aims to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. The Bank manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.
- **Funding and liquidity management:** The Bank's approach to liquidity risk management is governed by prudence and is in accordance with the applicable laws and regulations and takes into account the competitive environment in which it operates.
- **Earnings volatility:** The Bank aims to have sustainable and well-diversified earning streams in order to minimise earnings volatility through business cycles.
- **Reputation:** The Bank has no appetite for compromising its legitimacy or for knowingly engaging in any business, activity or relationship which could result in foreseeable reputational risk or damage to the Bank.
- **Conduct:** The Bank has no appetite for wilful conduct failures, inappropriate market conduct or knowingly causing a breach of regulatory requirements. The Bank strives to meet customers' expectations for efficient and fair engagements by doing the right business the right way, thereby upholding the trust of its customers.

Level two risk appetite represents the allocation of level one risk appetite to risk types. Specifically, the contribution of individual risk types to earnings volatility and overall capital demand (both economic and regulatory) is controlled through triggers and limits.

Level three consists of key metrics used to monitor the portfolio. Portfolio triggers and limits are required to be broadly congruent with level one and level two triggers and limits. These metrics are regularly monitored at a risk type level and ensure proactive risk management.

STRESS TESTING

Stress Testing Governance Framework

Stress testing is a key management tool within the Bank and is used to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk appetite. Stress testing supports a number of business processes, including:

- strategic and financial planning;
- the ICAAP, including capital planning and management, and the setting of capital buffers;
- liquidity planning and management;
- informing the setting of risk appetite;
- identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures, and hedging; and
- facilitating the development of risk mitigation or contingency plans, including recovery plans, across a range of stressed conditions.

Stress testing within the Bank is subject to the Bank's stress testing governance framework which sets out the responsibilities for and approaches to stress testing activities. Broadly aligned and fit-for-purpose stress testing programmes are implemented for the Bank to ensure appropriate coverage of the different risks.

Stress Testing Programme

The Bank's stress testing programme uses one or a combination of stress testing techniques, including scenario analysis and sensitivity analysis to perform stress testing for different purposes.

Macroeconomic Stress Testing

Macroeconomic stress testing is conducted across all major risk types on an integrated basis for a range of economic scenarios varying in severity from mild to very severe but plausible macroeconomic shocks. The impact, after consideration of mitigating actions, on the Bank's income statement, Statement of Financial Position and the Bank's capital demand and supply is measured against the Bank's risk appetite.

Macroeconomic stress testing for the Bank is performed, as a minimum, once a year for selected scenarios that are specifically designed to target the Bank's risk profile, geographical presence and strategy. In 2018 these scenarios included asset price Implosion and de-globalisation and de-multilateralism. The results indicated that the Bank is well capitalised and able to handle these scenarios.

Macroeconomic stress testing results are presented at a board level in order to consider whether the Bank's risk profile is consistent with the Bank's risk appetite buffer. Macroeconomic stress testing results are submitted as part of the annual ICAAP.

Additional Stress Testing

Bank-wide macroeconomic stress testing results are supplemented with additional ad hoc stress testing at the Bank, that may be required from time-to-time for risk management or planning purposes. The purpose of this stress testing is to inform management of risks that may not yet form part of routine stress testing or where the focus is on a specific portfolio or business unit. Additional stress testing can take the form of either scenario analysis or sensitivity analysis.

Risk Type Stress Testing

Risk type stress tests apply to individual risk types. Risk type stress testing could take the form of scenario or sensitivity analysis.

(Refer to ICAAP section under Capital Management on page 47)

Looking Ahead

In line with the Groups' Africa strategy, Management will continue to strengthen its risk management skills, capabilities and governance. There is an increased awareness of emerging risks that are being addressed in the risk management framework relating to third party, conduct, execution and regulatory risks.

CAPITAL MANAGEMENT*

Overview and objectives

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 its risk appetite and target ratios, both of which are approved by the Board.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the Bank's budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the Bank's annual internal capital adequacy assessment process (ICAAP).

The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, namely ALCO. The principal governance documents are the capital management governance framework.

REGULATORY CAPITAL

The main regulatory requirements to be complied with are those specified in the Banking Act 2004 and related regulations, which are aligned with 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
- strengthen bank's transparency and disclosures

The Bank of Mauritius has adopted a phased approach to the implementation of Basel III with the issue of the Bank of Mauritius Guideline on Scope and Application of Basel III and Eligible Capital. Regulatory capital adequacy is measured through three risk-based ratios:

- **CET I (Common EQUITY Tier I):** ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets (RWA).
- **Tier I:** CET I plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA.
- **Total capital adequacy:** tier I plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. The ratios are measured against internal targets and regulatory minimum requirements.

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 introduced the concept of capital conservation buffer (CCB) which aimed 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.

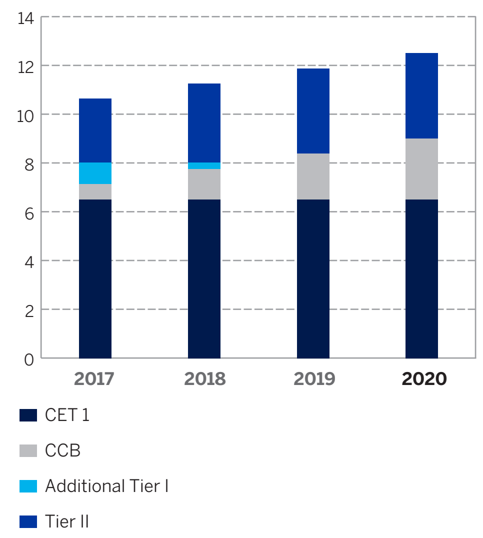
The Bank manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance. The Bank has been compliant with the minimum requirements to date.

*Information in this section has been audited

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. An additional capital conservation buffer of 0.625% was added on in 2018 and will increase by 0.625% every year to reach 2.5% in 2020.

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

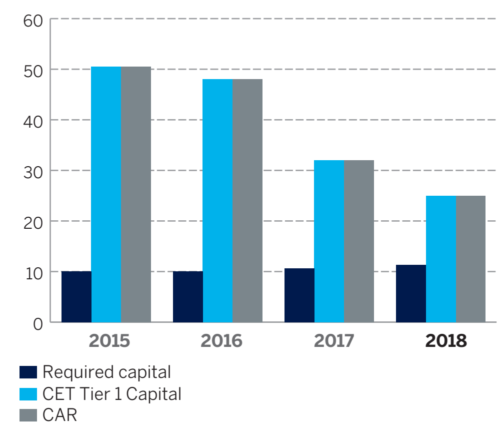
Non interest revenue



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

The following graph discloses the Bank's total capital adequacy and the components thereof and indicates that the Bank's capital is well above the required level of capital.

Capital adequacy (%)



The Bank capital position based upon Common Equity Tier I and total capital ratios are as per the table below:

Capital structure under Basel III

	Basel III 2018 USD'000	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	35,000
Statutory reserve	19,120	15,285	12,091	10,161
Other reserves	61,547	40,531	34,501	43,254
Less: Deductions				
Intangible assets	(18,143)	(19,518)	(14)	(27)
Deferred tax	-	-	(300)	(1,177)
Common equity tier 1 capital before regulatory adjustments	97,524	71,298	81,278	87,211
Adjustment to additional tier 1 capital	(5,883)	-	-	
Common equity tier 1 capital	91,641	71,298	81,278	87,211
Other reserves		-	-	(1)
Subordinated debts		-	17,500	20,000
Provision for performing loans	3,447	1,241	763	899
	3,447	1,241	18,263	20,898
Total capital base	95,088	72,539	99,541	108,109
Risk weighted assets for:				
Credit risk	315,827	171,269	154,495	160,868
Operational risk	63,607	55,654	52,376	52,261
Aggregate net open foreign exchange position	1,516	51	532	887
Total risk-weighted assets	380,950	226,974	207,403	214,016
Common equity tier 1 capital adequacy ratio	24.1%	31.4%	39.2%	40.7%
CAPITAL ADEQUACY RATIO	25.0%	32.0%	48.0%	50.5%

In December 2018, the Bank has assigned capital on an unweighted basis on one specific name. This was done in line with approval held from the Regulator.

The Bank maintains appropriate levels of capital, with a Common Equity Tier 1 capital ratio of 24.1% (2017: 31.4%) and a total capital adequacy ratio standing at 25.0% (2017: 32.0%). 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.

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 Bank of Mauritius 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:

(1) Cash – Cash collateral which has been deposited on account held with the Bank;
(2) Listed shares- Shares that are listed on the stock exchange or on a licensed exchange;
(3) Fixed or Immovable Property-Residential, commercial and agricultural property taken under a fixed charge;
(4) 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.

Mitigation	USD'000
Guarantee - Standard Bank of South Africa	-
Guarantee - Local bank	-
Cash collateral	16,445
	16,445
Total credit risk exposure	1,903,182
% Exposure covered by collaterals	0.86%

Exposures subject to the standardised approach per risk weighting as at 31 December 2018

	2018				2017	2016
	Nominal Amount	Mitigation	Risk Weighted	Risk Weighted Assets		
CREDIT RISK	USD'000		%	USD'000		
On-balance sheet assets						
Cash items	66	-	0-20	-	-	-
Claims on sovereigns	149,041	-	0-100	-	-	-
Claims on banks	1,156,872	-	20-100	46,897	46,897	46,745
Claims on central banks	25,631	-	0-150	-	-	-
Claims on PSE	-	-	20-150	-	-	-
Claims on corporates	222,563	-	20-150	225,063	212	71,751
Claims secured on residential property	388	-	35-125	212	-	-
Past due claims	839	-	50-150	419	419	419
Other Assets / fixed assets	4,700	-	100	4,700	4,700	6,073
Total	1,560,100	-		277,291	52,228	124,988
Non-market related off-balance sheet risk weighted assets						
Direct credit substitute	38,087	23,116	20-100	23,116	20,498	9,938
Transaction-related contingent items	5,169	4,015	20-100	2,008	492	1,658
Trade related contingencies	662	662	20-100	132	611	560
Other commitments	103,075	103,075	20-100	10,131	1,250	-
Total	146,993	130,869		35,387	22,851	12,156
Market related off-balance sheet risk weighted assets						
Interest rate contracts	17,845	-		89	-	-
Foreign exchange contracts	178,244	-		3,061	13,658	17,351
Total	196,090	-		3,150	13,658	17,351
Total Credit Risk	1,903,182	130,869		315,828	88,737	154,495
Operational risk				63,607	55,654	52,376
Aggregate net open foreign exchange position				1,516	51	532
Total Risk-Weighted Assets	1,903,182	130,869		380,951	144,442	207,403

Internal capital adequacy assessment process (ICAAP)

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

The Group has embedded sound internal capital adequacy assessment processes throughout the group and across all its subsidiaries. Standard Bank Mauritius is aligned to Group and has implemented the Bank of Mauritius 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 Bank of Mauritius.

Internal capital adequacy assessment process (ICAAP)

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 meet 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
- Liquidity

Stress results are analysed and any departure from our risk appetite statement trigger mitigating actions. During 2018, 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 de-globalisation and de-multilateralism; asset price implosion, single obligor default and depositor run off and liquidity strain 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

The Bank's Related Party Transaction Policy establishes and defines the framework for the governance, risk management, and reporting of related party transactions. The policy fulfils the requirements of the Bank of Mauritius Guideline on Related Party Transactions to effectively monitor and control related party transactions within the Bank and to take appropriate steps to mitigate the risks arising from these transactions.

In accordance with the Bank of Mauritius Guideline on Related Party Transactions, credit exposure to any single borrower/group of closely-related customers who are related parties to the Bank shall be subject to the following conditions:

(a) the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 (further described below), other than investments in subsidiaries and associates, should not exceed 60 per cent of the Bank's Tier 1 capital;

(b) the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2 (further described below), other than investments in subsidiaries and associates, should not exceed 150 per cent of the Bank's Tier 1 capital.

As per Bank of Mauritius Guideline on Related Party Transactions, for the purpose of determining the regulatory limits on exposures to related parties, the latter are classified into the following three categories:

(1) Category 1

This includes credit exposures to:

(a) a person who has significant interest in the Bank;
(b) a director of the Bank;
(c) a director of a body corporate that controls the financial institution;
(d) the spouse, child and parent of a natural person covered in (a) or (b) or (c) above;
(e) any entity that is controlled by a person described in (a) or (b) or (c) or (d) above; and
(f) any entity in which the Bank has significant interest, excluding a subsidiary of the Bank as mentioned in Category 2(e) below.

(2) Category 2

This includes credit exposures to:

(a) senior officers, which are outside the terms and conditions of employment contracts;
(b) the spouse, child and parent of senior officers;
(c) senior officers of a body corporate that controls the financial institution;
(d) any entity that is controlled by a person described in (a) or (b) or (c) above; and
(e) a subsidiary of the financial institution with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent financial institution.

(3) Category 3

This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

The following credit exposures are however exempted from the regulatory limits:

(a) a credit exposure to the extent to which it is collateralised by deposits with the Bank or Government securities or a loan to the extent to which it is guaranteed by Government;
(b) a credit exposure to the extent to which it is collateralised by securities issued by another government or a loan to the extent to which it is guaranteed by another government provided that the exposure is
 (i) denominated and funded in its national currency, and
 (ii) approved by the Bank under paragraph 4 of the Guideline on Standardised Approach to Credit Risk for a zero per cent risk weight;
(c) a credit exposure to parastatal bodies and to an entity in which Government has more than 50 per cent shareholding;
(d) inter-bank transactions as part of treasury operations;
(e) credit exposures representing less than 2 per cent of the Bank's Tier 1 capital; and
(f) category 3 type of related party exposures.

The Bank complies with the BoM Guideline on Related Party Transactions which sets out the manner in which these transactions are identified, monitored and reported.

Related party transactions include intragroup transactions as well as the following transactions:

- Credit, non-fund-based commitments such as documentary credits, guarantees on behalf of a related party, acquiring a loan made by a third party;
- Placements made by the Bank with the related party;
- Vendor agreements with related parties;
- Consulting or professional service contracts with directors and related parties;
- Investment in equity of a related party;
- Deposits placed by related parties with the Bank; and
- Acquisition, sale or lease of assets with related parties

The Bank has policies and processes in place to avoid conflict of interest when carrying out related party transactions and to ensure that same are conducted at arm's length. Transactions which are not at arm's length are subject to prior approval by the Board Risk Management & Conduct Review Committee.

The diagram depicts principal subsidiaries only. The holding in subsidiaries is 100% unless otherwise indicated.

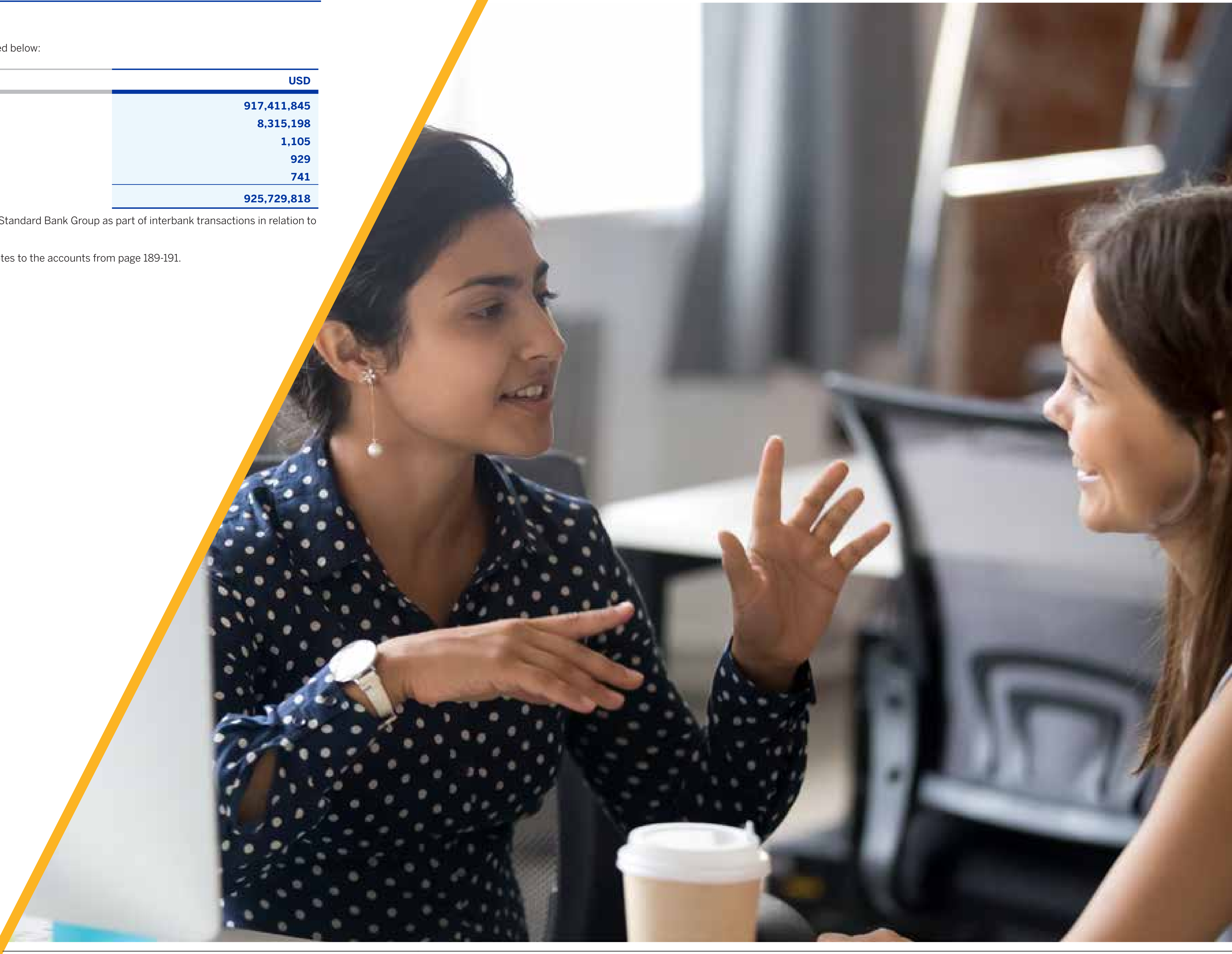
All exposures to related parties are reported to the Risk Management & Conduct Review Committee.

The Top 5 related party exposures at end December 2018 are outlined below:

Counterparty	USD
STANDARD BANK OF SOUTH AFRICA	917,411,845
STANBIC BANK KENYA LIMITED	8,315,198
STANBIC BANK (UGANDA) LTD	1,105
STANBIC BANK COTE D'IVOIRE LTD	929
STANBIC BANK GHANA LTD	741
	925,729,818

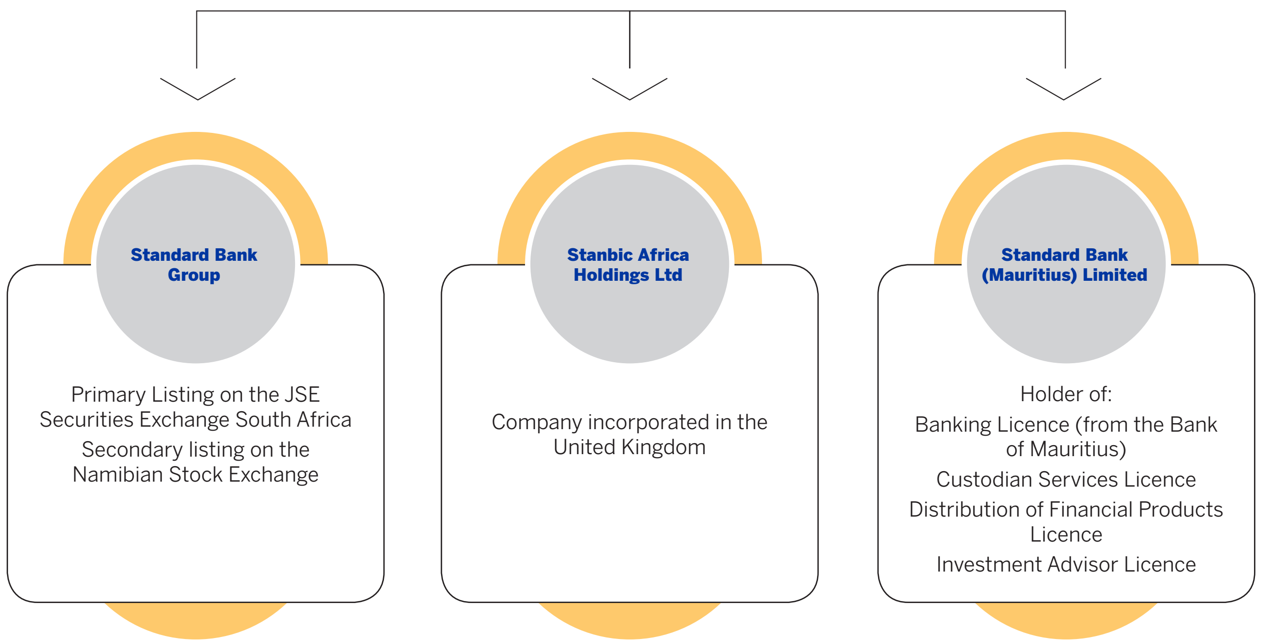
The Bank has exempt related party exposures with members of the Standard Bank Group as part of interbank transactions in relation to its treasury operations.

A detailed analysis of related party transactions is available in the notes to the accounts from page 189-191.



Corporate governance report

HOLDING STRUCTURE



Introduction

We see corporate governance as an enabler that creates competitive advantage through enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership. 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.

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

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.

The Bank's corporate governance approach promotes strategic decision making that combines long and short-term outcomes to reconcile the interests of the Bank, its stakeholders and society to create sustainable shared value. The Bank operates within a clearly defined board-approved governance framework, which outlines mechanisms for the Bank to implement robust governance practices and provides clear direction for decision-making across all disciplines.

Through the Bank's governance framework, the Board fulfils an oversight role and deliberates with executive management over strategic direction, financial goals, resource allocation and risk appetite. Management applies the tone set by the Board and the governance philosophy, based on the Bank's values, as a set of principles and structures that enable the Bank to create shared value for all our stakeholders.

The Board of directors of Standard Bank (Mauritius) Limited (the Board) are made aware of their legal duties during the induction programme and through continuous trainings carried out by in-house specialists and external consultants throughout the year. Directors are cognisant of the requirement to exercise the degree of care, skill and diligence reasonably expected of a prudent and competent director for the proper discharge of their duties.

The Board also serves as the focal point for and custodian of the Bank's corporate governance and ensures that the principles of governance and codes of best practices are in place and adhered to.

The Bank, being a public interest entity, is required to adopt the principles set out by National Code on Corporate Governance for Mauritius (2016). During the course of the year, an assessment of the corporate governance framework of the Bank was conducted and various actions were implemented to fully embrace these principles. The Bank also subscribes to and is fully compliant with the Bank of Mauritius guidelines on Corporate Governance in all material aspects. Throughout the year ended 31 December 2018, to the best of the Board's knowledge, the Bank has complied with the Corporate Governance Code for Mauritius (2016). The Bank has applied all of the principles set out in the Code and explained how these principles have been applied.

Board of directors

The Board of directors is constituted in terms of the Bank's Constitution and in line with the provisions of the Companies Act, the Banking Act and any applicable law or binding regulatory provisions. The Bank, a wholly owned subsidiary of Standard Bank Group Limited, operates in a highly regulated and dynamic sector where the Bank is required to constantly adapt itself to conform to the changing legislation and market conditions. The Bank has a unitary board model comprising of a mix of executive directors, non-executive directors and independent directors. The Board currently comprises 10 board members with suitable and wide breadth of backgrounds and professional experience from the banking, financial, legal, accounting, IT and commercial sectors. The composition and size of Board is considered effective and appropriate to meet the requirements of the business in terms of setting the direction of the Bank and monitor management in order for the Bank to achieve its objectives. The Board has sufficient depth of skills and capabilities, diversity of experience as well as gender balance to provide the Bank with the appropriate direction and guidance to meet the expectation of its stakeholders.

The Bank is predominantly regulated by the Bank of Mauritius, and operates in accordance with its guidelines, instructions and directives. The Bank of Mauritius Guideline on Corporate Governance encourages subsidiaries of foreign banks to have at least one independent director on the Board. In that respect, the Bank has appointed Mr Arvind Hari as an independent member on its Board during the year. Most of the board members remains non-executive directors who bring diverse perspectives to board deliberations and constructively challenge management.

The Board is responsible for providing ethical and effective leadership towards the achievement of the Bank's strategy. It agrees the strategic direction and approves the policy framework used to measure organisational performance. This is achieved by ensuring transparent reporting by management and active board oversight. By so doing, the Board continuously scrutinises the Bank's operations and its environment in which it operates to ensure that it meets all legal and regulatory requirements. The Board has established robust governance practices which require the Board to review and approve, at least on a yearly basis, the mandates of the Board and its sub-committees, the Bank's Code of Ethics, the job descriptions of the key senior governance positions, the Bank's organisational chart and the statement of major accountabilities of executive management. These are published on the Bank's website.

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

- It acts as the link between the Bank and its shareholder.
- 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 Chief Executive and other senior officers.
- Ultimately accountable to the shareholder.

Composition

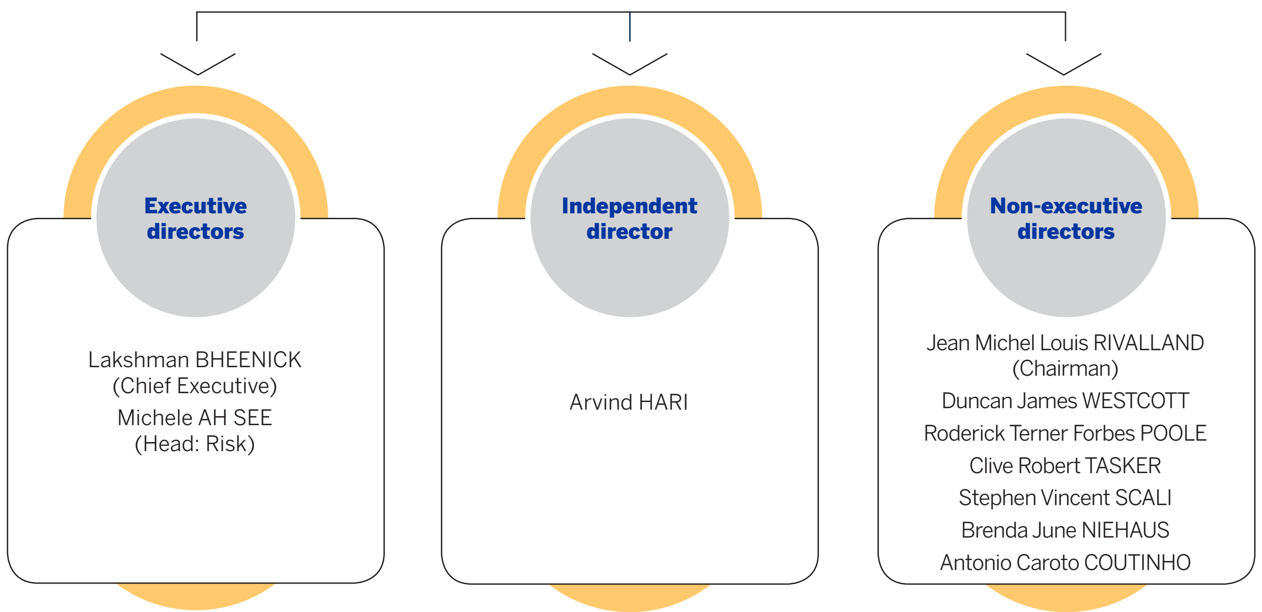
As at 31 December 2018, the Board comprised 10 directors, 7 of whom are non-executive directors, 2 of whom are executive directors and 1 is an independent director.

The board composition is both qualitatively and quantitatively balanced in terms of skills, gender, nationalities, experience and tenure. There is a clear division of responsibilities ensuring that no one director has unfettered powers in the decision-making process. This strengthens the Bank's decision-making process and ensures that there is an appropriate balance of power.

The collective background of the Board members provides for a balanced mix of attributes and skills that enable the Board to fulfil its duties and responsibilities.

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



Board of directors

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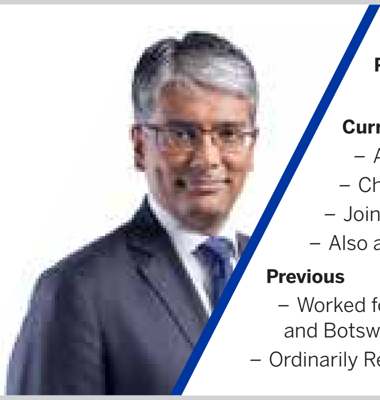
EXECUTIVE DIRECTORS

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



LAKSHMAN BHEENICK AGE 46

Personal profile

- Holder of a BA (Hons) in Economy from University of Manchester (England)

Current

- Appointed as executive director in 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 led the Debt Capital Issuance in Mauritius and Botswana
- Ordinarily Resident in Mauritius

MICHELE AH SEE AGED 52

Personal profile

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

Current

- Appointed as executive director in February 2014
- Joined Standard Bank (Mauritius) Limited in February 2009
- Occupies the post of Head: Risk in the Bank

Previous

- Worked 10 years at 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
- Ordinarily Resident in Mauritius

NON-EXECUTIVE DIRECTORS

JEAN MICHEL LOUIS RIVALLAND AGED 48

Personal profile

- Holder of a Bachelor Degree in Actuarial Sciences and Statistics
- Fellow of the Institute of Actuaries of United Kingdom
- Fellow of the Actuarial Society of South Africa

Current

- Appointed as independent director in November 2007
- Appointed Chairman of Standard Bank (Mauritius) Limited since April 2010
- Group Chief Executive of Swan General and Swan Life 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
- Served as member of the Financial Services Consultative Council

Ordinarily Resident in Mauritius

CLIVE ROBERT TASKER AGED 63

Personal profile

- 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, Board Audit Committee and Board Technology and Information 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 of Standard Bank Africa from March 2008 to December 2011
- Former Head: Corporate Banking International, Corporate and Investment Banking of Standard Bank Group from January 2012 to December 2012
- Former Chief Executive Officer of 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 AGED 69

Personal profile

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

Current

- Appointed as independent director in September 2010
- Chairman of the Board Audit Committee
- Member of the Board Risk Management/Conduct Review Committee and Board Credit Committee

Previous

- Previously a Partner of Price Waterhouse Coopers in South Africa

NON-EXECUTIVE DIRECTORS

RODERICK TERNER FORBES POOLE AGED 57

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

Current
- Appointed as non-executive director in November 2016
- Currently Head: Change and Business Transformation of Standard Bank Group
- 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, Standard Bank of South Africa in 2008
- Former Head: Human Capital, Marketing and Communications CIB of Standard Bank of South Africa from 2012 to 2014
- Former Chief of Staff, Corporate and Investment Banking until November 2016

ANTONIO COUTINHO AGED 51

Personal profile
- Holder of Bachelor of Commerce (Accounting) from the University of Pretoria
- Holder of a Diploma in Management from Henley Business School

Current
- Appointed as non-executive director in December 2018
- Currently Regional Chief Executive of Standard Bank Group

Previous
- Served as Chief Executive of Standard Bank Angola until mid-2018
- Former Chief Executive of Standard Bank Mozambique from 2004 to 2015

STEPHEN VINCENT SCALI AGED 46

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

Current
- Appointed as independent director in June 2011
- 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
- Served as Head of the Mauritius Office of Conyers Dill and Pearman
- Ordinarily Resident in Mauritius

INDEPENDENT DIRECTOR

ARVIND HARI AGED 58

Personal profile
- Holder of a Bachelor in Commerce and Bachelor of Accountancy from the University of Witwatersrand
- Holder of a Master of Commerce from the University of Pretoria
- Member of the South African Institute of Chartered Accountants, Independent Regulatory Board for Auditors of South Africa, Information Systems Audit and Control Association of South Africa and Institute of directors

Current
- Appointed as independent director in October 2018
- Member of the Board Technology and Information Committee

Previous
- Served as Partner at KPMG for 21 years
- Served as Member of KPMG's Policy Board for 11 years
- Former Partner in Charge of the IT Audit and Advisory Business Unit of KPMG
- Former Executive Partner responsible for KPMG's Finances, Executive Remuneration, People (Human Resources) and internal IT unit

BRENDA JUNE NIEHAUS AGED 58

Personal profile
- Advanced Management Program from Harvard University
- 34 years of IT experience within the financial services industry

Current
- Appointed as non-executive director in January 2018
- Chairman of Board Technology and Information Committee
- Member of the Board Audit Committee and Board Risk Management/Conduct Review Committee

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
- Served as Senior IT Board Advisor of Standard Bank Group

Changes in board's composition during the year

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

On 11 October 2018, Mr Arvind Hari has been appointed as Independent director.

