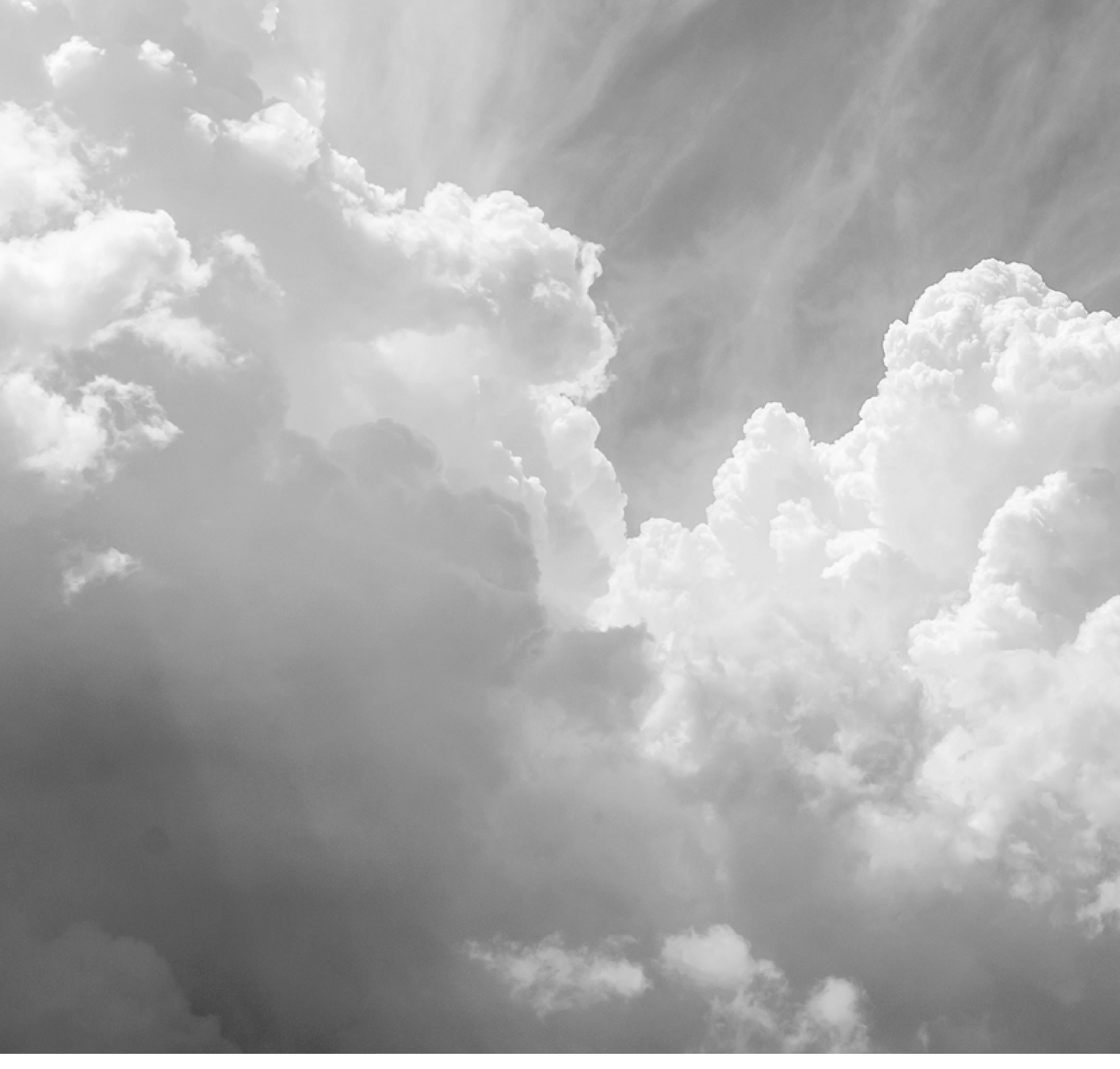
BANK ONE

ANNUAL REPORT 2017



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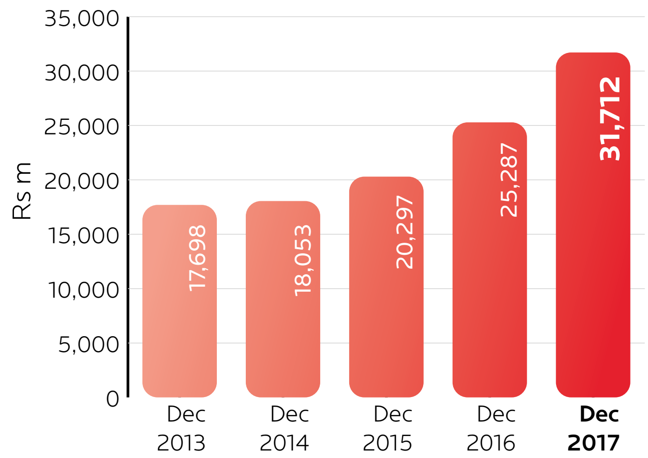
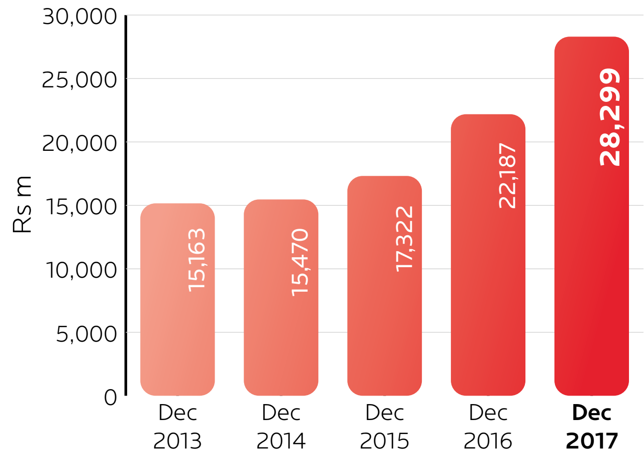
A ONE-WAY TICKET TO INNOVATIVE BANKING SERVICES

FINANCIAL HIGHLIGHTS

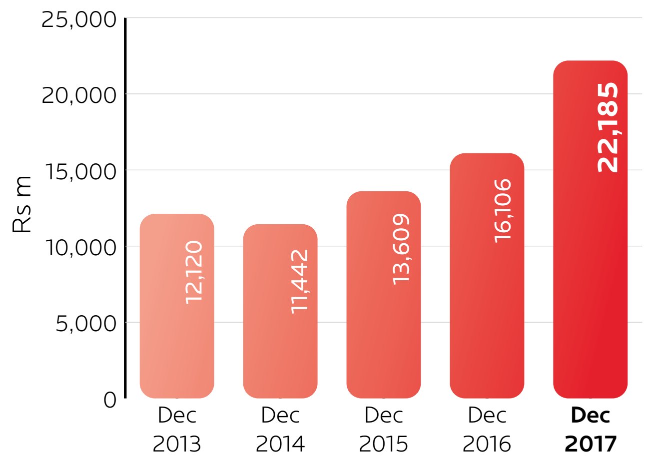
TOTAL ASSETS



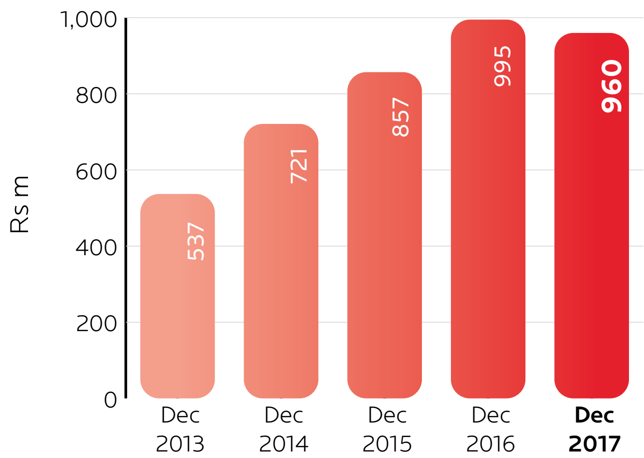
TOTAL DEPOSITS



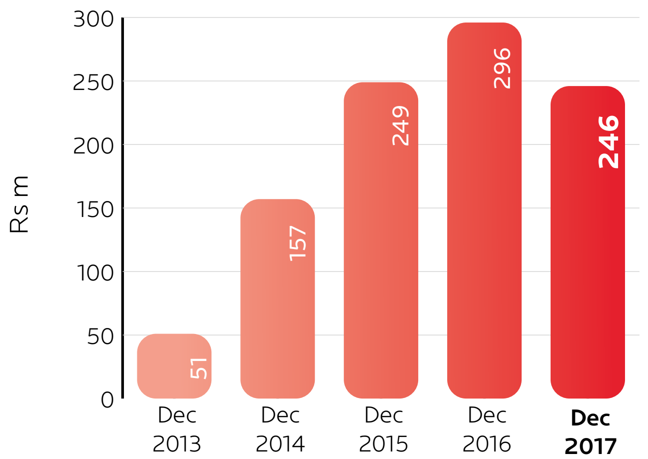
GROSS ADVANCES



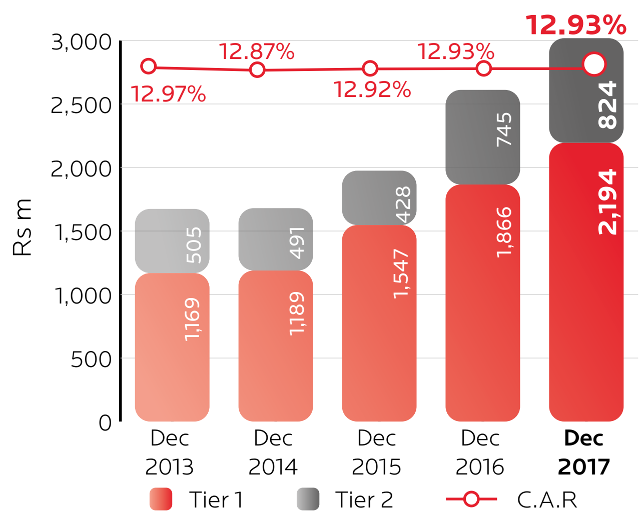
OPERATING INCOME



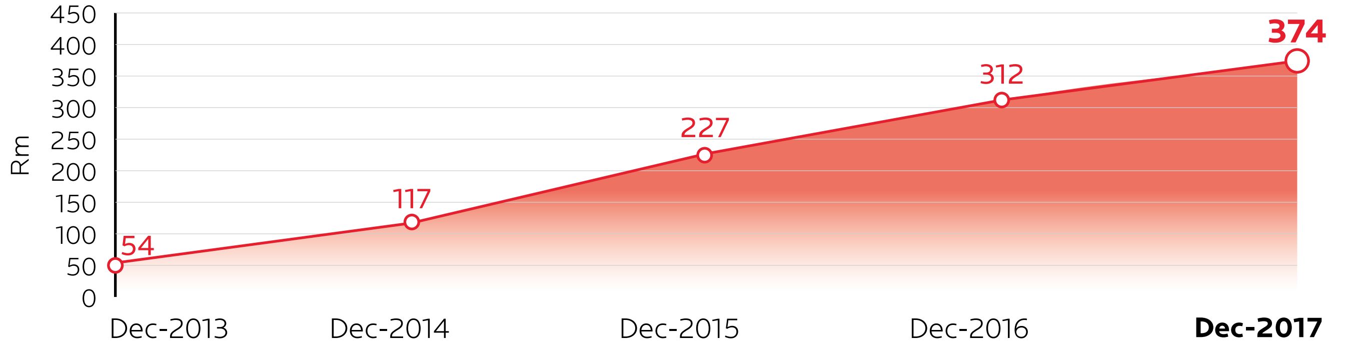
NON INTEREST INCOME



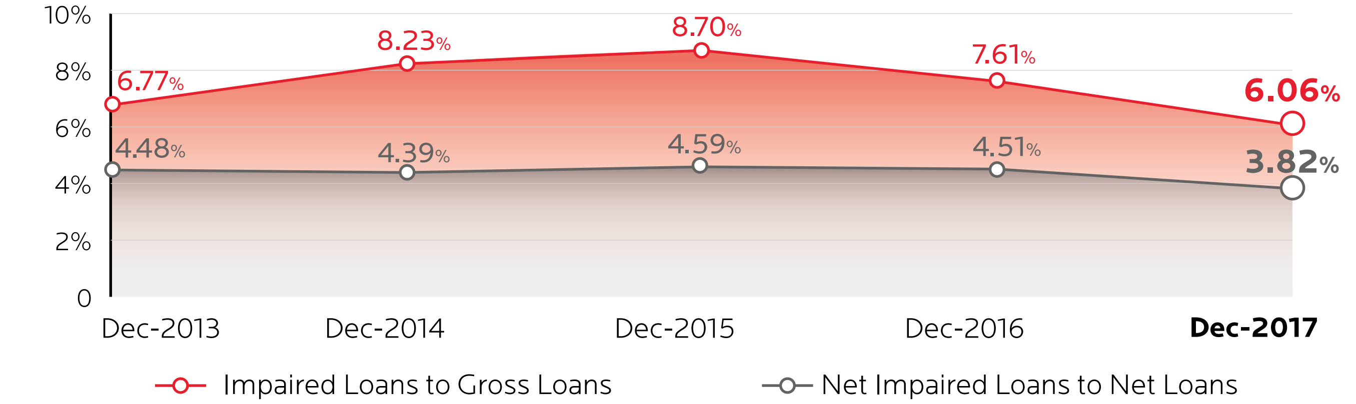
CAPITAL ADEQUACY ASSESSMENT



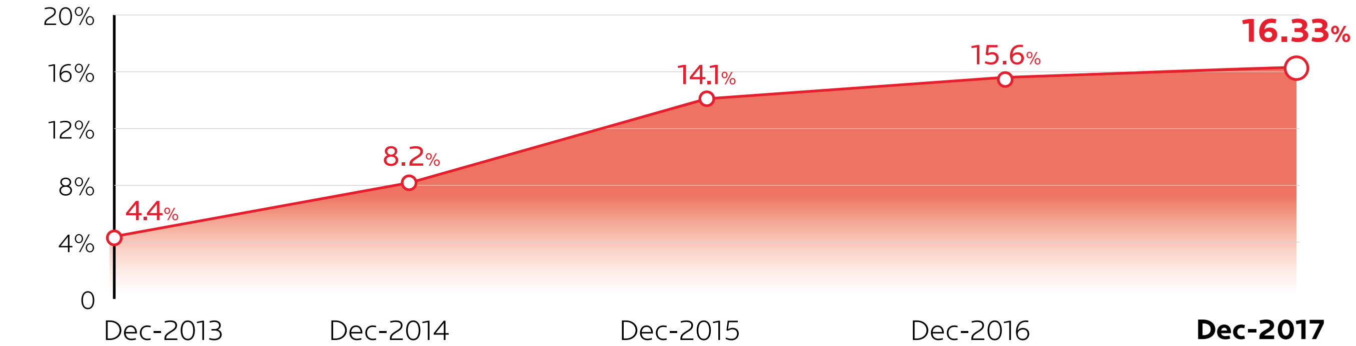
PROFIT AFTER TAX



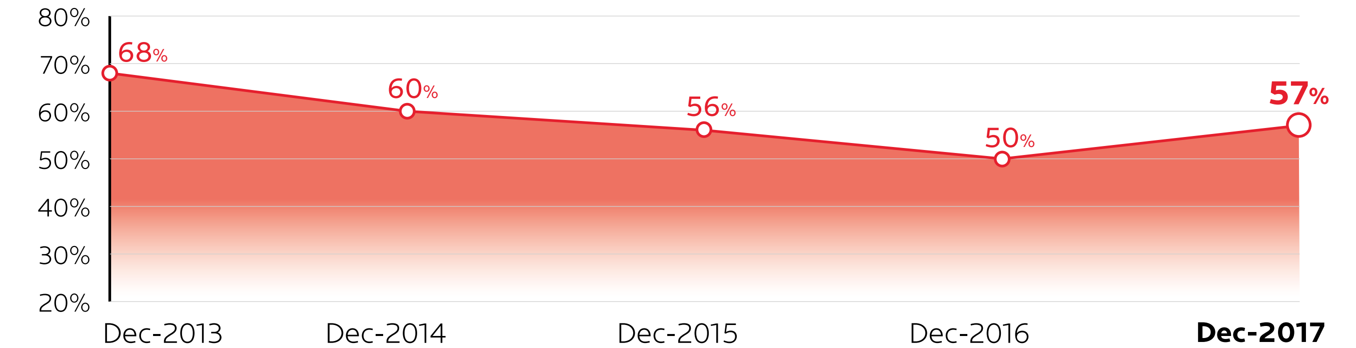
IMPAIRED AND NET IMPAIRED LOANS RATIOS



RETURN ON EQUITY



COST TO INCOME RATIO



CORPORATE PROFILE

Established in 2008, Bank One Limited (hereinafter referred to as "Bank One" or the "Bank") is a fast growing bank serving four main segments: Retail, Corporate, Private and International banking. It was ranked as the 32nd most profitable company in Mauritius by Top 100 Companies in 2017.