On 19 December 2018, Mr Antonio Caroto COUTINHO has been appointed as non-executive director.

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.

The Chairman provides leadership and governance of the Board 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.

Appointment of directors

The Board has a formal and transparent process and policy for the appointment of directors. Apart from a candidate's skills, experience, availability and likely fit, the Board also considers the candidate's demonstrated integrity, proven leadership as well as other directorships and commitments to ensure that they will have sufficient time to discharge their role properly. Candidates must satisfactorily meet the fit and proper test, as required by the Banking Act. Additionally, the directors' Affairs Committee, a committee set up at the parent level of the Bank, reviews the recommendations for the appointment of the candidates. The salient terms and conditions of appointment of independent and non-executive directors are available on the Bank's website.

In accordance with the provisions of the Bank's Constitution, at each annual meeting, each director retires from office and is eligible for re-election, upon recommendation by the Board. The Board may consider the removal of directors where they are not discharging their duties and responsibilities to the satisfaction of the Board. In that case, the Board, through the Chairperson, shall recommend the removal of the director to the shareholder or shall not recommend the director for re-election at the annual meeting, as the case may be.

At the annual meeting, prior to the re-election of the directors, the Chairman has provided feedback on each individual director to the shareholder on whether the director's performance continued to be effective, following which all directors who presented themselves for re-election were re-elected.

Directors' induction and ongoing training

On appointment, directors are provided with the Bank's governance manual which contains all relevant governance information, including the Bank's founding documents, mandates, governance structures, significant reports, relevant legislation and policies. One-on-one meetings and site visits are scheduled with management to introduce new directors to the Bank and its operations. The induction programme is tailored to each new director's specific requirements.

Dates for training are scheduled in advance and form part of the board-approved annual calendar. Directors are kept abreast of applicable legislation 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 the year 2018, the directors were provided training on the following areas:

- King IV - Code on Corporate Governance
- Recovery and Resolution Planning
- International Financial Reporting Standards (IFRS) 9
- Mobilising of Bank's Data Assets
- Anti-Bribery and Corruption and on FATF Guidance

All trainings were given and delivered by Standard Bank Group trainers, including, the Head of Business Unit & Risk Governance (Standard Bank of South Africa (SBSA)), Head of Regulatory Impact and Strategy (SBSA), Senior Manager CIB IFRS Technical Accounting (SBSA), Head of Enterprise Data Office (SBSA) and Head of Strategy, Integration and CDD Advisory Unit (SBSA).

DIRECTOR

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

Assessing the Board's effectiveness

The effectiveness of the Board and its committees and the performance of directors are assessed on an annual basis. Any improvement area and recommendation are discussed by the Board and an action plan is agreed. Any training needs are identified, and the Company Secretary facilitates the holding of the such trainings during the course of the year.

The 2018 Board evaluation was internally facilitated by the Company Secretary and led by the Chairman. The process commenced in October 2018 whereby directors were asked to answer a performance evaluation questionnaire which also allowed for free-text comments on the effectiveness of the Board and its committees, providing feedback on areas considered effective as well as areas requiring improvement as well as a peer review with regard to performance of individual directors. At the November board, the results of the performance evaluation were discussed. Overall, the results were positive with no major concerns raised. The recommendations on areas for improvement were noted and an action plan put in place.

The Chairman also conducted one-on-one individual director feedback sessions, where the results following the peer review were shared and discussed.

Remuneration of directors

The Bank has, in accordance with the Bank of Mauritius Guideline on Corporate Governance, been dispensed by the Bank of Mauritius to establish a Nominations & Remuneration Committee at board level upon being satisfied that a suitably effective framework is in place at parent level to fulfil this role. The Group's Director's Affairs Committee ensures through the Subsidiary Governance Framework and Principles that directors' remuneration (including directors' fees) promotes the long-term success of the group and applies best practices in determining director's remuneration including annual review and benchmark against local peers. Proposed fees are based on a carefully considered assessment of the directors' responsibility, including the significant amount of work involved at committee level. Once the proposed fees are considered by the Group Director's Affairs Committee and the Board, a recommendation for approval is made to the shareholder at each annual meeting.

Eligible Non-executive and Independent directors receive a yearly fixed retainer fee as well as a 'sitting fee" for attendance to boards and board committees. Independent/non-executive directors do not receive shares or options or any incentive in addition to fees. For the remuneration of the executive directors, please refer to the statement of remuneration philosophy.

Company secretary

The current incumbent in the role of Company Secretary is Mrs Reshmee Kistnamah. The main duties are as per below:

COMPANY SECRETARY

- Facilitate evaluation of Board and committee effectiveness
- Ensure the Board remains cognisant of its duties and responsibilities
- Monitor compliance with regulations and inform Board of relevant changes in legislations and governance best practices
- Training of directors
- Provide guidance to the Board
- Ensure good information flows within the Board and its committees and between senior management and non-executive/ independent directors.
- Oversee the induction of new directors

Board composition - Year 2018

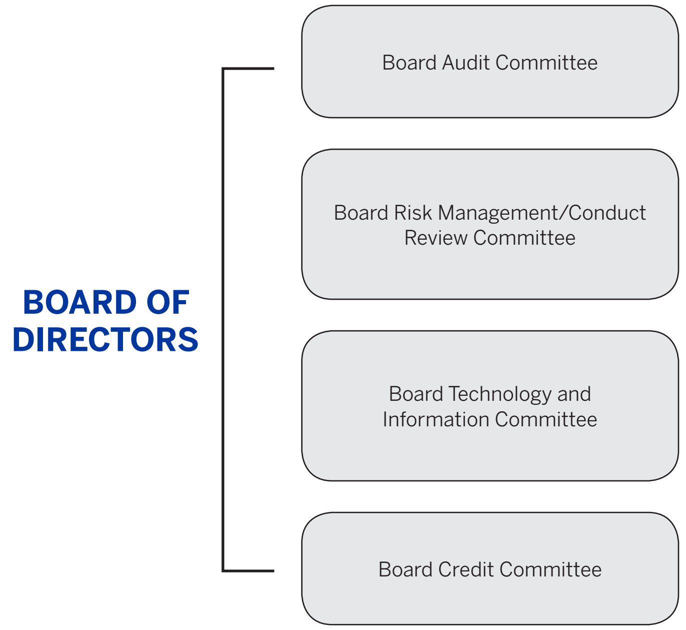
Executive director
Non-executive director
***Independent director**

Role and duties of Board

The Board oversees the Bank's business strategy, internal organisation and governance structure, its risk management and compliance practices, and key personnel decisions. The Board is collectively and ultimately responsible for the safety, soundness and long-term success of the Bank and delivery of sustainable shareholder value. It provides leadership to the Bank within a framework of prudent and effective controls enabling risks to be assessed and managed.

There is a clear demarcation of responsibilities and obligations between the Board and management. The Board is independent from management.

To effectively oversee the affairs of the Bank, the Board has constituted four sub-committees:



The Board reviews and approves their terms of reference on an annual basis. In 2018, the Board reviewed and approved the mandates of its sub committees and its mandate.

Summary of key terms of reference of the Board of directors	
1. 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. • Ensure that an adequate budget and planning process exists.
2. Corporate governance	• Ensure that sound corporate governance practices are implemented within the Bank • Annual assessment of achievements against set objectives. • Delegate power, authorities and discretions to the chief executive and sub-committees for efficient decision-making process. • Propose to shareholder for approval, the remuneration of independent and 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. • The Board approves the Bank's code of ethics and ensure that the highest set of standards for responsible business practice is adhered to by the Bank.

Summary of key terms of reference of the Board of directors

3. Board members' appointment, and overall effectiveness and evaluation of Board	• The Board conducts a fit and proper assessment before recommending the appointment of directors to the shareholder. • The Board approves the appointment of the Chairperson and membership of all Board committees on annual basis. • The Board assumes the responsibilities for succession planning and for the appointment and induction of new directors to the Board. • Ongoing board education remains a focus for the Board to ensure that 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. • Annual assessment of the Board is conducted against set objectives to review and further the Board's effectiveness.
4. Risk and compliance	• Ensure proper and effective compliance and risk management policies and procedures are implemented. • Implement policies and procedures to identify conflict of interest situations and steps to redress such situations.
5. Dividend policy, finance and capital funding	• Responsible for the preparation of accounts that fairly present the state of affairs of the organization and which comply with international reporting standards • Ensure that policies and systems are in place to achieve a prudential balance between risks and returns to shareholders. • Approve dividends payments to shareholders. • Consider and approve capital expenditure recommended by the Executive Committee. • Ensure an adequate budget and planning process exists, and that performance is measured against budgets and plans.
6. Access to information and resources	• Regular interaction between Board and executive management. • 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.

The year ahead

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

Board and committees responsibilities as at 31 December 2018

Summary of key terms of reference

Board audit committee

BOARD AUDIT COMMITTEE

Duncan Westcott (Chairman)

Brenda Niehaus

Clive Tasker

Stephen Scali

The **Board audit committee** assists 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, the Bank's system and standards of internal controls, and monitors processes for internal audit and external audit.

Summary of key terms of reference

Review interim and audited annual financial statements and other financial information required to be submitted to shareholder.
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.
Review the basis on which the Bank has been determined 'a going concern' and make a recommendation to the Board.
Recommend the appointment of external auditor and the terms of reference to the Board.
Evaluate reports produced by the internal audit department of the Bank detailing the adequacy and overall effectiveness of the Bank's internal audit function.
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.
Review complaints handling and complaints reporting procedures.

During the year, significant issues that were considered at the Board Audit Committee in relation to the financial statements were the implementation of IFRS 9 and its impact on the financial results. Board Audit Committee members were provided a training on IFRS 9 and the CFO provided comfort that the Bank was well positioned to account for IFRS 9. Credit Impairments were also discussed, and various engagements were held with Board members to discuss its implications on the financial results.

Audit process

With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention.

On a quarterly basis, the Board Audit Committee Chair meets with the external as well as the internal auditors independently of management to discuss any issues of concerns that were raised. The external auditors meeting is held as part of the quarterly financial review. Regular engagements are held to discuss critical issues, policies, judgements and estimates. The external auditors are invited to attend the quarterly audit committee where they are given the opportunity to present their audit plan, audit findings and any significant or material changes in accounting policies and principles.

External audit

To ensure an effective external audit process, engagements are held with the Board Audit Committee Chair to discuss on areas of focus prior to the engagement. The external auditors prepare their audit plan which is then presented to the Board Audit Committee for approval. The auditors are actively encouraged to participate at the Board Audit Committee on matters under discussion and they will raise any concerns at each quarterly meeting. In addition, they are always kept informed of any significant changes or critical issues that can impact the Bank. The relation with the external auditors is very open and transparent. On a yearly basis, the Board Audit Committee convene to assess the external auditors, this is done through a questionnaire. Results thereof are then discussed with the audit partner for improvements where required.
PricewaterhouseCoopers was first appointed for the financial year ended December 2016 following a competitive tender. The appointment of PricewaterhouseCoopers for year ended 31 December 2018 was approved by both Board Audit Committee and Board of directors dated March 2018. In line with the provisions of the Banking Act 2004, the Bank will rotate external auditors as from financial year ending 31 December 2021.

It is recognised that the external auditors have a detailed knowledge of the Bank's business processes and this often enables them to provide a better service than other consulting firms in certain instances. In addition, the number of firms with specialised technical skills required for consulting in the Mauritian banking environment is limited. The Bank has set up a non-audit services policy which ensures that the Board Audit Committee and the Bank's external auditors will be independent of the Bank both in fact and in appearance in order to maintain their credibility and effectively fulfill their primary role as the Bank's auditors. The provision of extensive levels or certain types of non-audit services to the Bank will not impair their independence or be perceived to do so. A pre-approval of any proposed agreement with the auditors for the provision of non-audit services to the company is required.

As a general guideline, and to facilitate implementation, the Bank's authorised spend on non-audit services provided by the external auditors in any one financial year should not exceed 33.33% of the amount incurred on audit services as disclosed in the annual financial statements in the immediately preceding financial year. The actual spend is reviewed on an ongoing basis by the Board Audit Committee. In 2018, there was no non-audit services provided by the external auditors.

Auditors' fees and fees for other services

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

	2018	2017	2016
	USD	USD	USD
PWC			
Audit Fees	**116,800**	101,000	80,000
Non Audit Fees	**13,051**	6,500	6,500
	129,851	107,500	86,500

The non-audit services for 2018 relates to the Gap analysis on the New Code of Corporate Governance

Internal audit

It is the policy of the Bank to maintain an independent Internal Audit function to undertake independent internal audit activities of the various units within the Bank. The Board Audit Committee (BAC) approves the Internal Audit Charter on an annual basis and this charter defines the purpose, authority and responsibility of the Bank's Internal Audit function.

The Charter requires Internal Audit to:

- Maintain an unbiased mental attitude that allows internal auditors to perform objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.
- Have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement.
- Maintain the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being audited.
- Have an informed view, make a balanced assessment and form judgements after assessment of all relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by the auditor's own interests or by others in forming judgements.

The internal audit function of the Bank comprise of a Head: Internal Audit supported by Internal audit, managers sourced from group.

To preserve the independence of the Internal Audit Function, the Head: Internal Audit reports functionally to the Board Audit Committee (BAC) and administratively to the Bank's Chief Executive and Head of Audit: Africa Regions. BAC is also responsible for the appointment, remuneration approval, performance review and removal of the Head: Internal Audit. The Head: Internal Audit communicates and interacts directly with BAC, with sessions between committee meetings as appropriate, including meetings with the chairperson and/or committee members, without management presence.

Internal Audit adopts a risk-based approach in developing the annual audit plan and in the execution of same. The audit plan is formally approved by the Board Audit Committee on an annual basis and ensures that significant areas are covered on a risk-based approach. The areas of coverage for year 2018 included credit, financial controls (including ICAAP), global markets and supporting operations, wealth and investment, anti-money laundering controls, information security and cyber risk, and post-implementation review of the core banking platform. Internal Auditors had full access to the records, management or employees of the organisation for the purposes of their reviews.

The Head: Internal Audit reports to the Board Audit Committee. The Head: Internal Audit holds the following academic qualifications:

- Certified Internal Auditor (CIA) , Institute of Internal Auditors (IIA) 2018
- IIA Certificate in Internal Audit and Business Risk (UK), 2015
- ACCA qualified, Associate of Chartered Certified Accountants (UK) 2011
- BSc (Hons) Finance with Law, University of Mauritius, 2005

The year ahead

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

The Board, through the **Risk management/Conduct review committee,** 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.

Risk management/Conduct review committee provides oversight and advice to the Board on current and potential future risk exposures of the Bank and future risk strategy. It reviews the Bank's compliance with approved risk appetite and oversees the operation of Bank's policy framework.

RISK MANAGMENT/ CONDUCT REVIEW COMMITTEE

Clive Tasker (Chairman)
Brenda Niehaus
Lakshman Bheenick
Duncan Westcott
Rod Poole

Summary of key terms of reference

Responsible 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 risk culture in the Bank.

Review and assess the integrity of the risk control systems and ensure that risk policies and strategies are effectively identified, managed and monitored in order to contribute to a climate of discipline and control, thereby reducing the opportunity of risk, including fraud, in all areas of operation.

Establish an enterprise wide risk framework, for implementation in the business that will include the following disciplines: credit risk; operational risk; liquidity risk; market risk; legal risk; regulatory capital management and risk assurance.

Consider legal issues that could have a significant impact on the Bank's business.

Ensure independence of Head: Risk from operational management.

Evaluate efficacy of insurance coverage.

Consider all ethics related matters.

Review procedures dealing with related party transactions.

Refer to the Risk and Capital Management report for further details on risk and capital management.

The year ahead

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

BOARD CREDIT COMMITTEE

Stephen Scali (Chairman)
Clive Tasker
Brenda Niehaus
Rod Poole
Lakshman Bheenick

Summary of key terms of reference

Review and approve on an annual basis the terms of reference of management committees set up to consider credit risk namely the Credit Risk Management Committee and the Credit Committee, with clearly defined mandates.

Oversight on the delegated authority to the Credit Committee which approves credit facilities within approved thresholds.

Approval of agreed credit risk appetite framework as required under the Credit Risk Governance Standard as adopted by the Bank.

Review of the credit risk portfolio reports, the credit risk impairment adequacy and any other credit related reports submitted by management.

Consider any other Credit related matters that may be necessary.

The year ahead

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

With the increasing emphasis on technology and information risk and governance, the Board has constituted, during the year, the **Board technology and information committee** which is responsible to the Board for all matters related to data, technology and information. The Board ensures that prudent and reasonable steps have been taken with respect to fulfilling its responsibilities for technology and information governance.

The Board has delegated authority to the Board Technology and Information Committee to oversee the governance of data, technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

BOARD TECHNOLOGY AND INFORMATION COMMITTEE

Brenda Niehaus (Chairman)

Arvind Hari

Clive Tasker

Lakshman Bheenick

Summary of key terms of reference

Review and approve the technology and information governance framework.

Consider management's strategies relating to technology and information.

Ensure the establishment of effective technology and information management functions in the Bank.

Review and approve the IT and data related governance standards and policies and oversee effective implementation thereof by management.

Review technology and information management reports.

Consider the IT budget as a component of the Bank's approved budget and to assess the suitability and affordability of significant IT investments in relation to the budget.

Consider any material IT investments and IT outsourcing arrangements or contracts.

Review the Bank's assessment of risks associated with technology and information including disaster recovery, business continuity and IT security.

The year ahead

- Oversee the technology and information governance framework
- Review the Bank's assessment of risks associated with technology and information including disaster recovery, business continuity and IT security
- Consider management's strategies related to technology and information.

Board and committee meetings

Board and Board subcommittee meetings are held every quarter with an additional annual board 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.

Standard Bank (Mauritius) Limited		Board of directors	Board Committees			
			Board Audit Committee	Risk Management/ Conduct Review Committee	Board Credit Committee	Board Technology and Information Committee****
Number of meetings held		6	5	4	4	1
Chairman		Louis Rivalland	Duncan Westcott	Clive Tasker	Stephen Scali	Brenda Niehaus
Attendance						
Executive	Lakshman Bheenick	6	N/A	4	4	1
	Michele Ah See	6	N/A	N/A	N/A	N/A
Non-Executive	Louis Rivalland	5	N/A	N/A	N/A	N/A
	Clive Tasker	6	5	4	4	1
	Stephen Scali	6	5	N/A	4	N/A
	Duncan Westcott	6	5	4	4	N/A
	Rod Poole	4	N/A	4	3	N/A
	Brenda Niehaus	6	4***	3***	N/A	1
	Antonio Coutinho*	N/A	N/A	N/A	N/A	N/A
Independent	Arvind Hari**	2**	N/A	N/A	N/A	1

*Antonio Coutinho was appointed as director on 19 December 2018.
**Arvind Hari was appointed as director on 11 October 2018.
***At the Board meeting held in March 2018, Brenda Niehaus was appointed as member of the Board Audit Committee and the Board Risk Management/Conduct Review Committee.
****The Board Technology and Information Committee was constituted by the Board at the Board meeting held in October 2018. Brenda Niehaus, Lakshman Bheenick,

Clive Tasker and Arvind Hari were appointed as members of the committee.

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 with legislative and regulatory framework 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.

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 arm's length. 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	The Mauritius Development Investment Trust Company Limited
Lakshman Bheenick	Nil
Michele Ah See	Nil
Rod Poole	Nil
Brenda Niehaus	Mr Price Group Ltd
Arvind Hari	Nil
Antonio Coutinho	Standard Bank Malawi

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 has the right to elect representatives (directors) to look out for its interests and to receive the information its needs to make investment and voting decisions.

Connecting with our stakeholders

Our relevance to the market 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. It also maintains and strengthens our legitimacy and social licence to operate, builds trust with stakeholders, and enhances our reputation as a socially-relevant and responsible corporate citizenship.

Our stakeholders are those individuals, groups, and organisations that materially affect, or could be materially affected by, our business activities, products and services and associated performance. Our stakeholders provide us with the resources we need to achieve our strategy and purpose, influence the environment in which we operate our business, and confer legitimacy on our activities. They are the providers of financial, human, intellectual, natural, manufactured, and social capitals. Our business activities directly and indirectly impact on our stakeholders' own wellbeing and success. We have a responsibility to minimise any harmful impacts, and optimise the positive impacts, on our stakeholders.

Our stakeholders can be categorised into two primary groups:

- The first group comprises stakeholders with which we also have a direct, contractual relationship: namely, our people, our clients, our partners, our suppliers, and our shareholder.
- The second group comprises stakeholders which do not necessarily have a contractual relationship with us but yet fall within the Bank's sphere of influence, and thus have a stake in our performance; namely civil society organisations, professional bodies, regulators, policy-makers, academia, legislators, the diplomatic community, political parties, special-interest and advocacy groups, analysts, researchers and think tanks, the media, and non-governmental organisations.

Stakeholder engagement is part of our everyday business. We engage with our different stakeholders in different ways and strive to be responsive to the concerns of our stakeholders'. Given the scale of our operations and the diversity of our stakeholders, the Bank has adopted a de-centralised stakeholder engagement approach. This means that different teams in the Bank meet with their stakeholders regularly on matters of mutual interest, exploring potential partnerships, and searching for opportunities to create value. The issues on which we engage with stakeholders are multiple and diverse. Examples include our employee value proposition, progress in achieving transformation and inclusion, understanding the expectations of regulators, communicating strategy and financial performance, and identifying the needs of customers and clients.

Our proactive engagement with stakeholders informs the identification of our material issues, business strategy and operations, shapes products and services, helps us to manage and respond to their concerns and expectations, minimises reputational risk and influences our operating environment. Underpinning the de-centralised operating model is our ethos of listening to, and constructively engaging with, legitimate stakeholders. We engage with our stakeholders in the following ways:

STAKEHOLDERS ENGAGEMENT

CLIENTS

WHY?

This is why we think it's important to engage

Our clients are at the centre of everything we do. We need a clear understanding of each of our clients' needs and preferences, to provide an appropriately tailored service offering.

WHAT?

These are the issues that matter the most to them

- Delivering consistently excellent client experience
- Affordable and appropriate products and services
- Safety and security of client data and assets

HOW?

These are some of the ways we responded and engaged

- In a bid to continuously improve the services offered to clients, the Bank conducts a client survey annually. In the 2018 client survey, feedback of clients was requested on the following areas:
  - The client experience
  - The perception the clients have on Standard Bank as a leading corporate and investment bank
  - The professionalism of the Bank's teams as well as the Bank's physical presence on the continent
  - The support and expertise of the Bank's team
  - Satisfaction of the turnaround time on credit requests
- During the course of the year 2018, the Bank introduced a solution, Host-to-Host (H2H), which integrates the clients' systems to the Bank's system with a view to provide a seamless service to its clients. H2H aims at bringing operational efficiencies to clients, while ensuring no duplication of work. This integrated solution provides clients with the following services:
  - Transactional Services (e.g. payment and collections); and
  - Information Services (e.g. statements and reconciliation)
- In May 2018, the Bank hosted a business conference whereby clients were invited to discover what Mauritius offers as a financial hub. The conference saw the participation of Group clients from South Africa, Zimbabwe, Malawi, Swaziland, Zambia, DRC, United Arab Emirates, Nigeria, Hong Kong and China amongst others. Along with their clients, colleagues from the Group CIB business and ICBC also attended the conference.
- To reinforce business relationship and bring clients and employees together, the Bank seized the opportunity to organise an event themed the Football World Cup tournament. In a relaxed and great atmosphere, the clients were invited to watch the first match of the World Cup quarter finals: France v/s Uruguay at Hennessy Park Hotel.
- The annual Heritage month is celebrated in September in South Africa. To symbolically mark the event, the Bank invited its clients to celebrate the best of the South African culture from creative expression such as music and performances, to the historical inheritance, language, and the food they eat as well as popular memories

OUR PEOPLE

WHY?

This is why we think it's important to engage

Without our people, we cannot achieve our purpose. As such, regular engagement with our people is vital in fostering constructive relationships and truly making the Bank a great place to work.

WHAT?

These are the issues that matter the most to them

- Access to career advancement opportunities through continuous development of all employees
- Creating an engaging environment for our employees

HOW?

These are some of the ways we responded and engaged

- The Bank is keenly aware of the impacts of increasing digitisation on our workforce, and are working with employees to manage these impacts, including through skills development programmes.
- Since 2015, the Bank drives 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 Bank has implemented a web-based engagement platform known as Office Vibe which measures the engagement level of employees on an ongoing basis. The overall engagement rating for 2018 was positive. The 'Are You a Fan' Group-wide employee survey was also conducted in 2018.
- A Management Committee (MANCO) with representatives of each function of the Bank was set up in 2017 to tackle bank wide initiatives / projects as may be defined by the Executive Committee (EXCO) and provide recommendations to EXCO. The aim is to provide Committee Members with exposure to the various business units of the Bank. In 2018, MANCO was involved in the following projects: MSA – SLA, Green Initiative, Extension of cut off time, RDARR, Employee Experience, Digitization and recommendations for CSR and Mark of Excellence.
- A Mentoring program was launched in 2018 for high performers. The objective is to provide a firm foundation for current mentees and impart hands-on skills which includes the learning of effective relationships, self-awareness and cultural diversity.
- The Bank hosted a team building event in April 2018. The aim was to build a collaborative culture and manifesto machine whereby each team was accountable to create a shared manifesto.
- New facilities including gaming room and rooftop terrace were provided to encourage a more balanced workplace

SHAREHOLDER

WHY?

This is why we think it's important to engage

The Shareholder provides the financial capital that allows our business to grow and we have a fiduciary duty to manage its investment with care. We need to provide the Shareholder with a compelling value proposition to retain its confidence and support.

WHAT?

These are the issues that matter the most to them

- Strengthening efficiency and return on investment
- Responding to increased competition in challenging market conditions

HOW?

These are some of the ways we responded and engaged

The Chairman of the Board is responsible to disseminate the views of the shareholder to the Board. Any concerns or feedback communicated by the shareholder are discussed at board meetings with appropriate action implemented, if required. The Chairman also acts as an intermediary between the key stakeholders of the Standard Bank Group and the Board.

A revamped Subsidiary Governance Principles and Framework was rolled out during the year and the Bank fully implemented the requirements. In line with the above, a Regional Chief Executive has joined the Bank's Board of directors and will be acting as the Group representative on the country board and will, together with the country chief executive, be the primary point of contact between the country board and the Group.

- In line with the new National Code of Corporate Governance for Mauritius (Code) rolled out in 2017, the Bank has adopted the principles of the Code which, amongst others, recommends the disclosures of corporate governance practices which provide the shareholder with more insight on the Bank.

REGULATORS

WHY?

This is why we think it's important to engage

We engage regulators to support evidence-based policy-making and dialogue between the public and private sectors. It's important for us to understand and meet the expectations of our regulators.

WHAT?

These are the issues that matter the most to them

- Protecting against cyber and IT fraud
- Treating customers fairly and conduct of banks
- Demonstrating highest standards of ethics and integrity
- Compliance with laws and regulations

HOW?

These are some of the ways we responded and engaged

- The Chief Executive ensures that the Board is kept abreast of any material legal or regulatory matter through management reports tabled to the Board for consideration. The views of the Board are sought and management is informed through the Chief Executive on any action required to be taken.
- In Mauritius, as part of Mauritius Banker's Association meetings, we participated in engagements with the Bank of Mauritius (BOM) on proposed amendments to the:
- Guideline on Outsourcing activities
- Code of Ethics and Banking Practice 2019
- Code of conduct for the foreign exchange market
- Finance (Miscellaneous Provisions) Act 2018 & Financial Intelligence and Anti Money laundering Act (FIAMLA)
- The Bank is actively participating in working committees set up by the Bank of Mauritius (BOM) to support the Risk-Based Supervision (RBS) Framework which aims at strengthening the MIS system and IT architecture of banks. Quarterly reports on credit risk, liquidity risk and Anti- Money Laundering and counter Terrorism Financing (AML/CFT) risk are being duly submitted to Bank of Mauritius.
- In line with the framework that Bank of Mauritius (BOM) is introducing on cross border lending, a representative from the Bank is representing the Bank on the Working Group Committee. Furthermore, the Bank submitted its views on the proposed minimum standards for Cross Border Lending.
- With a view to gauge any impact, which the Eastern and Southern Africa Anti-Money Laundering Group (ESSAMLG) Mutual evaluation Report (MER) for Mauritius has on our jurisdiction, the Bank participated in the ESAAMLG survey on De-Risking and submitted the survey forms to Bank of Mauritius.

CIVIL SOCIETY GROUPS

WHY?

This is why we think it's important to engage

As part of our journey to drive Africa's growth, the Bank applies sustainable principles to drive growth and development which are inextricably linked to the prosperity and wellbeing of the society in which we operate. We have identified the following areas in which we can make a significant positive impact: Education, Environment and Health.

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.

WHAT?

These are the issues that matter the most to them

- Contribution to and promotion of a just and equitable society

HOW?

These are some of the ways we responded and engaged

- The Board has delegated authority to its subcommittees to consider views of other key stakeholders with respect to consumer complaints, ethical matters, conflict of interests, environmental, social and health and safety matters. Management provides quarterly reports on same to the Board and its subcommittees for consideration.
- Under the Bank's CSR pillar, education and empowerment are the main areas of intervention. We have supported needy beneficiaries through our bursary programme **"Standard Bank Mauritius Scholarship Programme"** and also through different NGOs to help them in their fight against social ills and poverty.
- **NGO "Reve et Espoir"** where we have helped 30 direct beneficiaries improve their concentration, memory, behaviour, attention span, improve their educational standards and learning abilities as well as promoting psychological wellbeing, social, emotional and behavioural development.
- **NGO "Quartier de Lumiere"** we assisted and empowered children in the village of La Valette, Bambous (Western region of the island) who are left on their own and come from poor and needy families. Our support has enabled the NGO to ensure the integral development of the child be it physical, cognitive and moral.
- **NGO "Junior Achievement (JA) Mascareignes"** for a learning and development programme targeting 80 youngsters, who will soon be stepping into the job market. The aim of this programme was to inspire, educate and prepare young people to develop entrepreneurial and life skills and give them work readiness skills which are not emphasised in the academic curriculum.
- **Mauritius World AI Show and World Blockchain Summit** - We are one of the leading banks pushing innovation in the African financial sector through our collaboration across two consortiums, the South African Financial Blockchain Consortium, and the international R3 Consortium to advance Blockchain digital solutions. Standard Bank Mauritius supported the Bank's strong commitment and efforts in encouraging FinTech innovation which we believe is key in driving Africa's economic growth and prosperity.
- **Africa Day – Soweto Gospel Choir** - The Bank partnered with the Nelson Mandela Centre for African Culture to celebrate Africa Day and promote the African culture. A series of activities were organised and we were one of the sponsors of the unique concert of the world renowned Soweto Gospel Choir for their performance in Mauritius.
- **Regards Croises with IFM** - The Bank was one of the proud sponsors of the photo exhibition ***'Regards Croisés - 50ans d'Indépendance de Maurice'*** organised by l'Institut Français de Maurice (IFM) on the occasion of the fiftieth anniversary of the independence of Mauritius. The exhibition exposed the artistic expressions of young local talented photographers.

Shareholders' calendar

Annual General Meeting of Shareholders	December
Publication of Financial Statements	
Annual Report	March
Quarterly Unaudited Financial Statements	
31 March	June
30 June	September
30 September	December

Sustainability

The monitoring and reporting of sustainability issues is an evolving discipline within the Bank and 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 report is published on the Standard Bank Group's website.

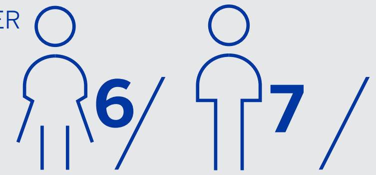
Refer to the Sustainability Report of the Bank for further details on the Bank's initiatives.

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

GENDER



LAKSHMAN BHEENICK

Chief Executive

– Please refer to profile on page 54

MICHELE AH SEE

Head: Risk

– Please refer to profile on page 54

NATHALIE POMPON-NEMORIN

Chief Financial Officer

– Joined Standard Bank (Mauritius) Limited in 2001 as Financial Manager
– Acceded to Head of Finance in 2006
– Appointed Chief Financial Officer in July 2012
– 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

ACUTT COLE

Head: Investment Banking

– Appointed 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 & Leverage, Standard Bank of South Africa

NG TSEUNG DANIEL PHILIPPE

Head: Corporate Banking/Transactional Products and Services

– 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
– Previously employed as Treasurer at The Hongkong and Shanghai Banking Corporation Limited (HSBC)

SANDRASAGREN MEENAKSHI

Head: Global Markets

– Joined Standard Bank (Mauritius) Ltd in 2011 as Head Global Markets.
– Holder of an MBA from the City University Business School (UK) and a Master in International Economics and Finance from Brandeis University (USA)
– Fellow member of the Association of Chartered Certified Accountants (FCCA)
– Previously employed at Air Mauritius as Head of Treasury for a period of thirteen years
– Worked for MEDIA as financial controller
– Worked for De Chazal Du Mée and Philips ELL & Gross

A KISTNAMAH RESHMEE

Head: Legal and Company Secretary

– 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

BALAKA RITA

Head: Compliance

- Appointed Head Compliance, Mauritius in October 2018
- Joined Stanbic Bank Uganda Limited in 2014 as Head: Compliance
- Holder of a Master in Economic Policy and Planning and a Bachelor of Arts (Hons) Economics & Social Administration from Makerere University, Kampala
- Previously employed as Vice President – Executive Director of City Bank Uganda.

BHUGALOO ADJHMIR

Chief Information Officer

- 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 HongKong and Shanghai Banking Corporation Limited

HOU NIGEL

Head: Credit

- Appointed 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

LAI CHOO DANIEL

Head: Marketing & Communication

- Joined Standard Bank (Mauritius) Limited in 2011
- Appointed 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 Bank Mauritius Limited where he held various positions such as Change Manager and Marketing Manager

MOOTOOSAMY AELANDER

Head: Human Capital

- Appointed 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

VEERAPEN ROBIN

Head: Operations

- 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 The HongKong and Shanghai Banking Corporation Limited (HSBC) for 14 years

Departures:

VIKRANT BHALERAO

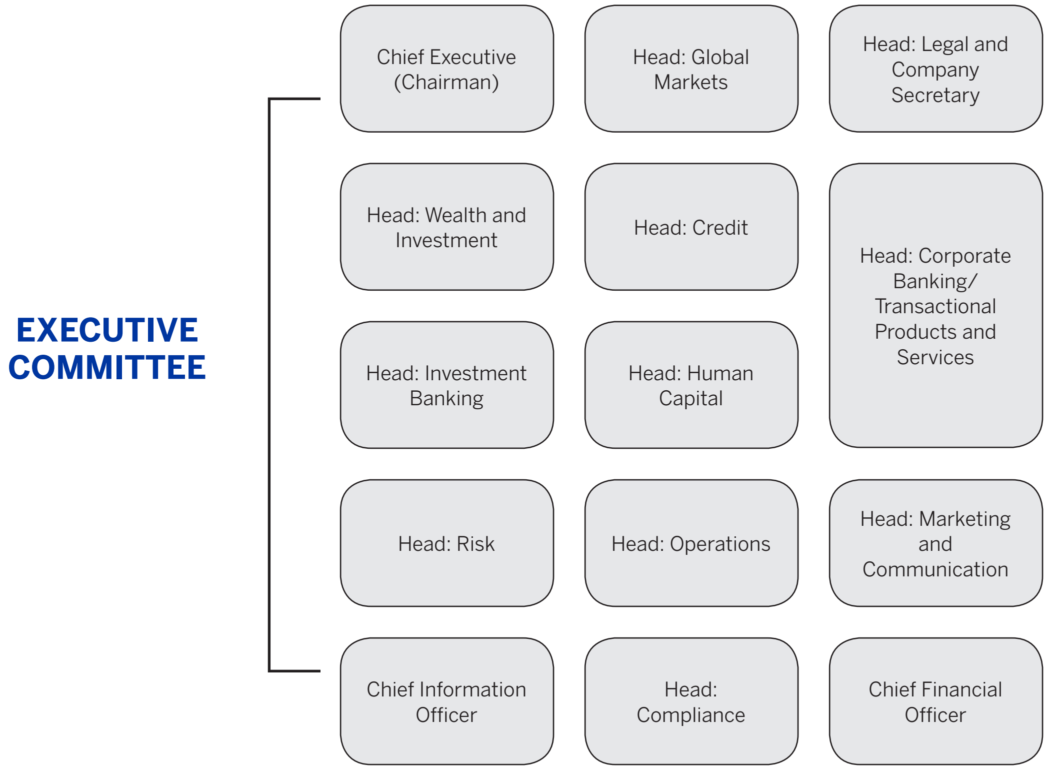
Head: Wealth & Investment

- June 2018

The position of Head: Wealth & Investment is vacant as at 31 December 2018.

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. Five main management committees have been constituted to assist the Chief Executive in managing the Bank. These are the Executive Committee ('EXCO'), the Asset and Liability Management Committee ('ALCO'), the Credit Risk Management Committee ('CRMC'), the Operational Risk and Compliance Committee ('ORCC') and the IT Steering Committee ('IT STEERCO').



EXCO

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.
Formulate the Bank's overall strategy and targets (both financial and non-financial) for recommendation to the Board of directors.
Outline risk parameters and policy including credit policy and credit management strategies.
Control issues relating to the day to day management of the Bank.
Oversee any other issues specifically delegated to EXCO by the Board of directors.

Statement of Major Accountabilities of each EXCO member:

Chief Executive

The Chief Executive ("CE") is responsible for guiding and formulating strategies for the profitable growth of business in line with the Group broad objectives. The CE's task is to execute the strategic goals and objectives of the business as approved by the Board, whilst ensuring that efficient reporting mechanisms are in place to carry along all stakeholders. The CE is also responsible for the overall performance of the business while leveraging on competencies inherent in the Banking group. The CE in addition is relied upon to provide leadership and direction in ensuring that the Group's value and vision is imbibed.

Head: Risk

Provide the leadership, vision, direction and implementation of risk management processes and systems as a key enabler to achieving business objectives of the organisation. The purpose is to be the trusted risk management business partner that equips business with the tools to mitigate financial, reputational and regulatory impact of material (operational and non-operational) risk incidents. This will require the anticipation of external drivers coupled with impacts of current and planned systems, processes, products and strategic changes on the risk profile of the business and to guide decision making on controls to manage and mitigate these risks.

Chief financial officer

Accountable for the development, translation and implementation of the finance strategy for the Bank. Provide leadership, vision, direction to finance and business management teams. Ensure the effective implementation and continuity of full financial management services. Construct and drive the development and implementation of processes, systems and controls in the finance area through the finance team.

Head: CIB

Take overall accountability for building and maintaining a strong CIB brand and reputation at a country level as aligned to Standard Bank Group and CIB Brand. Act as in-country leader of the CIB employee base and drive "One CIB Culture". Direct, develop and manage the CIB team in country, in partnership with the Sub-Regional Product Heads (where applicable). Ensure delivery of CIB revenues and net earnings through delivery of an appropriate range of banking products (Transactional Product and Services, Investment Banking and Global Markets Products) to the existing and targeted client base, working with and through the Client Coverage Teams.

Head: Corporate banking/TPS

Driving and strategising client relationships and maximise cross-selling revenues and client profitability while providing effective client support and relationship development to Standard Bank's wholesale client base. Responsible for driving the sales team who are required to sell the Bank's total product and solutions offering which is in line with the strategic objectives of Mauritius, including transactional products ("TPS"), global markets ("GM") and investment banking ("IB").

Head: Global markets

Promoting, managing and co-ordinating the Global Markets business and performing Treasury function in country in line with the CIB strategy in order to grow the franchise maximise profitability and improve/maintain the Bank's profile as a proficient and compliant operator in the country market.

Head: Investment banking

Drive the daily operations of Investment Banking in Mauritius, contributing to the performance of the local operation and the franchise across Africa. Provide material support to driving necessary research, analyses, origination, execution and administration in Investment Banking.

Head: Wealth & investment

Ensure the proper running of the Wealth and Investment business. Deliver a value adding sales, solutions and service platform for the Wealth and Investment segment that will grow and retain high-value business and development of products and processes linked to the core products of the Bank. Leverage and optimise resources, business and operational risk, and market potential, to maximise business growth, retention and profitability targets for the High Net Worth Individuals (HNWI).

Head: Operations

Support the country in providing a consistently high quality financial services platform. Proactively identify and assess the risks faced by CIB Operations, Group Real Estate Services and Procurement. Manage risks and have an effective system of controls to reduce overall exposure and provide a secure appropriately staffed, cost effective service delivery infrastructure. Accountable for delivering, maintaining and monitoring appropriate infrastructure, equipment, staffing structures, procedures and controls that match the current and future strategic operational and financial needs of the business as well as compliance and regulatory requirements.

Head: Compliance

Provide input into the strategy and to assist in the strategic execution in the business compliance risk management function in order to discharge compliance risk management processes as required by relevant regulatory requirements, applicable codes of conduct and minimum standards, as well as business partnering initiatives across all operations.

Head: Credit

Manage the Country Credit Risk portfolio and profile within its risk appetite and acceptable Group parameters. Interact with other departments with regard to credit strategy and manage various credit related department staff.

Head: Legal & company secretary

Within the overall group legal strategy, drive the development of the key legal risk indicators for Legal Risk Management within the organisation including the definition of the legal framework, evaluating potential likelihood of legal risks and impact and determining the appropriate controls to be in place. Provide effective strategic support to senior business leadership by, amongst others, ensuring that business is conducted in accordance with applicable laws and regulations and ensuring that the group's legal standards and processes are adhered to whilst safeguarding the integrity and reputation of the organisation and the Standard Bank brand.

In the role of company secretary, provide professional advisory service to the Board of directors and ensure that the Board fulfils its lawful obligations, statutory duties and performs its functions in accordance with law and the Bank's constitution. Responsible for the implementation of sound corporate governance principles within the organisation in line with international and local best practices.

Chief information officer

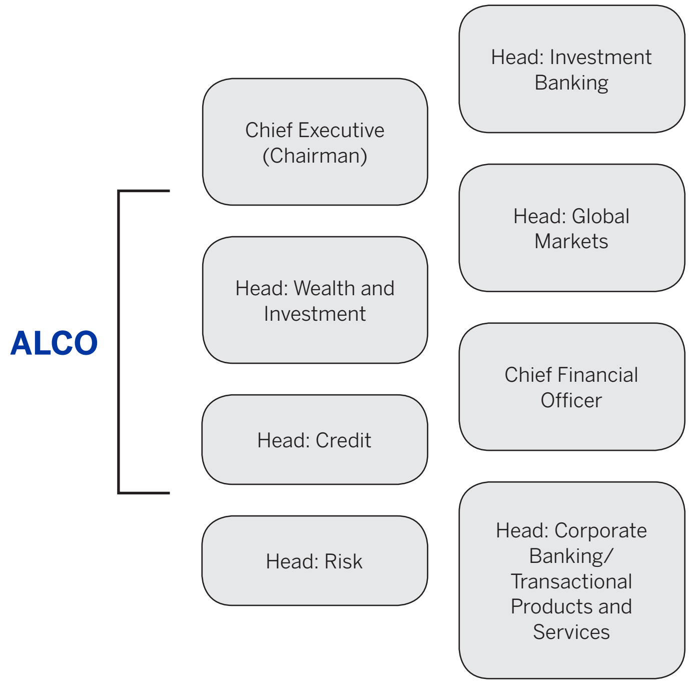
Provide strategic vision and operational IT leadership for the Information Technology department and be accountable for directing, planning, organising and controlling all IT functions. In addition, the role is responsible for the delivery of a broad range of IT services and sponsors process/system improvements aimed at the efficient and effective provision of IT services.

Head: Human capital

Translate the group and business line's people strategies into tactical operational plans and incorporating it into the overarching country people plan for execution at country and business unit level. Ensure that staff costs are aligned to the overall strategy of the Bank: provide a Human Capital business partnering function to senior management and executives of the business. Coordinate delivery of HC initiatives and services with other business partners and centres of excellence to ultimately ensure that the Bank is adequately and competently equipped in terms of capacity and capability.

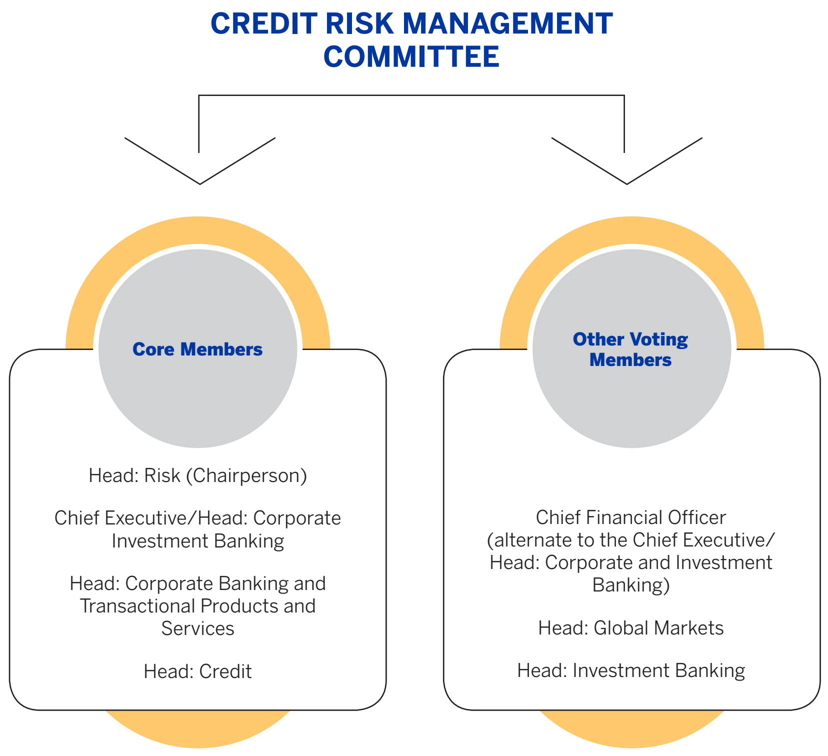
Head: Marketing & communication

Direct and oversee marketing/communications/public relations strategies and tactical plans designed to capitalise on market opportunities and generate demand within the business area in support of business objectives. Lead a creative, integrated, multi-channel marketing team that builds brand awareness and reputation, provides a steady flow of demand through for example sales leads, and measures the return on marketing program investments.



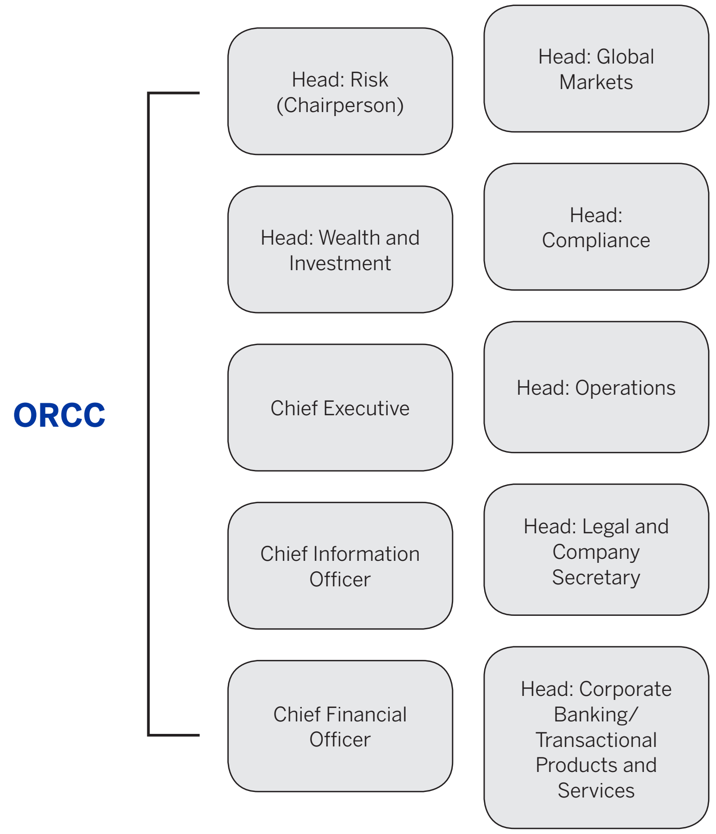
ALCO

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.
Ensure appropriate risk identification, measuring, monitoring and management processes are adopted in the Bank.
Review ALCO tolerance limits and appetite triggers and agree remedial actions in order to align exposures with agreed risk appetite and tolerance.
Review market risk, liquidity risk, funds transfer pricing, capital management framework and Banking book interest rate risk policies.
Ensure a sound capital position and optimal capital plans for the Bank.
Review and note the impact of internal and external factors on the net interest margin.
Review internal capital adequacy assessment process document, market risk limits and triggers.
Review policies relating to market risk management, liquidity risk management and capital management.



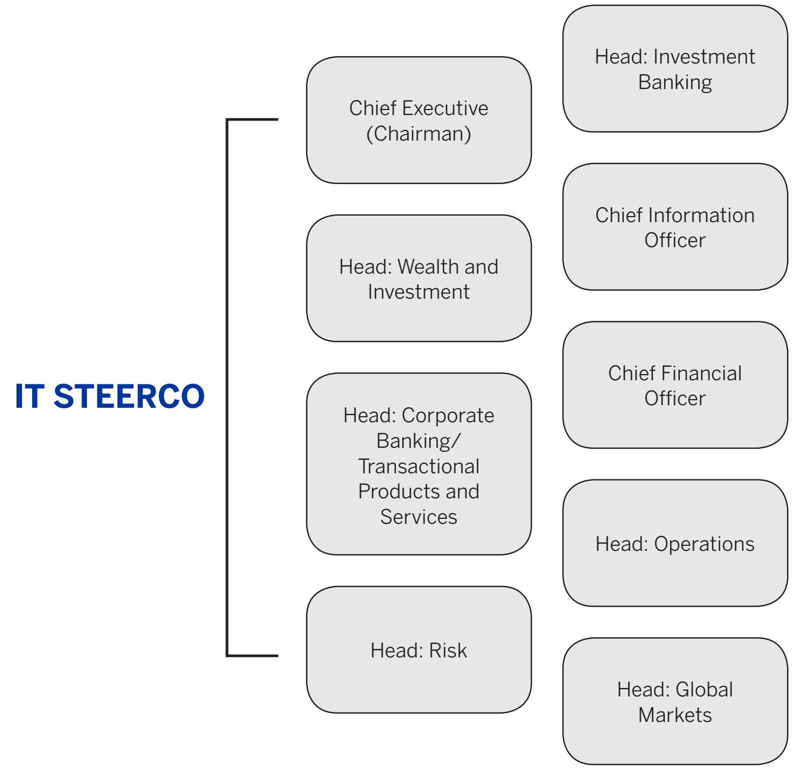
CRMC

Summary of key terms of reference
The purpose of the CRMC is to establish and define the principles under which the Bank is prepared to assume credit risk and the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk.
Adopt credit policies subject to Board's approval.
Review and report to Board Credit Committee all credit risk breaches and non-compliance of credit policies.
Review all past due but not impaired portfolios as well as impaired portfolios and the adequacy of specific and general impairments.
Review credit risk portfolios and material sub-portfolios.



ORCC

Summary of key terms of reference
The main purpose of the committee is to assist the EXCO in discharging its duties relating to the identification of key risk areas, measurement and control of risks, and ensuring that the controls, processes, procedures and systems employed meet the Standard Bank Group's risk appetite and the requirements of the regulatory authorities.
Consider reports submitted by Operational Risk, Compliance, Internal Audit, Legal, IT and External audit.
Review and assess the integrity of the risk control systems and ensure that risk policies and strategies are effectively managed.
Review significant risk events and ensure that the control environment is adequate to prevent recurrence.
Monitor new and changing laws and regulatory requirements and ensure that appropriate plans are in place.
Provide the requisite guidance and advise the Bank to invest in appropriate risk management infrastructure, including software and human resources.
Review and concur with the level of insurance cover and note significant claims.



IT STEERCO

Summary of key terms of reference
The purpose of the committee is to provide assurance to the Executive Committee and the Board that management has implemented effective IT Governance structures that support the effective and efficient management of resources, the optimisation of costs and the mitigation of risk in a secure and sustainable manner.
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.
Review material IT audit findings and monitor the resolution of issues.
To monitor the performance of the IT Investment Portfolio (both in terms of performance and financial implications) and escalate issues or concerns to the Executive Committee and the Board.
Consider the sourcing strategy for IT services and ensure that the appropriate governance requirements are met.
Ensure that effective risk management exists within IT (including disaster recovery, business continuity, IT security, compliance, etc.).

Information technology

The Bank subscribes to sound corporate governance principles as mandated by Standard Bank Group, one of which is the use of policies and standards which define and articulate practices, boundaries and expectations within which the Bank operates.

Technology and Information (IT) is key to the achievement of the Bank's strategic ambition and IT Risk Management is an integral part of the risk management processes, reporting and oversight. The Board of directors of Standard Bank (Mauritius) Limited, the Board Technology and Information Committee and the Board Risk Management /Conduct Review Committee ensure that all IT risks are adequately addressed through the risk management, monitoring and assurance processes.

Policies and Standards are reviewed on a biennial basis and subsequently approved by the Board/ Board Subcommittee. The policies and standards are made available to all employees for consultation through the Bank's intranet.

The following policies have been adopted by the Bank:

IT data centre management policy

The reliability, availability and recoverability of IT systems, networks and infrastructures are crucial in maintaining confidence in the operational capabilities of the Bank. As critical systems and data are concentrated and maintained in the Bank's Data Centres, it is important that our Data Centres are resilient and physically secured from internal and external threats.

The management of the Bank's Data Centres across the IT value chain is considered a standard requirement and also a business priority and this Policy contains the required controls applicable to the following areas:

- Definitive hardware storage areas;
- Disaster recovery buildings and sites;
- Generator, power, cooling, fire detection and protection, Building Management System and rotary/static uninterrupted power supply rooms; and
- Media Storage areas within the Data Centre.

IT service operations policy

The purpose of Service Operations is to deliver agreed levels of service to users and customers and to manage the applications, technology and infrastructure that support the delivery of the services. All IT services deployed into production must be managed and controlled through the IT support processes for:

- Access Management;
- Event Management;
- Incident management;
- Problem management; and
- Service Desk/Request fulfilment.

IT service continuity management policy

The reliability, availability and recoverability of IT systems, networks and infrastructures are crucial in maintaining confidence in the operational capabilities of the Bank. When critical systems fail, the disruptive impact can be severe and can adversely impact reputation, cause regulatory breaches, revenue and business losses. Critical systems can be defined as systems which, when failed to operate for a given period of time:

- Will have a disruptive impact that is considered severe;
- Will adversely impact the reputation of the organisation;
- Will cause regulatory breaches; and/or
- Will negatively impact revenue generation (business losses)

As systems can be vulnerable, this Policy sets forth the recovery and business resumption priorities and contingency procedures that are tested and rehearsed so that any disruptions may be minimised.

IT third party management policy

Management of IT third parties is considered a strategic imperative for highly regulated industries such as the financial sector.

A key responsibility of IT is to manage contracts, relationships, performance and risks associated with third parties. The scope and the scale of these activities should vary between the strategic and tactical outcomes to be achieved through engagement with third parties.

Third party suppliers are becoming more than providers of a contracted service with many becoming sources of strategic advantage that drive costs, business failure or success, business agility, reputational scrutiny and could result in punitive measures if not actively managed within IT. Effective supplier and contract management is crucial to ensure that suppliers and the services they provide are managed to support IT service targets and business expectations.

IT service transition policy

Service Transition entails the transfer and delivery of new or changed services into operation and the planning and coordination of resources to build, release, test, deploy and establish a new or changed service into production.

Service Transition develops and improves capabilities for introducing new and changed services into supported environments. All new or to be changed IT service designs comply with this Policy, related standards, processes and practices, and are in alignment with the following policy statements:

- Transition planning and support;
- Change management and change evaluation;
- Release and deployment management; and
- Service validation and testing.

IT software asset management policy

Software Asset Management is a business practice that involves managing and optimising the purchase, deployment, maintenance, utilisation and disposal of software within an organisation.

Software Asset Management processes are in place to provide accurate information and control across all software assets within the infrastructure. They identify, control and account for software assets thereby protecting and ensuring the integrity across the service life-cycle.

Software Asset Management entails the alignment of software usage to software entitlements and applicable licensing terms and conditions. The goals are:

- To optimise the Bank's software estate in terms of software selection;
- To minimise risk (commercial, legal and reputational); and
- To maximise commercial benefit.

IT hardware asset management policy

Hardware Asset Management is a business practice that involves managing and optimising the purchase deployment, maintenance, utilisation, refresh of aged assets and disposal of hardware assets within an organisation. Hardware Asset Management processes are in place to provide accurate information and control across all hardware assets within the infrastructure. They identify, control and account for hardware asset items thereby protecting and ensuring the integrity across the service life-cycle. Hardware Asset Management entails the management of the IT physical assets from acquisition through disposal. Common business practices should include:

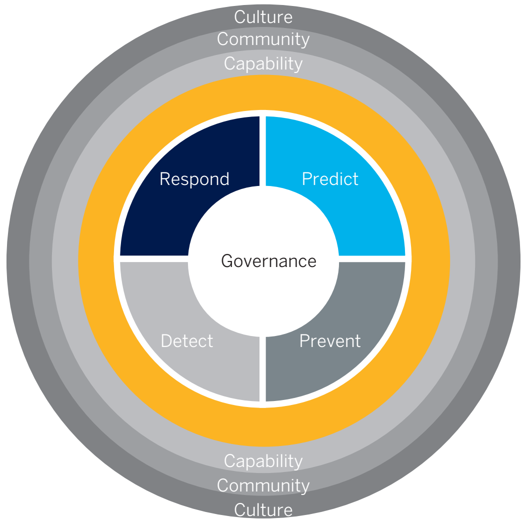
- request and approval process;
- procurement management;
- life cycle management;
- refresh of aged assets;
- redeployment; and
- disposal management.

A key component is capturing the financial information regarding the hardware life cycle which aids the Bank in making business decisions based on meaningful and measurable financial objectives.

Cyber resilience technology standard

The Cyber Resilience Technology Standard articulates how the Bank determines its Cyber Resilience.

Objectives and Cyber Risk tolerance, as well as how to effectively identify, mitigate, and manage Cyber Risks. It covers People, Process and Technology and aligns to enterprise risk management strategies as well as international standards. The Cyber Resilience Framework is depicted in the diagram below and the principles for each component are articulated in the Standard.



The framework governs how the Bank protects its IT assets which include systems in production, systems under development and systems hosted by third parties in a systematic and consistent manner.

The IT Security function is mandated to establish and uphold a culture of security across the Bank, provide assurance on a robust control environment, ensure that stakeholder requirements for the protection of data are continually met, focusing on Confidentiality (the risk of unauthorised access to data and IT systems), Integrity (the risk of data being manipulated) and Availability (the risk of data and IT systems being unavailable when needed.)

Statement of remuneration philosophy

As a subsidiary of Standard Bank Group, the Bank is aligned to the following four key objectives guiding its remuneration strategy:

(1) Measure and reward for value delivered and adjust for risk assumed.
(2) Aim to be competitive in remuneration in the global marketplace for skills.
(3) Reward our people fairly, at both individual and shareholder level, while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk taking.
(4) Promote and reward teamwork.

The Bank aims to attract and retain sufficient, appropriately skilled people to fulfil strategic business objectives and that people are fairly rewarded by ensuring that:

- Remuneration is externally competitive and internally equitable;
- Base salaries are competitive within an appropriate market sector;
- Opportunities are given to our people to enhance total reward through performance-related bonus awards;

Our remuneration policy and structures are guided by the Group Remuneration Committee and focus on total reward and strive for the appropriate mix between fixed and variable pay for all our employees, depending on their roles.

The Group Remuneration Committee is mindful of its responsibilities to all stakeholders, especially our shareholders when assessing and reviewing the remuneration of Senior Executives of the Bank. The committee also reviews performance to ensure that earnings are not the result of one year's work but rather the planned outcome of work done in the past years.

Chief Executive

- The Chief Executive receives a remuneration package and qualifies for long-term incentives. He is not subject to a retention agreement.