Headquartered in Port Louis, Bank One provides a wide range of banking products and services to its clients through a geographic footprint spread across the island of Mauritius comprising of 13 branches and a well-distributed ATM network. Bank One has also acquired a solid reputation for its treasury services and built a strong e-commerce value proposition that appeals to a global client base. Recognised by Visa for best-in-class e-commerce risk management practices, Bank One has extended its partner network and on-boarded MasterCard and Union Pay more recently.

Bank One has built a client base of over 50,000, a team of over 360 experienced and motivated staff and an asset base of Rs 32bn. It continues to leverage on the strong presence of its two shareholders, I&M Holdings (market capitalisation of USD430m) and CIEL Group (market capitalisation of USD345m), on the African continent to position itself as a leading Mauritian bank with a true understanding of the regional markets and a global reach.

VISION, MISSION & VALUES

Bank One's Vision, Mission and Values define its purpose and guiding principles as it enters a new chapter in its development and sets its sights on being a top-tier Mauritian bank in terms of profitability by 2020. At the same time, these core principles also outline how the attainment of the Bank's vision is expected to impact positively on the different stakeholders.

2017 was an important year for Bank One, characterised by a strong emphasis on consolidating internal capabilities to better serve the needs of customers but also engaging with team members as it sets out on a journey to become 'the ONE bank of choice' in Mauritius and the region. On the 26th October 2017, Bank One marked the beginning of this new journey through the unveiling of its Vision 2020 to over 360 engaged team members who had gathered to reaffirm their commitment towards the Vision, Mission and Values. Each team member was able to understand better his/her individual role in achieving the objectives for the Bank by 2020.

OUR VISION:

The **ONE** bank of choice.

OUR MISSION:

Creating value in every relationship through **O**wnership, **N**urturing and **E**xecution.

OUR VALUES:

- Behave hONEstly and fairly
- Treat everyONE with respect
- Be the ONE to delight customers
- Work together as ONE team
- PiONEer better ways of doing things

BUSINESS REGISTRATION NO:

C07040612

REGISTERED OFFICE:

16, Sir William Newton Street
Port Louis, Mauritius

Telephone: (230) 202 9200
Fax: (230) 212 8883
Website: www.bankone.mu

NATURE OF BUSINESS:

Bank One is licensed by the Bank of Mauritius (BOM) to carry out banking business in Mauritius.

The Bank also holds the following licences:

Licence	Issuer
Licence to act as Insurance Agent in Mauritius	Financial Services Commission of Mauritius
Licence for distribution of financial products in Mauritius	Financial Services Commission of Mauritius
Investment Adviser (Unrestricted) Licence in Mauritius	Financial Services Commission of Mauritius
Custodian Licence	Financial Services Commission of Mauritius
Representative Office in South Africa	South African Reserve Bank

Bank One has a Merchant Acquiring licence with VISA and MasterCard to carry out e-commerce merchant acquiring.

MAIN CORRESPONDENT BANKS:

MashreqBank PSC, Dubai City
Commonwealth Bank of Australia, Sydney
Citibank NA, London
Banque de Commerce et de Placements SA, Geneva
Bank of China Limited, Johannesburg
BHF-BANK Aktiengesellschaft, 60323 Frankfurt
Banque Commerciale Océan Indien-BFCOI, St. Denis
SBM Bank (Mauritius) Ltd, Mumbai
I&M Bank Limited, Nairobi
BNI Madagascar, Antananarivo
DBS Bank Ltd, Singapore
Citibank NA, New York
Absa Bank Ltd, Johannesburg
FirstRand Bank Ltd, Johannesburg
The Standard Bank of South Africa Limited, Johannesburg

EXTERNAL AUDITORS:

PricewaterhouseCoopers
18, CyberCity,
Ebène, Réduit 72201,
Republic of Mauritius

DIRECTORS IN OFFICE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Ms. Sandra Martyres (Independent)
(*Appointed as Independent Chairperson on 07.09.2017*)
Mr. Ravneet Chowdhury (Executive)
Mr. Juan Carlos Albizzati (Non-Executive)
Ms. Gauri A. Gupta (Non-Executive)
Mr. L.A. Sivaramakrishnan (Non-Executive)
Mr. Marc-Emmanuel Vives (Non-Executive)
Mr. Leonard C. Mususa (Independent)
Mr. Jozef J.M. Tournel (Independent)
Mr. Nikhil Treebhoohun (Independent)
(*Appointed as Director on 21.12.2017*)

Messrs. Jean Pierre Dalais, Pratul Shah and Sarit Shah ceased to be directors of the Bank on 02.03.2017.

Mr. David Proctor resigned as Independent Director and Chairman on 07.09.2017.

SECRETARY TO THE BOARD AND BOARD COMMITTEES

Ms. Kareen Ng Chit Wing

BOARD COMMITTEES COMPOSITION AS AT 31 DECEMBER 2017

AUDIT COMMITTEE

Mr. Leonard C. Mususa (Chairperson)
Ms. Sandra Martyres

RISK MANAGEMENT COMMITTEE

Mr. Juan Carlos Albizzati (Chairperson)
Mr. Ravneet Chowdhury
Ms. Sandra Martyres
Mr. Leonard C. Mususa
Mr. L.A. Sivaramakrishnan

CONDUCT REVIEW & CORPORATE GOVERNANCE COMMITTEE

Mr. Leonard C. Mususa (Chairperson)
Ms. Sandra Martyres
Mr. Jozef J.M. Tournel

ADMINISTRATIVE & STAFF COMPENSATION COMMITTEE

Mr. Marc-Emmanuel Vives (Chairperson)
Mr. Ravneet Chowdhury
Mr. L.A. Sivaramakrishnan

NOMINATION & REMUNERATION COMMITTEE

Ms. Gauri A. Gupta (Chairperson)
Mr. Jozef J.M. Tournel
Mr. Marc-Emmanuel Vives

CREDIT COMMITTEE

Mr. L.A. Sivaramakrishnan (Chairperson)
Ms. Sandra Martyres
Mr. Marc-Emmanuel Vives

STRATEGY COMMITTEE

Mr. Marc-Emmanuel Vives (Chairperson)
Mr. Ravneet Chowdhury
Ms. Gauri A. Gupta
Ms. Sandra Martyres
Mr. Jozef J.M. Tournel

EXECUTIVE MANAGEMENT

CHIEF EXECUTIVE OFFICER

Mr. Ravneet Chowdhury

DEPUTY CHIEF EXECUTIVE OFFICER

Mr. Balachandran Chelampet Puthukulangara
(*Resigned on 12.02.2018*)

CHIEF OPERATING OFFICER

Mr. Saleem ul Haq (*Appointed on 01.03.2018*)

CHIEF FINANCIAL OFFICER

Mr. Ranjeevesingh Gowreesunkur

CHIEF RISK OFFICER

Mr. Stephen Vlok

HEAD OF CORPORATE BANKING

Mr. Fareed Soobadar

HEAD OF INTERNATIONAL BANKING

Dr. Suresh Nanda

HEAD OF PRIVATE BANKING & WEALTH MANAGEMENT

Mr. Guillaume Passebecq

HEAD OF RETAIL BANKING

Mrs. Anne Marie Koo Ton Fah

HEAD OF TREASURY

Mr. Rishyraj Lutchman

HEAD OF HUMAN RESOURCES

Mrs. Priscilla Mutty (*Appointed on 01.12.2017*)

HEAD OF CREDIT ADMINISTRATION

Mrs. Valerie Duval

CHAIRPERSON'S REPORT

SANDRA MARTYRES
Chairperson

2017 will be remembered as the year when nationalism took the centre stage shaking the very foundations of globalisation. The inauguration of Donald Trump to the Oval Office with his "America First" rhetoric created ripples across the world. Immigration took on a new meaning; climate change was given the short shift when the US opted out of the Paris Accord. Right wing parties in Europe became emboldened and fought bitter elections in Holland, France and Germany. While Angela Merkel managed to win her third term in Germany albeit with a slimmer majority, Emmanuel Macron a newbie with his new party – En Marche made a comfortable sweep in France crushing the Front National and Marine Le Pen's presidential aspirations. Theresa May's Conservative Party in the UK began negotiations for a Brexit with the EU.

Against this background another scare that emerged was a possible showdown between Mr. Trump and Kim Jong-un of North Korea. The latter's undeterred nuclear missile tests led to a war of words with the US President, increasing tensions in the region with the US navy moving into the South China Seas. The Middle East continued to be a hotbed of unrest – while ISIS advances were contained, Syria remained in the throes of a civil war. Trouble erupted between Israel and Palestine after Trump announced the transfer of the US Embassy from Tel Aviv to Jerusalem –and so on and so forth.

Despite all the heat generated on the political front, the world economy grew satisfactorily. Stock markets boomed, America's unemployment stood at 4.1% the lowest in 17 years, US GDP grew at 2.3%, while European growth was slightly higher at 2.5%. China and India were outliers growing at 6.9% and 6.7% respectively. Many African nations too registered positive GDP numbers auguring well for the global economy.

Amid all the political turmoil, Mauritius remained the island of calm in a turbulent environment ranking #1 in Sub-Saharan Africa on the World Bank's Doing Business Report. The Economy moved ahead with GDP growth for 2017 estimated at 3.9%. The Bank of Mauritius reported that inflation in the second half of 2017 caused by temporary supply constraints had been contained, leaving room for the central bank to stick to its accommodative stance to support economic growth. New Guidelines were issued on a variety of subjects – Corporate Governance, Credit and Liquidity Risk Management, Anti-Money Laundering, Credit Concentration, Internal Control Systems etc.

> Bank One has continued to expand into new geographies like Bangladesh, Vietnam and Sri Lanka to name a few and to onboard new clients so as to diversify our portfolio. The accent has been on tidying up the existing portfolio with a very selective approach to fresh business.

Bank One continued to make strides forward in 2017 revamping a number of its businesses. Private Banking and International Banking entered new areas of activity. The finalisation of the offer of Custodial Services, Investment Advisory and Lombard Loans to our high net worth customers are some of the Private Banking initiatives. We also increased our participation in International Loan Syndications and widened the scope of our FI business giving us more visibility in the international arena. Capitalising on the brand strengths of our shareholders both locally and abroad has helped us tremendously. The rationalisation of our branch network coupled with the upgradation of our Core Banking Software completed the groundwork to give a new thrust to our Retail Banking division. The focus will be on expanding the suite of products offered to both our existing and new clients with special attention to building up our SME portfolio. The results of these bold initiatives will be seen in the coming year.

The Board also underwent a number of changes. Juan Carlos Albizzati joined as Non-Executive Director in place of Jean-Pierre Dalais; Gauri Gupta as Non-Executive Director in place of Sarit Shah and Leonard Mususa as Independent Director in place of Pratul Shah, all of whom had completed their terms in office. Our Chairman, David Proctor, moved on to take up different responsibilities in South Asia and was replaced by Nikhil Treebhoohun (Independent Director) in late December 2017. I would like to thank David Proctor for helping to steer the Bank in the right direction and for all the guidance given to the Board. I would also like to thank the outgoing Directors for their individual and significant contributions to the successful running of Bank One. I welcome our new Directors who bring with them a wealth of experience and knowledge in the areas of Banking, Finance, Economics, Risk Management and Accounting.

On the personnel front a new Head of Human Resources has been appointed to help the Bank push forward its Mission and Vision for 2020. Another important addition to the Team is the COO with extensive banking experience in the Region. New members have joined the team in Risk, Compliance, IT, as well as a Transformation Head to realise our Vision to be the "One Bank of Choice" for our clients and our Mission to "Create Value in every relationship".

On the results front – Bank One has continued to expand into new geographies like Bangladesh, Vietnam and Sri Lanka to name a few and to onboard new clients so as to diversify our portfolio. The accent has been on tidying up the existing portfolio with a very selective approach to fresh business. Strict monitoring has resulted in better loan recoveries and a sharp dip in our NPA ratio. Overall, the Bank's profitability has shown a healthy upward trend. Thanks to the prudent policies followed over the past few years the Bank will be able to comply with the IFRS 9 norms fairly easily.

All the progress detailed above would not have been possible without the support of our stakeholders. I would like to thank our shareholders for their continued and unstinted assistance, my fellow Directors for their active participation and guidance and most of all, the Bank One Team for their efforts, commitment and diligence. I also thank our Regulators and External Auditors for their inputs which have helped us to be both compliant and efficient.

Sandra Martyres
Chairperson of the Board of Directors

28 March 2018

CEO'S REPORT

To all stakeholders,

2017 has been a year of both consolidation and growth for the Bank. The steps we have taken since 2014 have made a significant difference despite a challenging operating environment both domestically and internationally. We were able to manage our credit risk well, clean up our asset book and lay a strong foundation for the future. As we move towards our ten years of existence, I am glad to say that we have a lot to be proud of, and many opportunities yet to seize.

Bank One experienced a strong growth of 25% in its asset base in 2017. Though both the deposits and the loans base have grown substantially by 28% and 38% respectively, the related net interest income grew by a marginal 2%. The Bank strategically churned its asset book during the first semester which impacted on the interest revenue. The assets growth took more time than planned and only materialised during the second semester thus setting a solid base for 2018. The gross NPL ratio was brought down from 7.61% last year to 6.06% as at December 2017 and is expected to improve further in 2018.

The Bank has been able to deliver an average return on equity and assets of 16.33% and 1.36% respectively to its shareholders.

PREPARING FOR A DIGITAL FUTURE

After redefining our vision, mission and core values back in 2016, we continued our transformation journey by establishing a Vision 2020 strategy. For us, transformation is not just about numbers. It is also about creating a unified corporate culture for our teams with the help of new communication channels and putting customers at the heart of everything we do. We embarked on critical projects such as a core banking upgrade and the creation of new customer touchpoints. Looking forward, our immediate focus will be on strategy execution through defined customer journeys with the aim of enhancing customer experience. At the same time, we have also embarked on a bank-wide digitalisation programme to attain greater efficiency and productivity, and be recognised on the market as the best digital bank.

CARING FOR OUR PEOPLE

The long-term success of Bank One depends on its ability to attract, retain and develop the best talents to support our growth in a sustainable manner. Being an equal opportunity employer, we ensure that all employees are treated with respect and dignity and their cultural and individual differences enrich our workplace. We safeguard a conducive and a safe working environment for all our team members and are committed to improve their social well-being through activities that foster team-building and healthy co-worker relationships.

As highlighted in last year's report, an employee engagement survey was carried out in early 2017 following which a series of initiatives have been implemented to improve the work conditions of our team members.

Results of the recent survey performed in early 2018 showed significant improvement in the engagement scores level.

The relative policies and procedures were also streamlined and reviewed in line with the changes happening in the local working environment.

In addition, as part of the Bank's strategy to create a unified company culture, a series of Brand Immersion workshops were organised for our team members as a first step in this direction.

CLIENTS AT THE HEART OF OUR BUSINESS

Our customers are at the forefront of our thinking. All our efforts are geared towards making the customer's prerogatives our own. A recent survey conducted by a leading market research agency established our Customer Satisfaction Index and Net Promoter Score, two macro indicators that show the level of customer satisfaction and loyalty respectively, as being sound, healthy and above average market level. As we shed the skin of providing mere service delivery and embark on a new phase in creating a delightful experience for our customers, we look forward to more brand advocates joining us on our journey and growing our business.

GIVING BACK TO THE COMMUNITY

While we have been busy taking the bank to the next level, we remained steadfast to our commitment towards building a better society, particularly at Vacoas in partnership with Caritas. Our main project, the School Feeding Programme, has changed the lives of 102 children and impacted on reducing the level of absenteeism at school considerably in the region. As we strive towards making a difference in the lives of people around us, we now aim at exploring projects on a wider scale that would have greater impact for the future generation.

OUTLOOK

The Bank will continue to work hand in hand with all its stakeholders towards its vision to become the ONE bank of choice by 2020. Global growth momentum is expected to be better than 2017, with a GDP growth forecast of 3.9% by the IMF. Domestically, new Government initiatives are expected to contribute towards a GDP growth of 3.9% in 2018. These encouraging initiatives, along with the positive global outlook, will create a number of opportunities which Bank One is geared up to seize.

I take this opportunity to thank our customers for their continued trust in the Bank, the ONE team for their undeniable commitment and passion, our Directors for their guidance and encouragement, and all other stakeholders who have contributed to our success and on whose strong support we rely on for the journey ahead.

Ravneet Chowdhury
Chief Executive Officer

28 March 2018

PERFORMANCE HIGHLIGHTS

+25% ASSET BASE

+28% DEPOSITS BASE

+38% LOANS BASE

+20% PROFIT AFTER TAX

-1.55% NPL RATIO

>16% AVG. RETURN ON EQUITY

>1.3% AVG. RETURN ON ASSETS

ECONOMIC REVIEW

GLOBAL ECONOMY

2017 continued to be dominated with substantial geopolitical risks punctuated with financial resilience in global stock markets. Mother nature also had its fair impact on 2017 with substantial financial impact on certain geographies. Fintech and cryptocurrencies grabbed the headlines throughout the year with a surge in value.

The most pressing geopolitical risks came from the strained relationships between the United States and North Korea with the latter continuing to conduct their missile testing irrespective of UN sanctions imposed. A number of issues have ignited tensions in the Middle East with the purge in Saudi Arabia and the blockade of Qatar being the main areas of concern. Recent political unrest among the Iran population is also a key development and the resurgence of Turkey's military intervention in the area poses additional stability risks.

Closer to our main markets, Kenya had a disputed election and an uncontested re-run which caused increased uncertainty and was a damper on its growth aspirations; certain projections have growth declining by 1% to 4.9% for 2017. Generally, however, emerging markets continued to see increased interest and investment as investors continue in their yield search. Oil reliant African countries were given a slight reprieve with the increase in the oil price to over US$60 in late 2017. South Africa remained plagued with corruption scandals and continued credit downgrades to junk status.

The United Kingdom also had its fair share of turmoil with the snap election called by Prime Minister May in which the Conservative Party lost their parliamentary majority in the process. Brexit remains a milestone for the United Kingdom's economic performance and future outlook. The Bank of England increased their interest rates to 0.5% in late 2017.

Europe also has its challenges. However, the French election of Macron allayed fears of further populist victories whilst German Chancellor Merkel was re-elected in a fractured parliament after the ruling party lost support to surging far-right parties. The Euro peaked at its highest level since January 2015 in September 2017 on news that the ECB might be moving away from their ultra-easy monetary policy.

Quantitative Easing in the United States is at its end and the Federal Reserve increased rates during 2017 to 1.25%, whilst inflation remained benign. A new Federal Reserve Chairman will take the helm during 2018 and the market is anticipating two to three hikes during the year.

The IMF remains optimistic on the growth for 2018 and 2019 with the Global Economy expected to grow by 3.9% in both 2018 and 2019. This growth is largely driven by Emerging Markets and Developing Economies growth rates of 4.9% and 5% in 2018 and 2019 respectively. Advanced economies are expected to remain static at a growth rate of 2.3% in 2018 (2017: 2.3%) and a marginal decline in 2019 to 2.2%.

Risks identified by the IMF are built on four pillars of (i) Financial Market Correction, (ii) Investment Growth Uncertainties, (iii) Inward-Looking Policies and (iv) Non-economic Factors including geopolitical and extreme weather and climate events.

Disrupters to traditional financial markets continue to develop at breakneck speeds and the surge in the price of various cryptocurrencies led by Bitcoin adds additional complexity to markets. Fintech companies are "reinventing" conventional financial wisdom and banks need to innovate to remain abreast of all associated risks and opportunities.

MAURITIAN ECONOMY

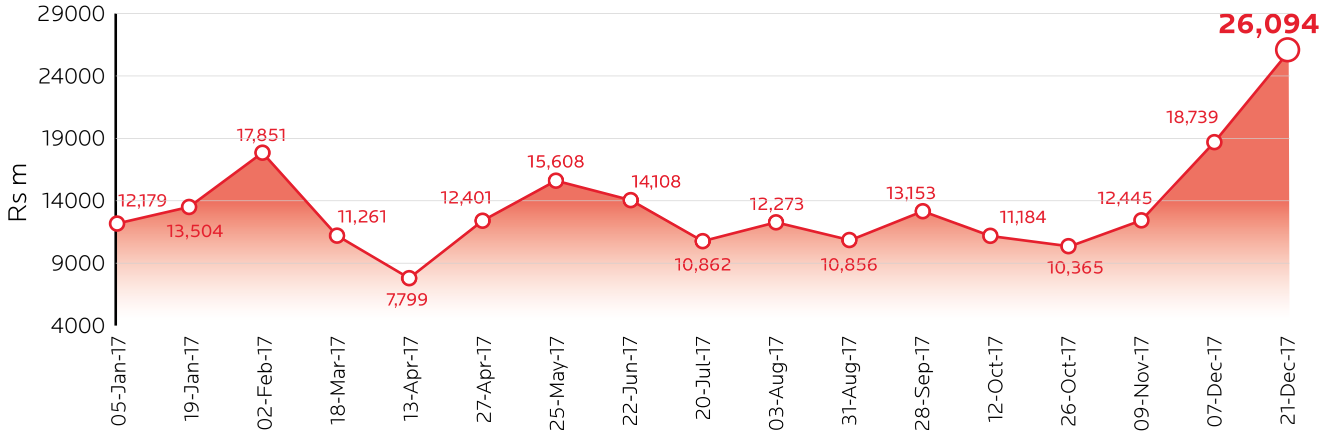
The Mauritian economy would grow at a higher rate than 3.9% in 2017 compared to 3.8% growth in 2016 according to Statistics Mauritius. The financial and insurance sector growth is expected to gather momentum and increase by 5.5% in 2018, in line with the Government strategy to attract well-reputed liquidity providers, international broker firms, investment banks, insurance companies and fund managers.

Government of India is providing a grant of USD 353 million to the Government of Mauritius, as a Special Economic Package, to assist five projects of priority to Mauritius, namely: Metro Express, New Supreme Court Building, E - Tablets, Social Housing and a new ENT hospital.

BANKING INDUSTRY UPDATES

Excess liquidity in the domestic money market rose substantially to reach a peak of Rs26.1bn in December 2017. The major factor for this surplus liquidity is the absence of major projects requiring funding. This had a direct impact on the yields mainly on Government securities.

Excess Liquidity in the Mauritian Banking Industry



Source: The Bank of Mauritius

This year was also marked by the introduction of market makers and primary dealers where four banks namely MCB, SBM, Barclays and AfrAsia will have the advantage over other banks on BOM intervention and purchase of securities on the primary market.

The Monetary Policy Commission (MPC) held four meetings during the year 2017 and the Key Repo Rate was reduced by 35 basis points to 3.50% per annum at the November meeting.

FOREIGN EXCHANGE RESERVES

The Gross Official International Reserves (GOIR) of the country increased by Rs21.7bn, from Rs178.9bn as at end-December 2016 to Rs200.6bn as at end-December 2017.

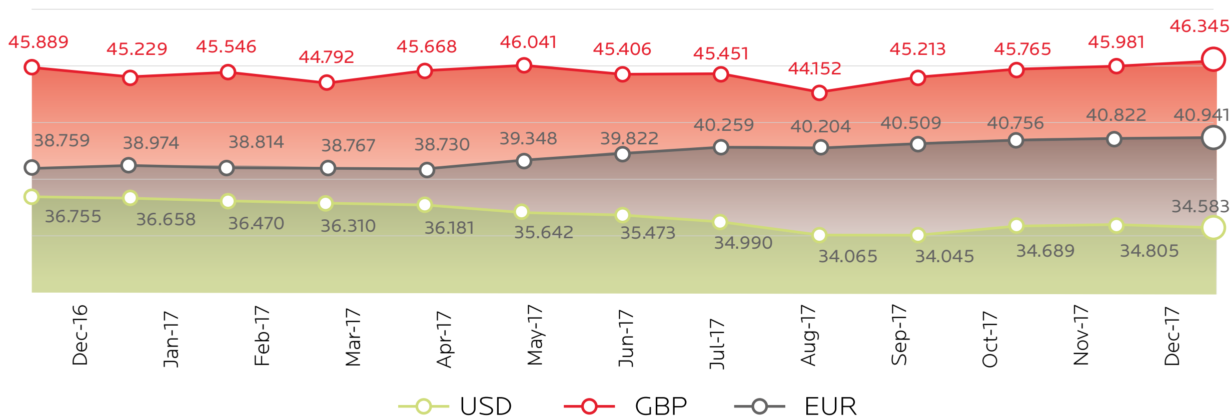
The GOIR represented 10.5 months cover of imports as at end-December 2017 compared to 9.3 months as at end-December 2016.

EXCHANGE RATES

In 2017, the Mauritian Rupee appreciated significantly against the US Dollar but depreciated marginally against the Euro and Pound Sterling.

The Central Bank bought a total amount of US$444.60m at the average rate of 34.58 in an attempt to curb this excess and to maintain the rupee level above Rs34.00.

Exchange rate of Mauritian Rupee (Period Average): January 2017 to December 2017



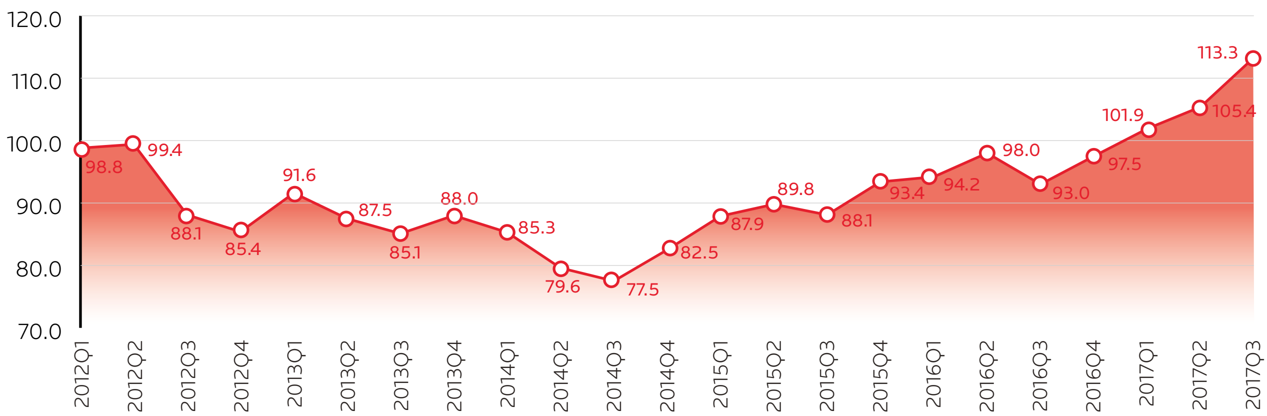
Source: The Bank of Mauritius

ECONOMIC REVIEW

BUSINESS CONFIDENCE

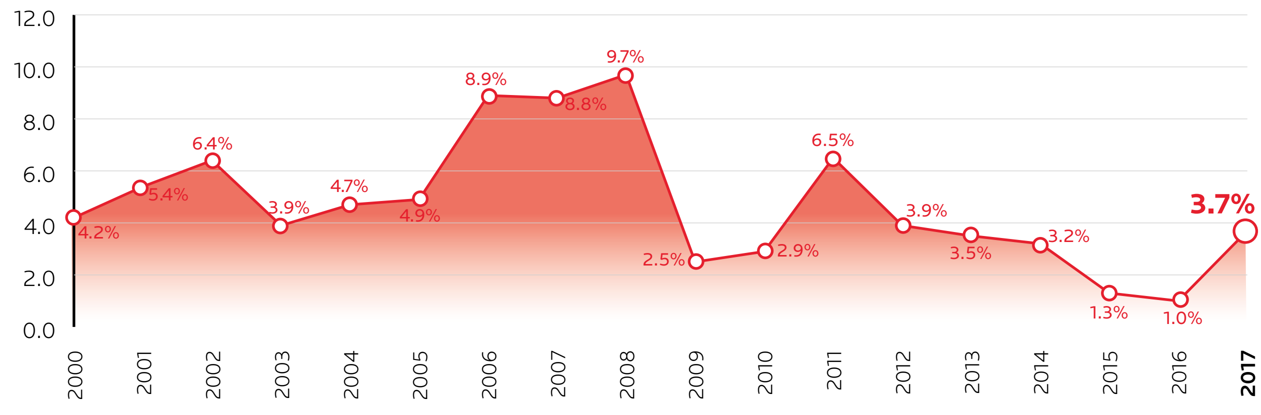
The Mauritius Chamber of Commerce and Industry (MCCI) publishes the Business Confidence Indicator every quarter that measures the business climate in Mauritius. The quarterly business confidence index was at its highest level as at Q3 2017 as per the chart below.

Business Confidence Index



INFLATION RATE

Inflation Rate (%), Calendar year, 2000 - 2017



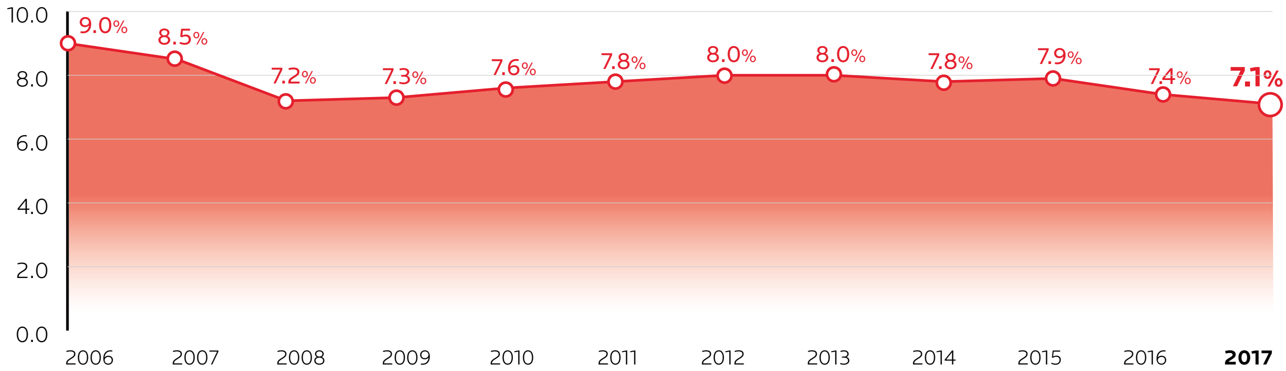
Source: CSO, January 2018

The headline inflation rate rose from 1.0% in year 2016 to 3.7% in year 2017. This was driven by several factors namely: a hike on prices of commodities and changes in exchange rates.

UNEMPLOYMENT RATE

Unemployment Rate is forecasted at 7.1%, in line with the Government budgeted reduction in unemployment rate as compared to 7.4% in 2016. Figures from Statistics Mauritius indicate that the unemployment rate was at 7.0% during the third quarter of 2017.

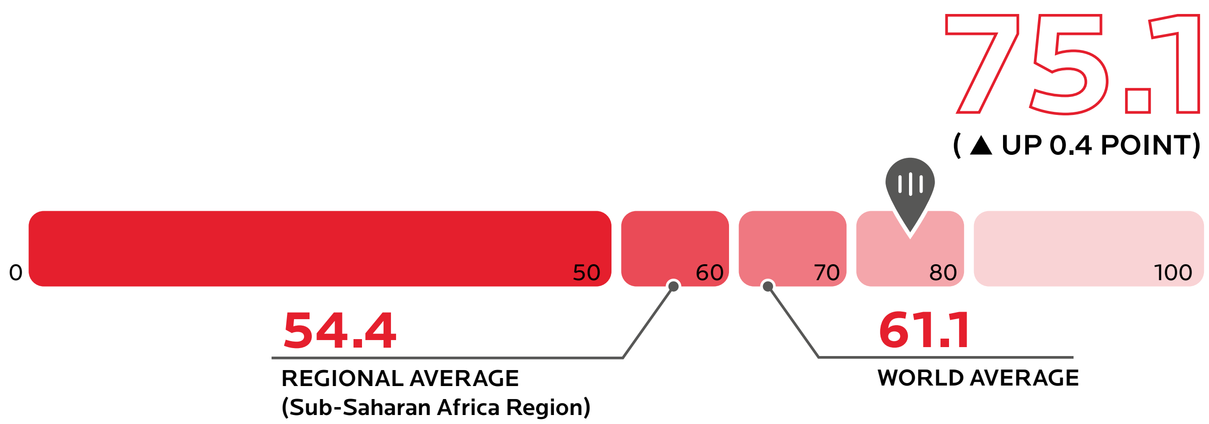
Unemployment Rate



ECONOMIC FREEDOM INDEX 2017

Mauritius's economic freedom score is 75.1, making its economy the 21st freest in the 2018 Index. Its overall score has improved by 0.4 points, with improvement in scores for the government integrity and property rights indicators offsetting a decline in judicial effectiveness. Mauritius is ranked 1st among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages. Solid economic policies and prudent banking practices helps business-friendly Mauritius to position itself well for future growth.

Economic Freedom Score



NOTABLE SUCCESSES:	CONCERNS:	OVERALL SCORE CHANGE SINCE 2014:
Open Markets, Monetary Stability, and Business Freedom	Government, Integrity and Labor Freedom	-1.4

Source: The Heritage Foundation-2018

MO IBRAHIM GOVERNANCE INDEX 2017

Mauritius maintains its first rank in overall governance in Africa according to the Mo Ibrahim Index of African Governance (IIAG) 2017. Mauritius obtained the highest overall score out of a total of 53 African countries. The four groups of governance as assessed by the Index are: safety and rule of law, participation and human rights, sustainable economic opportunity and human development. Mauritius has achieved an increase of 3.1, with a score of 81.4 in 2017. Seychelles ranks second with a score of 73.4 while Botswana comes third with a score of 72.7.