Remuneration structure

Executive directors, independent director and non-executive directors fees

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

	USD
Louis Rivalland	15,835
Duncan Westcott	24,620
Stephen Scali	19,345
Clive Tasker	25,325
Brenda Niehaus	16,180
Total non-executive directors	**101,305**
Arvind Hari	3,165
Total independent directors	**3,165**
Lakshman Bheenick	716,935
Marie-Michele Ah See	292,133
Total executive directors	**1,009,068**
Total non-executive & executive directors	**1,113,538**

The remuneration of both executive directors consists of the following:

- guaranteed remuneration - based on their market value and the role that they play;
- annual bonus incentive - used to incentivise the achievement of Bank objectives;
- pension - provides a competitive post-retirement benefit in line with Bank employees.

The non-executive directors are not entitled to share options or bonuses associated with organisational performance. Additionally, as per Group policy, no fees are payable to directors who are employed by Group. Rod Poole and Antonio Coutinho are employees of Group and hence are not remunerated by the Bank.

The full annual report is available on the Bank's website: www.standardbank.mu

Sustainability report

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

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

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

Health and safety

The Bank has a health and safety policy. Our policy is reviewed when necessary and risk assessments carried out when any major organisational or alteration to our offices are made. In addition, the Health and Safety Management system undertakes risk assessments and formulates risk management plans to identify, prevent and manage occupational health and safety risks. We also have a Health and Safety committee which meets every two months with representation of both management 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 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 MUR 8m 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 the Bank was 964 165 kilowatt hours (2017: 1 118 827 kilowatt hours). Diesel Consumption for 2018 was negligible as we had no significant power cuts.

Environment sustainability

The Bank has implemented environmentally friendly and ecological measures to contribute in preserving the environment and reducing our carbon footprint. The engagement is to adopt a responsible ecological mind-set and approach which starts with the implementation of the following measures in the office:

Paper reduction

We make every effort to bring unnecessary printing to a minimum to reduce paper usage in our operations. We have successfully reduced our paper usage through the implementation of printing security code to avoid junk printing. Colleagues are also encouraged to use shared folders for document storage instead of printing.

Recycling

We are supportive of paper recycling and we have partnered with a recycling company and placed recycled bins at the disposal of the staff to dispose of paper waste (envelopes, newspapers, magazines and flyers). A process has also been established for confidential papers, whereby they are shred and destroyed and then recycled. Awareness campaigns and frequent reminders are issued to remind colleagues to segregate their paper waste and general waste.

Energy efficiency

LEDs are known to have better quality of light distribution and focus light in one direction as opposed to other types of lighting. Less LED lights are required to achieve the same level of brightness, thus to target less energy use, all conventional fluorescent lights in the office were replaced by LED lights. This aims at reducing power consumption and reduce the overall power on the grid and the Bank is expecting to save 40% on its light consumption. Moreover, compared to other types of lights, LED lasts up to six times longer and reduces the requirement for frequent replacements.

Plastic bottles

We have a programme which will eliminate the usage of plastic water bottles used in the office during meetings. Plastic water bottles have been replaced by glass water bottles and water dispensers will be installed shortly in the office.

Mauritius – Corporate social responsibility

Changing life | Building sustainability

As part of our journey to drive Africa's growth, Standard Bank Mauritius applies sustainable principles to drive growth and development which are inextricably linked to the prosperity and wellbeing of the society in which we operate. We have identified the following areas in which we can make a significant positive impact and for year 2018, a total of USD114,899 was spent on CSR initiatives.

Education learning and development

Under our CSR pillar, education and empowerment are our main areas of intervention. We have supported needy beneficiaries through our scholarship programme and also through different NGOs.

Standard Bank scholarship scheme

Standard Bank Mauritius Scholarship Programme has allowed bright students with limited financial means to follow undergraduate courses at the University of Mauritius. With our newly on-boarded 2018 batch, the Bank is financially sponsoring 44 students. The aim is to give to those bright children an access to tertiary education and the means to change their world and future.

To contribute to the society in which we operate, Standard Bank Mauritius has partnered with the following NGOs to help them in their fight against social ills and poverty.

NGO "Reve et Espoir"

NGO "Reve et Espoir" provides services to children and young adults with mental & physical disabilities. We supported a psychologist programme whose objectives are to improve the children's development, increase their chances to become more independent and sustain progress.

Through this partnership, we have helped 30 direct beneficiaries improve their concentration, memory, behaviour, attention span, improve their educational standards and learning abilities as well as promoting psychological wellbeing, social, emotional and behavioural development.

NGO "Quartier de Lumiere"

NGO "Quartier de Lumiere" assists and empowers children in the village of La Valette, Bambous (Western region of the island) who are left on their own and come from poor and needy families.

Our support has enabled the NGO meet the following objectives:

- Ensure the integral development of the child be it physical, cognitive and moral
- To see healthy, empowered children who are aware of their importance in society, having realised that success is the fruit of hard work and discipline
- Care of the child from the youngest age
- School support
- Development of the children's personality and an introduction to civic values

NGO Junior Achievement (JA) Mascareignes

Standard Bank Mauritius supported the NGO Junior Achievement (JA) Mascareignes for a learning and development programme targeting 80 youngsters, who will soon be stepping into the job market. The aim of this programme was to inspire, educate and prepare young people to develop entrepreneurial and life skills. Work readiness skills which are not emphasised in the academic curriculum were also provided through the intervention of Standard Bank staff who shared tips on CV writing and their work experiences to motivate and empower those youngsters.

Supporting the community

Staff members are encouraged be more and do more by giving their time serving the community and society in which our business operates. The following initiatives were driven by the staff to help those in need:

Collection of necessities to be distributed to the needy

The Bank organised a huge collection of necessities such as clothing and food as well as diapers and books which were thereafter distributed to children in need. This initiative was staff-driven where staff donated generously, actively participated in the selection and packing process and also did the distribution to the NGOs Association des Amis de Don Bosco and Vye pre-primary & AIME Day Care. This voluntary contribution and gesture from the staff of Standard Bank was very much appreciated by the NGOs.

Scholarship scheme – Buddy initiatives

Along with the scholarship scheme, the Bank runs an internal buddy whereby each scholarship beneficiary is assigned a 'buddy' within the Bank. The staff member who volunteered to be a buddy has the following responsibilities:

- Act as a mentor to the scholars
- Provide general career advice and tips
- Assistance in drafting CVs and provide interview tips
- Regular meetings with the scholars to assess any issues with regards to their studies

Political donations

No political donations were made during financial year 2018.

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 2018

We, the directors of Standard Bank (Mauritius) Limited, confirm that to the best of our knowledge Standard Bank (Mauritius) Limited has complied with all of its obligations and requirements under the National Code of Corporate Governance for Mauritius (2016).

Chairman	Chief Executive
Louis Rivalland	Lakshman Bheenick
20 March 2019	

Statement of management's responsibility for financial reporting

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

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

The Bank's external auditors, 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	**Duncan Westcott**	**Lakshman Bheenick**
Chairman	Director	Chief Executive

20 March 2019

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 judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

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

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

Louis Rivalland
Chairman

Duncan Westcott
Director

Lakshman Bheenick
Chief Executive

20 March 2019

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 auditors' 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 2018, 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 2018;
- 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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances The Bank has adopted IFRS 9 Financial Instruments which requires the recognition of expected credit losses ('ECL') rather than incurred credit losses. This represents a fundamentally new and highly judgemental approach to impairment computation, and relies on complex modelling and the use of a number of data points. Some of these data are sourced from a number of systems that have not been used previously for the preparation of the accounting records. This increases the risk around completeness and accuracy of certain data used to create assumptions and operate the models. Management is required to determine the ECL that may occur over either a 12-month period or the remaining life of a financial asset, depending on the categorisation of the individual asset. The key areas of significant management judgement within the ECL calculations include: • Evaluation of significant increase in credit risk ("SICR"); • Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement; • Assessment of ECL raised for stage 3 exposures; and • Input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement.	Given the complexity of the model used for the ECL calculation, our internal experts assisted us in performing certain procedures. We obtained an understanding and tested the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures and key system reconciliations. With the assistance of our internal experts, we assessed the input assumptions applied within the PD, LGD and EAD models (including forward looking information) in compliance with the requirements of IFRS 9 Financial Instruments. In addition, our procedures included assessing the appropriateness of the models through reperformance and validation procedures. We also performed risk based substantive testing of models, including independently re-building certain assumptions. Where ECL has been raised for stage 3 exposures, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverability of the exposure. We independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Mauritian Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate governance report

Our responsibility under the Mauritian Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance (the "Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Bank has, pursuant to section 75 of the Mauritian Financial Reporting Act 2004, complied with the requirements of the Code.

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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 and business advisors;

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

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

Mauritian Banking Act 2004

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

(a) in our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Mauritian Banking Act 2004 and the regulations and guidelines issued by the Bank of Mauritius; and

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

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

20 March 2019

Statement of Financial Position

AS AT 31 DECEMBER 2018

	Note	2018 USD	2017 USD	2016 USD
Assets				
Cash and cash equivalents	7	**875,019,563**	570,823,648	955,449,350
Trading assets	8	**2,473,961**	749,636	12,214,772
Derivative assets	9	**1,278,203**	9,674,017	11,829,615
Loans and advances to banks	10	**301,895,689**	424,145,193	463,307,807
Loans and advances to customers	11	**228,032,006**	122,169,578	78,741,065
Financial investments	12	**147,364,470**	123,612,813	833,184
Property, plant and equipment	13	**3,177,587**	2,037,435	2,250,989
Intangible assets	14	**18,143,248**	19,517,579	29,204
Deferred tax asset	15	**-**	-	300,000
Other assets	16	**9,785,646**	8,046,618	9,589,289
Total Assets		**1,587,170,373**	1,280,776,517	1,534,545,275
Liabilities				
Deposits from banks	17	**34,716,399**	60,895,260	94,374,626
Deposits from customers	18	**1,387,631,188**	1,103,515,134	1,283,183,276
Derivative liabilities	9	**1,671,872**	9,353,440	11,599,090
Other borrowed funds	19	**1,412,299**	4,097,627	4,018,856
Subordinated liabilities	20	**-**	-	25,000,000
Current tax payable	21	**673,262**	630,313	202,000
Deferred tax liability	15	**760,000**	38,000	-
Other liabilities	22	**44,513,903**	11,285,967	34,474,266
Total Liabilities		**1,471,378,923**	1,189,815,741	1,452,852,114
Shareholder's Equity				
Share capital	23	**35,000,000**	35,000,000	35,000,000
Statutory and other reserves	35	**19,243,582**	15,414,664	12,192,287
Retained earnings		**61,547,868**	40,546,112	34,500,874
Total equity attributable to equity holder		**115,791,450**	90,960,776	81,693,161
Total Equity and Liabilities		**1,587,170,373**	1,280,776,517	1,534,545,275

Approved by the Board of directors and authorised for issue on 20 March 2019.

Louis Rivalland
Chairman

Duncan Westcott
Director

Lakshman Bheenick
Chief Executive

The notes on pages 99 to 191 form part of these financial statements.

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 USD	2017 USD	2016 USD
Interest income		**37,913,582**	28,481,564	18,757,136
Interest expense		**(9,208,582)**	(7,018,359)	(4,550,508)
Net interest income	25	**28,705,000**	21,463,205	14,206,628
Fee and commission income		**7,148,964**	7,188,411	6,695,892
Fee and commission expense		**(407,468)**	(373,345)	(242,698)
Net fee and commission income	26	**6,741,496**	6,815,066	6,453,194
Net trading income	27	**11,610,187**	10,121,660	7,923,642
Net income from other financial instruments carried at fair value	28	**106,357**	7,438	4,308
Other operating income	29	**316,141**	273,897	249,249
		12,032,685	10,402,995	8,177,199
Operating income		**47, 479,181**	38,681,266	28,837,021
Net impairment (charge)/gain on financial assets	30	**(1,455,341)**	183,343	(364,686)
Personnel expenses	31	**(8,681,740)**	(7,325,926)	(7,345,842)
Operating lease	32	**(776,865)**	(651,227)	(637,473)
Depreciation and amortisation	13/14	**(1,970,598)**	(1,223,735)	(852,349)
Other expenses	33	**(7,290,321)**	(6,646,935)	(5,594,614)
		(20,174,865)	(15,664,480)	(14,794,964)
Profit before income tax		**27,304,316**	23,016,786	14,042,057
Income tax expense	34	**(1,731,418)**	(1,730,447)	(1,172,524)
Profit for the year		**25,572,898**	21,286,339	12,869,533
Profit attributable to equity holder		**25,572,898**	21,286,339	12,869,533
Other comprehensive income				
Items that may be reclassified to profit or loss				
Net gain / (loss) on fair value of debt instruments		**14,276**	(15,008)	1,630
Other comprehensive income for the year		**14,276**	(15,008)	1,630
Total comprehensive income for the year attributable to equity holder		**25,587,174**	21,271,331	12,871,163

The notes on pages 99 to 191 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 USD	2017 USD	2016 USD
Cash flows from operating activities				
Profit before income tax		**27,304,316**	23,016,786	14,042,057
Adjusted for:				
Depreciation and amortisation	13/14	**1,970,598**	1,223,735	852,349
Loss/ (Gain) on sale of assets		**-**	1,301	(34,227)
Net foreign exchange difference		**262,821**	199,355	1,384,387
Net impairment charge / (gain) on financial assets		**1,452,910**	(183,343)	364,686
Interest income		**(37,913,582)**	(28,481,564)	(18,757,136)
Interest expense		**9,208,582**	7,018,359	4,550,508
Changes in operating assets and liabilities				
Decrease/(Increase) in trading assets		**(1,724,327)**	11,465,136	26,948,767
Decrease/ (Increase) in derivative assets and liabilities		**715,216**	(90,052)	168,285
Decrease /(Increase) in loans and advances to banks		**122,847,183**	39,582,278	(69,231,015)
(Increase)/ Decrease in loans and advances to customers		**(107,621,745)**	(43,689,776)	19,326,532
(Increase)/ Decrease in other assets		**(1,903,565)**	1,398,471	3,870,728
(Decrease)/ Increase in deposits from banks		**(26,174,549)**	(33,489,941)	15,211,027
(Decrease)/ Increase in other borrowed funds		**(2,685,329)**	78,772	(6,978,128)
Increase /(Decrease) in deposits from customers		**283,508,753**	(179,742,064)	118,225,641
Increase /(Decrease) in other liabilities		**33,171,853**	(22,706,982)	(6,580,089)
Decrease/(Increase) in financial investments through OCI		**17,786,009**	(24,091,010)	(357,801)
Interest received		**36,123,535**	27,832,010	20,712,485
Interest paid		**(8,605,592)**	(6,933,862)	(4,386,691)
Income tax paid		**(787,866)**	(819,978)	(377,367)
Net cash generated from / (used in) operating activities		**346,935,221**	(228,412,369)	118,954,998
Cash flows from investing activities				
Capital expenditure on property, plant and equipment	13	**(1,724,098)**	(600,200)	(260,269)
Proceeds from sale of property, plant and equipment		**-**	-	75,133
Capital expenditure on intangible assets	14	**(12,321)**	(19,899,655)	(14,925)
Purchase of financial investments at amortised costs		**(40,742,432)**	(98,514,123)	-
Net cash used in investing activities		**(42,478,851)**	(119,013,978)	(200,061)
Cash flows from financing activities				
Repayment of subordinated debt	20	**-**	(25,000,000)	-
Dividends paid	37(xi)	**-**	(12,000,000)	(20,000,000)
Net cash used in financing activities		**-**	(37,000,000)	(20,000,000)
Net increase/(decrease) in cash and cash equivalents		**304,456,370**	(384,426,347)	98,754,937
Net foreign exchange difference		**(262,821)**	(199,355)	(1,384,387)
Cash at the beginning of the year		**570,823,648**	955,449,350	858,078,800
Effect of IFRS 9 impairment charge		**2,366**	-	-
Total cash at end of the year	7	**875,019,563**	570,823,648	955,449,350

The notes on pages 99 to 191 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital USD	Statutory reserve USD	Other reserves USD	Retained earnings USD	Total equity USD
Balance at 1 January 2016	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 gain on fair value of debt instruments	-	-	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 holder (Note 37)	-	-	-	(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 loss on fair value of debt instruments	-	-	(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)	-
Transaction with owner of the Bank					
Dividend to equity holder (Note 37)	-	-	-	(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
Impact of adoption of IFRS 9	-	-	-	(850,916)	(850,916)
Restated balance at 1 January 2018	**35,000,000**	**15,284,592**	**130,072**	**39,695,196**	**90,109,860**
Profit for the year	-	-	-	**25,572,898**	**25,572,898**
Net gain on fair value of debt instruments	-	-	**14,276**	-	**14,276**
Total comprehensive income for the year	-	-	**14,276**	**25,572,898**	**25,587,174**
Transfer to statutory reserve	-	**3,835,935**	-	**(3,835,935)**	-
Transfer to general banking reserve	-	-	**(115,666)**	**115,666**	-
Transactions with owner of the Bank					
Share based payments	-	-	**94,373**	**43**	**94,416**
Balance at 31 December 2018	**35,000,000**	**19,120,527**	**123,055**	**61,547,868**	**115,791,450**
Note	23		35		

The notes on pages 99 to 191 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.

Standard Bank (Mauritius) Limited obtained its Banking Licence issued by the Bank of Mauritius 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 07 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 Bank of Mauritius, 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:

- Financial assets classified at fair value through OCI (available-for-sale financial assets), 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))
- intangible assets (other than goodwill) and property and equipment are accounted for at cost less accumulated amortisation and impairment (accounting policies 2.1.(e))
- 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 2018, the rate of the Mauritian Rupee against US Dollar was 34.20. (2017:33.30)

(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

IFRS 15 Revenue from Contracts with Customers (IFRS 15) with effect from 1 January 2018, replaces the existing revenue standards and the 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 steps analysis to determine the amount and timing of revenue recognition. The bank adopted IFRS 15 on 1 January 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the majority of the bank's revenue.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (IFRIC 22) provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The above mentioned standards and interpretation to the IFRS standards, adopted on 1 January 2018, did not affect the bank's previously reported financial results, disclosures or accounting policies and did not impact the bank's results upon transition.

IFRS 9 with effect from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduced new requirements which included an expected credit loss (ECL) impairment model and new requirements for the classification and measurement of financial assets. IFRS 9, adopted on 1 January 2018, impacted the group and company's results upon transition. The impact to the group and company's reserves on transition to IFRS 9 materially relates to IFRS 9's ECL impairment requirements. IFRS 9's classification and measurement requirements resulted in an immaterial impact to the Bank on transition. Refer to the IFRS 9 transition disclosure below for more detail.

IFRS 9 - transition

Background

With effect from 1 January 2018, IFRS 9 replaced IAS 39. IFRS 9 introduced new requirements which included an ECL impairment model and new requirements for the classification and measurement of financial assets as follows:

ECL impairment requirements	IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the bank. OCI, loan commitments when there is a present commitment to extend credit (unless these are measured at fair value through profit or loss (FVTPL)) and guarantees. ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
Classification and measurement	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 the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to the IAS 39 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 FVTPL due to changes in own credit risk are required to be recognised within OCI.

Adoption of IFRS 9

The bank retrospectively adopted IFRS 9 on 1 January 2018 with an adjustment to the bank's opening 1 January 2018 reserves and, as permitted by IFRS 9, did not restate its comparative financial results. Accordingly, the bank's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS 9. However, the bank has elected to continue to apply the hedge accounting requirements of IAS 39.

IFRS 9's ECL requirements

The most material IFRS 9 transition impact for the bank is that of IFRS 9's new ECL requirements which results in the earlier recognition of credit impairment provisions primarily as a result of the drivers outlined in the table below. This impact was solely as a result of the adoption of IFRS 9 and is not as a result of changes in the credit quality of the bank's loan exposures.

12-month ECL for performing loans (stage 1)	IFRS 9 contains a minimum 12-month ECL for exposures for which there has not been a significant increase in credit risk (SICR), whereas IAS 39 required credit impairments to be recognised only following the identification of objective evidence of impairment.
Significant increase in credit risk (SICR) (stage 2)	A lifetime ECL is recognised for all exposures for which there has been a SICR, being a material change in the probability of default, since origination.
Off-balance sheet exposures	IFRS 9's scope includes off-balance sheet exposures, such as unutilised loan commitments (except those loan commitments at fair value through profit and loss), bankers acceptances, guarantees, and letters of credit.
Lifetime model work out requirement	In terms of determining ECL for stage 1 and 2 exposures where there is a probability of default, the potential loss from a lifetime perspective is considered, which would include the probability of recovery post default and subsequent re-default. For stage 3 exposures, being exposures that are either in default or where default is imminent, this would include consideration of cures and subsequent re-default.
Forward looking economic expectations	IFRS 9 requires an adjustment for forward looking economic expectations in the determination of SICR and in the measurement of the ECL

IFRS 9 key financial impacts

I. Reconciliation of statement of financial assets balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets, from the previous measurement category in accordance with IAS 39 to the new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39		IFRS 9
	Carrying amount	Remeasurement	Carrying amount
	USD'000	USD'000	USD'000
Cash and cash equivalents			
Opening balance under IAS 39	570,824	-	-
Remeasurement: ECL allowance	-	(26)	-
Closing balance under IFRS 9	-	-	570,798
Loans and advances to banks			
Opening balance under IAS 39	424,145	-	-
Remeasurement: ECL allowance	-	(179)	-
Closing balance under IFRS 9	-	-	423,966
Loans and advances to customers			
Opening balance under IAS 39	122,170	-	-
Remeasurement: ECL allowance	-	(520)	-
Closing balance under IFRS 9	-	-	121,650
Financial Investments – Fair Value through Other Comprehensive Income (FVOCI)			
Opening balance under IAS 39	24,949	-	-
Remeasurement: ECL allowance	-	(2)	-
Closing balance under IFRS 9	-	-	24,947
Financial Investments at amortised costs			
Opening balance under IAS 39	98,663	-	-
Remeasurement: ECL allowance	-	-	-
Closing balance under IFRS 9	-	-	98,663

IFRS 9 key financial impacts (continued)

II. Impact on retained earnings

The total impact on the Bank's retained earnings is as follows:

	USD'000
Closing retained earnings 31 December 2017	40,546
Increase in provision for cash and cash equivalents	(26)
Increase in provision for loans and advances to banks	(179)
Increase in provision for loans and advances to customers	(520)
Increase in provision for financial investment	(2)
Increase in provision for off-balance sheet exposure	(139)
Increase in deferred tax assets relating to impairment provisions	15
Net decrease in retained earnings	(851)
Opening retained earnings 1 January 2018	**39,695**

III. Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of IFRS 9), the Bank's management has assessed which business models apply to the financial assets held by the Bank and has classified its financial instruments into the appropriate IFRS 9 categories.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9		
	Measurement Category	**Carrying Amount USD'000**	**Measurement Category**	**ECL USD'000**	**Carrying Amount USD'000**
Financial Assets					
Cash and cash equivalents	Amortised cost (Loans and receivables)	570,824	Amortised Costs	(26)	570,798
Loans and advances to banks	Amortised cost (Loans and receivables)	424,145	Amortised Costs	(179)	423,966
Loans and advances to customers	Amortised cost (Loans and receivables)	122,170	Amortised Costs	(520)	121,650
Financial Investment	FVOCI (Available-for-sale)	24,949	FVOCI	(2)	24,947
Financial Investment	Amortised cost (Held to Maturity)	98,663	Amortised Costs	-	98,663

There was no impact on Financial liabilities.

Deferred tax adjustment following IFRS 9 implementation was USD15k as at 1 January 2018.

The Bank applied IFRS 9's classification and measurement requirements based on the facts and circumstances at 1 January 2018 in determining the transition adjustment. As at 1 January 2018 the bank determined the classification of financial assets on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An assessment of the instrument's contractual terms was performed to determine whether the terms give rise on specified dates to cash flows that are solely payments of principal and interest (referred to as SPPI) of the principal amount outstanding and whether there is an accounting mismatch.

For debt financial assets that meet IFRS 9's business model (held to collect) and the SPPI tests and are to be classified as amortised cost or at fair value through other comprehensive income (OCI), the bank assessed whether there is an accounting mismatch based on the facts and circumstances as at 1 January 2018. Where an accounting mismatch exists, these financial assets were designated as at fair value through profit and loss (FVTPL).

The Bank re-assessed the classification of financial assets that were designated as at fair value through profit and loss in terms of IAS 39 to eliminate or significantly reduce an accounting mismatch based on the facts and circumstances at 1 January 2018. These financial assets were either continued to be designated as at fair value through profit and loss or were reclassified under IFRS 9 to either amortised cost (for debt financial assets purely held to collect and met the SPPI test), fair value through OCI (for debt financial assets held to collect and for sale and met the SPPI test) or fair value default when the SPPI test was not met.

Equity financial assets are assessed to be designated as at fair value through OCI based on the facts and circumstances as at 1 January 2018.

From a classification perspective, with the exception of what is noted below, both IAS 39 and IFRS 9 have the same requirements for the classification of financial liabilities. From a recognition of gains and losses perspective, the amount of the change in fair value that is attributable to changes in the credit risk of financial liabilities that have been designated at fair value through profit and loss shall, in terms of IFRS 9, be recognised in OCI with the remaining amount of the change in the fair value of the financial liability being presented in profit or loss. The gains and losses presented in OCI are not subsequently recognised in profit or loss. Where, however, presenting the changes in the fair value of the liability due to changes in credit risk in OCI would create or enlarge an accounting mismatch in profit or loss, IFRS 9 permits the gains and losses due to changes in the credit risk of that liability to be recognised in profit or loss. The bank re-assessed its financial liabilities to be designated as at fair value through profit and loss based on the facts and circumstances at 1 January 2018. These financial liabilities are either continued to be designated as at fair value through profit and loss or were reclassified to amortised cost under IFRS 9.

IV. Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior periods closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model as from 1 January 2018.

	Loan loss allowance under IAS 39	Remeasurement			Loan loss allowance under IFRS 9
Measurement category		**Stage 1**	**Stage 2**	**Stage 3**	
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)					
Cash and cash equivalents	-	(26)	-	-	(26)
Loans and advances to banks	-	(179)	-	-	(179)
Loans and advances to customers	(1,965)	482	(972)	(30)	(2,485)
Off balance sheet exposures	-	(139)	-	-	(139)
	(1,965)	**138**	**(972)**	**(30)**	**(2,829)**
Available-for-sale (IAS 39)/FVOCI (IFRS 9)					
Investment securities/ Investment Securities – FVOCI	-	**(2)**	-	-	**(2)**
Held-to-Maturity (IAS 39) / Financial Investment at amortised costs (IFRS 9)					
Held-to-maturity investments/ Investment securities at amortised costs	-	-	-	-	-
Total	**(1,965)**	**136**	**(972)**	**(30)**	**(2,831)**

Key measurement Assumptions

a) ECL measurement period

The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition. The requirement to hold ECL on unutilised loan commitments has been included, where appropriate, within this classification.

b) Significant increase in credit risk (SICR) and low credit risk

A lifetime ECL requirement for all exposures for which there has been SICR. This included the impact of the LGD work out, being an increase in the life time period over which subsequent cures and re-defaults are considered. The requirement to hold ECL on off-balance sheet exposures has been included where appropriate within this classification.

Internal Ratings-based Approach

The Bank uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below.

Credit Rating Scales

Master ratings scale	Grading	Credit quatily	Moody's investor services	Standard & Poor's	Fitch
1-4	Investment grade	Normal monitoring	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-
5-7			A1, A2, A3	A+, A, A-	A+, A, A-
8-12			Baa1, Baa2, Ba3	BBB+, BBB, BBB-	BBB+, BBB, BBB-
13-21	Sub-investment grade		Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-
22-25		Close monitoring	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-
Default	Default	Default	C	D	

Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

Exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the bank's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes.

Probability of default

PD is calculated using actual historical default rates that ensures a clear ranking of risk by mapping higher scores to lower PDs and vice versa.

The Probability of Default ("PD") associated with the rating is based on an averaged Through-The-Cycle ("TTC") PD which is converted to a point-in-time (PIT) 1-year PD. The PIT PDs are extrapolated based on the TTC PD term structure to develop a longer-term PIT PD term structure that can be used for lifetime expected loss calculations. PDs are to be updated at least annually, or more frequently, for example as soon as fresh financial information is obtained, or when new information comes to light which has a material bearing on the credit risk.

The weighted average PD provides an estimate for the annualised weighted average probability of default over the lifetime of the financial instrument and is driven primarily by the profile of contractual expected exposure run-down and the relevant PD term structure.

Forward PD ("FWD PD") is derived from the bank's master scale, and represents the Cumulative Probability of Default ("CUM PD"), which is derived from the bank's risk grading. FWD PD is then the movement of the CUM PD on a monthly basis.

Exposure at default

Exposure at default ("EAD") captures the potential impact of changes in exposure values, for example: potential drawdowns against unutilised facilities, missed payments, repayments of capital, and potential changes in cross currency positions due to changes in market prices.

Loss Given Default

The Loss Given Default ("LGD") is the amount of a counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the EAD. LGD measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGD is calculated using the workout method (discounted cash flows). Forecasting is performed for accounts that are still in default at the end of the outcome period. LGDs are estimated based on historical recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates in a downturn period. The lifetime LGD provides an estimate of expected recovery experience over the lifetime of a financial instrument in the event of default. The calculation relies on an estimate for LGD as at each point in time over the lifetime of the loan.

Key rating models

As a CIB-led portfolio, the Bank uses distinct credit rating models which are used for exposures to banks, sovereigns, local government, brokers, hedge funds, pension funds, asset managers, long- and short-term insurers, property finance (both developer and investor cash flow) and project finance respectively. PD, EAD and LGD modelling is integral to all of the models.

ECL measurement

12-month ECL is computed by DF (discounting factor) x FWDd PD x EAD x LGD

For lifetime expected loss, the ECL is computed by DF x Weighted PD x EAD x lifetime LGD.

Lifetime LGD work out

Increased lifetime period over which subsequent cures and re-defaults are considered resulted in higher credit impairments for credit-impaired financial assets.

c) Forward looking expectations

Forward looking economic expectations are incorporated in client ratings. The client rating thus reflects the expected client risk for the bank's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

- The Group Economics Research team determines the macroeconomic outlook for each country and a group view of commodities over a planning horizon of at least three years. The outlook is prepared on a half yearly basis and is provided to the bank's Asset and Liability Committee (ALCO) for review and approval.
- Macroeconomic outlooks take into account various variables such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates.
- Narratives for each of the country economic outlooks, being bear, base and bull cases, are compiled and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers and are reviewed monthly.
- The forward looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

The impact is negligible as client ratings, used for IAS 39 purposes, typically included forward looking expectations.

It should be noted that the following forward looking economic expectations were determined for inclusion in the bank's forward looking process as at 31 December 2018 for purposes of the bank's year end results and may not represent the economic expectations as at the date of issuance of this report:

Global narrative

- The global economic environment remains benign for emerging markets, with robust capital inflows continuing despite the actual and expected rise in interest rates in advanced economies.
- While the general backdrop remains benign for commodities, select prices may be unsustainably high, and a moderate correction is expected over the course of 2018.