ALIGNING SUPPORT FOR LONG-TERM GROWTH

DIRECTORS' PROFILE

SANDRA MARTYRES

RAVNEET CHOWDHURY

JUAN CARLOS ALBIZZATI

SANDRA MARTYRES

INDEPENDENT CHAIRPERSON (APPOINTED AS INDEPENDENT DIRECTOR ON 02.09.13 AND CHAIRPERSON AS FROM 07.09.17)

Ms. Sandra Martyres has over 25 years' experience in Banking at Senior Management level, overseeing all areas from the Front Office (Corporate Banking, Trade Finance, Dealing Room) to support functions (Finance, HR, Admin, Operations).

She retired from Société Générale as Deputy CEO – India. She is currently a member of the India Advisory Board of Société Générale. She is also an Independent Director on the Board of Novartis India Ltd and a member of the Managing Committee of Alliance Française de Bombay.

Ms. Martyres holds a Master's Degree in Economics from the University of Mumbai.

RAVNEET CHOWDHURY

CHIEF EXECUTIVE OFFICER & DIRECTOR (APPOINTED ON 01.01.14)

Mr. Ravneet Chowdhury has a long career in the banking industry, occupying various senior positions in Standard Chartered Bank prior to his appointment as CEO of Standard Chartered Bank, Oman. He possesses extensive African experience, having worked in Southern and East Africa for a number of years and he has also worked for ABN AMRO and American Express Bank.

Mr. Chowdhury is a qualified chartered accountant and holds a Bachelor of Commerce from the University of Delhi and an MBA from Henley Management College.

Other Directorships: Nil.

JUAN CARLOS ALBIZZATI

NON-EXECUTIVE DIRECTOR (APPOINTED ON 02.03.17)

Mr. Juan Carlos Albizzati is the Head of Risk Management, Compliance and Control of Ciel Finance Limited. He is a seasoned banker and risk management expert with more than 40 years' experience within the Société Générale Group. He has occupied various roles (Head of Internal Audit, Deputy Head Trade Finance, Head of Risk) with Société Générale in Romania, Croatia, Argentina and the Russian Federation. He also served as a Board member in Argentina, Executive member in Romania and Croatia and as Management Board member in the Russian Federation.

Mr. Albizzati holds an Academic Diploma in Finance and Administration from Buenos Aires University, Argentina and has undertaken different post-graduate studies in Economics, Finance, Accounting, Risk, Operational and Market Risk, Recovery and Legal within the SG Group, in Private and State Schools.

Other Directorships: Mitco Group Ltd & Investment Professionals Ltd (Alternate Director).

DIRECTORS' PROFILE

GAURI A. GUPTA

NON-EXECUTIVE DIRECTOR
(APPOINTED ON 02.03.17)

Ms. Gauri A. Gupta is currently engaged as the General Manager – Corporate Advisory at I&M Bank Limited. She has over 22 years of experience in Finance, Audit, Corporate Advisory and Banking Operations covering Product Development, Credit, Risk Management, and Strategic Planning. Under Corporate Finance, Ms. Gupta's forte lies in M&A transactions including transaction structuring and legal documentation.

Ms. Gupta is a Director on the Board for several companies under the I&M Bank Group including I&M Burbidge Capital Limited, an East African Corporate Advisory firm supporting mid and large sized companies on significant capital raising through IPOs, private equity, debt and M&A transactions.

She holds a Bachelor of Commerce degree from Gujarat University and is a Chartered Accountant from the Institute of Chartered Accountants of India.

Other Directorships: I&M Capital Ltd, I&M Realty Ltd and Ascent Investments Ltd

L. A. SIVARAMAKRISHNAN

NON-EXECUTIVE DIRECTOR
(APPOINTED ON 07.03.16)

Mr. L. A. Sivaramakrishnan is the Head of Business Development at I&M Bank Limited. He has over 35 years of banking experience and has previously occupied the post of Head of Corporate Banking at I&M Bank Limited and Head of I&M Kenya's Main Branch in Nairobi. He has also held senior positions in Bank of Baroda in India and Kenya.

Mr. Sivaramakrishnan holds an MSc in Agricultural Sciences and is a Certified Associate of the Indian Institute of Bankers (CAIIB).

Other Directorships: I&M Insurance Agency Ltd, a fully owned subsidiary of I&M Bank Ltd

MARC-EMMANUEL VIVES

NON-EXECUTIVE DIRECTOR
(APPOINTED ON 15.04.15)

Mr. Marc-Emmanuel Vives joined CIEL Finance Limited as Chief Executive Officer in September 2014, bringing with him more than 25 years of experience at Société Générale (SG). Starting within the General Inspection of SG Group, he spent the next 18 years of his career in various assignments in emerging countries, first in Argentina as Commercial Director, then Chairman & CEO of Société Générale Argentina, later in Russia, as CEO of Bank Société Générale Vostok, before becoming First Deputy Chairman of Rosbank, finally in India as Country manager.

Mr. Vives holds a Master's degree in Business Administration from HEC Business School France, as well as a degree in History from Sorbonne University in Paris.

Other Directorships: CIEL Finance Limited, P.O.L.I.C.Y. Ltd, IPRO Growth Fund, Investment Professionals Ltd, Indian Ocean Financial Holdings Limited, KIBO Capital Partners, BNI Madagascar, MITCO Fund Services Ltd, IPRO Fund Management Ltd, IPRO Funds Ltd, IPRO Botswana.

GAURI A. GUPTA

L. A. SIVARAMAKRISHNAN

MARC-EMMANUEL VIVES

DIRECTORS'
PROFILE

LEONARD C. MUSUSA

JOZEF J. M. TOURNEL

NIKHIL TREEBHOOHUN

LEONARD C. MUSUSA

INDEPENDENT DIRECTOR
(APPOINTED ON 02.03.17)

Mr. Leonard C. Mususa is a Private Management Consultant with extensive experience in transaction services including due diligence and business valuations, business recovery and reconstruction services. Mr. Mususa previously worked with PwC for 36 years and developed expertise in corporate governance, financial reporting, risk management and control. He served as Country Senior Partner with PwC (Tanzania) for 14 years prior to his retirement. He also served in other roles as Head of Assurance Risk and Quality in the PwC Africa Central region for three years and Head of Risk, Independence and Quality in the East Africa Market Areas for a period of two years.

Mr. Mususa is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Fellow Certified Public Accountant (Tanzania).

Other Directorships: In Kenya - ARM Cement PLC and Nation Media Group PLC, (both listed on the Nairobi Stock Exchange). In Tanzania - NMB Bank PLC, Tanzania Breweries Limited, Reliance Insurance Company Tanzania Ltd.

JOZEF J. M. TOURNEL

INDEPENDENT DIRECTOR
(APPOINTED ON 09.06.16)

Mr. Jozef J. M. Tournel is a Business Consultant, specialized in organisational design, business strategy development and implementation of human capital development projects. He is the practice lead of Financial Services for Africa at EMA Partners International, a Global Executive Search & Organisational Design Company. His know-how in financial services is especially focused on Private Banking and Wealth Management, Private Equity and Investment Management. Mr. Tournel was previously the Managing Director for UBS Wealth Management and TPG Capital in Switzerland. He was also appointed as an Independent Director on the Board of the Mauritius Institute of Directors as from December 2017.

Mr. Tournel holds a Bachelor in Strategic HR Management from the Brussels University and a Financial Management post-university degree at the Antwerp University. He is a Fellow of the Mauritius Institute of Directors and is also a holder of an ISO 9001 lead audit certificate.

Other Directorships: Nil

NIKHIL TREEBHOOHUN

INDEPENDENT DIRECTOR
(APPOINTED ON 21.12.17)

Mr. Nikhil Treebhoohun is currently a consultant for Oxford International Mauritius, of which he is also the Chairman. He has over 30 years of professional experience in the field of development at both the national level (as the Chief Executive of such intermediary organizations like the Export Processing Zones Development Authority and the National Productivity and Competitiveness Council which were involved in improving competitiveness at both industry and national level), and at international level (as Head of the Trade Section at the Commonwealth Secretariat in London). He was also the CEO of Global Finance Mauritius which is the voice of the financial services industry in Mauritius.

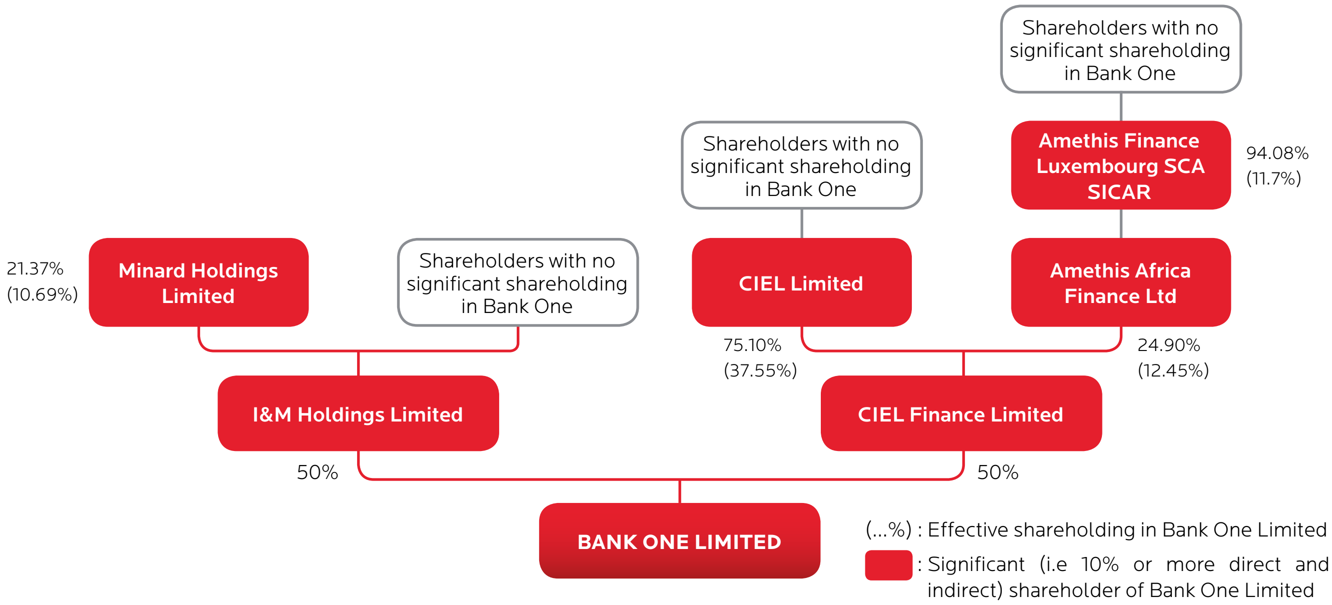
Mr. Treebhoohun holds a BSc (Hons) Econ (Industry and Trade) from the London School of Economics & Political Science, a post graduate diploma in Development Planning Techniques from the Institute of Social Studies, Hague and a post graduate diploma in Financial Management from the University of New England, Australia. He is also a Fellow of the World Academy of Productivity Science and was a Senior Fulbright Fellow at Georgetown University, Washington DC.

Other Directorships: Terra Mauricia Ltd. and National Investment Trust Ltd (Mauritius).

CORPORATE GOVERNANCE REPORT

SHAREHOLDING STRUCTURE

As at 31 December 2017, Bank One Limited's share capital stood at Rs 856,456,000 represented by 8,564,560 ordinary shares of no par value, held equally between CIEL Finance Limited and I&M Holdings Limited. The shareholding structure is illustrated as per below:



SHAREHOLDERS' PROFILES

CIEL Finance Limited

Ebène Skies, Rue de L'Institut, Ebène, Mauritius

CIEL Limited owns 75.1% of CIEL Finance Limited in together with Amethis Finance Africa Limited who owns the remaining 24.9%. It is the specialised Banking & Financial Services cluster of the CIEL Group, actively involved in 4 sub-sectors namely: Banking, Fiduciary Services and Companies / Funds Administration and Management, Asset Management and Private Equity.

CIEL Limited is a leading diversified investment company in Mauritius, also operating in Africa and Asia, with some 30,000 employees. With a market capitalisation of about Rs11.8bn as at 30 June 2017 and a consolidated turnover of Rs20.26bn for the 12 months period ended 30 June 2017, CIEL is one of the largest listed Mauritian companies. As at 30 September 2017, its portfolio was valued at Rs16.75bn and the Group total assets at Rs63.6bn. The activities of the Group are organised under five distinct business segments, namely Agro Industry & Property; Banking & Financial Services; Healthcare; Hotel & Resorts; and Textile.

I&M Holdings Limited

I&M Bank House, 2nd Ngong Avenue, Nairobi, Kenya

I&M Holdings Limited (IMHL) is part of the I&M Group which has interests in Banking, Insurance, Manufacturing and Real Estate. Listed on the Nairobi Securities Exchange (NSE) soon after it was incorporated in August 1950, it has the distinction of being one of the oldest companies to list on the NSE. It is regulated by the Capital Markets Authority, the Central Bank of Kenya as a non-operating bank holding company and the Nairobi Securities Exchange. Following a major corporate restructuring in 2013-2014, IMHL became the parent company of all the regional banking entities of the I&M Group. I&M Bank Limited in Kenya, the flagship entity of the I&M Bank Group is a wholly owned subsidiary of I&M Holdings Limited. With a rich history spanning over 40 years and offering a full range of personal, business and alternative banking products, I&M Bank is a dominant player in the East African banking industry.

IMHL operates in four countries: Kenya, Tanzania, Rwanda and Mauritius and has a market capitalisation of approx. USD 508 million (Kshs52.5bn), a branch network of 79 and a staff complement of over 1,764 spread across the 4 countries.

With a stake of 21.37%, Minard Holdings Limited (MHL) is the largest shareholder of IMHL, qualifying as a significant shareholder of Bank One. MHL is a family holding company controlled by Mr. S.B.R Shah.

Common Directorship

Mr. Marc-Emmanuel Vives is the only director in CIEL Finance Limited who also sits on the Board of the Bank. There is no further common directorship between the boards of any direct and indirect shareholders and the Bank.

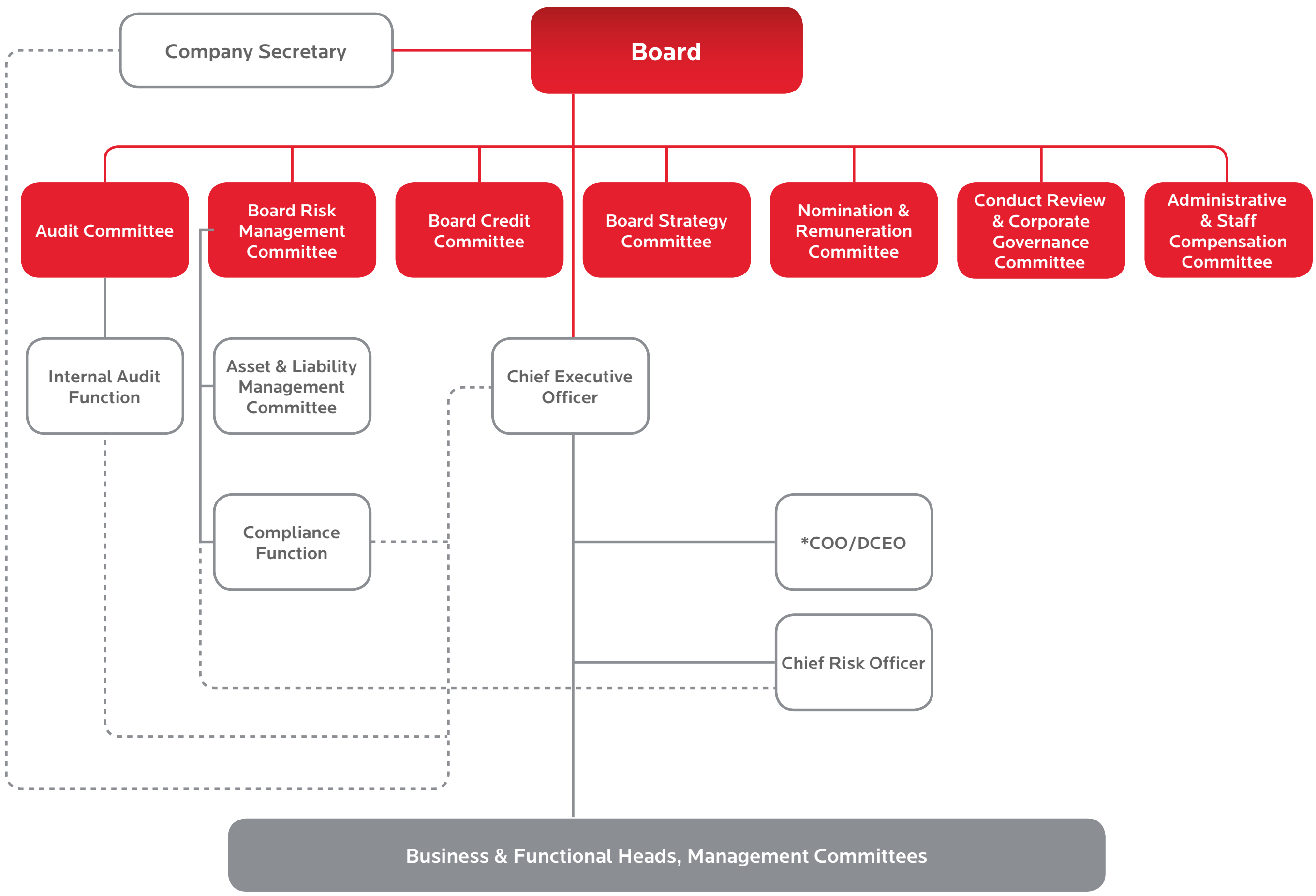
CORPORATE GOVERNANCE FRAMEWORK

Good corporate governance is essentially about effective and responsible leadership, which is characterised by the ethical values of responsibility, accountability, fairness and transparency. Because banks hold a special position of trust in the national economy, it is of paramount importance that they adopt the highest corporate governance standards for the purpose of maintaining public trust and confidence in the banking system, which is critical to the proper functioning of the banking sector and the economy as a whole.