South Africa

- The base case for South Africa is that business and consumer confidence strengthens, and the policy framework incrementally improves, following the political change that began with the African National Congress' (ANC) leadership election in December 2017. This, along with strong terms of trade and a supportive global backdrop, should underpin a stronger currency and economic growth trajectory. A sovereign credit rating downgrade by Moody's might be staved off.
- A bearish outlook at the beginning of 2018 has a similar probability to the more optimistic base case expectation. This is based on deep-seated ideological divides within the ANC and the broader society, difficult policy trade-offs, which may complicate and delay substantive policy reforms, and economic growth which may remain too low to reduce unemployment and the fiscal risks. This, along with the risk of a Moody's downgrade, underpins significant downside risk.
- A low probability bullish case outlook is based on better than expected traction with policy reform compelling a stronger recovery in consumer investment, supported by significant pent-up demand and strong confidence.

Africa Regions

A recovery in growth is expected across the continent assisted by elevated commodity prices and appropriate adjustments in currencies. Initial inflation pressures have ebbed, providing central banks with the opportunity to ease monetary policy.

- West Africa: Commodity exporting countries are expected to recover, supported by elevated commodity prices and foreign currency devaluations coupled with improved capital inflows. Notably, further devaluation of the Angolan Kwanza is likely to be accompanied by attempts to attract capital inflows into the country. This combination should support economic recovery on a multi-year basis.
- East Africa: Continues to experience high growth rates and drought-induced inflation has subsided. Non-commodity producing countries have typically relied on external financing to bolster investment spending, keeping overall growth elevated. Notably, provided that the perceptions of Kenya's growth potential have not been compromised by the election uncertainty, it will continue to attract capital inflows.
- South and Central Africa: South African macroeconomic factors materially impact the outlook for many countries in this region. The end of the drought in several areas has boosted agricultural output and reduced inflation pressures.

Mauritius

The economy continues to grow steadily with the growth just below 4% y/y since 2011 and expected to grow at 4.0% in 2018. Growth has been driven by tertiary sector, mainly financial services, tourism and retail trade, likely to continue in 2018. Inflation remained under control, following temporary upside pressures. Exposure to Europe is still elevated regardless of attempts to diversify the economy towards other markets.

Sovereign risk remains Baa1 rated. Public debt % of GDP is quite high, but political and social stability and a healthy economy will enable the country to sustain Baa1 rating. Despite the slow pace of growth in recent years, the country still ranks comparatively high.

The balance of payments is expected to remain in a surplus position, supported by strong net financial inflows. The net financial inflows are robust enough to keep the FX reserves rising, the C/A deficit narrowed in H1:18. Favourable balance of payments developments allow the Bank of Mauritius (BOM) to choose an FX policy. So far, the policy is to keep the MUR stable in trade-weighted terms. USD/MUR will continue to follow EUR/USD. EUR/USD is closer to the bottom of its multi-year trading range, and in a year's time is expected to be on the upside on a multi-year basis.

Headline inflation averaged 3.6% y/y in the 12-m ending September 2018 compared to 3.2% y/y for the 12-m ending September 2017. There are still no signs of sustained underlying inflationary pressures. The BOM still maintains an anti-inflation stance and has maintained the policy rate unchanged.

d) Default

The bank's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel definition) as occurring at the earlier of:

- where, in the bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the 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).

The bank will not rebut IFRS 9's 90 days past due rebuttable presumption.

e) Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with the expectation that the probability of recovery is nil and this probability is not expected to change in the future.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

f) Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the bank's Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively. In retail portfolios, a rehabilitation period of at least 6 months (subsequent to a customer repaying all outstanding facilities) would be needed for the customer's internal rating to decrease back to its rating scale at initial recognition and move from stage 2 to stage 1 accordingly.

g) Debt financial investments

In terms of IFRS 9, this impairment provision is calculated per exposure for the shorter of 12 months or the remaining lifetime of the exposure. Such exposures generally did not carry an impairment provision in terms of IAS 39's incurred loss impairment requirements.

h) Off-balance sheet exposures – bankers acceptances, guarantees and letters of credit

The requirement to hold ECL on off-balance sheet financial instruments, such as guarantees and letters of credit, resulted in a requirement to hold additional credit impairment provisions which were not held in terms of IAS 39.

Credit impairment losses on loans and advances - IAS39

Portfolio loan impairments

The bank assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recognised in profit or loss, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis.

The impairment for performing and non-performing but not specifically impaired loans is calculated on a portfolio basis, based on historical loss patterns, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears, notices of accounts under debt review, renegotiated loans, post write-off recoveries, watch list exposures and changes in macro-economic conditions and legislation affecting credit recovery. The impairments are monitored on a monthly basis, with back-testing performed between actual write off experience and that estimated by the Bank's models. The models are updated on a regular basis to incorporate actual write-off experience. The sensitivity to changing conditions is evaluated and specific sensitivity testing is done if and when required.

A key input into the determination of the Bank's portfolio impairment provisions is the emergence period. The loss ratios applied to loan balances in the portfolio are based on the estimated loss emergence period. In 2017, the Bank applied an average loss emergence period of a minimum of 12 months for CIB loans and advances. Where required, these emergence periods are assessed by determining the sensitivity of the impairment by applying both longer and shorter emergence periods and comparing the sensitivity results with the incurred loss experience.

Specific loan impairments

Non-performing loans include those loans for which the bank has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more.

The methodology used in determining the specific loan impairment includes modelling with various inputs such as segmentation, levels of loss expectation, recoverability of collateral, potential cash flows and probability of default. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

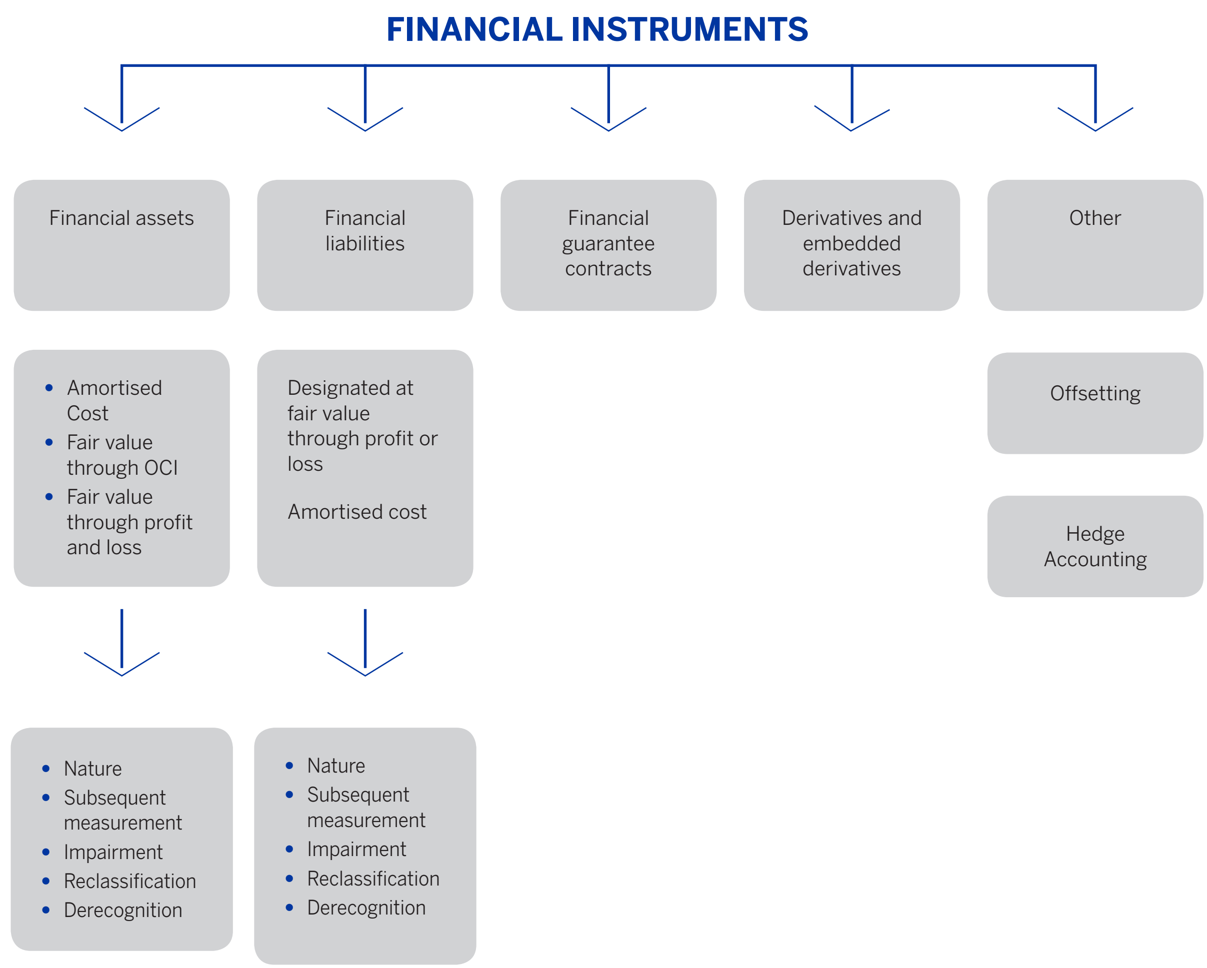
Foreign currency transactions are translated into the functional currency of the bank at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated 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 fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (net trading income). [IFRS 9]

Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI (interest income) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (interest income). [IAS 39]

b) Financial instruments



Initial measurement - financial instruments (IFRS 9 and IAS 39)

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the bank commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Nature

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss.
Fair value through OCI	Includes: A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Fair value through profit or loss.	Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

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:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit 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.
Fair value through OCI	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest income.
Fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • Default • Significant financial difficulty of borrower and/or modification • Probability of bankruptcy or financial reorganisation • Disappearance of an active market due to financial difficulties.

Impairment (Continued)

The key components of the impairment methodology are described as follows:

Significant increase in credit risk	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	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 may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.
Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the bank changes it's business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

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

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 • Where the financial liability contains one or more embedded derivatives that significantly modify the financial liabilty's cash flows.
Amortised cost	All other financial liabilities not included in the above category.

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:

Fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

	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 the 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 the 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. 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 or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the bank recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurrs 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 (that are not designated at fair value through profit or loss) are subsequently measured at the higher of:

- ECL calculated for the financial guarantee
- unamortised premium.

IAS 39 - Accounting Policies for financial instruments

Financial assets

Nature

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold-to-maturity.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified 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 financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

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
- where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cashflows.

Available-for-sale

Financial assets that are not classified into one of the abovementioned financial asset 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 and loans and receivables

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.

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.

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.

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 group 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 and loans and receivables ('amortised cost')

The following criteria are used in determining whether there is objective evidence of impairment for loans or groups 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 re organisation
- 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 loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which there is identified objective evidence of impairment, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing loans takes into account 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 specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its 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 loan 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 loan, whether significant or not, it includes the loan in a group of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment for impairment.

Impairment of groups 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 debt instruments 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, within interest income (other revenue) for debt (equity) instruments. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through interest income 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.

Interest in suspense

In addition to the above identified changes between IAS 39 and IFRS 9, interest in suspense (refers to contractual interest which accrues on financial assets which are classified as non-performing) is presented as follows:

IAS 39 accounting treatment

Up to 31 December 2017, IAS 18 Revenue required interest income to be recognised only when it was probable that the economic benefits associated with a transaction would flow to the entity. The bank, in line with these requirements, suspended the recognition of contractual interest income on all exposures where it was determined that future economic benefits were not probable. The accounting presentation policy for this suspended contractual interest was to present the balance sheet interest in suspense account as part of the gross carrying amount of the financial asset (i.e. gross carrying amount net of interest in suspense).

In addition, upon the curing of the non-performing financial asset, the bank elected an accounting presentation policy to recognise this suspended contractual interest (previously unrecognised interest) within net interest income line within the income statement. This policy was elected on the basis that the presentation best represented the nature of the amount in terms of IAS 1 Presentation of Financial Statements (IAS 1).

IFRS 9 accounting treatment

IFRS 9 requires that interest income for financial assets classified as Stage 3 be calculated on the net carrying amount (after deducting credit impairments), which will result in a portion of contractual interest being suspended. IFRS 9 requires that the suspended contractual interest be presented as part of the financial assets' gross carrying amount. The bank has applied this requirement by presenting balance sheet suspended contractual interest as a separate reconciling item when calculating the financial assets' net carrying amount. Hence suspended contractual interest does not impact the net carrying amount of the financial asset as presented on the statement of financial position. However, this change in presentation has resulted in an increased gross carrying amount of financial assets when compared to IAS 39.

The bank has elected to present previously unrecognised interest earned on curing of a financial asset out of Stage 3 within net interest income. This presentation is consistent with the bank's treatment under IAS 39 and was elected on the basis that the presentation best represented the nature of the amount in terms of IAS 1.

Reclassification of financial assets are permitted only in the following instances:

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 changes) 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.

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 group, 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 elect to reclassify non-derivative financial assets out of held-for-trading category in the following instances:

- If the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would not otherwise have met the definition of loans and receivables, it is permitted to be reclassified only in rare circumstances.
- If the financial asset is no longer held for the purpose of selling it in the near team and the financial asset would have met the definition of loans and receivables, it is permitted to be reclassified if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Financial liabilities

Nature

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing 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
- 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.

Fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in interest expense.

Amortised cost

Amortised cost using the effective interest method with interest recognised in interest expense.

Derecognition and modification 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 the 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 the 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. 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 or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability, 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 redetermined at 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 expires.	

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 (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee
- unamortised premium.

Derivatives and embedded derivatives (IFRS 9 and IAS 39)

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

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms of IFRS 9 embedded derivatives included in hybrid instruments, where the host is a financial asset, are assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives 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. In terms of IAS 39 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.

In terms of IAS 39 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.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Hedge accounting

Derivatives are designated by the bank into the following relationships:

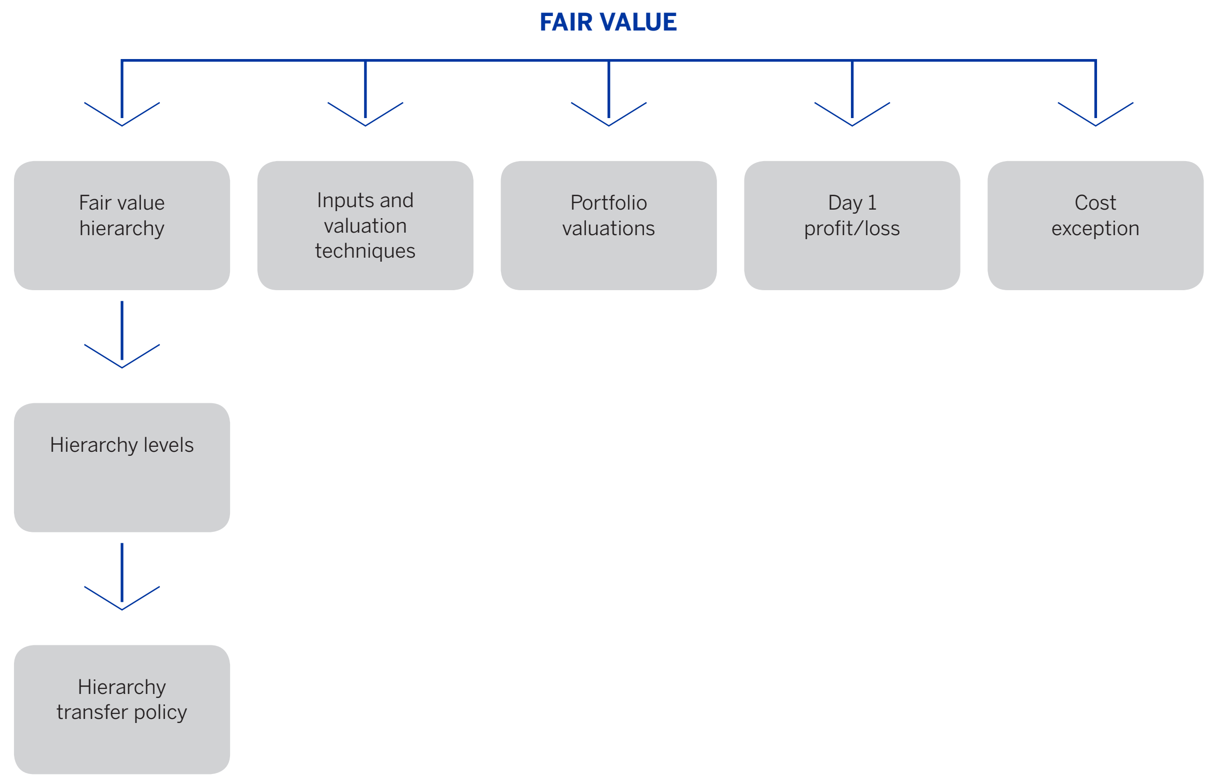
Type of hedge	Nature	Treatment
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised immediately in trading revenue. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.
Cash flow hedges	Hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecasted transaction, or a highly probable forecast intragroup transaction.	The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised immediately in profit or loss as trading revenue. Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss and classified as trading revenue.

Offsetting (IFRS 9 and IAS 39)

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.

Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

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 minimise 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 analysis 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 and Description	Valuation Technique	Main Inputs and Assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange and interest rate derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • Discounted cash flow model	For level 2 and 3 fair value hierarchy items: • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • Earnings yield • valuation multiples.
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the bank's underlying trading activities. These instruments primarily include sovereign and corporate debt.	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.	
Financial investments Financial investments are non-trading financial assets and primarily comprise of sovereign debt.		

Item	Description	Valuation technique	Main inputs and assumptions, (Level 2 and 3 fair value hierarchy items)
Loans and advances to banks and customers	Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans and other secured and unsecured loans, overdrafts, other demand lending, term lending).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items • discount rate*
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.	For level 2 and 3 fair value hierarchy items • 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 not able to be evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models that utilise non-observable market data as inputs.

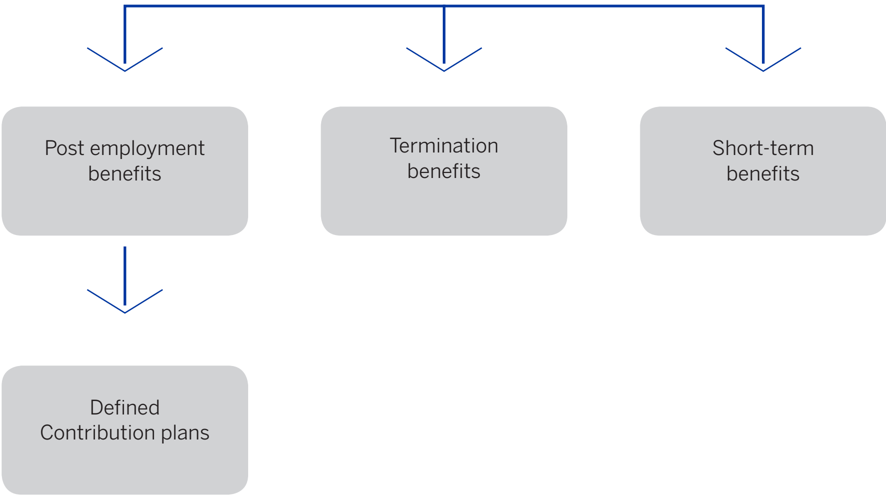
The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Cost exception (IAS 39)

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

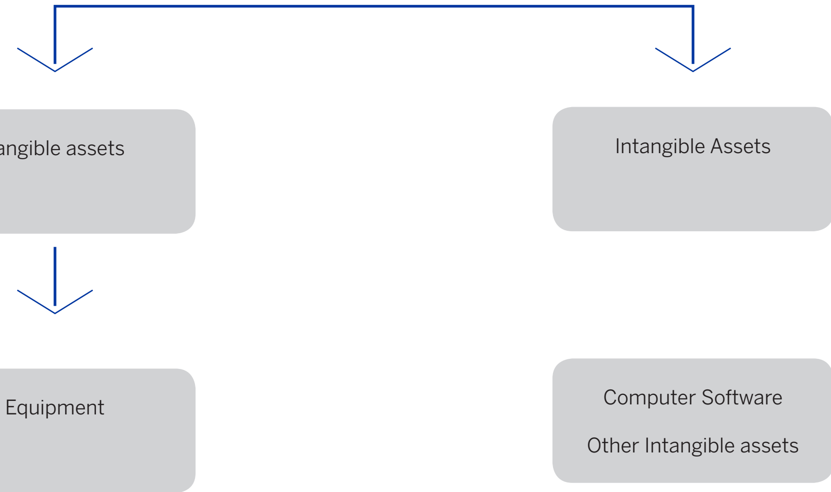
EMPLOYEE BENEFITS



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.
Termination benefits	Termination benefits are recognised when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.	A liability is recognised for the termination benefit representing the best estimate of the amount payable.	No direct impact.	Termination benefits are recognised as an expense if the bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.
Short-term benefits	Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
State Pension Plan	Statutory contributions to the National Pension Scheme	A liability is recognised for the amount contributed by the employee.		Expensed to profit or loss in the period in which they fall due.

e) Non-financial assets (Intangible assets and Property and equipment)

NON-FINANCIAL ASSETS



Type and Initial and Subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Tangible assets (equipment, furniture and motor vehicles) 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. 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 operating expenses as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Computer equipment: 3-5 years Office equipment: 5-10 years Furniture & fittings: 5-13 years Motor Vehicles: 4-5 years 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 non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as 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 level for which there are separately identifiable cash inflows from continuing use cash generating units (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 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 non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Type and Initial and Subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Computer software Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally 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 group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.	Amortisation is recognised in operating expenses on a straight line basis at rates appropriate to the expected lives of the assets (2 to 15 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	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.
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 losses.	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.	

Derecognition

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.

f) Equity-linked transactions

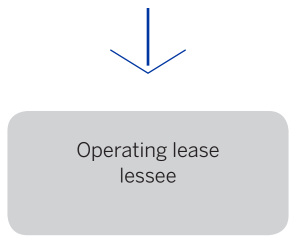
EQUITY COMPENSATION PLANS

- 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 the equity-settled share-based payments are determined on grant date and accounted for within operating expenses - staff costs over the vesting period 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 operating expenses and share-based payment reserve 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 are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses.

g) Leases

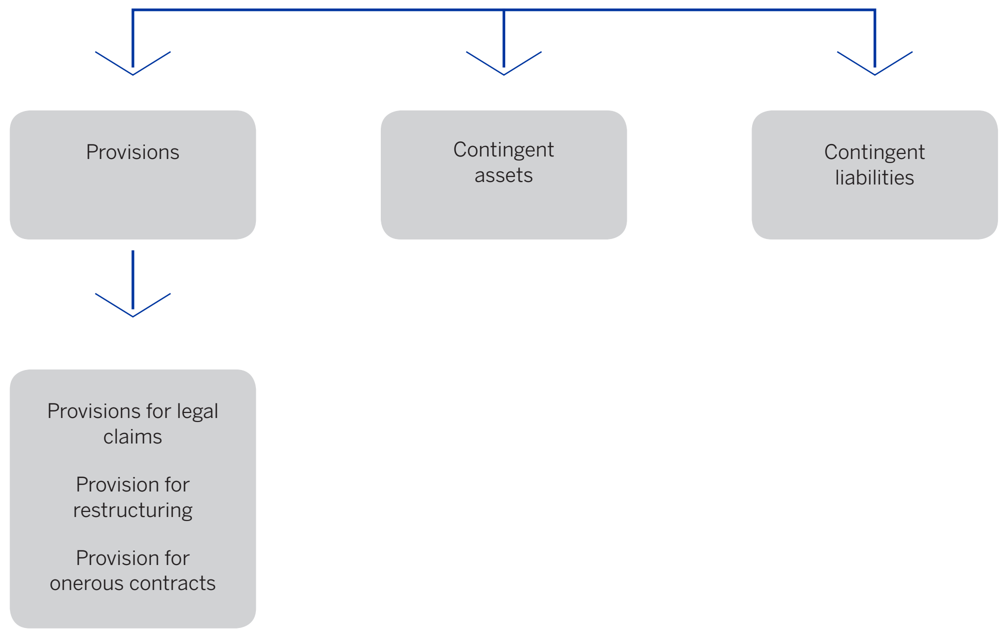
LEASES



Type	Description	Statement of financial position	Income Statement
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.
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

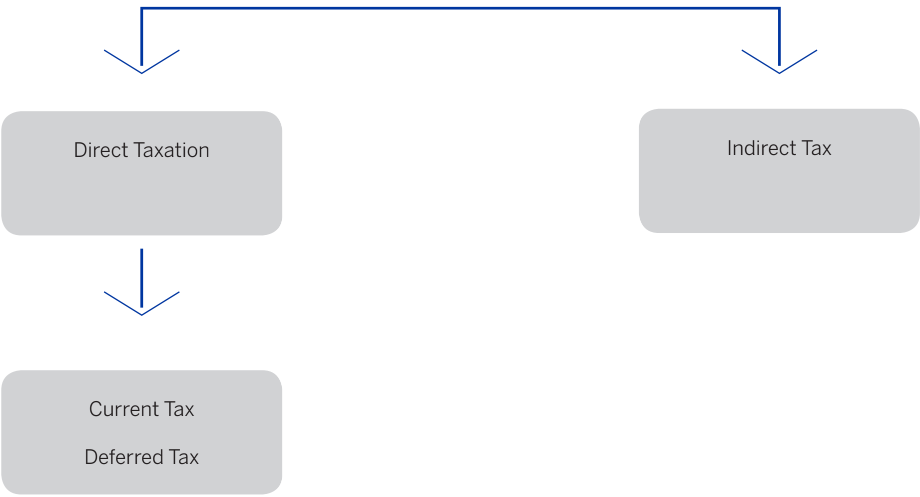
PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES



Provisions	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

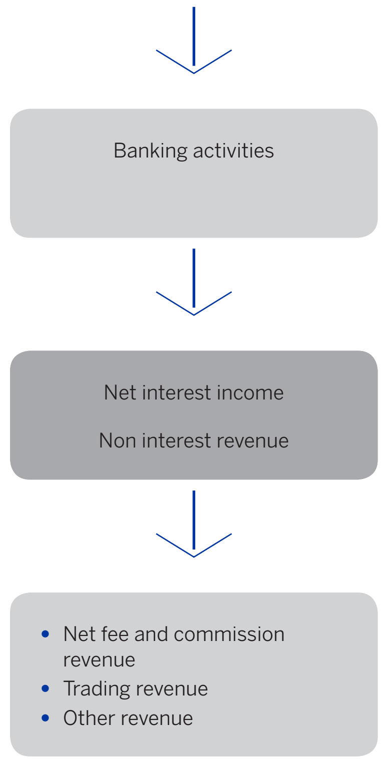
TAXATION



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 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 at the reporting date. Deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses. 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 assets 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 the indirect taxation line in the income statement.	Not applicable

j) Revenue and Expenditure

REVENUE AND EXPENDITURE



Type	Description	Recognition and Measurement
Bank Activities	Net interest income	Interest income and expense are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. 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 net carrying amount of the financial asset or financial 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 or financial liabilities are subsequently revised, 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 adjusted 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.

Type	Description	Recognition and Measurement
Bank Activities	Net interest income	When a financial asset is classified as specifically impaired (before 1 January 2018) or as Stage 3 impaired (after 1 January 2018), interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in interest income (before 1 January 2018) and other interest (after 1 January 2018) when the financial asset is no longer specifically impaired (before 1 January 2018) or is reclassified out of Stage 3 (after 1 January 2018). Before the adoption of IFRS 9 on 1 January 2018, the following additional amounts were recognised in net interest income. Fair value gains and losses on debt financial assets that were designated at fair value through profit or loss: • The gain or loss on the derecognition of a financial asset classified as available-for-sale • Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • Fair value gains and losses on financial liabilities (including changes as a result of own credit risk) that were designated at fair value through profit or loss.
	Net fee and commission revenue	Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. 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 to the statement of profit and loss 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 expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.
	Net trading income	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.
	Net income from other financial instruments carried at fair value	Net income from other financial instruments carried at fair value includes: Fair value gains and losses on debt financial assets that are at fair value through profit or loss. The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI. Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost. Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value. Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost. Fair value gains and losses on designated financial liabilities.
	Other Operating Income	Other operating income comprises 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 Bank of Mauritius 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. Segment A relates to Banking business other than Segment B business. Neither these guidelines nor IFRS mandate the application of IFRS 8 'Operating segments' to the financial statements of the Bank. The financial statements do not purport to comply with the requirements of IFRS 8.
Statutory credit reserve	The statutory credit risk reserve represents the amount by which local regulatory authorities requires an impairment provision which exceeds the IFRS impairments provision.
Related Parties	For the purposes of these financial statements, parties are considered to be related to the Bank where: (a) A person or a close member of that person's family is related to the Bank if that person (i) has control or joint control over the Bank, (ii) has significant influence over the Bank or (iii) is a member of the key management personnel of the Bank or of a parent of the Bank. An entity is related to the Bank if any of the following conditions applies: (i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank.

l) 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 2018 and have not been applied in preparing these annual financial statements.

Title: IFRS 16 Leases

Effective date: 1 January 2019 with earlier application permitted

This standard will replace the 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 for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 have not changed substantially in terms of this standard. A lessor hence continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard requires lessors 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. 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. The bank has elected to apply IFRS 16 retrospectively without restating comparative periods, which will continue to be presented in terms of IAS 17, with a transition adjustment as at 1 January 2019.

IFRS 16's impact on the Bank, is expected to result in an increase of approximately USD 3,877,513 in total assets, USD 3,890,123 in total liabilities and an increase in reserves of approximately USD 36,742, as part of the transitional adjustment.

Title: IAS 1 Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors (amendments)

Effective date: 1 January 2020 with earlier application permitted

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.

Title: IAS 19 Employee Benefits (amendments)

Effective date: 1 January 2019 with 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.

Title: IFRIC 23 Uncertainty over Income Tax Treatments

Effective date: 1 January 2019 with earlier application permitted

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements
- While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements

m) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

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 Risk and Capital Management Report on pages 32,34-38.