The Board of Directors of Bank One Limited (the "Bank") is fully committed to maintaining the highest standards of corporate governance and ethical business conduct across all aspects of the Bank's operations and decision-making process with the objective of enhancing shareholders' value whilst having regard to stakeholders at large.

The corporate governance framework of the Bank includes a Board of Directors that has been entrusted with the necessary powers to direct and supervise the management of the business and the affairs of the Bank in an ethical and responsible manner as per its Constitution, the shareholders' agreement and to the extent permitted by law. Some of the responsibilities are discharged directly, whilst others are discharged through committees of the Board. The day-to-day management and operation of the Bank's business has been delegated to the Chief Executive Officer. The Chief Executive Officer is responsible to establish a management structure that promotes accountability and transparency throughout the Bank for the good implementation of business strategies, risk management systems, risk culture, processes and controls.

The Bank's governance framework is illustrated below:



*The Chief Operating Officer (COO) joined in as from December 2017. The Deputy Chief Executive Officer's (DCEO) contract expired in February 2018

CORPORATE GOVERNANCE REPORT

Board of Directors

The Bank's Constitution states that the Board of Directors shall consist of not less than seven and not more than ten Directors. During the year under review, Bank One was headed by a unitary board, comprising nine Directors - one Executive, four Non-executive and four Independent Directors. The Chairperson of the Board is an Independent Director and the role and functions of the Chairperson are separate from that of the CEO. All directors submit themselves to re-election at the Annual Meeting of Shareholders.

Messrs. Jean Pierre Dalais, Pratul Shah and Sarit Shah ceased to be directors of the Bank at the conclusion of the last Annual Meeting of Shareholders on 02 March 2017. Mr. Juan Carlos Albizzati, Ms. Gauri A. Gupta and Mr. Leonard C. Mususa were appointed as directors in their respective stead.

Mr. David Proctor resigned as Director and Chairman of Bank One on 07 September 2017 and Ms. Sandra Martyres was appointed as Chairperson of the Board in replacement of Mr. David Proctor on even date.

Mr. Nikhil Treebhoohun was appointed as Director of Bank One on 21 December 2017 to fill in the casual vacancy arising out of the resignation of Mr. David Proctor earlier during the year.

The composition of the Board of Directors of Bank One as at 31 December 2017 was as follows:

	Category
Sandra Martyres	Independent Chairperson
Ravneet Chowdhury	Executive Director and CEO
Juan Carlos Albizzati	Non-Executive
Gauri A. Gupta	Non-Executive
L.A. Sivaramakrishnan	Non-Executive
Marc-Emmanuel Vives	Non-Executive
Leonard C. Mususa	Independent
Jozef J.M. Tournel	Independent
Nikhil Treebhoohun	Independent

The responsibilities of the Board of Directors are set out in its Board Charter which is reviewed at least once a year or as may be required with the introduction of or amendment to laws, regulations and practices. The responsibilities of the Board include, but are not limited to:

i. Approving the objectives, strategies and business plans of the Bank;

ii. Retaining full and effective control over the Bank and be responsible for the appointment and monitoring of Management in its implementation of the Board's approved plans and strategies;

iii. Ensuring that policies and systems in place are effective to achieve a prudential balance between risks and returns to shareholders;

iv. Ensuring compliance with laws and regulations, including risk management and corporate governance practices and disclosure requirements;

v. Exercising leadership, enterprise, integrity and judgement in directing the Bank.

Board Committees

The Board has set up 7 committees to assist it in the discharge of its duties and responsibilities, namely the Board Audit Committee, the Board Risk Management Committee, the Conduct Review & Corporate Governance Committee, the Nomination & Remuneration Committee, the Board Administrative & Staff Compensation Committee, the Board Credit Committee and the Board Strategy Committee. The terms of reference of the Board Committees are summarised below and their composition is found on page 7.

Board Audit Committee	**Frequency of meeting:** Quarterly **Main Terms of Reference:** i. Review the Bank's financial statements before they are approved by the Board of Directors; ii. Approve the internal and external audit plans to ensure that these are risk-based and address all activities over a measurable cycle and that there is coordination between the external and internal auditors; iii. Recommend to the shareholders the appointment, removal and remuneration of the external auditors; and iv. Ensure that there is an appropriate structure in place for identifying, monitoring and managing compliance risk as well as a system to advise the Committee and the Board of instances of non-compliance on a timely basis.
Board Risk Management Committee	**Frequency of meeting:** Quarterly **Main Terms of Reference:** i. Review the principal risks, including but not limited to credit, market, liquidity, operational, technological, legal, compliance and reputational risks, and the actions taken to mitigate those risks; ii. Formulate and make recommendations to the Board on risk management issues; and iii. Receive periodic information on risk exposures and risk management activities from Senior Officers.
Conduct Review & Corporate Governance Committee	**Frequency of meeting:** Quarterly **Main Terms of Reference:** i. Review and approve credit exposure to related parties, ensuring that the same are granted at market terms and conditions; ii. Make recommendations to the Board on all corporate governance matters; and iii. Oversee the CSR activities and projects of the Bank.
Nomination & Remuneration Committee	**Frequency of meeting:** Twice Yearly **Main Terms of Reference:** i. Recommend to the Board criteria for the selection of Board Members and criteria for the evaluation of their performance; ii. Recommend to the Board candidates for Board positions and nominees for Board committees; iii. Direct the process of appointing, renewing and replacing Senior Management; and iv. Provide oversight of remuneration and compensation of Directors and Senior Management.
Board Administrative & Staff Compensation Committee	**Frequency of meeting:** Quarterly **Main Terms of Reference:** i. Ensure and promote harmonious staff relations in the Bank; ii. Recommend annual salary increases and performance bonus for the staff; iii. Monitor capital expenditures and review post implementation of key projects; and iv. Monitor and review service quality and efficiency standards.

CORPORATE GOVERNANCE REPORT

Board Credit Committee	**Frequency of meeting:** At least 10 times p.a. **Main Terms of Reference:** i. Consider and approve credit applications in line with the delegated approval authority; ii. Review the lending and credit decisions by Management; iii. Review the overall lending policy and credit risk of the Bank; and iv. Review and monitor the non-performing advances of the Bank.
Board Strategy Committee	**Frequency of meeting:** Quarterly **Main Terms of Reference:** i. Review and recommend to the Board, the Bank's strategic plan; ii. Monitor and measure the progress of the implementation of the Bank's approved strategic plan; and iii. Review the annual budget as proposed by Management with main focus on overall KPIs, assumptions used and capital and operational expenses.

Board and Committees Meetings

Board meetings are held on a quarterly basis and meetings are scheduled so as to maximise attendance. Urgent decisions of the Board are exceptionally taken by way of written resolutions of the Directors.

Board and committees meetings are convened by giving appropriate notice to the Directors. To ensure adequate coverage of key issues by the Board and Board Committees, a yearly work plan and calendar is formulated by the Chairperson, together with the CEO and the Company Secretary, and is shared with all Board / Board Committees Members at the beginning of the year.

A detailed agenda together with Management reports and other relevant papers are circulated in advance to the Directors to enable them to make informed and focused deliberations at meetings.

The minutes of the proceedings of all Board and Committees meetings are recorded by the Company Secretary and after approval at the next meeting, entered in the Minutes Book. Each Committee Chairperson reports to the Board on his Committee's deliberations and the minutes of all Committee meetings are also tabled at Board meetings for noting. It is to be highlighted that, to maintain high ethical standards, Board members do not participate in matters in which they have an interest. Any such interest is declared by the concerned Director to the Board.

Executive Management

The conduct of the day-to-day affairs of the Bank is delegated to the CEO who is assisted by his Executive team. The Management of the Bank operates within the business strategy, risk appetite and policies set out by the Board, whilst adhering to the Bank's regulatory framework. The profile of the Senior Management team can be viewed on pages 32 to 35.

DIRECTORS' INDUCTION, EVALUATION, FITNESS AND PROBITY AND ACCESS TO INFORMATION AND ADVICE

It is crucial that new directors receive a proper induction when being appointed in office to ensure that they are familiarised, as soon as possible, with the Bank's operations, Senior Management, business environment and corporate strategy, as well as their fiduciary duties and responsibilities as Directors. Directors' induction is run by the Company Secretary, whereby new Directors receive a comprehensive pack, containing a brief presentation on the affairs of the Bank, the governance structure & conduct of meetings, the Director's duties & responsibilities, the Bank's Constitution & bylaws, minutes of the last Board Meeting and such other useful documents. The Company Secretary also arranges for introductory meetings with the Chairperson and the Senior Management, as well as visits of branches and critical departments of the Bank.

Continuous training is essential to cope with the constant changes in the business environment. Whilst directors have a duty to keep up-to-date with industry, legal and regulatory developments, it is also the responsibility of the Board to provide adequate training and development to its Directors. In this respect, a training calendar is set on a yearly basis, taking into consideration the training needs of the Directors, recent changes in the banking business environment, and training programmes on governance matters as required by the Guideline on Corporate Governance.

In line with the Code of Corporate Governance and BoM Guideline on Corporate Governance, the Board has established a mechanism to evaluate the performance of the Board and its members with the process being reviewed and refined periodically. The review and evaluation includes an assessment of the Board's composition and independence, performance and effectiveness of the Board's responsibilities, maintenance and implementation of the Board's governance, relationship with Management as well as an evaluation of its sub committees. The appraisal exercise also covers the

Chairperson's performance and a peer assessment, whereby each Director individually rates his colleague. Such a process also aids the Board to identify and deal with issues that impede on its effectiveness. The fit and proper criteria of Board members are also reviewed periodically to ensure that the same are up-to-date.

All Directors have access to the advice and services of the Company Secretary, who is responsible for providing guidance to the Directors as to their duties, responsibilities and powers.

They also have access to Senior Executives to obtain information on items to be discussed at Board meetings or meetings of Board committees or on any other area they consider to be appropriate. The Board and its Committees also have the authority to obtain such outside or other independent professional advice as they consider necessary to carry out their duties.

BOARD AND COMMITTEE ATTENDANCES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Board Meeting	BAC	BRMC	CRCGC	NRC	BASCC	BCC	BSC
Sandra Martyres[1]	4	5	4	1	-	-	12	2
Ravneet Chowdhury	4	-	4	-	-	1[8]	-	1[8]
Juan Carlos Albizzati[2]	3	-	3	-	-	-	-	-
Gauri A. Gupta[2]	3	-	-	-	2	-	-	2[9]
L.A. Sivaramakrishnan	4	-	4	-	-	4	12	2[9]
Marc-Emmanuel Vives	4	-	1[5]	-	2[7]	4	11	4
Leonard C. Mususa[2]	3	4	1[6]	3	-	-	-	-
Jozef J. M. Tournel	4	-	-	4	3	-	-	4
Nikhil Treebhoohun[3]	0	-	-	-	-	-	-	-
Jean-Pierre Dalais[4]	0	-	-	-	0	-	-	-
David Proctor[1]	2	3	2	2	2	2	-	1
Pratul Shah[4]	1	1	-	1	-	-	-	-
Sarit Shah[4]	1	-	-	-	1	-	-	-
Total number of meetings in 2017	**4**	**5**	**4**	**4**	**3**	**4**	**12**	**4**

Note:

1. Ms. Sandra Martyres was appointed as Chairperson of the Board on 07th September 2017 following the resignation of Mr. David Proctor as Director and Chairperson on even date; She was also appointed as member of the CRCGC and BSC on 21st September 2017;
2. Mr. Juan Carlos Albizzati, Ms. Gauri A. Gupta and Mr. Leonard C. Mususa were appointed as Directors on 2nd March 2017;
3. Mr. Nikhil Treebhoohun was appointed as Director on 21st December 2017;
4. Messrs. Jean-Pierre Dalais, Pratul Shah and Sarit Shah ceased to be Directors at the conclusion of the Annual Meeting of Shareholders on 02nd March 2017; their membership on Board sub committees ceased on even date;
5. Mr. Marc-Emmanuel Vives ceased to be a member of the BRMC on 2nd March 2017;
6. Mr. Leonard C. Mususa was appointed as member of the BRMC on 21st September 2017;
7. Mr. Marc-Emmanuel Vives was appointed as member of the NRC on 2nd March 2017;
8. Mr. Ravneet Chowdhury was appointed as member of the BASCC and BSC on 21st September 2017;
9. Ms. Gauri A. Gupta was appointed member of the BSC in lieu of Mr. L.A. Sivaramakrishnan on 21st September 2017.

REMUNERATION PHILOSOPHY

Directors' remuneration, including Executive Directors, are dealt with by the Nomination & Remuneration Committee and approved by the Board of Directors. Independent and Non-Executive Directors are remunerated in the form of a yearly retainer fee and attendance fees for each meeting sitting. The Executive Director, in addition to his monthly salaries, is entitled to an annual performance bonus based on the financial results of the Bank as well as on his individual contribution thereto. The CEO is not remunerated for serving on the Board and the Board Risk Management Committee.

Directors' Fees

Fees paid by the Bank to Board Members (excluding the CEO) during the financial year 2017 were as follows:

Directors	31 December 2016 Rs 000	31 December 2017 Rs 000
Sandra Martyres	1,344	1,296
Juan Carlos Albizzati	N/A	450
Gauri A. Gupta	N/A	550
L.A. Sivaramakrishnan	779	1,120
Marc-Emmanuel Vives	696	1,186
Leonard C. Mususa	N/A	815
Jozef J. M. Tournel	222	752
Nikhil Treebhoohun	N/A	-
Jean-Pierre Dalais	396	21
David Proctor	1,336	727
Pratul Shah	876	180
Sarit Shah	460	125

The CEO's remuneration has not been disclosed due to the commercial sensitivity of the information.

DIRECTORS' INTERESTS AND DEALINGS IN SHARES

None of the Directors hold any shares in the Bank.

CONFLICTS OF INTEREST

Personal interests of a Director or persons closely associated with the Director must not take precedence over those of the Bank and the Shareholders. Directors should make the best effort to avoid conflicts of interests or situations which others may reasonably perceive to be conflicts of interests.

The Bank has a comprehensive policy to provide guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Bank in line with the applicable laws. This policy is directed not only to Directors and Senior Officers of the Bank, but to all employees who can influence any decision of the Bank.

Directors disclose their interests on any matter being debated at a meeting and abstain from voting on the same.

Any disclosure of interests by a Director under section 48(1) or (4) of the Banking Act 2004 are recorded in an interests register. The Bank, being a private company, has by unanimous resolution of its Shareholders, dispensed with the need to keep an interests register required under section 190(2) of the Companies Act 2001.

RELATED PARTY TRANSACTIONS

The Bank is governed by the Bank of Mauritius' Guideline on Related Party Transactions. Related parties, whether body corporate or natural persons, fall into two main groups:

- Those that are related to the Bank because of ownership interest; and
- Those that are related otherwise, such as Directors and Senior Officers who may also have some ownership interest in the Bank.

In line with the above-mentioned guideline, the Board has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the Conduct Review & Corporate Governance Committee and to the Board. A register of related parties is also maintained by the Company Secretary, which is updated on a yearly basis, and as and when notifications are received from the Shareholders, Directors and Senior Officers. All exposures to related parties are approved by the Conduct Review & Corporate Governance Committee, which ensures that market terms and conditions are applied to such transactions.

Credit exposure to related parties for the year under review is given under Note 31 of the Financial Statements.

MATERIAL CLAUSES OF THE CONSTITUTION

Bank One was incorporated as a private company on the 26th March 2002. After its takeover by its current shareholders in February 2008, Bank One went through a major rebranding exercise and changed its name to Bank One on the 08th August 2008.

Bank One is governed by a Constitution in conformity with the Mauritius Companies Act 2001 and same was adopted by the Shareholders on the 29th December 2010 (Amended by Special Resolution dated 18th July 2011). Material clauses include:

- The Board shall consist of not less than 7 and not more than 10 Directors;
- Any Shareholder shall be entitled to appoint 1 Director for each 20% of the issued share capital held by it, and shall be entitled to remove such Directors by written notice to the Bank;

- The Shareholders may also, in addition to the Directors appointed pursuant to the above, appoint a minimum of 2 and a maximum of 4 Independent Directors;
- The quorum for a Board meeting shall be 4 Directors, comprising of at least one Director nominated by each Shareholder holding at least 20% of the issued share capital of the Company;
- The Chairperson of the Board shall be elected by a majority of the Shareholders from one of the Directors for a term of one year. The Chairperson shall have no second or casting vote at Board meetings;
- The Chief Executive Officer shall be appointed by the Board. He may also be appointed by the Board to act as Director. However, his appointment as Director shall cease automatically upon the termination of his office as Chief Executive Officer;
- The quorum for a Shareholders' meeting shall be 2 shareholders, holding each not less than 35% of the voting rights;
- The Board may, if authorised by the Shareholders, issue shares that rank equally with or in priority to, or in subordination to the existing shares with the requirement that the shares be first offered to existing Shareholders; and
- The Board may issue redeemable shares.

SHAREHOLDERS' AGREEMENT

The Shareholders have entered into an agreement, the provisions of which have been materially replicated in the Bank's Constitution.

DIVIDEND POLICY

The Bank will distribute a reasonable part of its profits, to the extent permitted by law and the Bank of Mauritius' Guidelines and in accordance with sound financial principles, provided its financial situation allows for such distribution.

SHAREHOLDER RELATIONS AND COMMUNICATION

Shareholders are able to follow closely the affairs of the Bank on a quarterly basis through their representatives who sit on the Board and various Board Committees. Any other corporate issues relevant to the Shareholders are immediately brought to their attention by the Company Secretary upon instruction from the Board of Directors.

The Bank also communicates to its Shareholders through its website (www.bankone.mu), annual reports and annual meetings of Shareholders. The key events and Shareholder communication of the Bank are set out below:

Financial year end:
31 December 2017

Release of audited results 2017:
March / April 2018

Annual Meeting of Shareholders:
March / April 2018

Release of 1st quarter results 2018:
May 2018

Release of 2nd quarter results 2018:
August 2018

Release of 3rd quarter results 2018:
November 2018

MANAGEMENT AGREEMENT

The Bank has not entered into any management agreement with third parties.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

Risk Management refers to the process by which the Bank monitors and mitigates its exposure to risk. The objective of Risk Management is not to eliminate risks altogether but to mitigate them to an acceptable level with regard to the objectives of the Bank and the risk appetite as set out by the Board.

While the Board is responsible for the overall Risk Management and internal control systems, oversight of the Bank's Risk Management process has been delegated to the Board Audit and Board Risk Management Committees.

The Risk Management and Internal Control Framework is explained in the Risk Management Report section as from page 56.

The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of Internal Control and Risk Management. Internal Audit reports at all Audit Committee meetings and the Internal Audit Manager has ready and regular access to the Chairperson of the Audit Committee. The Internal Audit framework is further explained in the Management Discussion Analysis section as from page 44.

INTEGRATED SUSTAINABILITY REPORTING

The Bank is committed to the highest standards of integrity, ethics, openness, probity and accountability in all its practices. It has adopted a Code of Ethics which sets out its corporate values and expectations when dealing with all of the Bank's stakeholders. A Whistleblowing Policy is also in place to encourage all those that deal with the Bank in any manner to voice out or communicate concerns regarding the Bank or its people without fear of reprisal.

The Bank considers that balancing environmental and social matters with financial objectives is fundamental to effective Risk Management and is a core part of the Bank's corporate responsibility. As such, it has adopted an Environmental and Social Policy which stipulates guiding principles on effective environmental and social management practices in all its activities, products and services. The health & safety and social practices are disclosed on page 47.

PROFILE OF THE EXECUTIVE MANAGEMENT TEAM

BALACHANDRAN C.P.

DEPUTY CHIEF EXECUTIVE OFFICER

Mr. Balachandran assumed the office of Deputy Chief Executive Officer from February 2014 until the expiry of his contract in February 2018. Mr. Balachandran holds a first class degree and professional certifications from IIBF (India), IFS (UK) and ICA (UK). He is also a CDCS Advocate from the London Institute of Banking & Finance. He is a seasoned banker with extensive experience at Senior Management level covering the entire banking operations - Treasury & International Trade, Credit, Foreign Exchange, Operational Risk Management, Compliance, Administration, Finance, Human Resources, Information Technology, ALM, MIS, Regulatory Reporting, Vigilance - spanning over three and a half decades in four reputed international banks before joining Bank One.

SALEEM UL HAQ

CHIEF OPERATING OFFICER

Mr. Saleem ul Haq joined the Bank in December 2017 and assumed the office of Chief Operating Officer for Bank One since March 2018. He holds a Bachelor in Business from Karachi University and a Masters in Business Administration from the Institute of Business Administration, Karachi, Pakistan. He is a career banker with in-depth exposure and extensive experience at Senior Management level covering the entire banking operations (Credit, Operational Risk Management, Administration, Information Technology, Payments and Retail Banking). Most recently, Mr. ul Haq was Chief Operating Officer for Absa Cards & Payments business, Chief Operating Officer for Barclays Bank Egypt and Regional Head of Operations for Emerging Markets. His career spans over 25 years in over 24 geographies in Asia, Middle East and Africa for Barclays and Citigroup before joining Bank One.

RANJEEVESINGH (RANJEEVE) GOWREESUNKUR

CHIEF FINANCIAL OFFICER

Fellow of the Association of Chartered Certified Accountants and a registered Professional Accountant with the Mauritius Institute of Professional Accountants, Mr. Gowreesunkur also holds an MBA with Finance from Heriot-Watt University. He has more than 20 years of extensive experience in the banking sector having worked in different departments at Union Bank, First City Bank, SBI (Mauritius) and Deutsche Bank (Mauritius). He joined Bank One in 2008 as Financial Accountant and after being subsequently appointed as Finance Manager, Mr. Gowreesunkur was promoted as Chief Financial Officer in August 2014.

STEPHEN VLOK

CHIEF RISK OFFICER

Mr. Stephen Vlok holds a Bachelor of Commerce and a Master of Commerce degree specialising in Financial Management. Stephen is also a certified member of the Institute of Bankers of South Africa and obtained an Associate Diploma from the Institute. Before joining Bank One, Mr. Vlok has had twenty years experience in Risk Management in the South African banking and investment industries. Mr. Vlok joined the Bank in November 2014 as Chief Risk Officer.

FAREED SOOBADAR

HEAD OF CORPORATE BANKING

Mr. Fareed Soobadar is a Fellow of the Chartered Association of Accountants (UK) and an associate (ACIB) of the Institute of Financial Services (UK). He has more than 19 years of work experience in the financial services industry, having worked in auditing, accounting, offshore, HP financing, and including 14 years of banking experience gained at Senior Management level. He held several key positions in various organizations over these years namely KPMG, Deloitte, HSBC, AAMIL, Barclays and, before joining Bank One, as Corporate Director at Banque des Mascareignes. He also had international exposures with ABSA, Barclays Dubai, and Barclays, where he worked principally in the credit field. Mr. Soobadar was appointed Head of Corporate Banking in February 2015.

SURESH NANDA

HEAD OF INTERNATIONAL BANKING

Dr. Suresh Nanda holds a Doctorate in Business Management from the Indian Institute of Management, Calcutta. He has over 30 years experience in banking, mostly in leadership positions, where he managed large teams in the Corporate & Investment Banking, Retail Banking and Private Banking units of ICICI Bank, ING Bank of India and Middle East. He was part of the startup team of ICICI Bank in 1994. His last assignment was as MD, Corporate Finance in a boutique private equity and advisory company in UAE with focus on Africa. Dr. Nanda joined Bank One in April 2015.

PROFILE OF THE EXECUTIVE MANAGEMENT TEAM

GUILLAUME PASSEBECQ

HEAD OF PRIVATE BANKING & WEALTH MANAGEMENT

Mr. Guillaume Passebecq was appointed as Head of Private Banking & Wealth Management of Bank One in May 2017. He is an International School of Management (IDRAC) graduate who has spent his entire career in the banking sector. He started off as a Portfolio Manager at B*capital Paris, the BNP Paribas brokerage house in 1999. In 2007, he was appointed as Head of Sales at BNP Paribas Personal Investors Luxembourg. He joined AfrAsia Bank in 2014 with a strong focus on the European market and was subsequently appointed as Head of Private Banking. He brings to Bank One a wealth of experience in dealing with high net worth individuals.

ANNE MARIE KOO TON FAH

HEAD OF RETAIL BANKING

Mrs. Anne Marie Koo has a diploma in Business Management and has been in the banking sector since 1982. She started her career with the State Bank of Mauritius and joined the South East Asian Bank Ltd in 1989. She left in March 2008 as Assistant Vice President - Retail Sales and Services to join the Bank as Head of Retail Banking.

RISHYRAJ (RISHY) LUTCHMAN

HEAD OF TREASURY

Mr. Rishy Lutchman holds an ACI Diploma and a BBA from Management College of Southern Africa. Before joining Bank One in February 2014, he worked for 26 years in the Treasury division of the State Bank of Mauritius, where he covered different desks such as sales, interbank and fixed income and acquired a comprehensive knowledge of the Mauritian and Malagasy markets. Mr. Lutchman held the post of Chief Dealer prior to leaving SBM.

VALERIE DUVAL

HEAD OF CREDIT ADMINISTRATION

Mrs. Valerie Duval holds a Bachelor of Law and was called to the Bar in 1995. Before joining Bank One, she held the function of Claims Manager at La Prudence Mauricienne Assurances and Swan Insurance Co Ltd, thereby acquiring a strong 13 years' experience in the insurance sector. She joined the Bank in July 2008 as Head of Credit Administration and also acts as internal legal adviser on legal matters pertaining to the affairs of the Bank.

PRISCILLA MUTTY

HEAD OF HUMAN RESOURCES

With over 20 years of experience in the Human Resources field, Mrs. Mutty is a seasoned Human Resources professional who is skilled at partnering with Senior Management teams to develop and execute strategic HR plans aligned with organisational objectives. She brings to the table her expertise in managing the full employee life-cycle and engaging with employees. She holds a Master in 'Administration d'Entreprises' from the University of Poitiers, France. Prior to joining Bank One, Mrs. Mutty has worked across regional and global corporations such as DCDM Consulting (managed by Accenture) where she was responsible for HR-related consultancy assignments for a portfolio of clients in various industries including banking. Her assignments were conducted both in Mauritius and regionally (i.e. Madagascar, Kenya, Tanzania, Zambia, and Djibouti, among others). From 2011 to 2014, she was heading the HR department at Bramer Bank before moving to GroFin in January 2015, a development financier specialising in financing and supporting small and growing businesses (SGBs) with 16 offices across Africa and the Middle East, as its Chief HR Officer. Mrs. Mutty joined the Bank in December 2017 as Head of HR.

MANAGEMENT TEAM

From left to right:

VALERIE DUVAL
BALACHANDRAN C.P.
SURESH NANDA
ANNE MARIE KOO TON FAH
FAREED SOOBADAR
PRISCILLA MUTTY
RANJEEVE GOWREESUNKUR
RISHYRAJ LUTCHMAN
RAVNEET CHOWDHURY
SALEEM UL HAQ
STEPHEN VLOK
GUILLAUME PASSEBECQ

CORPORATE GOVERNANCE
REPORT

OTHER STATUTORY DISCLOSURES REQUIRED UNDER SECTION 221 OF THE COMPANIES ACT 2001

FEES PAYABLE TO PwC

Type	Description	FY 2017 Fees (Rs 000)
Audit Fees	Yearly and quarterly statutory audits; Internal Control Reviews	2,886
Other Fees	Tax advisory, internal control review, IT consultancy and assistance for capital raising	545

DIRECTORS' FIXED-TERM SERVICE CONTRACTS

Mr. Ravneet Chowdhury's fixed-term employment contract is for a period of three and a half years, expiring in March 2020. It contains no material clause for compensation on termination of contract.

CHARITABLE DONATIONS & POLITICAL FUNDING

Apart from contribution to CSR projects as detailed in the Corporate Sustainability Report, no political funding or other charitable donations were made during the year under review.

STATEMENT OF COMPLIANCE

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

Name of PIE: Bank One Limited

Reporting Period: FYE December 2017

We, the Directors of Bank One Limited, confirm that to the best of our knowledge the Bank has complied with all of its obligations and requirements under the Code of Corporate Governance, save for the following:

Section 2.2.3 **All boards should have a strong executive management presence with at least 2 executive members**

Reason for non-compliance: The Board comprises only one Executive Director. The Board is of opinion that the spirit of the Code is met through the attendance and participation of the Deputy Chief Executive Officer and other Senior Executives during Board deliberations.

Section 2.8.2 **Companies should disclose details of remuneration paid to each director on an individual basis**

Reason for non-compliance: The CEO is not remunerated for serving on the Board and Board Risk Management Committee. His remuneration package includes his salary, performance bonus and other benefits pertaining to his functions as CEO, which the Board has agreed not to disclose due to its commercially sensitive nature.

Section 3.9.1(b) **The Chairperson of the Board should not be a member of the Audit Committee**

Reason for non-compliance: Considering that, in line with the Bank of Mauritius Guideline on Corporate Governance, the Chairperson of the Board qualifies as an Independent Director and does not chair the Audit Committee, and further considering that Ms. Sandra Martyres has the requisite skills and competence to sit on the Audit Committee, the Board agreed to her appointment on the Audit Committee.

Sandra Martyres
Chairperson

Leonard C. Mususa
Chairperson - Conduct Review & Corporate Governance Committee

28 March 2018

COMPANY SECRETARY CERTIFICATE

In my capacity as Company Secretary, I confirm that, to the best of my knowledge and belief, the Bank has filed with the Registrar of Companies, in respect of the financial year ended 31 December 2017, all such returns as are required under the Companies Act 2001 in terms of section 166(d).

Kareen NG, ACIS
Company Secretary

28 March 2018

CSR REPORT

Children showing proudly their gifts

The Bank remains committed to playing a role in stimulating economic and social development through its Community Action for Relief and Empowerment (CARE) programme with a view of improving the quality of life of the local community for a more sustainable society. Since the Bank has been focusing on long-term improvement, its commitment and partnership with Caritas in the Vacoas region remained unchanged during the period under review. Together, both entities have worked hand in hand to provide support to the underprivileged families and ensure their continuous development and progress. Additionally, this year, the Bank has extended such initiative outside of the Vacoas region.

Happy boy on the way to plant an endemic tree

ACCOMPANYING

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children

THE FIGHT TOWARDS POVERTY ALLEVIATION

The CSR framework of the Bank provides as principal objective, poverty alleviation. To that effect the families identified by Caritas of Vacoas, to be eligible for the Bank One CARE programme are those who earned an average monthly income of Rs6,000 or less.

The Bank has adopted a two-fold approach by sponsoring selected projects that work towards improving the quality of life of the community. Alongside, the staff of the Bank have been mainly engaged in hosting activities (outing to La Vallee de Ferney, talent show, football tournament, Christmas celebrations and outing for children to the Circus of Samoa) on a regular basis to spend quality time with the children under the Bank One CARE programme and reinforce the social bonding.

CSR ALLOCATION

The CSR fund allocated for the various projects and activities in 2017 was MUR 1.5m and, in line with the vision of the Bank to help the community grow hand in hand with the Bank, the allocated funds are expected to more than double in the coming years. The Bank is also exploring possibilities to participate in larger projects which will eventually benefit a larger span of society.

> Activities covered include a school feeding project, after school coaching, provision of school uniform and materials and a life skills management programme.

BANK ONE
Community Action for Relief and Empowerment
CARE

ONE COMMON GOAL CAN BE WORTH BRAVING EVERY EXTRA MILE

MANAGEMENT DISCUSSIONS AND ANALYSIS

GROWTH

The Bank registered a commendable assets growth of 25% in 2017. Total assets book went up from Rs25.3bn to Rs31.7bn contributed by both local and offshore business.

Total deposits which remains the Bank`s core source of funding grew by 28% during the year contributed by both Segment A and Segment B. The Bank continues its efforts towards improving its cost of funds both in local as well as foreign currencies whilst at the same time maintaining the right balance between short and long term liabilities for efficient liquidity management.

The gross loans book went up by an encouraging 38% during the year under review reaching Rs22.2bn as at December 2017 as compared to Rs16.1bn in December 2016. Despite the existing persisting liquidity in the local market, the Segment A gross loans figures grew by 24%. The growth was more substantial on Segment B loans book which went up from Rs7.2bn as at December 2016 to Rs11.1bn as at December 2017, representing an increase of 55%. In line with its strategy, the Bank concentrated more on investing in assets with lower risks thereby increasing its exposures to banks and financial institutions.

Despite an increase of 10% in the impairment level from Rs1.2bn as at December last year to Rs1.3bn for the same period in 2017, the impairment ratio improved significantly from 7.61% to 6.06% as at December 2017. Recovery actions started in prior years paid off well with substantial assets recovered during the year.

As at December 2017, the Bank maintained a capital adequacy ratio of 12.93% (December 2016: 12.93%) against the regulatory limit of 10.625%.