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

- credit risk
- liquidity risk
- market risk

(a) Credit Risk

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

(i) Analysis of credit quality

A reconciliation of the expected credit losses

	Opening ECL balance	Transfers between stages				Income statement movement				Impaired accounts written off	Closing balance
		Transfer Stage 1 to/ from	Transfer Stage 2 to/ from	Transfer Stage 3 to/ from	Total	Originated "New" impairments raised	Changes in ECL - due to modifications	Subsequent changes in ECL	Total		
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Stage 1											
Corporate lending amortised cost	704,725	-	-	-	-	541,724	-	(199,530)	342,194	-	1,046,919
Financial investment at amortised costs	2,071	-	-	-	-	-	-	(2,003)	(2,003)	-	68
Financial investment at FVOCI	-	-	-	-	-	145	-	-	145	-	145
Bank lending/cash and cash equivalent at amortised cost	204,636	-	-	-	-	55,308	-	(25,790)	29,518	-	234,154
Non funded facilities at amortised cost	138,743	-	-	-	-	130,057	-	(118,341)	11,716	-	150,459
Total	1,050,175	-	-	-	-	727,234	-	(345,664)	381,570	-	1,431,745
Stage 2											
Corporate lending amortised cost	971,650	-	-	-	-	1,044,094	-	-	1,044,094	-	2,015,744
Financial investment at amortised costs	-	-	-	-	-	-	-	-	-	-	-
Financial investment at FVOCI	-	-	-	-	-	-	-	-	-	-	-
Bank lending/cash and cash equivalent at amortised cost	-	-	-	-	-	-	-	-	-	-	-
Non funded facilities at amortised cost	-	-	-	-	-	-	-	-	-	-	-
Total	971,650	-	-	-	-	1,044,094	-	-	1,044,094	-	2,015,744
Stage 3 (excluding IIS)											
Corporate lending amortised cost	808,997	-	-	-	-	29,676	-	-	29,676	-	838,673
Financial investment at amortised costs	-	-	-	-	-	-	-	-	-	-	-
Financial investment at FVOCI	-	-	-	-	-	-	-	-	-	-	-
Bank lending/cash and cash equivalent at amortised cost	-	-	-	-	-	-	-	-	-	-	-
Non funded facilities at amortised cost	-	-	-	-	-	-	-	-	-	-	-
Total	808,997	-	-	-	-	29,676	-	-	29,676	-	838,673
Purchased/originated credit impaired											
Corporate lending amortised cost	-	-	-	-	-	-	-	-	-	-	-
Financial investment at amortised costs	-	-	-	-	-	-	-	-	-	-	-
Financial investment at FVOCI	-	-	-	-	-	-	-	-	-	-	-
Bank lending/cash and cash Equivalent at amortised cost	-	-	-	-	-	-	-	-	-	-	-
Non funded facilities at amortised cost	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-
Total ECL	2,830,822	-	-	-	-	1,801,004	-	(345,664)	1,455,340	-	4,286,162

(i) Analysis of credit quality (continued)

	Gross Carrying value	SB 1 - 12		SB 13 - 20		SB 21 - 25		Stage 3	Total gross carrying amount of non-performing loans	Securities and expected recoveries on specifically impaired loans	Interest in suspense
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Sub standard			
On-balance sheet exposures											
Corporate lending Amortised cost	232,247,656	46,878,723	-	174,165,329	-	-	10,076,899	-	1,126,705	812,391	314,314
Financial Investment at Amortised Costs	140,111,207	140,111,207	-	-	-	-	-	-	-	-	-
Financial Investment at FVOCI	7,253,476	7,253,476	-	-	-	-	-	-	-	-	-
Bank lending/Cash and Cash Equivalent at Amortised Cost	1,160,843,770	1,152,204,481	-	8,639,288	-	-	-	-	-	-	-
Off-balance sheet exposures											
Non Funded Facilities at Amortised Cost	36,231,892	14,815,122	-	21,416,770	-	-	-	-	-	-	-
Gross carrying value of financial assets subject to credit risk	**1,576,688,001**										
Less: Total ECL for financial assets subject to credit risk	(4,286,162)										
Stage 1	(1,431,745)										
Stage 2	(2,015,744)										
Stage 3	(838,673)										
Purchased/originated credit impaired	-										
Interest In Suspense (IIS)	(314,314)										
Net carrying value of financial assets subject to credit risk	**1,572,087,525**										

Loans and advances include the element of MTM amounting USD 387,000 from Hedge accounting

3. Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Analysis of credit quality

Maximum exposure to credit risk	Loans and Advances to customers			Loans and advances to banks and cash and cash equivalents			Financial Investments		
	2018 USD	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD
At amortised costs									
Neither past due nor impaired	**231,120 951**	123,322,094	79,565,690	**1,160,843,770*** **	942,562,645	1,404,855,763	**147,364,683**	123,612,813	833,184
Past due but not impaired	**-**	-	-	**-**	-	-	**-**	-	-
Individually impaired	**812,391***	812,391*	812,371*	**-**	-	-	**-**	-	-
Total gross amount	**231,933,342**	124,134,485	80,378,061	**1,160,843,770**	942,562,645	1,404,855,763	**147,364,683**	123,612,813	833,184
Allowance for impairment									
Stage 3 ECL/individual	**(838, 673)****	(839, 384)	(941 763)	**-**	-	-	**-**	-	-
Stage 1&2 ECLCollective	**(3,062,663)**	(1,125,523)	(695 233)	**(234,154)**	-	-	**(213)**	-	-
Total allowance for impairment	**(3,901,336)**	(1,964,907)	(1 636 996)	**(234,154)**	-	-	**(213)**	-	-
Net carrying amount	**228,032,006**	122,169,578	78,741,065	**1,160,609,616**	942,562,645	1,404,855,763	**147,364,470**	123,612,813	833,184

As at 31 December 2018, the bank's maximum exposure to off balance sheet credit risk was USD 36,231,892 (2017: USD 27,037,734).

Loans and advances to customers include the element of MTM amounting USD 387,000 from Hedge accounting.

*Amount is net of interest in suspense of USD 314,314

**Amount is inclusive of legal cost

***Loans and advances to banks include cash and cash equivalent of USD 858,742,269 .(2017:USD 518,417,452. 2016: USD 941,547,956) but excludes notes and coins and reserve requirements held at the Bank of Mauritius amounting to USD 16,305,636 .(2017:USD 52,406,196. 2016: USD 13,901,394).

3. Financial Risk Management (continued)

(a) Credit Risk (Continued)

(i) Analysis of credit quality (Continued)

Maximum exposure to credit risk

	Performing loans to customers				Financial investment	Loans and advances to banks and cash and cash equivalents
	Total gross advances	Normal monitoring	Close monitoring	Early arrears	Normal monitoring	Normal monitoring
2018	USD	USD	USD	USD	USD	USD
At amortised costs						
Neither past due nor impaired	231,120,951	221,044,052	10,076,899	-	147,364,683	1,160,843,770
2017						
At amortised costs						
Neither past due nor impaired	123,322,094	112,826,071	10,496,023	-	123,612,813	942,562,645
2016						
At amortised costs						
Neither past due nor impaired	79,565,690	72,140,106	-	72,140,106	833,184	1,404,855,763

Maximum exposure to credit risk

	Non-Performing Loans to Customers			
	Total impaired advances	Sub-standard	Doubtful	Loss
2018	USD	USD	USD	USD
At amortised costs				
Individually Impaired	812,391	-	-	812,391
2017				
At amortised costs				
Individually Impaired	812,391	-	-	812,391
2016				
At amortised costs				
Individually Impaired	812,371	-	-	812,371

3. Financial Risk Management (continued)

(a) Credit Risk (Continued)

(i) Analysis of credit quality (Continued)

Collateral held and other credit enhancements, and their financial effect

	Loans and advances to customers			Loans and advances to banks and cash and cash equivalents			Financial investments		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016
	USD	USD	USD	**USD**	USD	USD	**USD**	USD	USD
Against neither past due nor impaired									
Property	25,478,800	29,096,305	18,732,245	-	-	-	-	-	-
Equities	776,267	796,565	770,761	-	-	-	-	-	-
Other floating charges/ assignments and pledges	164,545,425	85,929,818	52,019,997	-	-	-	-	-	-
Total	190,800,492	115,822,688	71,523,003	-	-	-	-	-	-
Past due but not impaired									
Floating charge	-	-	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Against individually impaired									
Floating charge	-	-	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

Wherever warranted, the Bank attempts to mitigate credit risk and the mitigation options include the use of collateral. The collateral is monitored on a regular basis in accordance with our Collateral Valuation Guidelines. Collaterals held are made up of fixed charge on property, listed shares, corporate guarantees and letters of support.

As at 31 December 2018 there was no collateral held against credit impaired asset.

3. Financial Risk Management (continued)

(a) Credit Risk (Continued)

(i) Analysis of credit quality (Continued)

Concentration of Credit Risk

Concentration by sector

	Loans and Advances to customers			Loan and advances to banks and cash and equivalent			Financial Investments		
	2018 USD	2017 USD	2016 USD	2018 USD	2017 USD	2016 USD	2018 USD	2017 USD	2016 USD
Manufacturing	-	-	11,987,743	-	-	-	-	-	-
Transport	-	1 816 552	3,509,431	-	-	-	-	-	-
Financial and business Services	10,988,688	5 108 355	5,561,022	1,160,843,770	994,968,841	1,418,757,157	-	-	-
Traders	35,682,812	10 317 722	17,324,854	-	-	-	-	-	-
Personal	1,164,085	1 220 993	1,730,056	-	-	-	-	-	-
Global Business Licence Holders	152,819,049	103 849 779	36,814,328	-	-	-	-	-	-
Infrastructure	166,151	1 008 693	2,638,270	-	-	-	-	-	-
Public Non-Financial Corporations	10,839,894	812 391	812,357	-	-	-	-	-	-
Property Holding	20,272,663	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	147,364,683	123,612,813	833,184
	231,993,342	124 134 485	80,378,061	1,160,843,770	994,968,841	1,418,757,157	147,364,683	123,612,813	833,184
Concentration by location									
Africa	229,721,910	116,655,744	79,883,763	1,160,843,770	994,968,841	1,418,757,157	7,253,476	5,230,260	833,184
Europe	1,823,614	7,415,940	494,298	-	-	-	-	-	-
America	-	-	-	-	-	-	140,111,207	118,382,553	-
Asia and Oceania	387,818	62,801	-	-	-	-	-	-	-
	231,933,342	124 134 485	80,378,061	1,160,843,770	994,968,841	1,418,757,157	147,364,683	123,612,813	833,184

3. Financial Risk Management (continued)

Impaired loans and advances

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

	2018 USD	2017 USD	2016 USD
Impaired loans and advances to customers at 1st January	812,391	812,371	14,908,259
Change in allowance for Impairment	-	20	147,383
Bad debts recovered	-	-	(10,884,642)
Amount written off	-	-	(3,222,809)
Interest in suspense	-	-	(135,820)
Impaired loans and advances to customers at 31 December	812,391	812,391	812,371

(b) Liquidity risk

For the definition of liquidity risk and information of how liquidity risk is managed by the Bank, please refer to pages 33 to 36 under the Risk and Capital Management section.

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

(i) Maturity analysis of financial assets and financial liabilities

31 December 2018	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	34,716,399	34,716,399	-	-	-	-
Deposits from customers	1,387,631,188	1,343,926,674	17,526,263	21,584,165	4,594,086	-
Derivative liabilities	1,671,872	1,132,515	125,464	611	413,282	-
Other borrowed funds	1,412,299	-	-	-	1,412,299	-
Other liabilities	42,553,358	42,553,358	-	-	-	-
	1,467,985,116	1,422,328,946	17,651,727	21,584,776	6,419,667	-
Financial assets						
Cash and cash equivalents	875,019,563	875,019,563	-	-	-	-
Trading assets	2,476,608	2,476,608	-	-	-	-
Loan and advances to banks	301,918,540	2,415,853	56,974,221	168,637,417	65,721,499	8,169,550
Loan and advances to customers	259,368,970	95,431,779	19,153,487	22,730,325	121,630,686	422,693
Financial investments	147,709,941	145,516,959	730,994	1,461,988	-	-
Derivative assets	1,278,202	1,100,615	176,633	954	-	-
Other assets	9,358,033	9,358,033	-	-	-	-
	1,597,129,857	1,131,319,410	77,035,335	192,830,684	187,352,185	8,592,243

3. Financial Risk Management (continued)

(b) Liquidity Risk (continued)

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	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
Financial investment	125,255,256	3,753,754	-	121,501,502	-	-
Derivative assets	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	4,374,626	-	-	-	-
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	11,599,090	5,602,762	3,382,757	2,613,571	-	-
Other liabilities	31,927,183	31,927,183	-	-	-	-
	1,456,186,358	1,397,220,266	9,546,464	15,330,870	8,075,333	26,013,425
Financial assets						
Cash and cash equivalents	955,449,350	955,449,350	-	-	-	-
Trading assets	12,214,772	6,396,967	5,817,805	-	-	-
Loans and advances to banks	469,786,606	38,810,224	69,888,937	98,650,216	250,580,510	11,856,719
Loan and advances to customers	81,997,505	39,564,765	11,534,301	8,717,235	21,720,759	460,445
Financial investments	833,184	833,184	-	-	-	-
Derivative assets	11,829,615	5,794,723	3,420,078	2,614,814	-	-
Other assets	9,322,311	9,322,311	-	-	-	-
	1,541,433,343	1,056,171,524	90,661,121	109,982,265	272,301,269	12,317,164

3. Financial Risk Management (continued)

(b) Liquidity risk (Continued)

(i) Depositor concentrations

	2018 %	2017 %	2016 %
MUR Deposits			
Single depositor	34.65	16.66	14.74
Top ten depositors	70.15	71.64	61.86
Other foreign currency deposits			
Single depositor	6.39	7.70	8.65
Top ten depositors	37.63	39.57	38.92

	2018 USD'000	2017 USD'000	2016 USD'000
Unencumbered surplus liquidity	757	520	818
Long term funding ratio	1.93%	1.38%	2.99%

(ii) Liquidity Reserves

	2018 USD	2017 USD	2016 USD
Cash in Hand	59,766	72,108	132,893
Foreign currency notes and coins	6,459	20,317	20,491
Unrestricted balances with Central Bank	16,239,411	52,313,771	13,748,010
Interbank placements	3,162,036	-	-
Balances with banks abroad	1,018,821,256	518,417,452	941,547,956
Government of Mauritius Bonds / Treasury Bills	9,727,370	5,979,896	4,964,036
US Treasury Bills	140,111,062	118,382,553	-
	1,188,127,360	695,186,097	960,413,386

3. Financial Risk Management (continued)

(c) Market Risk

For the definition of market risk and information of how market risk is managed by the Bank, please refer to page 36-37 under Risk Management section.

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

31 December 2018	USD Carrying Amount	USD Trading Portfolios	USD Non-trading portfolios
Assets subject to market risk			
Cash and cash equivalents	875,019,563	-	875,019,563
Trading assets	2,473,961	2,473,961	-
Derivative assets	1,278,203	1,278,203	-
Loans and advances to banks	301,895,689	-	301,895,689
Loans and advances to customers	228,032,006	-	228,032,006
Financial investments	147,364,470	-	147,364,470
Other assets	9,358,033	-	9,358,033
Liabilities subject to market risk			
Deposits from banks	34,716,399	-	34,716,399
Deposits from customers	1,387,631,188	-	1,387,631,188
Derivative liabilities	1,671,872	1,671,872	-
Other borrowed funds	1,412,299	-	1,412,299
Other liabilities	42,553,358	-	42,553,358

31 December 2017	Carrying Amount	Trading Portfolios	Non-trading portfolios
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
Financial investments	123,612,813	-	123,612,813
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	Carrying Amount	Trading Portfolios	Non-trading portfolios
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
Financial investments	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	34,474,266	-	34,474,266

(ii) Exposure to market risks – Value at risk

Value at Risk (VaR) constitutes an integral part of the bank's market risk control regime and limits. Triggers are established by the Board annually for all trading and non trading (fair-valued only) portfolios – utilisation against limits is reviewed daily by Global Markets and the Market risk function. VaR expresses the potential loss which can be incurred based on a certain confidence interval. The quality of the VaR model is continuously monitored by back-testing the VaR.

Normal VaR is based on a 1-day holding period, 95% confidence interval and historical data for the last 12 months i.e. there is a 95% chance that the loss will be less than the projected number.

Diversified Normal VaR Exposures (USD'000)

	Diversified Normal VaR ($k) - Trading Book				
Desk Name	**Max**	**Min**	**Avg**	**31-Dec**	**Limit**
Bankwide	159.9	0.6	30.6	51.4	255.0
FX Trading	160.0	0.5	30.5	51.4	250.0
Interest Rate Trading	1.9	0.1	0.6	0.1	30.0
Diversification Effect				-0.1	

	Normal VaR ($k) - FVOCI				
Desk Name	**Max**	**Min**	**Avg**	**31-Dec**	**Limit**
Money Markets Banking	4.9	0.6	2.1	0.8	88.0

(iii) Stress tests

Stress VaR is based on a 10-day holding period, worst case and historical data for a period of 5 years i.e. if the worst 10-day market movement observed during the historical period were to recurr, the loss recorded could be as high as the projected number.

Stress VaR Exposures (USD'000)

	Diversified Stress VaR ($k) - Trading Book				
Desk Name	**Max**	**Min**	**Avg**	**31-Dec**	**Limit**
Bankwide	251.9	3.7	61.3	117.4	1,180.0
FX Trading	253.1	1.1	60.4	117.1	1,020.0
Interest Rate Trading	11.0	1.2	5.3	1.7	600.0
Diversification Effect				-1.3	

	Stress VaR ($k) - FVOCI				
Desk Name	**Max**	**Min**	**Avg**	**31-Dec**	**Limit**
Money Markets Banking	42.8	9.5	25.4	17.6	465.0

3. Financial Risk Management (continued)

(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 2018	Less than three months USD	Between three months and one year USD	Over one year USD	Non Rate sensitive USD	Total USD
Financial Assets					
Cash and cash equivalents	**874,953,980**	**-**	**-**	**65,583**	**875,019,563**
Loans and advances to banks	**256,243,030**	**40,592,659**	**5,060,000**	**-**	**301,895,689**
Loans and advances to customers	**226,619,863**	**-**	**1,412,143**	**-**	**228,032,006**
Financial investments	**145,221,490**	**2,142,980**	**-**	**-**	**147,364,470**
	1,503,038,363	**42,735,639**	**6,472,143**	**65,583**	**1,552,311,728**
Financial Liabilities					
Deposits from banks	**34,716,399**	**-**	**-**	**-**	**34,716,399**
Deposits from customers	**978,584,571**	**38,565,355**	**4,513,040**	**365,968,222**	**1,387,631,188**
Other borrowed funds	**-**	**-**	**1,412,299**	**-**	**1,412,299**
	1,013,300,970	**38,565,355**	**5,925,339**	**365,968,222**	**1,423,759,886**

31 December 2017	Less than three months USD	Between three months and one year USD	Over one 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
Financial investments	3,762,152	119,683,968	-	166,693	123,612,813
	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

3. Financial Risk Management (continued)

31 December 2016	Less than three months USD	Between three months and one year USD	Over one 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
Financial investments	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	1,283,183,277
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	1,406,576,759

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 USD 3,603,712. 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 USD 3,903,673. 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.

	2018	2017	2016
NII Sensitivity for a 100 bps increase	13.96%	12.33%	23.12%
NII Sensitivity for a 100 bps decrease	(15.12%)	(29.95%)	(41.84%)

(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	**2018 USD**	2017 USD	2016 USD
GBP	**(46,974)**	(27,558)	71,793
EUR	**414,062**	23,162	30,073
ZAR	**(27,799)**	(23,644)	365,717
Others	**(1,440,846)**	7,865	64,282
	(1,101,557)	(20,175)	531,865

(d) Capital Management

For details and information on capital management please refer to pages 44 to 47 of the Risk Management section.

4. Fair values of financial instruments

Determining Fair Values

As per IFRS, the Bank is either required to or elects to measure a number of its 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 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.

Prices quoted in an active market

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 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 2018 between that which is financial and non-financial. All financial assets and liabilities have been classified according to their measurement category.

31 December 2018	FVTPL USD	FVOCI USD	Amortised costs USD	Carrying Value USD	Fair Value USD
ASSETS					
Cash and cash equivalents	-	-	875,019,563	875,019,563	875,019,563
Trading assets	2,473,961	-	-	2,473,961	2,473,961
Derivative assets	1,278,203	-	-	1,278,203	1,278,203
Loans and advances to banks	-	-	301,895,689	301,895,689	301,895,689
Loans and advances to customers	-	-	228,032,006	228,032,006	228,032,006
Financial investments	-	7,253,408	140,111,062	147,364,470	147,364,470
Other assets	8,687,635	-	670,398	9,358,033	9,358,033
	12,439,799	7,253,408	1,545,728,718	1,565,421,925	1,565,421,925
LIABILITIES					
Deposits	-	-	1,422,347,587	1,422,347,587	1,422,347,587
Trading liabilities	-	-	-	-	-
Derivative liabilities	1,671,872	-	-	1,671,872	1,671,872
Other borrowed funds	-	-	1,412,299	1,412,299	1,412,299
Other liabilities	-	-	42,553,358	42,553,358	42,553,358
	1,671,872	-	1,466,313,244	1,467,985,116	1,467,985,116

4. Fair values of financial instruments (continued)

31 December 2017	FVTPL USD	FVOCI USD	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	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
Financial investments	-	24,949,390	98,663,423	123,612,813	123,612,813
Other assets	7,442,747	-	352,183	7,794,930	7,794,930
	17,866,400	24,949,390	1,216,154,025	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	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	FVTPL USD	FVOCI USD	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	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
Financial investments	-	833,184	-	833,184	833,184
Other assets	-	-	9,322,311	9,322,311	9,322,311
	24,044,387	833,184	1,506,820,533	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	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

4. Fair values of financial instruments (continued)

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 2018	Level 1 USD	Level 2 USD	Level 3 USD	Carrying Value USD	Fair Value USD
ASSETS					
Cash and cash equivalents	875,019,563	-	-	875,019,563	875,019,563
Trading assets	-	2,473,961	-	2,473,961	2,473,961
Derivative assets	-	1,278,203	-	1,278,203	1,278,203
Loans and advances to banks	-	301,895,689	-	301,895,689	301,895,689
Loans and advances to customers	-	226,870,740	1,161,266	228,032,006	228,032,006
Financial investments	-	147,364,470	-	147,364,470	147,364,470
Other Assets	8,687,635	-	670,398	9,358,033	9,358,033
	883,707,198	679,883,063	1,831,664	1,565,421,925	1,565,421,925
LIABILITIES					
Deposits from banks	4,674,693	30,041,706	-	34,716,399	34,716,399
Deposits from customers	977,806,333	409,824,855	-	1,387,631,188	1,387,631,188
Derivative liabilities	-	1,671,872	-	1,671,872	1,671,872
Other borrowed funds	1,412,299	-	-	1,412,299	1,412,299
Other liabilities	35,956,035	-	6,597,323	42,553,358	42,553,358
	1,019,849,360	441,538,433	6,597,323	1,467,985,116	1,467,985,116

4. Fair values of financial instruments (continued)

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	-	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
Financial investments	-	123,612,813	-	123,612,813	123,612,813
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	-	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	-	77,011,009	1,730,056	78,741,065	78,741,065
Financial investments	-	833,184	-	833,184	833,184
Other Assets	8,792,527	-	529,784	9,322,311	9,322,311
	964,241,877	565,196,387	2,259,840	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	-	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

4. Fair values of financial instruments (continued)

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 is the discounted cash flow model 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 2018 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

2016 / 2017 / 2018	Valuation basis/technique	Main assumptions
Derivative instruments	Discounted cash flow model	Discount rate
		Risk-free rate, volatility rate
		Valuation multiples
Trading assets	Discounted cash flow model	Discount rate
		Risk-free rate
Investment securities	Discounted cash flow model	Discount rate, liquidity discount rate
		Risk-free rate
Loans and advances to banks	Discounted cash flow model	Discount rate
Loans and advances to customers	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

4. Fair values of financial instruments (continued)

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

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

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

2016 / 2017 / 2018	Valuation basis/technique	Main assumptions	Variance in fair value measurement
Other assets	Discounted cash flow model	Use of Unobservable Input	1% - 1%
Loans and advances to customers	Discounted cash flow model	Use of Unobservable Input	1% - 1%
Other Liabilities	Discounted cash flow model	Use of Unobservable Input	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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanations of inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.1b.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for measurement of ECL;
- Establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL

Detailed information about the judgements and estimated made by the Bank in the above areas is set out in note 2.1b.

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).

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 2018

		Segment A			Segment B			Bank		
	Note	**2018 USD**	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD
Assets										
Cash and cash equivalents	7	**16,305,636**	52,406,196	13,901,394	**858,713,927**	518,417,452	941,547,956	**875,019,563**	570,823,648	955,449,350
Trading assets	8	**2,473,961**	749,636	12,214,772	**-**	-	-	**2,473,961**	749,636	12,214,772
Derivative assets	9	**-**	5,536,522	2,396,498	**1,278,203**	4,137,495	9,433,117	**1,278,203**	9,674,017	11,829,615
Loans and advances to banks	10	**3,129,680**	145,155	37,264,725	**298,766,009**	424,000,038	426,043,082	**301,895,689**	424,145,193	463,307,807
Loans and advances to customers	11	**25,898,300**	9,313,241	14,386,622	**202,133,706**	112,856,337	64,354,443	**228,032,006**	122,169,578	78,741,065
Financial investments	12	**7,253,408**	5,230,260	833,184	**140,111,062**	118,382,553	-	**147,364,470**	123,612,813	833,184
Property, plant and equipment	13	**-**	-	2,250,989	**3,177,587**	2,037,435	-	**3,177,587**	2,037,435	2,250,989
Intangible assets	14	**-**	-	29,204	**18,143,248**	19,517,579	-	**18,143,248**	19,517,579	29,204
Deferred tax assets	15	**-**	-	308,912	**-**	-	-	**-**	-	308,912
Other assets	16	**9,390,921**	7,664,464	9,175,950	**394,725**	382,154	413,339	**9,785,646**	8,046,618	9,589,289
Total assets		**64,451,906**	81,045,474	92,762,250	**1,522,718,467**	1,199,731,043	1,441,791,937	**1,587,170,373**	1,280,776,517	1,534,554,187
Liabilities										
Deposits from banks	17	**24,650,591**	24,815,832	22,593,696	**10,065,808**	36,079,428	71,780,930	**34,716,399**	60,895,260	94,374,626
Deposits from customers	18	**101,987,539**	75,733,805	104,442,327	**1,285,643,649**	1,027,781,329	1,178,740,949	**1,387,631,188**	1,103,515,134	1,283,183,276
Derivatives liabilities	9	**13,701**	159,979	5,845,076	**1,658,171**	9,193,461	5,754,014	**1,671,872**	9,353,440	11,599,090
Other borrowed funds	19	**-**	1,502,213	-	**1,412,299**	2,595,414	4,018,856	**1,412,299**	4,097,627	4,018,856
Subordinated liabilities	20	**-**	-	-	**-**	-	25,000,000	**-**	-	25,000,000
Current tax liabilities	21	**193,837**	393,609	-	**479,425**	236,704	202,000	**673,262**	630,313	202,000
Deferred tax liability	15	**87,340**	-	-	**672,660**	38,000	8,912	**760,000**	38,000	8,912
Other liabilities	22	**5,796,010**	3,899,428	5,220,749	**38,717,893**	7,386,539	29,253,517	**44,513,903**	11,285,967	34,474,266
Total Liabilities		**132,729,018**	106,504,866	138,101,848	**1,338,649,905**	1,083,310,875	1,314,759,178	**1,471,378,923**	1,189,815,741	1,452,861,026
Shareholder's Equity										
Share capital	23	**-**	-	-	**35,000,000**	35,000,000	35,000,000	**35,000,000**	35,000,000	35,000,000
Other Reserves		**2,370,529**	1,954,885	1,518,433	**16,873,053**	13,459,779	10,673,854	**19,243,582**	15,414,664	12,192,287
Retained earnings		**3,901,951**	7,469,831	8,235,818	**57,645,917**	33,076,281	26,265,056	**61,647,868**	40,546,112	34,500,874
Total equity attributable to equity holder		**6,272,480**	9,424,716	9,754,251	**109,518,970**	81,536,060	71,938,910	**115,791,450**	90,960,776	81,693,161
Total equity and liabilities		**139,001,498**	115,929,582	147,856,099	**1,448,168,875**	1,164,846,935	1,386,698,088	**1,587,170,373**	1,280,776,517	1,534,554,187

6. Segmental reporting (continued)

Income statement for the year ended 31 December 2018

		Segment A			Segment B			Bank		
	Note	**2018 USD**	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD
Interest income		**916,678**	741,604	962,988	**36,996,904**	27,739,960	17,794,148	**37,913,582**	28,481,564	18,757,136
Interest expense		**(1,023,111)**	(603,725)	(658,638)	**(8,185,471)**	(6,414,634)	(3,891,870)	**(9,208,582)**	(7,018,359)	(4,550,508)
Net interest income	25	**(106,433)**	137,879	304,350	**28,811,433**	21,325,326	13,902,278	**28,705,000**	21,463,205	14,206,628
Fee and commission income		**677,131**	721,421	531,129	**6,471,833**	6,466,990	6,164,763	**7,148,964**	7,188,411	6,695,892
Fee and commission expense		**(407,468)**	(373,345)	(242,698)	**-**	-	-	**(407,468)**	(373,345)	(242,698)
Net fee and commission income	26	**269,663**	348,076	288,431	**6,471,833**	6,466,990	6,164,763	**6,741,496**	6,815,066	6,453,194
Net trading income	27	**2,444,172**	3,612,170	2,919,752	**9,166,015**	6,509,490	5,003,890	**11,610,187**	10,121,660	7,923,642
Net income from other financial instruments carried at fair value	28	**106,357**	7,438	4,308	**-**	-	-	**106,357**	7,438	4,308
Other income	29	**316,141**	273,897	249,249	**-**	-	-	**316,141**	273,897	249,249
		2,866,670	3,893,505	3,173,309	**9,166,015**	6,509,490	5,003,890	**12,032,685**	10,402,995	8,177,199
Operating income		**3,029,900**	4,379,460	3,766,090	**44,449,281**	34,301,806	25,070,931	**47,479,181**	38,681,266	28,837,021
Net impairment (charge)/ gain on financial assets	30	**(70,906)**	612,750	(208,300)	**(1,384,435)**	(429,407)	(156,386)	**(1,455,341)**	183,343	(364,686)
Personnel expenses	31	**(554,028)**	(829,435)	(959,360)	**(8,127,712)**	(6,496,491)	(6,386,482)	**(8,681,740)**	(7,325,926)	(7,345,842)
Operating lease expenses	32	**(49,576)**	(73,731)	(83,254)	**(727,289)**	(577,496)	(554,219)	**(776,865)**	(651,227)	(637,473)
Depreciation and amortisation	13&14	**-**	-	(852,349)	**(1,970,598)**	(1,223,735)	-	**(1,970,598)**	(1,223,735)	(852,349)
Other expenses	33	**(493,795)**	(728,035)	(729,368)	**(6,796,526)**	(5,918,900)	(4,865,246)	**(7,290,321)**	(6,646,935)	(5,594,614)
		(1,168,305)	(1,018,451)	(2,832,631)	**(19,006,560)**	(14,646,029)	(11,962,333)	**(20,174,865)**	(15,664,480)	(14,794,964)
Profit before income tax		**1,861,595**	3,361,009	933,459	**25,442,721**	19,655,777	13,108,598	**27,304,316**	23,016,786	14,042,057
Income tax expense	34	**(354,286)**	(839,018)	(572,214)	**(1,377,132)**	(891,429)	(600,310)	**(1,731,418)**	(1,730,447)	(1,172,524)
Profit for the year		**1,507,309**	2,521,991	361,245	**24,065,589**	18,764,348	12,508,288	**25,572,898**	21,286,339	12,869,533

6. Segmental reporting (continued)

Statement of profit or loss and other comprehensive income as at 31 December 2018