PERFORMANCE

Bank One achieved a net profit after tax of Rs374m in 2017 representing an increase of 20% over the previous year.

Net interest income went up marginally by 2% as the increase in assets happened mainly during the last quarter of 2017. The Bank will therefore benefit fully from the related income in 2018.

Non-interest income was lower than 2016 by Rs50m. The elections in the US and the subsequent decisions impacted heavily on one of our non-interest income generating business line.

The Bank continues its efforts and commitment by investing heavily in its most important asset, its human capital. The increasing investments to uplift the skills of its team members resulted in an increase of 17% in the Staff related costs.

With the objective to digitalize further and provide an enhanced customer experience to its clients, the Bank is in process of upgrading its core banking software and also introducing a state of the art Omni-channel solution. The impact of these investments will start affecting our accounts as from 2018.

The Bank delivered a respectable return on average equity of 16.33% and 1.36% on its average assets respectively despite the challenging business environment both locally and on the international front.

The slow growth during the first half year of 2017 resulted in a shortfall on the revenue side thereby impacting negatively on the cost to income ratio for the year which is expected to drop below 50% by end of 2018.

PERFORMANCE AGAINST OBJECTIVES

Objectives for Year 2017	Performance in Year 2017	Objectives for Year 2018
Return on Average Equity (ROAE) Deliver a ROE of 18%	Achieved a ROAE of 16.33%	To achieve a ROAE of above 19%
Return on Average Assets (ROAA) Improve ROAA above 1.5%	Achieved a ROAA of 1.36%	To achieve a ROAA of above 1.5%
Operating Income To grow by 20%	Fall in Operating Income by 4%	Growth of 40% in Operating Income
Cost to Income Ratio To improve below 50%	Cost to Income ratio of 57%	Cost to Income Ratio of less than 50%
Deposits Growth Growth of above 20% and 30% in Segment A and Segment B	Growth of 19% in Segment A and 36% in Segment B	20% growth in both Segment A and Segment B
Gross Loans and Advances Growth Growth of above 25% and 40% in Segment A and Segment B	Growth of 24% in Segment A and 54% in Segment B	Growth of 35% in Segment A and 50% in Segment B
Asset Quality Gross Impaired Ratio of below 5%	Gross Impaired ratio of 6.06%	Gross Impaired Ratio of below 4%
Capital Adequacy Ratio (CAR) CAR to be maintained above 12.5%	CAR at 12.93% as at December 2017	CAR above 13%

LINES OF BUSINESS REVIEW

Retail Banking & SME

Retail Banking (RB) has regained momentum and reversed the three previous years of negative growth. Despite a challenging domestic economic climate, the RB division has shown good results with positive growth of 6% in its total assets. The principal contributors for this growth have been the SME and the housing segments. These products have been revamped with enhanced features to be more competitive. RB remains one of the core local deposit raising arm of the Bank contributing above 38% of the total Bank deposits with a growth of 48% in 2017.

The framework under which the RB operations was working continues to be re-engineered. Keeping in mind the efficiency gains as well as enhanced customer experience, a number of operations have been centralised. A new RB coordinating team has been set up with the main task to review processes and alleviate the administrative burden on branches with the objective for them to be more sales oriented. The strategy implementation will continue and RB is expected to contribute further to the sustainable growth of the Bank. New segments, channels of distribution and products will be launched in 2018 with particular focus on digitalisation of the banking services.

Corporate Banking

The Corporate Banking Division (CBD) deals with the local business community consisting of major top listed corporates as well as medium-sized companies, parastatal and other government regulated bodies. CBD provides innovative tailor-made solutions to cater for the specific requirements of such companies operating in all key sectors of the domestic market. Our product offering ranges from short-term working capital and trade finance related products to medium and long-term financing.

The CBD team consists of experienced customer-centric relationship managers with extensive local market expertise. The close collaboration between CBD and the Treasury team helps to provide appropriate treasury instruments to manage the businesses of our clients in an efficient manner whilst mitigating the various risks they might face on a daily basis.

Despite the persisting excess liquidity, fierce competition and limited large scale projects, CBD achieved a robust performance in 2017, with the assets and deposits book growing by 34% and 39% respectively. CBD further increased its contribution to the Bank`s Income. As part of its strategy, CBD has successfully on-boarded some top-tier clients and also deepened further the relationship with existing ones. The 2018 focus would be placed on increased trade-related and other non-interest income driven operations.

International Banking

The International Banking Division (IBD) is a prominent segment of the Bank contributing above 34% to the Bank`s Total Assets. IBD grew its performing assets by 30% during the year under review. The conscious move to de-risk the assets portfolio started in previous years and shortening the average portfolio duration has paid off well. The assets have also been grown with the objective to diversify the geographic coverage substantially with continued focus on syndicated loans participations, lending to Financial Institutions and Group synergy. Asset quality remains an important priority for IBD and the division was able to exit from a few high risk problem relationships.

In line with the significant asset growth, the liability pool also grew by over 24% during the year. The bulk of the growth came from low-cost deposits. This was achieved on account of our focus on deepening and widening our relationship with local offshore management companies, FIs and introducers in other jurisdictions.

During the year, the division strengthened its team with the recruitment of Relationship Managers and Client Service Coordinators to cater to the increased volume of business and improve our service quality.

Taking into consideration the uncertainties in certain geographies, IBD will remain prudent in building further its asset base. IBD's strategy is to further strengthen its footprint in the offshore market and continue to diversify its country risk.

Private Banking & Wealth Management

The Bank continued the implementation of its strategy for Private Banking & Wealth Management. A new Head was hired during 2017. A fresh team was on-boarded and the department underwent a deep reengineering. Bank One's Custody offering is unique as it is an Open Architecture strategy which gives access to global and domestic funds and exchanges.

The new team focussed on the set-up for offering banking and custody services as well as investment advisory. An enhanced Euroclear relationship was established and presently facilitates the settlement of Equities and Debt. This relationship also allows the Bank to have access to the fund platform for subscription and redemption of Funds.

An External Wealth Managers' (EWM) desk offering a wide range of products and services has been created. Our trading desk provides real-time execution on the world financial platform to trade in Equity, Bonds, Funds, ETF and Structured Products. The EWM desk facilitates a direct access to our custodian services and cater for the opening of custody accounts, transfer of securities, trade settlement, corporate action and portfolio valuation reports.

The '*Investment Advisory*' desk helps the client with building up his investment portfolio. The Bank also has a dedicated '*Trading Desk*' which trades on behalf of its clients.

The objective for 2018 is to continue building a sustainable customer base and provide custody facilities to a broader range of high net worth clients while at the same time complying with the local

MANAGEMENT DISCUSSIONS AND ANALYSIS

and international regulations. The Bank is finalising the implementation of a strong Wealth Management software which will provide online information on all products to the Bank and its clients.

Treasury Business

The year under review has witnessed some major changes in the local market environment. Since the first quarter of 2017, the Bank of Mauritius introduced a new guideline which limited the number of Primary Dealers and Foreign Exchange Market Makers to four, giving them an upper hand on all primary auctions of all MUR securities and Central Bank interventions for foreign exchange. This new guideline coupled with fierce competition amongst all banks fighting for the limited pool of customers has had a negative impact on Treasury revenues.

The local market remained flushed with both foreign and local currency. The Central Bank intervened on several occasions to mop up the excess foreign currency and also to stabilise the value of the MUR against the USD. Despite BOM interventions, the market remained long of foreign currency mainly on account of low level of imports pushing banks to quote aggressively to capture market share. This caused the MUR to strengthen closing the year at 34.56 against the USD, appreciating by 6.16 % since the start of the year. With the challenging market environment, Treasury has maintained a stable performance as compared to the previous year thanks to informed decision-making and support from other lines of business in terms of flows.

The surplus MUR liquidity persisted and even closed the year at a record high of MUR26bn. The Bank of Mauritius maintained the weekly issuances of its own securities to try and curb the ballooning MUR liquidity surplus. Securities issued by the Central Bank doubled to reach MUR 70bn at the end of 2017. Furthermore, Treasury has been able to maximize on the falling interest rate scenario on local securities by trading wisely on the secondary market despite paying the higher spreads. To be able to cater for any credit uptake and due to the flatness of the yield curve, Treasury has focused most of its investments in short-term treasury bills.

On the interest income side, Treasury placement activities have been subdued as funds were deployed into other higher yielding assets. For balance sheet purposes, Treasury has entered into derivatives products to hedge part of its interest rate risks.

E-commerce

2017 has been a year of reconstruction for the e-commerce business after facing major adverse changes in the main market, namely USA. In order to take a leap forward and propel business growth, the e-commerce team has launched several projects / new business models as per below:

1. Launching of a new model to allow the Bank to have closer and more profitable relationship with e-commerce merchants.
2. Partnering with Union Pay International (UPI) to tap payment opportunities in China where China Union Pay cards are used massively.
3. Tie-up with a major East Asian business payment service provider to increase the lower risk Japanese merchants' portfolio with the Bank.
4. Enrolling major top-rated Payment Service Providers (PSP) from USA and Europe to derive new business sources.

The above projects are expected to start generating income as from first quarter of 2018. The e-commerce team is continuously attentive to new market and product developments. The ability to innovate and adapt to changes in the payments industry and the international markets shall constitute an important element for the successful come-back of this business line.

PROMOTING HUMAN RESOURCE DEVELOPMENT

To become the **ONE bank of choice** and the most exciting place to work in Mauritius, there is a strong call to further transform the Human Resources (HR) value proposition at the Bank. Our main focus is on the alignment of the HR objectives and support within the business context and the broader stakeholder initiatives.

Our Employee Value Proposition (EVP)

Our Employee Value Proposition is the set of attributes that the labour market and team members perceive as the value they gain through employment with Bank One. The five pillars of our EVP consist of:

People

The Bank ensures that all team members are treated with respect and dignity. Cultural and individual diversity in the workplace is viewed as a strength. The Bank provides a safe working environment compliant with all relevant Occupational Safety and Health legislation.

HR further ensures that the environment is proactive and progressive for the team members to be pioneering with a critical mind.

Organisation

HR works closely with business unit heads to help define and build the organisational capabilities and, at the same time, create a meaningful work environment. Time is spent with team members, customers, investors and community leaders to turn those experiences into HR innovations that help the Bank to attract and retain the best talents.

Work

Work-Life Balance is important for all team members and this principle is actively enforced to ensure the pioneering spirit resonates throughout the Bank. We also allow space to our team members to meet with the senior leaders of the Bank through regular interactive forums.

Opportunity

Our performance management system helps us to recognise both team and individual efforts and special accomplishments. This is supplemented by a 360-degree feedback exercise that is used as part of our Leadership Development Programme. Top performing talent retention is receiving high attention and innovative plans are being executed.

Internal promotion is encouraged by identifying high potentials for fast-track development and mentoring opportunities. Succession planning for each key role is imperative for business continuity. Training forms part of an ongoing process at the Bank at all levels.

Rewards

The Bank stresses on the need to provide tailored rewards and recognition solutions to help the business achieve its objectives. To remain competitive, the Bank's rewards and recognition practices are aligned with the external business environment, which include general industry norms and reputed market surveys.

HEALTH & SAFETY

The Bank is committed to providing the highest standards of safety and health throughout its business activities. The Occupational Health & Safety Policy aims to ensure a healthy and safe working environment, system of work and equipment.

The Human Resources Department directly oversees and ensures the coordination of initiatives undertaken to achieve health and safety objectives.

CUSTOMER EXPERIENCE

Customers being at the heart of what we do, the Board has set the tone through the adoption of our Customer Experience Policy which underscores the fundamental importance of excellent customer experience. The collective responsibility of each team member in adhering to the policy measures and translating them into concrete actions is crucial to improve the level of customer experience across the Bank.

Proper implementation of the policy initiatives has helped start the process to instill a quality culture and ensure service levels that will reinforce Bank One as a strong brand.

Key actions undertaken in 2017

Numerous initiatives were undertaken in the areas of training, performance management and internal customer experience surveys to improve, monitor and reinforce a positive customer experience.

As a result, the complaints on service issues have reduced by 12% as compared to 2016.

COMPLIANCE

The objective of an independent Compliance department is to protect the Bank from regulatory and financial crime risks that might result in fines or reputational damage. Our role is to identify material regulations that may affect the Bank and ensure that associated risks are effectively identified, assessed, monitored and managed within acceptable levels. The department also acts as an adviser to the Management on regulatory and compliance issues. The Bank has been working towards enhancing its compliance programme by moving towards a risk-based approach.

The Compliance function is anchored on the critical components of a robust regulatory compliance risk management program. These consist of 8 pillars as described in the diagram below:

Based on these pillars, the Compliance department implemented new initiatives covering AML, KYC and enhanced reporting to Management and the respective Board committees.

The Bank is also fully aware of the financial crime compliance obligations and the overarching need to ensure a safe growth. This has led to the establishment of a dedicated financial crime team. Furthermore, with the changing regulatory landscape, the Bank has reassessed the composition of its regulatory universe for a better management of the regulatory compliance risk. The end of the year saw the establishment of a regulatory cluster within the compliance department to better monitor regulatory changes for the Bank.

As a whole, the year has seen a new strategic direction for the Compliance department which is setting the base for the years ahead towards a risk based approach.

MANAGEMENT DISCUSSIONS AND ANALYSIS

INTERNAL AUDIT

The Internal Audit Function at Bank One is an independent appraisal and consulting activity that adds value, examines and evaluates activities of the Bank.

The Internal Audit function is headed by a qualified Auditor and supported by an assistant manager. The team members working both under the Risk Based unit as well as the Information Technology unit report to the manager.

In line with good governance principles, Internal Audit functionally reports to the Board Audit Committee on a quarterly basis. Individual working sessions are also conducted with the Board Audit Committee without the presence of management.

Internal Audit assignments are performed in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA).

Team-Mate which is a robust audit software, is used to manage audit assignments including follow-up on audit recommendations status. For the year ended December 2017, the areas covered were all key operations and support functions including Trade Finance, Compliance, Credit, IT, E-commerce, Treasury, Finance, Collections & Recovery.

TRANSFORMATION

With immediate focus on the short to medium-term plan, a Transformation team has been set up in 2017 to provide the framework, roadmap and guiding principles to assist the Bank in reaching its vision in a coherent and integrated manner.

The Transformation journey has been focused on four key axes of change that are coordinated and mutually enforcing:

- Top-down direction setting and constant communication to create focus throughout the organisation to reach targeted goals in a structured, measurable and productive manner.
- Cross-functional core process redesign to link activities, functions and information in new ways to achieve breakthrough improvements in cost, quality and timeliness.
- Broad-based, bottom-up performance improvement by instilling a mindset change to enhance our company culture with fully embedded new values, backed by relevant training and reward systems, as a fresh approach to solving problems and improving performance at all levels.
- Structured Project Portfolio Management to ensure project alignment to the Bank's strategy as well as financial effectiveness through control, project governance, resources optimisation and cross-functional reporting.

Together, these four axes make up a balanced, integrated framework for combining separate initiatives into a coherent transformation programme and bring the Bank to a higher level of performance delivery.

Statement of Profit or Loss

	Year Ended Dec-15 Rs 000	Year Ended Dec-16 Rs 000	Year Ended Dec-17 Rs 000
Net interest income	608,293	699,154	713,557
Net fee and commission income	167,042	211,704	148,099
Net trading income	72,258	84,015	82,917
Other operating income	9,401	397	14,987
Operating Income	**856,994**	**995,270**	**959,560**
Non-Interest Expense	(480,697)	(492,831)	(547,494)
Operating Profit before Exceptional Items	376,297	502,439	412,066
Allowance for Credit Impairment	(165,158)	(153,626)	(11,299)
Profit before Tax	**211,139**	**348,813**	**400,767**
Income Tax (Expense)/Credit	15,790	(37,229)	(26,568)
Profit for the year	**226,929**	**311,584**	**374,199**

Interest Income and Expense

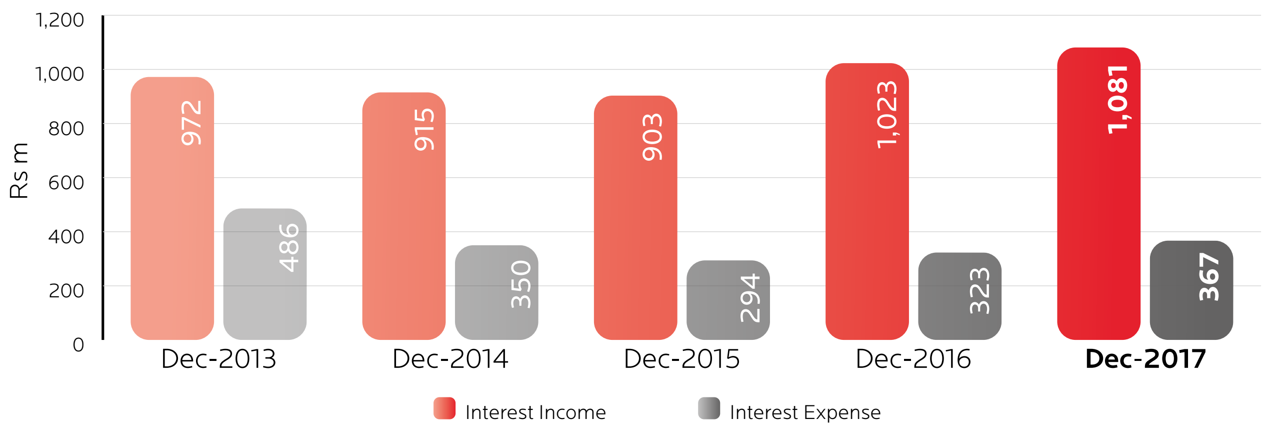
	Year Ended Dec-15 Rs 000	Year Ended Dec-16 Rs 000	Year Ended Dec-17 Rs 000
Interest Income			
Loans and Advances to customers and banks	727,598	816,153	864,858
Investment Securities	52,292	88,712	140,509
Placements	122,866	117,692	75,307
	902,756	**1,022,557**	**1,080,674**
Interest Expense			
Deposits from customers	254,569	288,205	319,579
Borrowings from banks	4,616	5,756	7,108
Other	35,278	29,442	40,430
	294,463	**323,403**	**367,117**
Average Interest Earning Assets	16,522,531	19,417,145	20,202,714
Average Interest Bearing Liabilities	10,774,191	12,952,428	15,509,582
Interest Income/Average Interest Earning Assets	5.46%	5.27%	5.35%
Interest Expense/Average Interest Bearing Liabilities	2.73%	2.50%	2.37%
Net Margin	2.73%	2.77%	2.98%
Core Revenue	**856,994**	**995,270**	**959,560**

The growth in the business volumes resulted in an increase in net interest income. However, the bulk of the asset growth occurred in the second half of the year so the full impact will only be experienced in 2018.