	Note	Segment A 2018 USD	Segment A 2017 USD	Segment A 2016 USD	Segment B 2018 USD	Segment B 2017 USD	Segment B 2016 USD	Bank 2018 USD	Bank 2017 USD	Bank 2016 USD
Profit for the year		**1,507,309**	2,521,990	361,245	**24,065,589**	18,764,349	12,508,288	**25,572,898**	21,286,339	12,869,533
Other comprehensive income										
Net gain/(loss) on fair value of debt instruments		**1,467**	(15,008)	1,630	**12,809**	-	-	**14,276**	(15,008)	1,630
Other comprehensive income for the year		**1,467**	(15,008)	1,630	**12,809**	-	-	**14,276**	(15,008)	1,630
Total comprehensive income for the year		**1,508,776**	2,506,982	362,875	**24,078,398**	18,764,349	12,508,288	**25,587,174**	21,271,331	12,871,163
Total comprehensive income attributable to equity holder		**1,508,776**	2,506,982	362,875	**24,078,398**	18,764,349	12,508,288	**25,587,174**	21,271,331	12,871,163

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018 USD	2017 USD	2016 USD
Bank - Total			
Cash in hand	**59,766**	72,108	132,893
Foreign currency notes and coins	**6,459**	20,317	20,491
Unrestricted balances with Central Bank	**16,239,411**	52,313,771	13,748,010
Balances with banks abroad	**858,742,268**	518,417,452	941,547,956
Less provision on balances with banks abroad	**(28,341)**	-	-
	875,019,563	570,823,648	955,449,350
Segment A			
Cash in hand	**59,766**	72,108	132,893
Foreign currency notes and coins	**6,459**	20,317	20,491
Unrestricted balances with Central Bank	**16,239,411**	52,313,771	13,748,010
	16,305,636	52,406,196	13,901,394
Segment B			
Balances with banks abroad	**858,742,268**	518,417,452	941,547,956
Less provision on balances with banks abroad	**(28,341)**	-	-
	858,713,927	518,417,452	941,547,956

Net debt maturity

	Cash USD	Subordinated liabilities after one year USD	Total USD
Net debt as at 1 January 2018	**570,823,648**	**-**	**570,823,648**
Cash flows	**304,195,915**	**-**	**304,195,915**
Net debt as at 31 December 2018	**875,019,563**	**-**	**875,019,563**
Net debt as at 1 January 2017	955,449,350	(25,000,000)	930,449,350
Cash flows	(384,625,702)	25,000,000	(359,625,702)
Net debt as at 31 December 2017	570,823,648	-	570,823,648

7. Cash and cash equivalents (continued)

A reconciliation of the expected credit losses for loans and advances at amortised cost

	Opening ECL balance	Transfers between stages				Income statement movement					Closing balance
		Transfer Stage 1 to/ from	Transfer Stage 2 to/from	Transfer Stage 3 to/from	Total	Originated "New" impairments raised	Changes in ECL - due to modifications	Subsequent changes in ECL	Derecognition	Total	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Stage 1											
Bank lending	(28,295)	-	-	-	-	(23,932)	-	23,886	-	(47)	(28,341)
Total	(28,295)	-	-	-	-	(23,932)	-	23,886	-	(47)	(28,341)

Credit risk exposure of loans and advances to bank at amortised cost

	Gross Carrying value	SB 1 - 12		SB 13 - 20		SB 21 - 25		Stage 3		Total gross carrying amount of non-performing loans	Gross specific impairment coverage %	Non-performing loans %
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Sub standard	Doubtful			
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	%	%
Corporate lending	858,742,268	858,714,879	-	27,389	-	-	-	-	-	-	-	-
Sovereign lending	-	-	-	-	-	-	-	-	-	-	-	-
Bank lending	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying value of loans and advances	**858,742,268**											
Less: Total expected credit loss provision for loans and advances to Bank at amortised cost	(28,341)											
Stage 1	(28,341)											
Stage 2	-											
Stage 3	-											
Purchased/originated credit impaired	-											
Interest In suspense (IIS)	-											
Net carrying value of loans and advances	**858,713,927**											

8. Trading assets and liabilities

Trading assets

	2018 USD	2017 USD	2016 USD
Bank – Total & Segment A			
Sovereign	**2,473,961**	749,636	4,130,852
Other instruments	**-**	-	8,083,920
	2,473,961	749,636	12,214,772
Current	**2,473,961**	749,636	12,214,772

9. Derivative instrument

All derivatives are classified as either derivatives held-for-trading or derivatives held-for-hedging. A summary of the fair values of the derivative assets and derivative liabilities is as follows:

	Fair value of assets			Fair value of liabilities		
	2018 USD	2017 USD	2016 USD	2018 USD	2017 USD	2016 USD
Bank Total						
Held-for-trading	**1,278,203**	9,674,017	11,829,615	**1,258,594**	9,353,440	11,599,090
Held-for-hedging	**-**	-	-	**413,278**	-	-
	1,278,203	9,674,017	11,829,615	**1,671,872**	9,353,440	11,599,090
Segment A						
Held-for-trading	**-**	5,536,522	2,396,498	**13,701**	159,979	5,845,076
Held-for-hedging	**-**	-	-	**-**	-	-
	-	5,536,522	2,396,498	**13,701**	159,979	5,845,076
Segment B						
Held-for-trading	**1,278,203**	4,137,495	9,433,117	**1,244,893**	9,193,461	5,754,014
Held-for-hedging	**-**	-	-	**413,278**	-	-
	1,278,203	4,137,495	9,433,117	**1,658,171**	9,193,461	5,754,014
Current	**1,278,203**	9,674,017	11,829,615	**1,258,594**	9,353,440	11,599,090
Non-current	**-**	-	-	**413,278**	-	-

9. Derivative instrument (continued)

9.1 Use and measurement of derivative instruments

In the normal course of business, the Bank enters into a variety of derivative transactions for both trading purposes and hedging foreign exchange, interest rate and credit exposures. Derivative instruments used by the bank in both trading and hedging activities include swaps, options, forwards and other similar types of instruments based on foreign exchange rates, credit risk and interest rates.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.

9.2 Derivatives held-for-trading

The bank transacts derivative contracts to address client demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The bank also takes proprietary positions for its own account. Trading derivative products include the following:

			2018			2017			2016
	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Bank Total									
Foreign exchange derivatives	**1,278,203**	**1,258,594**	**357,988,812**	9,674,017	9,353,440	774,625,527	11,829,615	11,599,090	1,092,448,376
Segment A									
Foreign exchange derivatives	**-**	**13,701**	**1,248,064**	5,536,522	159,979	128,665,625	2,396,498	5,845,076	367,844,560
Segment B									
Foreign exchange derivatives	**1,278,203**	**1,244,893**	**356,740,748**	4,137,495	9,193,461	645,959,902	9,433,117	5,754,014	724,603,816

* The nomimal amount is the sum of the absolute value of all bought or sold contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the bank's participation in derivative contracts

9. Derivative instrument (continued)

9.3 Financial instruments held-for-hedging (IFRS 9)

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value or cash flow hedges for recognised financial assets or liabilities, and highly probable forecast transactions. In 2018, the Bank has applied hedge accounting in respect of interest rate risk on fixed rate loans.

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The Bank's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the bank operates.

The Bank's treasury team monitors banking book interest rate risk on a monthly basis operating under the oversight of the Bank's ALCO. The Bank's interest rate risk management is predominantly controlled by the Bank treasury team under policies approved by the board of directors. The Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management, the Bank applies fair value hedge accounting in respect of the interest rate risk element only, present within specifically identified long-term fixed interest rate loans and advances and deposits. To manage the risk associated with such risk exposures the Bank uses one or more fix for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure.

The Bank observes interest rate risk in respect of these exposures using an unfunded interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only.

The Bank uses a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The bank elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness. The extent of hedge ineffectiveness as a result of fair value interest rate risk hedges is disclosed in note 9.3.3.

9. Derivative instrument (continued)

9.3.1 Derivatives designated as hedging instruments in fair value hedging relationships:

Bank and Segment B	Fair value of assets	Fair value of liabilities	Fair value gain/ (loss)	Contract/ notional amount	Less than one year	Between one to five years	Over five years	Net fair value
2018	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Interest rate risk fair value hedging relationships								
Interest rate swaps	-	413,278	(413,278)	17,845,223	-	17,845,223	-	(413,278)
Total derivatives designated as hedging instruments in fair value hedging relationships	-	413,278	(413,278)	17,845,223	-	17,845,223	-	(413,278)

9.3.2 Hedge items classified as fair value hedges:

Bank and Segment B	Fair value of assets	Fair value of liabilities	Fair value gain/ (loss)	Fair value gain/ (loss) used to test hedge ineffectiveness	Accumulated fair value hedge adjustments	Accumulated fair value hedge adjustments for which hedge accounting stopped
2018	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Loans and advances						
Interest rate risk fair value hedging relationships	18,436,011	-	387,004	387,004	(387,004)	-
Total items classified as fair value hedges	18,436,011	-	387,004	387,004	(387,004)	-

9.3.3 Hedge ineffectiveness recognised in profit or loss:

Bank and Segment B	Trading revenue	Other fair value movements	Net interest income
2018	**USD**	**USD**	**USD**
Fair value hedges			
Interest rate risk fair value hedging relationships	-	-	(679)

9.4 Derivatives held-for-hedging - IAS 39:

There were no derivatives transactions in 2018 which were designated as hedge instruments and qualify for either fair value or cash flows hedges.

10. Loans and advances to banks

	2018 USD	2017 USD	2016 USD
Bank Total			
Loans and advances to banks	**302,101,501**	424,145,193	463,307,807
Less IFRS 9 provisions – Stage 1	**(205,812)**	-	-
	301,895,689	424,145,193	463,307,807
Segment A			
Loans and advances to banks	**3,129,842**	145,155	37,264,725
Less IFRS 9 provisions – Stage 1	**(162)**	-	-
	3,129,680	145,155	37,264,725
Segment B			
Loans and advances to banks	**298,971,659**	424,000,038	426,043,082
Less IFRS 9 provisions – Stage 1	**(205,650)**	-	-
	298,766,009	424,000,038	426,043,082
Remaining term to maturity			
Bank Total			
Up to 3 months	**2,415,737**	50,271,927	37,284,382
Over 3 months and up to 6 months	**56,925,966**	94,630,434	68,203,620
Over 6 months and up to 12 months	**168,662,049**	159,972,894	98,442,955
Over 1 year and up to 5 years	**65,485,850**	109,416,155	248,900,674
Over 5 years	**8,611,899**	9,853,783	10,476,176
	302,101,501	424,145,193	463,307,807
Segment A			
Up to 3 months	**2,415,737**	145,155	35,260,155
Over 3 months and up to 6 months	**512,764**	-	2,004,570
Over 6 months and up to 12 months	**201,341**	-	-
	3,129,842	145,155	37,264,725
Segment B			
Up to 3 months	**-**	50,126,772	2,024,227
Over 3 months and up to 6 months	**56,413,202**	94,630,434	66,199,030
Over 6 months and up to 12 months	**168,460,708**	159,972, 894	98,442,955
Over 1 year and up to 5 years	**65,485,850**	109,416,155	248,900,694
Over 5 years	**8,611,899**	9,853,783	10,476,176
	298,971,659	424,000,038	426,043,082
Current assets	**228,003,752**	304,875,255	203,930,957
Non-current assets	**74,097,749**	119,269,938	259,376,850

A reconciliation of the expected credit losses for loans and advances to bank at amortised cost

	Opening ECL balance	Transfers between stages				Income statement movement					Impaired accounts written off	Currency translation and other movements	Reclassification in/out of AC measurement catogory	Closing balance
		Transfer Stage 1 to/from	Transfer Stage 2 to/from	Transfer Stage 3 to/from	Total	Originated "New" impairments raised	Changes in ECL - due to modifications	Subsequent changes in ECL	Derecognition	Total				
Stage 1	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Bank lending	(176,340)	-	-	-	-	(168,921)	-	139,449	-	(29,472)	-	-	-	(205,812)
Total	(176,340)	-	-	-	-	(168,921)	-	139,449	-	(29,472)	-	-	-	(205,812)

Credit risk exposure of Loans and advances to Bank at Amortised cost

	Gross Carrying value	SB 1 - 12		SB 13 - 20		SB 21 - 25		Stage 3		Total gross carrying amount of non-performing loans	Securities and expected recoveries on specifically impaired loans	Interest in suspense (enter as positive)	Balance sheet impairments for non performing specifically impaired loans (Stage 3 and purchased or originated credit impaired)	Gross specific impairment coverage %	Non-performing loans %
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Sub standard	Doubtful						
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	%	%
Corporate lending	302,101,501	293,489,602	-	8,611,899	-	-	-	-	-	-	-	-	-	-	-
Sovereign lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Gross carrying value of loans and advances	**302,101,501**
Less: Total expected credit loss provision at amortised cost	(205,812)
Stage 1	(205,812)
Stage 2	-
Stage 3	-
Purchased/originated credit impaired	-
Interest In Suspense (IIS)	-
Net carrying value at amortised cost	**301,895,689**

11. Loans and advances to customers

	2018 USD	2017 USD	2016 USD
Bank Total			
Personal Loans	**1,164,085**	1,220,993	1,730,056
Corporate customers	**178,813,375**	113,264,455	28,075,725
Entities outside Mauritius	**51,955,882**	9,649,037	50,572,280
	231,933,342	124,134,485	80,378,061
Less stage 3 ECL/specific allowance	**(838,673)**	(839,384)	(941,763)
Less stage 1&2 ECL collective allowance	**(3,062,663)**	(1,125,523)	(695,233)
	228,032,006	122,169,578	78,741,065
Segment A			
Personal Loans	**776,267**	796,565	771,338
Corporate Customers	**25,994,326**	9,414,676	14,626,033
	26,770,593	10,211,241	15,397,371
Less stage 3 ECL/specific allowance	**(838,673)**	(839,384)	(837,357)
Less stage 1&2 ECL collective allowance	**(33,620)**	(58,616)	(173,392)
	25,898,300	9,313,241	14,386,622
Segment B			
Personal Loans	**387,818**	424,428	958,718
Corporate Customers	**152,819,049**	103,849,779	13,449,692
Entities outside Mauritius	**51,955,882**	9,649,037	50,572,280
	205,162,749	113,923,244	64,980,690
Less stage 3 ECL/specific allowance	**-**	-	(104,406)
Less stage 1&2 ECL collective allowance	**(3,029,043)**	(1,066,907)	(521,841)
	202,133,706	112,856,337	64,354,443

11.(a) Remaining term to maturity

	2018 USD	2017 USD	2016 USD
Bank - Total			
Up to 3 months	**110,597,416**	27,391,788	39,237,319
Over 3 months and up to 6 months	**1,877,335**	241,137	8,962,426
Over 6 months and up to 12 months	**15,291,721**	18,242,853	4,448,244
Over 1 year and up to 5 years	**103,830,643**	77,834,279	27,268,514
Over 5 years	**336,227**	424,428	461,558
	231,933,342	124,134,485	80,378,061

Remaining term to maturity

	2018 USD	2017 USD	2016 USD
Segment A			
Up to 3 months	**26,770,593**	8,775,323	14,017,070
Over 3 months and up to 6 months	**-**	-	-
Over 6 months and up to 12 months	**-**	1,435,918	-
Over 1 year and up to 5 years	**-**	-	1,380,301
Over 5 years	**-**	-	-
	26,770,593	10,211,241	15,397,371

11. Loans and advances to customers (continued)

	2018 USD	2017 USD	2016 USD
Remaining term to maturity			
Segment B			
Up to 3 months	**83,826,823**	18,616,465	25,220,249
Over 3 months and up to 6 months	**1,877,335**	241,137	8,962,426
Over 6 months and up to 12 months	**15,291,721**	16,806,935	4,448,244
Over 1 year and up to 5 years	**103,830,643**	77,834,279	25,888,213
Over 5 years	**336,227**	424,428	461,558
	205,162,749	113,923,244	64,980,690
Current assets	**127,766,472**	45,875,778	52,647,989
Non-current assets	**104,166,870**	78,258,707	27,730,072
(b) Credit concentration of risk by industry sectors			
Bank-Total			
Manufacturing	**-**	-	11,987,743
Transport	**-**	1,816,552	3,509,431
Financial and business services	**10,988,688**	5,108,355	5,561,022
Traders	**35,682,812**	10,317,722	17,324,854
Personal	**1,164,085**	1,220,993	1,730,056
Global Business Licence holders	**152,819,049**	103,849,779	36,814,328
Property Holdings	**20,272,663**	-	-
Public Non Financial Corporation	**10,839,894**	1,821,084	3,450,627
Infrastructure	**166,151**	-	-
	231,933,342	124,134,485	80,378,061
Segment A			
Manufacturing	**-**	-	113,911
Transport	**-**	-	-
Financial and business services	**10,988,688**	5,108,355	5,561,022
Traders	**3,999,593**	2,485,236	5,501,028
Personal	**776,267**	796,566	770,783
Property Holdings	**-**	-	-
Public Non Financial Corporation	**10,839,894**	1,821,084	3,450,627
Infrastructure	**166,151**	-	
	26,770,593	10,211,241	15,397,371
Segment B			
Manufacturing	**-**	-	11,873,832
Transport	**-**	1,816,552	3,509,431
Traders	**31,683,219**	7,832,486	11,823,826
Personal	**387,818**	424,427	959,273
Global Business Licence holders	**152,819,049**	103,849,779	36,814,328
Property Holdings	**20,272,663**	-	-
	205,162,749	113,923,244	64,980,690

11. Loans and advances to customers (continued)

	2018 USD	2017 USD	2016 USD
(c) Segmental Analysis -Geographical Area			
Africa	**229,721,910**	116,655,744	79,883,763
Asia	**387,818**	62,801	-
Europe	**1,823,614**	7,415,940	494,298
	231,933,342	124,134,485	80,378,061

(d) Allowance for credit impairment

	Stage 3 ECL/specific allowance USD	Stage 1&2 ECL collective allowance USD	Total USD
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[1]	(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
IFRS 9 transition: 1 January 2018	**(30,387)**	**550,853**	**520,466**
Provision for credit impairment for the year	**29,676**	**1,585,817**	**1,615,493**
Provisions released	**-**	**(199,530)**	**(199,530)**
Balance at 31 December 2018	**838,673**	**3,062,663**	**3,901,336**
Segment A	**838,673**	**33,018**	
Segment B	**-**	**3,029,645**	

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

11. Loans and advances to customers (continued)

(e) Allowance for credit impairment by industry sectors

	2018					2017	2016
	Gross amount of loans	Impaired loans	Stage 3 ECL/specific allowance	Stage 1&2 ECL collective allowance	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	USD	USD	USD	USD	USD	USD	USD
Bank – Total							
Manufacturing	-	-	-	-	-	-	313,368
Transport	-	-	-	-	-	2,649	19,340
Construction	-	-	-	-	-	-	-
Financial and Business Services	10,988,688	-	-	5,187	5,187	44,971	62,260
Traders	35,682,812	-	-	156,602	156,602	39,573	164,376
Personal	1,164,085	-	-	2,819	2,819	3,252	4,173
Property Holding	20,272,663	-	-	179,374	179,374	-	-
Global Business Licence holders	152,819,049	-	-	2,714,993	2,714,993	1,033,087	231,811
Infrastructure	166,151	-	-	50	50	-	-
Public Non-financial Corporations	10,839,894	812,391	838,673	3,638	842,311	-	-
Others	-	-	-	-	-	841,375	841,668
	231,933,342	812,391	838,673	3,062,663	3,901,336	1,964,907	1,636,996
Segment A							
Financial and Business Services	10,988,688	-	-	5,187	5,187	44,971	62,260
Traders	3,999,593	-	-	21,928	21,928	9,532	104,962
Personal	776,267	-	-	2,215	2,215	2,122	1,859
Infrastructure	166,151	-	-	50	50	-	-
Public Non-financial Corporations	10,839,894	812,391	838,673	3,638	842,311	-	-
Others	-	-	-	-	-	841,375	841,668
	26,770,593	812,391	838,673	33,018	871,691	898,000	1,010,749

Impaired loans of USD 812,391 as at 31 December 2018 were from clients resident in Mauritius.

	2018					2017	2016
Segment B							
Manufacturing	-	-	-	-	-	-	313,368
Transport	-	-	-	-	-	2,649	19,340
Construction	-	-	-	-	-	-	-
Financial and Business Services	-	-	-	-	-	-	-
Traders	31,683,219	-	-	134,674	134,674	30,041	59,414
Personal	387,818	-	-	604	604	1,130	2,314
Property Holding	20,272,663	-	-	179,374	179,374	-	-
Global Business Licence holders	152,819,049	-	-	2,714,993	2,714,993	1,033,087	231,811
Others	-	-	-	-	-	-	-
	205,162,749	-	-	3,029,645	3,029,645	1,066,907	626,247

11. Loans and advances to customers (continued)

(f) Reconciliation of the expected credit losses for loans and advances at amortised cost in 2018:

		Transfers between stages				Income statement movement				Closing ECL balance
	Opening balance	Trf to/from Stage 1	Trf to/from Stage 2	Trf to/from Stage 3	Total	Originated "New" impairments raised	Subsequent changes in ECL	De-recognition	Total	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Stage 1										
Corporate lending	(704,725)	-	-	-	-	(541,724)	199,530	-	(342,194)	(1,046,919)
Sovereign lending	-	-	-	-	-	-	-	-	-	-
Bank lending	-	-	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-	-	-
Total	(704,725)	-	-	-	-	(541,724)	199,530	-	(342,194)	(1,046,919)
Stage 2										
Corporate lending	(971,650)	-	-	-	-	(1,044,094)	-	-	(1,044,094)	(2,015,744)
Sovereign lending	-	-	-	-	-	-	-	-	-	-
Bank lending	-	-	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-	-	-
Total	(971,650)	-	-	-	-	(1,044,094)	-	-	(1,044,094)	(2,015,744)
Stage 3 (excl IIS)										
Corporate lending	(808,997)	-	-	-	-	(29,676)	-	-	(29,676)	(838,673)
Sovereign lending	-	-	-	-	-	-	-	-	-	-
Bank lending	-	-	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-	-	-
Total	(808,997)	-	-	-	-	(29,676)	-	-	(29,676)	(838,673)
Purchased/originated credit impaired										
Corporate lending	-	-	-	-	-	-		-	-	-
Sovereign lending	-	-	-	-	-	-	-	-	-	-
Bank lending					-	-			-	-
Intercompany	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Total ECL	(2,485,372)	-	-	-	-	(1,615,494)	199,530	-	(1,415,964)	(3,901,336)

11. Loans and advances to customers (continued)

Credit risk exposure of loans and advances at amortised cost

	Gross Carrying value	SB 1 - 12		SB 13 - 20		SB 21 - 25		Stage 3		Total gross carrying amount of non-performing loans	Securities and expected recoveries on specifically impaired loans	Interest in suspense (enter as positive)
		Stage 1	Stage 2	Stage 1	Stage2	Stage 1	Stage 2	Sub standard	Doubtful			
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Corporate lending	232,247,656	46,878,723		174,165,329			10,076,899		1,126,705	1,126,705	812,391	314,314
Sovereign lending	-	-	-	-	-	-	-	-	-	-	-	-
Bank lending	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-	-	-	-	-

Gross carrying value of loans and advances	**232,247,656**
Less: Total expected credit loss provision for loans and advances at amortised cost	(3,901,336)
Stage 1	(1,046,919)
Stage 2	(2,015,744)
Stage 3	(838,673)
Purchased/originated credit impaired	-
Interest In Suspense (IIS)	(314,314)
Net carrying value of loans and advances at amortised cost	**228,032,006**

Loans and advances include the element of MTM amounting USD387,000 from Hedge accounting (ref note 9.3.1).

12. Financial investments

	Segment A			Segment B			Bank - Total		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016
	USD	USD	USD	**USD**	USD	USD	**USD**	USD	USD
Comprising of									
Sovereign bonds	**7,253,408**	5,230,260	833,184	**140,111,062**	118,382,553	-	**147,364,470**	123,612,813	833,184
	7,253,408	5,230,260	833,184	**140,111,062**	118,382,553	-	**147,364,470**	123,612,813	833,184
Classified as:									
Net debt financial investments measured at amortised cost	**-**	-	-	**140,111,062**	98,663,423	-	**140,111,062**	98,663,423	-
Gross debt financial investments measured at amortised cost	**-**	-	-	**140,111,207**	98,663,423	-	**140,111,207**	98,663,423	-
Less: Expected credit losses for debt financial investments measured at amortised cost (note 12.1)	**-**	-	-	**(145)**	-	-	**(145)**	-	-
Net debt financial investments measured at fair value through OCI	**7,253,408**	5,230,260	833,184	**-**	19,719,130	-	**7,253,408**	24,949,390	833,184
Gross debt financial investments measured at fair value through OCI	**7,253,476**	5,230,260	833,184	**-**	19,719,130	-	**7,253,476**	24,949,390	833,184
Less: Expected credit losses (ECL) for debt financial investments measured at fair value through OCI	**(68)**	-	-	**-**	-	-	**(68)**	-	-
Current	**7,253,408**	5,230,260	833,184	**140,111,062**	118,382,553	-	**147,364,470**	123,612,813	833,184
Non-current	**-**	-	-	**-**	-	-	**-**	-	-

Reconciliation of Financial investments measured at fair value through OCI

	Segment A	Segment B	Total
	2018	**2018**	**2018**
	USD	**USD**	**USD**
Balance at 31 December 2017	**5,230,260**	**19,719,130**	**24,949,390**
Purchase of Financial Investments	**1,933,121**	**-**	**1,933,121**
Matured	**-**	**(19,719,130)**	**(19,719,130)**
Accrued Interest	**75,887**	**-**	**75,887**
Fair value movements	**14,208**	**-**	**14,208**
Impairment -ECL	**68**	**-**	**68**
Balance at 31 December 2018	**7,253,408**	**-**	**7,253,408**

12. Financial investments (continued)

12.1 Maturity analysis

	Segment A			Segment B			Bank - Total		
	2018 USD	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD	**2018 USD**	2017 USD	2016 USD
Up to 3 months	**5,105,953**	3,750,969	833,184	**140,111,062**	-	-	**145,217,015**	3,750,969	833,184
Over 6 months and up to 12 months	**2,147,455**	1,479,291	-	**-**	118,382,553	-	**2,147,455**	119,861,844	-
	7,253,408	5,230,260	833,184	**140,111,062**	118,382,553	-	**147,364,470**	123,612,813	833,184

12.2 Reconciliation of expected credit losses for debt financial investments measured at amortised cost

	Opening ECL 1 January 2018	Total transfers between stages	Income statement movements				Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2018
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Sovereign										
Stage 1	-	-	145	-	-	-	145	-	-	145
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-
Total	-	-	145	-	-	-	145	-	-	145

12.3 Reconciliation of expected credit losses for debt financial investments measured at fair value through OCI

	Opening ECL 1 January 2018	Total transfers between stages	Income statement movements				Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2018
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Sovereign										
Stage 1	2,071	-	-	-	(2,003)	-	(2,003)	-	-	68
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-
Total	2,071	-	-	-	(2,003)	-	(2,003)	-	-	68

13. Property, Plant and Equipment

	Computer Equipment USD	Office Equipment USD	Furniture and Fittings USD	Motor Vehicles USD	Total USD
Bank – Total					
Cost					
Balance at 1 January 2016	3,330,338	812,620	2,200,025	63,020	6,406,003
Acquisitions	169,750	11,299	38,612	40,607	260,268
Disposals	(8,970)	(3,303)	-	(69,741)	(82,014)
Balance at 31 December 2016	3,491,118	820,616	2,238,637	33,886	6,584,257
Acquisitions	399,084	440	33,654	167,022	600,200
Disposals	-	-	(11,219)	-	(11,219)
Balance at 31 December 2017	3,890,202	821,056	2,261,072	200,908	7,173,238
Acquisitions	423,434	6,418	1,294,246	-	1,724,098
Balance at 31 December 2018	**4,313,636**	**827,474**	**3,555,318**	**200,908**	**8,897,336**
Depreciation and Impairment Losses					
Balance at 1 January 2016	2,227,844	444,371	820,392	41,788	3,534,395
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	2,718,789	524,407	1,066,538	23,534	4,333,268
Depreciation for the year	470,295	81,722	236,530	23,908	812,455
Disposal	-	-	(9,919)	-	(9,919)
Balance at 31 December 2017	3,189,083	606,129	1,293,149	47,442	5,135,803
Depreciation for the year	265,041	74,694	216,885	27,326	583,946
Balance at 31 December 2018	**3,454,124**	**680,823**	**1,510,034**	**74,768**	**5,719,749**
Carrying Amounts					
Balance at 31 December 2018- Segment B	**859,512**	**146,651**	**2,045,284**	**126,140**	**3,177,587**
Balance at 31 December 2017 – Segment B	701,119	214,927	967,923	153,466	2,037,435
Balance at 31 December 2016- Segment A	772,329	296,209	1,172,099	10,352	2,250,989

14. Intangible assets

	Computer Software USD	Other Intangible Assets USD	Total USD
Bank –Total			
Cost			
Balance at 1 January 2016	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
Acquisitions	12,321	-	12,321
Disposals	-	-	-
Balance at 31 December 2018	**288,629**	**19,815,739**	**20,104,368**
Amortisation and Impairment Losses			
Balance at 1 January 2016	150,822	-	150,822
Amortisation for the year	12,366	-	12,366
Balance at 31 December 2016	163,188	-	163,188
Amortisation for the year	14,868	396,412	411,280
Balance at 31 December 2017	178,056	396,412	574,468
Amortisation for the year	24,888	1,361,764	1,386,652
Balance at 31 December 2018	**202,944**	**1,758,176**	**1,961,120**
Carrying amount at 31 December 2018 – Segment B	**85,685**	**18,057,563**	**18,143,248**
Carrying amount at 31 December 2017- Segment B	98,252	19,419,327	19,517,579
Carrying amount at 31 December 2016- Segment A	14,279	14,925	29,204

There were no capitalised borrowing costs related to the acquisition of software during the year (2017: Nil).

15. Deferred tax

The movement on the deferred tax amount is as follows:

	2018 USD	2017 USD	2016 USD
Bank -Total			
At 1 January	**(38,000)**	300,000	1,177,000
Income statement charge	**(737,000)**	(338,000)	(877,000)
Impact of IFRS 9 adjustment	**15,000**	-	-
At 31 December	**(760,000)**	(38,000)	300,000
Segment A			
At 1 January	**237,660**	308,912	870,912
Income statement charge	**(312,000)**	(71,252)	(562,000)
Impact of IFRS 9 adjustment	**(13,000)**	-	-
Deferred tax liability/asset as at 31 December	**(87,340)**	237,660	308,912
Segment B			
At 1 January	**(275,660)**	(8,912)	306,088
Income statement charge	**(425,000)**	(266,748)	(315,000)
Impact of IFRS 9 adjustment	**28,000**	-	-
Deferred tax (liability) as at 31 December	**(672,660)**	(275,660)	(8,912)
Deferred income tax assets and liabilities are attributable to the following items:			
Deferred tax assets:			
General provision for bad and doubtful debts	**175,000**	185,000	191,000
Unutilised tax losses	**-**	-	-
Other temporary differences	**35,000**	85,000	170,000
Impact of IFRS 9 adjustment	**15,000**	-	-
	225,000	270,000	361,000
Deferred tax liabilities:			
Other temporary differences	**-**	-	-
Accelerated depreciation	**(985,000)**	(308,000)	(61,000)
	(985,000)	(308,000)	(61,000)
The deferred tax (release) / charge in the statement of profit or loss comprise the following differences:			
General provision for bad and doubtful debts	**(5,000)**	(6,000)	578,000
Unutilised tax losses	**-**	-	293,000
Other temporary differences	**50,000**	(85,000)	187,000
Accelerated depreciation	**677,000**	(247,000)	(181,000)
Impact of IFRS 9 adjustment	**15,000**	-	-
	737,000	(338,000)	877,000

As a result of IFRS 9 implementation, a deferred tax of USD 15,000 was raised on transition period 1 January 2018

16. Other assets

	2018 USD	2017 USD	2016 USD
Mandatory balances with central bank	**8,687,635**	7,442,747	8,792,527
Other	**1,098,011**	603,871	796,762
	9,785,646	8,046,618	9,589,289
Segment A			
Mandatory balances with central bank	**8,687,635**	7,442,747	8,792,527
Other	**703,286**	221,717	383,423
	9,390,921	7,664,464	9,175,950
Segment B			
Other	**394,725**	382,154	413,339
	394,725	382,154	413,339
Current	**9,785,646**	8,046,618	9,589,289

1. Deposits are placed with the Central Bank for the purpose of reserve requirements and are therefore not available for use.
2. Other comprises of prepayment, stock for stationery, sundry debtor vendor and withholding tax.

17. Deposits from banks

	2018 USD	2017 USD	2016 USD
Bank – Total			
Money Market Deposits	**30,041,705**	56,044,617	64,033,432
Other deposits from banks	**4,674,694**	4,850,643	30,341,194
	34,716,399	60,895,260	94,374,626
Segment A			
Money Market Deposits	**20,038,889**	20,020,372	20,001,467
Other deposits from banks	**4,611,702**	4,795,460	2,592,229
	24,650,591	24,815,832	22,593,696
Segment B			
Money Market Deposits	**10,002,816**	36,024,245	44,031,965
Other deposits from banks	**62,992**	55,183	27,748,965
	10,065,808	36,079,428	71,780,930
Current	**34,716,399**	60,895,260	94,374,626

18. Deposits from customers

	2018 USD	2017 USD	2016 USD
Bank-Total			
Corporates			
- Demand deposits			
- Current accounts	**373,479,903**	306,599,787	264,222,513
- Savings accounts	**6,175,472**	10,074,574	8,803,082
- Call accounts	**598,151,869**	540,946,042	727,408,006
- Time deposits			
- Up to 3 months	**366,119,430**	211,863,104	264,632,208
- Over 3 months and up to 6 months	**17,526,263**	20,342,634	5,911,045
- Over 6 months and up to 12 months	**21,584,165**	13,688,993	12,206,422
- Over 1 year and up to 5 years	**4,594,086**	-	-
- Over 5 years	**-**	-	-
	1,387,631,188	1,103,515,134	1,283,183,276
Segment A			
- Demand deposits			
- Current accounts	**22,858,584**	36,147,436	37,666,025
- Savings accounts	**6,175,472**	10,074,574	8,803,082
- Call accounts	**24,897,192**	15,683,215	29,065,779
- Time deposits			
- Up to 3 months	**41,886,767**	11,551,619	20,874,816
- Over 3 months and up to 6 months	**4,736,515**	2,068,659	2,874,146
- Over 6 months and up to 12 months	**1,433,009**	208,302	5,158,479
- Over 1 year and up to 5 years	**-**	-	-
- Over 5 years	**-**	-	-
	101,987,539	75,733,805	104,442,327
Segment B			
- Demand deposits			
- Current accounts	**350,621,319**	270,452,351	226,556,489
- Call accounts	**573,254,677**	525,262,827	698,342,226
- Time deposits			
- Up to 3 months	**324,232,664**	200,311,485	243,757,392
- Over 3 months and up to 6 months	**12,789,747**	18,273,975	3,036,899
- Over 6 months and up to 12 months	**20,151,156**	13,480,691	7,047,943
- Over 1 year and up to 5 years	**4,594,086**	-	-
- Over 5 years	**-**	-	-
	1,285,643,649	1,027,781,329	1,178,740,949
Current assets	**1,383,037,102**	1,103,515,134	1,283,183,276
Non-current assets	**4,594,086**	-	-

19. Other Borrowed Funds

	2018 USD	2017 USD	2016 USD
Bank-Total			
Borrowings from Banks	1,412,299	4,097,627	4,018,856
Bank-Segment A			
Borrowings from Banks	-	1,502,213	-
Bank-Segment B			
Borrowings from Banks	1,412,299	2,595,414	4,018,856
Current	1,412,299	2,595,414	4,018,856

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 funding of USD1,412k earns a coupon payment of 3.97% and will mature on 28 June 2019.

20. Subordinated liabilities

Lender	Date Issued	Maturity Date	Rate	Notional Value USD	Carrying Value USD
SBSA	December 2012	December 2022	USD 3 months Libor + 3.84% p.a.	25,000,000	25,000,000

The Bank fully repaid its subordinated debt in December 2017.

	2018 USD	2017 USD	2016 USD
Bank-Total and Segment B			
Standard Bank of South Africa (SBSA)	-	-	25,000,000

21. Current tax liabilities

Bank - Total			
Income tax based on chargeable income	1,194,000	1,306,000	202,000
Advanced payments made	(520,738)	(675,687)	-
	673,262	630,313	202,000
Segment A			
Income tax based on chargeable income	356,000	761,000	-
Advanced payments made	(162,163)	(367,391)	-
	193,837	393,609	-
Segment B			
Income tax based on chargeable income	838,000	545,000	202,000
Advanced payments made	(358,575)	(308,296)	-
	479,425	236,704	202,000

22. Other liabilities

	2018 USD	2017 USD	2016 USD
Accrued expense	1,960,546	1,856,848	1,735,116
Unsettled money market transactions[1]	35,956,035	4,729,258	28,055,528
Others[2]	6,597,322	4,699,861	4,683,622
	44,513,903	11,285,967	34,474,266
Segment A			
Accrued expense	136,143	210,231	1,735,116
Others	5,659,867	3,689,197	3,485,633
	5,796,010	3,899,428	5,220,749
Segment B			
Accrued expense	1,824,403	1,646,617	-
Unsettled money market transactions	35,956,035	4,729,258	28,055,528
Others	937,455	1,010,664	1,197,989
	38,717,893	7,386,539	29,253,517
Current	43,649,703	10,740,271	34,297,529
Non Current	864,200	545,696	176,737

1 Relate to uncleared balances on nostro accounts for money market transactions with value date after trade date. These are usually cleared within 2 business days.
2 Others comprise of clearance settlement, credit in transit, VAT and provision for off balance sheet.

23. Share capital

Authorised capital: -			
Ordinary (40,000,000 shares of USD 1 each)	40,000,000	40,000,000	40,000,000
Issued and paid capital			
Ordinary (35,000,000 shares of USD 1 each)	35,000,000	35,000,000	35,000,000
Unissued capital			
Ordinary (5,000,000 shares of USD 1 each)	5,000,000	5,000,000	5,000,000

24. Contingent liabilities

	2018 USD	2017 USD	2016 USD
Guarantees on account of customers	**21,424,246**	17,091,416	23,332,670
Letters of credit and other obligations on account of customers	**14,807,646**	16,512,923	2,800,245
	36,231,892	33,604,339	26,132,915
Less IFRS 9 provision on Off-balance sheet exposures	**(150,459)**	-	-
	36,081,433	33,604,339	26,132,915
Segment A			
Guarantees on account of customers	**763,875**	1,254,947	1,175,792
Letters of credit and other obligations on account of customers	**662,112**	3,055,734	20,900
	1,425,987	4,310,681	1,196,692
Less IFRS 9 provision on Off-balance sheet exposures	**(17,474)**	-	-
	1,408,513	4,310,681	1,196,692
Segment B			
Guarantees on account of customers	**20,660,371**	15,836,471	22,156,878
Letters of credit and other obligations on account of customers	**14,145,534**	13,457,189	2,779,345
	34,805,905	29,293,660	24,936,223
Less IFRS 9 provision on Off-balance sheet exposures	**(132,985)**	-	-
	34,672,920	29,293,660	24,936,223

24. Contingent liabilities (continued)

24. (a) Reconciliation of the allowance for expected credit loss for "off balance sheet" exposures, by class:

		Transfers between stages				Income statement movement				
	O/B USD	**Trf to/from Stage 1 USD**	**Trf to/from Stage 2 USD**	**Trf to/from Stage 3 USD**	**Total USD**	**Originated "New" impairments raised USD**	**Subsequent changes in ECL USD**	**De-recognition USD**	**Total USD**	**Closing ECL balance USD**
Stage 1										
Letters of credit	62	-	-	-	-	1,275	(62)	-	1,213	1,275
Irrevocable facilities	83,383	-	-	-	-	102,436	(69,579)	-	32,857	116,240
Guarantees	55,298	-	-	-	-	26,346	(48,700)	-	(22,354)	32,944
Total	**138,743**	**-**	**-**	**-**	**-**	**130,057**	**(118,341)**	**-**	**11,716**	**150,459**

The bank has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis.

25. Net interest income

Bank- Total

Interest income measured at amortised cost

	2018 USD	2017 USD	2016 USD
Loans and advances to banks	25,556,655	21,445,556	13,637,507
Loans and advances to customers	9,626,721	6,096,619	4,953,413
Financial investments	2,042,933	149,300	-
Other (IFRS Unwinding)	180,676	675,832	135,265
Total interest income	37,406,985	28,367,307	18,726,185
Interest income on items measured at fair value through OCI			
Financial investments	506,597	114,257	30,951
Total	37,913,582	28,481,564	18,757,136
Interest expense			
Interest expense on items measured on an amortised cost basis			
Deposits from banks	(1,094,473)	(983,911)	(664,010)
Deposits from customers	(8,114,109)	(5,010,291)	(2,951,841)
Subordinated liabilities	-	(1,024,157)	(934,657)
Total interest expense	(9,208,582)	(7,018,359)	(4,550,508)
Net interest income	28,705,000	21,463,205	14,206,628
Net interest income			
Segment A			
Interest income measured at amortised cost			
Loans and advances to banks	109,212	113,437	125,608
Loans and advances to customers	567,983	544,425	806,429
Total interest income	677,195	657,862	932,037
Interest income on items measured at fair value through OCI			
Financial investments	239,483	83,742	30,951
Total	916,678	741,604	962,988
Interest expense			
Interest expense on items measured on an amortised cost basis			
Deposits from banks	(402,886)	(26,161)	(73,094)
Deposits from customers	(620,225)	(577,564)	(585,544)
Total interest expense	(1,023,111)	(603,725)	(658,638)
Net interest (expense)/income	(106,433)	137,879	304,350

25. Net interest income (continued)

Net interest income – Segment B

	2018 USD	2017 USD	2016 USD
Interest income measured at amortised cost			
Loans and advances to banks	25,447,443	21,332,119	13,511,899
Loans and advances to customers	9,058,738	5,552,194	4,146,984
Financial investments	2,042,933	149,300	-
Other (IFRS Unwinding)	180,676	675,832	135,265
Total interest income	36,729,790	27,709,445	17,794,148
Interest income on items measured at fair value through OCI			
Financial investments	267,114	30,515	-
Total	36,996,904	27,739,960	17,794,148
Interest expense on items measured on an amortised cost basis			
Deposits from banks	(691,587)	(957,750)	(590,916)
Deposits from customers	(7,493,884)	(4,432,727)	(2,366,297)
Subordinated liabilities	-	(1,024,157)	(934,657)
Total interest expense	(8,185,471)	(6,414,634)	(3,891,870)
Net interest income	28,811,433	21,325,326	13,902,278

26. Net fee and commission income

Fee and commission income			
Corporate banking customer fees	4,746,472	4,619,174	4,169,700
Corporate banking credit related fees	1,791,748	1,377,577	1,232,466
Investment banking fees	33,284	615,429	895,442
Custody fees	577,460	576,231	398,284
Total fee and commission income	7,148,964	7,188,411	6,695,892
Fee and commission expense	(407,468)	(373,345)	(242,698)
Net fee and commission income	6,741,496	6,815,066	6,453,194
Segment A			
Fee and commission income			
Corporate banking customer fees	51,085	70,817	86,920
Corporate banking credit related fees	48,586	74,373	45,925
Investment banking fees	-	-	-
Custody fees	577,460	576,231	398,284
Total fee and commission income	677,131	721,421	531,129
Fee and commission expense	(407,468)	(373,345)	(242,698)
Net fee and commission income	269,663	348,076	288,431
Segment B			
Fee and commission income			
Corporate banking customer fees	4,695,387	4,548,357	4,082,780
Corporate banking credit related fees	1,743,162	1,303,204	1,186,541
Investment banking fees	33,284	615,429	895,442
Total fee and commission income	6,471,833	6,466,990	6,164,763
Net fee and commission income	6,471,833	6,466,990	6,164,763

27. Net trading income

	2018 USD	2017 USD	2016 USD
Fixed Income / Money Market	**(434,531)**	196,394	88,075
Foreign exchange	**11,980,973**	9,575,647	7,262,052
Other	**63,745**	349,619	573,515
	11,610,187	10,121,660	7,923,642
Segment A			
Fixed Income / Money Market	**(434,531)**	168,842	88,075
Foreign exchange	**2,814,958**	3,093,709	2,258,162
Other	**63,745**	349,619	573,515
	2,444,172	3,612,170	2,919,752
Segment B			
Fixed Income / Money Market	**-**	27,552	-
Foreign exchange	**9,166,015**	6,481,938	5,003,890
	9,166,015	6,509,490	5,003,890

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

Bank-Total and Segment A			
Government Bonds / Treasury Bills	**105,647**	2,151	8,587
Other	**710**	5,287	(4,279)
	106,357	7,438	4,308

29. Other income

Bank-Total and Segment A			
Rental income and recharges	**316,141**	273,897	249,249

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

Bank-Total			
Loans and advances to customers	**(1,415,964)**	169,029	(381,845)
Loans and advances to banks	**(29,518)**	-	-
Financial investments	**1,858**	-	-
Non-funded facilities**	**(11,717)**	14,314	17,159
	(1,455,341)	183,343	(364,686)
Segment A			
Loans and advances to customers	**(57,595)**	610,366	(207,439)
Loans and advances to banks	**(146)**	-	-
Financial investments	**303**	-	-
Non-funded facilities	**(13,468)**	2,384	(861)
	(70,906)	612,750	(208,300)

** Impairment charge for prior years relate to accepted LCs.

30. (a) Net impairment (charge)/ gain on financial assets (continued)

	2018 USD	2017 USD	2016 USD
Segment B			
Loans and advances to customers	**(1,358,369)**	(441,337)	(174,406)
Loans and advances to banks	**(29,372)**	-	-
Financial investments	**1,555**	-	-
Non-funded facilities	**1,751**	11,930	18,020
	(1,384,435)	(429,407)	(156,386)

30. (b) Breakdown of Net impairment (charge)/gain on financial assets

Bank-Total			
Provision made	**(1,801,194)**	(1,011,787)	(676,222)
Provision released	**345,853**	1,195,130	311,536
	(1,455,341)	183,343	(364,686)
Segment A			
Provision made	**(73,146)**	(51,301)	(283,783)
Provision released	**2,240**	664,051	75,483
	(70,906)	612,750	(208,300)
Segment B			
Provision made	**(1,728,049)**	(960,486)	(392,439)
Provision released	**343,614**	531,079	236,053
	(1,384,435)	(429,407)	(156,386)

31. (a) Personnel expenses

Bank-Total			
Wages and salaries	**4,880,071**	3,782,858	4,766,346
Other personnel expenses	**3,012,636**	2,806,139	1,969,065
Compulsory social security obligations	**20,460**	20,471	39,031
Contributions to defined contribution plans	**508,193**	464,601	451,046
Share based payment - cash settled	**260,380**	251,857	120,354
	8,681,740	7,325,926	7,345,842
Segment A			
Wages and salaries	**311,423**	428,292	622,481
Other personnel expenses	**192,252**	317,709	257,229
Compulsory social security obligations	**1,306**	2,317	5,098
Contributions to defined contribution plans	**32,431**	52,602	58,906
Share based payment - cash settled	**16,616**	28,515	15,646
	554,028	829,435	959,360
Segment B			
Wages and salaries	**4,568,648**	3,354,566	4,143,865
Other personnel expenses	**2,820,384**	2,488,430	1,711,836
Compulsory social security obligations	**19,154**	18,154	33,933
Contributions to defined contribution plans	**475,762**	411,999	392,140
Share based payment - cash settled	**243,764**	223,342	104,708
	8,127,712	6,496,491	6,386,482

31. (b) Share Based Payments

The Bank has an equity-settled scheme, namely the Group Share Incentive Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group share price at the date the option is granted. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights.

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

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

(i) Equity Growth Scheme

	Appreciation Right price (cents)	Participation Rights 2018	2017	2016
Equity Growth Scheme reconciliation				
Rights outstanding at beginning of year		-	-	-
Granted		-	-	-
Exercised[1]		-	-	-
Lapsed		-	-	-
Transfer out		-	-	-
Rights outstanding at end of year		-	-	-

There were no outstanding rights to employees as at 31 December 2018.

(ii) Share Incentive Scheme

	Option price range (cents)	Number of Options 2018	2017	2016
Share Incentive Scheme reconciliation				
Options outstanding at beginning of year		26,188	44,283	76,488
Transfers		-	(14,000)	-
Granted		-	-	-
Exercised	62.39 – 98.80	(3,063)	(4,095)	(32,205)
Options outstanding at end of year		23,125	26,188	44,283

The weighted average SBG share price for the period to 31 December 2018 year end was ZAR 192.35 (2017: ZAR 157.29).

1 During the year, 1,486 (2017: 26,188) shares were issued to settle the outstanding appreciated rights value.
2 At 31 December 2018, the Bank issued 1,486 (2017: 26,188) SBG shares to settle outstanding appreciated rights value.

31. (b) Share Based Payments (continued)

The following options granted to employees had not been exercised at 31 December 2018:

Number of ordinary shares	Option price range (cents)	Weighted average price (cents)	Option Expiry date
23,125	9.88	9.88	Year to 31 December 2021
23,125			

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	9.88	9.88	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	9.8	9.8	Year to 31 December 2017
1,500	9.2	9.2	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	9.88	9.88	Year to 31 December 2021
44,283			

Total expenses recognised in staff costs for 2018 was NIL (2017: NIL).

(iii) Deferred bonus scheme (DBS)

In 2012, changes were made to the existing DBS to provide for a single global incentive deferral scheme across the regions. The purpose of the Deferred Bonus Scheme 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 2018 and the amount charged for the year under the scheme amounts to USD 195,538. Total expenses recognised in staff costs for 2018 was USD 260,383 (2017: USD 251,857) (2016: USD 120,354).

	Units Dec-18	Units Dec-17
Reconciliation		
Units outstanding at beginning of year	18,812	34,069
Granted	-	-
Transferred out	-	(466)
Exercised	(11,623)	(14,791)
Lapsed	-	-
Units outstanding at end of the year	7,189	18,812
Weighted average fair value at grant date (R)	n/a	n/a
Expected life (years)	n/a	n/a
Risk-free interest rate (%)	n/a	n/a

31. (b) Share Based Payments (continued)

(iv) Cash settled deferred bonus scheme (CSDBS)

Employees granted an annual performance award over a threshold have part of their award deferred. In addition, the group makes special awards of CSDBS to qualifying employees.

The award units are denominated in employee's host countries' local currency, the value of which moves parallel to the changes in the price of the SBG shares listed on the JSE and accrue notional dividends over the vesting period which are payable on vesting.

Awards vest in three equal tranches at 18 months, 30 months and 42 months from the date of award. Final pay-out is determined with reference to SBG share price on vesting date.

The provision in respect of liabilities under the scheme amounts to USD 195,538 at 31 December 2018.

Currency	Weighted average fair value at grant date	Expected life at grant date (years)	Opening balance (Unit)	Granted (Unit)	Forfeited (Unit)	Exercised (Unit)	Transferred between group companies (Unit)	Outstanding (Unit)
MUR	220.97	2.51	46,745	49,214	-	(15,580)	-	80,379

32. Operating lease expenses

	2018 USD	2017 USD	2016 USD
Bank-Total			
Operating Lease Expense	776,865	651,227	637,473
Segment A			
Operating Lease Expense	49,576	73,731	83,254
Segment B			
Operating Lease Expense	727,289	577,496	554,219

32. Operating lease expenses (continued)

Operating lease commitments

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

	2018 USD	2017 USD	2016 USD
Bank- Total			
Buildings			
Less than one year	907,455	292,582	638,007
Between one and five years	3,825,322	-	294,833
	4,732,777	292,582	932,840
Bank-Total			
Equipment			
Less than one year	88,221	132,991	34,928
Between one and five years	7,411	117,927	22,000
	95,632	250,918	56,928

The operating lease commitments comprise mainly of building. The lease terms make provision for a yearly increment of 6% in the operating lease charges. The Bank has the exclusive right of use of the building enabling it to benefit from its use and direct how the asset is used.

33. Other expenses

	2018 USD	2017 USD	2016 USD
Bank-Total			
Software licensing and other information technology cost	**1,459,583**	731,163	831,784
Professional fees	**1,587,336**	1,516,618	1,082,105
Marketing & advertising	**404,295**	362,720	302,694
Bank charges	**832,103**	779,182	682,337
Other	**3,007,004**	3,257,252	2,695,694
	7,290,321	6,646,935	5,594,614
Segment A			
Software licensing and other information technology cost	**93,144**	80,084	108,631
Professional fees	**129,857**	166,115	141,030
Marketing & advertising	**25,800**	39,729	39,450
Bank charges	**53,101**	85,343	88,929
Other	**191,893**	356,764	351,328
	493,795	728,035	729,368
Segment B			
Software licensing and other information technology cost	**1,366,439**	651,079	723,153
Professional fees	**1,457,479**	1,350,503	941,075
Marketing & advertising	**378,495**	322,991	263,244
Bank charges	**779,002**	693,839	593,408
Other	**2,815,111**	2,900,488	2,344,366
	6,796,526	5,918,900	4,865,246

34. Income tax (credit) / expense

Bank-Total			
Net profit before income taxes	**27,304,316**	23,016,786	14,042,057
Current tax based on adjusted profit	**801,326**	822,059	551,950
Non-allowable expenses	**17,854**	25,171	23,112
Deferred tax charge	**722,000**	338,052	-
Under / (over) provision in previous years	**(290,714)**	6,795	98,262
Deferred tax not recognised	**(3,179)**	(25,223)	332,782
Special Levy	**392,999**	483,941	139,280
Losses utilised against Segment B	**-**	-	(58,726)
Absorbed Value Added Tax	**39,304**	29,326	50,822
Other taxes	**51,828**	50,326	35,042
	1,731,418	1,730,447	1,172,524

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

	2018 USD	2017 USD	2016 USD
Segment A			
Net profit before income taxes	**1,861,595**	3,361,008	933,459
Current tax based on adjusted profit	**224,182**	479,316	158,692
Non-allowance expenses	**5,751**	10,286	10,986
Deferred tax charge	**325,000**	69,340	-
Under / (over) provision in previous years	**(340,065)**	-	57,733
Deferred tax not recognised	**-**	(10,627)	332,782
Special Levy	**131,872**	281,683	-
Losses utilised against Segment B	**-**	-	-
Absorbed Value Added Tax	**3,256**	3,321	7,115
Other taxes	**4,290**	5,698	4,906
	354,286	839,018	572,214
Segment B			
Net profit/ (loss) before income taxes	**25,442,721**	19,655,777	13,108,598
Current tax based on adjusted profit	**577,144**	342,743	393,258
Non-allowable expenses	**12,103**	14,886	12,126
Deferred tax charge	**397,000**	268,712	-
Under / (over) provision in previous years	**49,351**	6,794	40,529
Deferred tax not recognised	**(3,179)**	(14,597)	-
Special Levy	**261,127**	202,258	139,280
Losses utilised against Segment B	**-**	-	(58,726)
Absorbed Value Added Tax	**36,048**	26,005	43,707
Other taxes	**47,538**	44,628	30,136
	1,377,132	891,429	600,310

35. Statutory and Other Reserves

	Credit Risk Reserves USD	Fair Value Reserves USD	Share Based Payment USD	Total USD
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 gains 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/beginning of Year 2018	**115,666**	**(14,954)**	**29,360**	**130,072**
Net loss on financial investments through OCI	**-**	**14,276**	**-**	**14,276**
Share based payment	**-**	**-**	**94,373**	**94,373**
Transfer to general banking reserve	**(115,666)**	**-**	**-**	**(115,666)**
Balance at end of Year 2018	**-**	**(678)**	**123,733**	**123,055**

A statutory reserve of USD19,120,527 as at 31 December 2018 (2017: USD15,284,592 and 2016 USD: 12,091,641) 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.

35. Statutory and Other Reserves (continued)

Credit Risk Reserves

The Bank used to make 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.

36. Commitments

	2018 USD	2017 USD	2016 USD
Bank-Total and Segment B			
Loans and other facilities			
Undrawn credit facilities	103,075,445	2,500,000	-

37. Related Parties

Emoluments:

	2018 USD	2017 USD	2016 USD
Full time directors	1,009,068	865,871	757,632
Non-executive directors	104,470	74,376	75,726
Key management personnel	1,816,400	1,414,935	1,277,492
Emoluments – Key Management Personnel			
Short Term Employee Benefits	1,871,765	1,574,811	1,626,092
Recharges	(113,166)	(215,300)	(370,482)
Deferred bonus scheme	57,801	55,424	21,882
	1,816,400	1,414,935	1,277,492
Long Term Employment Benefit			
Full time directors	45,248	44,846	38,822
Key management personnel	87,118	80,339	81,379

The following transactions were carried out with related parties:

	2018	2017	2016
(i) Balances and placements with Parent			
At 1 January	712,416,023	1,136,319,834	1,098,468,565
Made during the year	45,540,353,552	74,311,264,854	84,781,099,787
Repaid during the year	(45,427,921,193)	(74,735,168,665)	(84,743,248,518)
At 31 December	824,848,382	712,416,023	1,136,319,834
Analysis by related party			
Standard Bank of South Africa	824,848,382	712,416,023	1,136,319,834
Loans and Advances to Parent			
At 1 January	-	5,000,000	5,000,000
Made during the year	-	-	-
Repaid during the year	-	(5,000,000)	-
At 31 December	-	-	5,000,000
Loans and advances related to Standard Bank of South Africa.			
Interest received from parent during the year	21,817,300	18,441,749	11,349,398
Analysis by related party			
Standard Bank of South Africa	21,817,300	18,441,749	11,349,398
Accrued interest receivable from parent at 31 December	3,108,649	2,131,874	1,716,053
Analysis by related party			
Standard Bank of South Africa	3,108,649	2,131,874	1,716,053

37. Related parties (continued)

(ii) Balances and placements with Other Related parties

	2018 USD	2017 USD	2016 USD
At 1 January	**100,293,240**	157,983,040	85,489
Made during the year	**-**	-	157,897,551
Repaid during the year	**(10,489,198)**	(57,689,800)	-
At 31 December	**89,804,042**	100,293,240	157,983,040
Loans and Advances to Other Related parties			
At 1 January	**65,740,618**	66,369,045	116,298,000
Made during the year	**-**	-	-
Repaid during the year	**(57,571,067)**	(628,427)	(49,928,955)
At 31 December	**8,169,551**	65,740,618	66,369,045
Analysis by related party			
Stanbic Bank Kenya Limited	**8,169,551**	15,740,618	16,369,045
Stanbic Bank Uganda Limited	**-**	50,000,000	50,000,000
	8,169,551	65,740,618	66,369,045
Interest received from other related entities during the year	**1,090,569**	2,419,837	2,116,010
Analysis by related party			
Stanbic Bank Kenya Limited	**758,769**	723,549	531,674
Stanbic Bank Uganda Limited	**331,800**	1,696,288	1,446,069
Stanbic IBTC Nigeria	**-**	-	138,267
	1,090,569	2,419,837	2,116,010
Accrued interest receivable from other related entities at 31 December	**121,862**	283,476	253,367
Analysis by related party			
Stanbic Bank Kenya Limited	**121,862**	283,476	253,367

None of the facilities provided during the year under review was non-performing.

	2018 USD	2017 USD	2016 USD
(iii) Borrowings from Parent			
At 1 January	**2,595,414**	4,018,000	10,996,984
Received during the year	**-**	-	-
Repaid during the year	**(1,183,271)**	(1,422,586)	(6,978,984)
At 31 December	**1,412,143**	2,595,414	4,018,000
Analysis by related party			
Standard Bank of South Africa	**1,412,143**	2,594,571	4,018,000
Interest paid during the year	**87,198**	139,438	302,739
Interest payable at 31 December	**156**	843	32,822

Interest paid and payable during the year relate to Standard Bank of South Africa.

	2018 USD	2017 USD	2016 USD
(iv) Deposits from other related parties			
At 1 January	**35,998,522**	44,101,805	56,428,563
Received during the year	**1,288,000,000**	1,334,000,000	-
Repaid during the year	**(1,313,890,072)**	(1,342,103,283)	(12,326,758)
At 31 December	**10,108,450**	35,998,522	44,101,805
Interest paid on deposits	**604,389**	614,520	288,097
Interest payable at 31 December	**2,972**	25,087	32,822

37. Related parties (continued)

	2018 USD	2017 USD	2016 USD
(v) Deposits from Parent			
At 1 January	**3,764,686**	1,560,163	3,110,675
Received during the year	**-**	2,204,523	-
Repaid during the year	**(1,974,498)**	-	(1,550,512)
At 31 December	**1,790,188**	3,764,686	1,560,163
Interest paid on deposits	**-**	-	-

Balances relate to vostro accounts from Standard Bank of South Africa.

	2018 USD	2017 USD	2016 USD
(vi) Subordinated liabilities	**-**	-	25,000,000
Interest paid	**-**	1,024,157	934,657
(vii) Deposits from Directors			
At 1 January	**304,288**	196,355	63,475
Received during the year	**638,665**	216,627	132,879
Repaid during the year	**(676,768)**	(108,693)	-
At 31 December	**266,185**	304,289	196,354
Interest paid during the year	**5,542**	8,440	1,255
(viii) Recharges			
Recharges to other related entities	**865,759**	175,316	463,639
Recharges to parent	**85,415**	28,842	181,594
(ix) Expenses			
Management fees paid to parent	**1,424,293**	1 163 656	866,861
Other expenses paid to parent	**1,764,241**	1,004,047	1,136,545
Other expenses paid to other related entities	**2,100**	-	-
	3,190,634	2,167,703	2,003,406

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

	2018 USD	2017 USD	2016 USD
(x) Amounts accrued but not yet paid for services rendered by parent			
Management fees	**367,396**	291,813	254,824
IT support services	**875,843**	760,846	598,997
License fee	**148,564**	-	124,152
Others	**6,560**	-	-
	1,398,363	1,052,659	977,973
(xi) Dividend paid to owner	**-**	12,000,000	20,000,000

(xii) Foreign Exchange transactions

The Bank conducts foreign exchange transactions with Group entities at arm's length, in the hedging of its currency risk.

(xiii) The bank did not have any non-performing related party exposure as at 31st December 2018 (2017: NIL and 2016: NIL).

As at 31 December 2018, the bank's top six exposures to related parties was USD925m which was 10 times the bank's Tier I Capital.

38. 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.