The increase in other interest expense relates principally to the subordinated debts costs raised in December 2016.

Despite the continuous pressure on both the rupee and foreign currency margins, the net interest income improved by 2%.

INTEREST INCOME & INTEREST EXPENSE



Non-interest income

	Year Ended Dec-15 Rs 000	Year Ended Dec-16 Rs 000	Year Ended Dec-17 Rs 000
Net Fees and Commissions	167,042	211,704	148,099
Net Trading Income	72,258	84,015	82,917
Other Operating Income	9,401	397	14,987
	248,701	296,116	246,003

The non-interest income dropped by 17% in 2017 as a result of lower business volumes from e-commerce activities.

Treasury remains one of the main contributors to non-interest income with a contribution of 34%.

The Bank continues to explore new non-interest income streams to further diversify its income sources with key focus on low-risk products.

Non-Interest Expense and Cost Management

	Year Ended Dec-15 Rs 000	Year Ended Dec-16 Rs 000	Year Ended Dec-17 Rs 000
Personnel Expenses	311,032	313,654	367,600
Depreciation and Amortisation	35,189	34,392	43,691
Other Expenses	134,476	144,785	136,203
	480,697	492,831	547,494

The increase in non-interest expenses was contained at 11% compared to the previous year.

The depreciation and amortisation expense increased, driven by the Head Office renovations costs.

Other expenses in 2017 were 6% lower than 2016 which included one-off items such as branch closure costs and other consultancy related costs.

Allowance for credit impairment

Net impairment charges of Rs11m recorded for the year under review compared to Rs154m for 2016. Efforts towards recovery of impaired accounts continue to bring substantial positive results and further significant recoveries are expected in 2018.

Credit Exposure

As shown in the table below, the Bank has a well-diversified credit portfolio without any undue concentration in any one sector as at 31 December 2017.

Sectors	2015	2016	2017		
	Total	Total	Segment A	Segment B	Total
Lending	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture & Fishing	558,772	829,771	1,093,756	14,583	1,108,339
Manufacturing	776,890	822,286	439,096	870,782	1,309,878
Tourism	1,001,644	954,424	1,329,185	683,428	2,012,613
Transport	425,907	551,635	168,728	81,415	250,143
Construction *	3,765,596	3,426,553	2,715,008	406,990	3,121,998
Financial & Business Services	744,594	1,033,239	1,990,914	1,487,491	3,478,405
Traders	2,595,491	3,104,646	2,171,143	789,017	2,960,160
Personal	956,439	761,309	645,592	6,955	652,547
Professional	28,257	14,130	12,350	-	12,350
Global Business License Holders	1,517,069	1,090,086	-	754,550	754,550
Other	699,009	1,851,224	326,150	2,453,591	2,779,741
	13,069,668	14,439,303	10,891,922	7,548,802	18,440,724
Lending to banks	539,685	1,667,012	-	3,744,692	3,744,692
Total Credit Exposure	**13,609,353**	**16,106,315**	**10,891,922**	**11,293,494**	**22,185,416**
Credit Quality					
Trading	843,338	1,494,704	2,214,645	35,161	2,249,806
Investment	1,683,082	2,296,326	1,524,549	443,830	1,968,379
Off-balance sheet	1,438,451	1,692,216	1,545,696	1,439,402	2,985,098

The maximum exposure has shifted from the construction sector in previous years to that of the Financial & Business Services. Exposure to banks represents 17% and that of other financial services sector 16% compared to 10% and 6% respectively for the prior year.

This paradigm shift reflects the result of the lower risk strategy that the Bank had in dealing with banks.

** 60% of the exposures in the construction sector relate to retail mortgages*

Credit Quality

The table below shows the data on impairment and related ratios for the past 3 years.

	Dec-15	Dec-16	Dec-17
	Rs 000	Rs 000	Rs 000
Impaired Advances	1,184,050	1,225,584	1,344,783
Allowance for Impairment Losses on individually assessed loans	593,919	530,876	526,188
Impaired Advances/Gross Advances	8.70%	7.61%	6.06%
Net Impaired/Net Advances	4.59%	4.51%	3.82%
Provision Coverage Ratio	50.16%	43.31%	39.13%

Albeit the absolute impaired advances figure has gone up, the impaired ratio has considerably improved by 1.55% driven by the solid increase in good quality assets. The Bank holds a high value of collateral as security for these impaired assets resulting in lower impairment provisions for such accounts.

MANAGEMENT DISCUSSIONS AND ANALYSIS

A breakdown of gross advances, impaired advances and related specific provisions percentage by industry sector split between segment A and B as at 31 December 2017 is shown below.

Loans to customers

Sectors	Gross Amount of Loans		Impaired Loans		Allowance for impairment as a % of Impaired Loans	
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B
	Rs 000	Rs 000	Rs 000	Rs 000		
Agriculture & fishing	1,093,756	14,583	2,887	-	98%	-
Manufacturing	439,096	870,782	35,053	-	98%	-
Tourism	1,329,185	683,428	93,435	-	26%	-
Transport	168,728	81,415	6,679	80,825	55%	18%
Construction	2,715,008	406,990	430,901	91,707	51%	22%
Financial & Business Services	1,990,914	1,487,491	-	-	-	-
Traders	2,171,143	789,017	133,216	11,076	50%	36%
Personal	645,592	6,955	89,654	-	73%	-
Professional	12,350	-	1,174	-	42%	-
Global Business License Holders	-	754,550	-	78,450	-	27%
Others	326,150	2,453,591	43,223	246,503	69%	7%
Total	10,891,922	7,548,802	836,222	508,561		
Loans to banks						
Sectors						
Loans to banks	-	3,744,692	-	-	0%	0%

52% for Segment A impairment originates from the construction sector while 48% of the impaired loans for Segment B consist of facilities guaranteed by the central government of a South Eastern Africa country. The debts of the country will most probably be restructured in 2018.

PORTFOLIO AND GENERAL PROVISIONS

In compliance with IAS 39 and BOM guideline on Credit Impairment and Income Recognition, the Bank held portfolio provisions of Rs206m on its performing loan book as at December 2017, representing 1% of the performing loan portfolio.

In compliance with the `Macro-prudential policy measures for the Banking Sector` issued by the Bank of Mauritius in October 2013, the Bank maintained additional portfolio provisions on certain specific sectors booked as General Reserve as an appropriation of Retained Earnings.

Other details regarding credit quality are given in note 15 (i) of the Financial Statements.

RESTRUCTURED LOANS

Restructured loans are loans that have been renegotiated due to deterioration in the borrower's financial position and cash flow. In such cases, where found genuine, the Bank has reviewed the terms and conditions by allowing concessions such as extending the maturity, changing the frequency of interest servicing, review and downward revision of interest rate as well as amendments to other terms of loan covenants.

During the year ended 31 December 2017, 24 accounts have been restructured aggregating Rs205m. *(outstanding balance: Rs1,167m as at December 2016).*

Risk and management policies and control, concentration of risk policies and related party transaction and policies are disclosed on pages 56 to 67.

Statement of Corporate Governance practices is disclosed on pages 18 to 38.

The Management Discussions and Analysis report may contain various forward-looking statements with respect to Bank One's financial position, business strategy, plans and management objectives. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including, but not limited to, domestic market, global economic and business conditions, market risks such as changes in interest and exchange rates, policies and actions of governmental and regulatory authorities. We caution readers of this report not to place undue reliance on our forward-looking statements as these factors may cause the future results to differ materially from the plans, goals, expectations or interest expressed in the forward-looking statements. Bank One Limited does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

ETHICS & TRANSPARENCY: OUR KEY TO STELLAR PERFORMANCE

RISK MANAGEMENT
REPORT

RISK MANAGEMENT REPORT SCOPE

The report focusses on the holistic process involved in integrated risk management at the Bank and its resultant outcomes that assists the Bank in reaching its strategic vision.

RESPONSIBILITY OF THE BOARD

The Bank's Board of Directors (Board) has the ultimate responsibility for the oversight of risks within the Bank and has delegated certain supervision risk functions to relevant Board Sub-Committees.

The Board and Board Sub-Committees receive formal and informal communication from the Chief Risk Officer (CRO). The CRO reports to the Chief Executive Officer (CEO) but has direct access to the Board and its Risk Committees without any impediment.

RISK DEFENCE MODEL

The Bank currently employs a three level defence model:

1. Business Lines take ownership of the risks from end to end.
2. Independent Risk Oversight through the various empowered Risk functions.
3. Internal Audit review and assessment.

To further strengthen the model, the Bank has approved an Internal Control Framework which is in the process of being implemented Bank wide.

RISK MANAGEMENT PROCESS

The Bank's fundamental approach to Risk Management has been reinforced with the progressive adoption of a formalised Risk Culture Statement and strategy to embed same across the various teams in a proactive manner. This is further complemented with a measurable Risk Appetite Statement and Metrics approved during the course of 2017. Risk Management is committed to ensure the sustainability and achievement of the Bank's Vision and Mission and be a force of positive change whilst remaining committed to the key risk principles.

The Board of Directors approves the Risk Policy and Guidelines. The Bank's Management has the responsibility for the effective execution of these policies by implementing appropriate procedures to ensure that all the quantifiable risks including residual risks are proactively and effectively managed.

The Board and its Sub-Committees monitor the risk profile of the Bank on a quarterly basis. Limits are imposed on the quantum of Credit Risk, Market Risk, Operational Risk and Country Risk within prudent guidelines. Other non-quantifiable risks such as Compliance Risk, Reputational Risk and Strategic Risk are assessed and monitored on a qualitative basis.

The Bank's Management meets on a monthly basis via several Management Committees to make a comprehensive impact assessment of the Bank's various risks. However, Market Risk is monitored on a daily basis by the Market Risk Team and any issues are reported promptly to Senior Management. Similarly, Operational Risk events beyond a predefined threshold are also escalated swiftly to the Senior Management for remedial actions in line with the Bank's Escalation Matrix.

The Bank utilises the Internal Capital Adequacy Assessment Process (ICAAP) to assess its optimal capital requirements. The Bank's Asset and Liability Management Committee (ALCO) is responsible for the management of the bank-wide portfolio composition, risk weighted assets measurement and optimal capital allocation. The Bank adopts the Basel Standardised Approach for the calculation of regulatory capital taking into consideration the macro-prudential policy measures introduced by BOM.

The Bank's risk activities are controlled within the regulatory frameworks established by BOM and, internally, through the Bank's policies and procedures.

THE RISK MANAGEMENT FRAMEWORK

The Bank's Risk Management Framework provides the foundation for achieving the Bank's ultimate goals and strategies within a controlled and prudent structure.

The Board's responsibilities include:

- Approval of the Risk Management strategy and policies to confirm that all the risks are correctly managed at both portfolio and client level;
- Regular review of the policies and key performance indicators;
- Analysing the Bank's ongoing financial performance against forecasts and budgets.

Execution of the risk policies is delegated to the Bank's Management. Several Management Committees manage and provide guidance on the ongoing measurement and monitoring of risks. These risks further are subject to oversight and control of the second line of defence of the centralised Functional Risk Units (FRU's). These FRU's operate as independent units, segregated appropriately from the business and frontline functions.

The FRU's include the following units that are headed by qualified and experienced team members:

a. Credit Risk Management;
b. Market Risk;
c. Operational Risk; and
d. Compliance.

CREDIT RISK MANAGEMENT

The Bank's credit risk comprises mainly of wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with our clients and market counterparties.

The responsibility and accountability for credit risk management firstly resides with the Bank's business lines. This is supplemented by an independent Credit Risk Assessment function and Internal Audit to ensure effective oversight and governance.

Credit Risk Mitigation

The primary credit risk mitigation is value-added research to make an informed decision regarding the obligor's repayment ability and the sustainability of the cash flow generation over the contract period to ensure the proper servicing of the debt. The Bank's Credit Policy is reviewed on an annual basis and the improvement in the Bank's asset quality metrics is an indicator of recent success.

As an additional mitigation for credit risk, collateral and guarantees are taken to render the risk and reward equitable in terms of the Bank's Risk Appetite. Collateral management ensures that any mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements for the management of legal recovery and timely enforcement. An annual review process assists to upgrade policies, procedures and systems through continuous innovation and improvement.

Credit Related Commitments

Credit related commitments include bank guarantees, documentary letters of credit, standby letters of credit and undrawn commitments on committed facilities. The relevant capital charges of the various instruments are calculated based on the criteria set in the BOM guidelines on Standardised Approach to Credit Risk.

Credit Related Commitments	Year Ended Dec-15 Rs 000	Year Ended Dec-16 Rs 000	Year Ended Dec-17 Rs 000
Bank guarantees and other contingent liabilities	564,448	692,453	467,162
Undrawn Credit Related Commitments	874,003	969,809	2,336,517

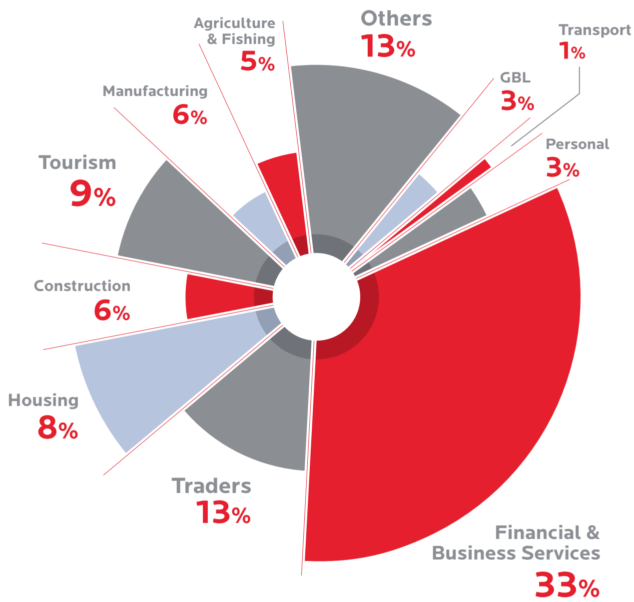
The large increase in undrawn credit related commitments refer mainly to the International Banking division for facilities approved but not yet drawn down as at year-end.

Bank Placements & Lending

These instruments are normally of a better credit quality by the virtue of the regulated market in which these counterparties operate. External credit rating agencies' reports on the credit quality of rated banks are utilised as an input into the internal credit assessment together with obtaining an internal credit rating for all bank obligors using the Moody's Analytics Bank Model.

SECTORWISE DISTRIBUTION

Sectorwise 2017



As shown in the chart above, the risk is acceptable and well managed. The largest concentration is on Financial & Business Services at 33% with the bulk of the exposure to other banks. The risks are lower with the regulated nature of the banking industry. Bank One is also now able to assign an internal rating to all banks by using the Moody's Analytics Bank Model. The combined contribution from Construction and Housing further declined from 21% in 2016 to 14% in 2017. Traders also showed a decline in the year from 19% to 13% in 2017. Tourism and Others increased their respective contributions to 9% (2016: 6%) and 13% (2016: 12%) respectively.

Residual contractual maturity of the portfolio is provided in note 15 (c) of the Financial Statements.

RISK MANAGEMENT REPORT

CONCENTRATION RISK

The Bank maintains a credit risk portfolio that is adequately diversified. Maximum exposure limits are set for individual counterparties, countries and sectors to maximise any potential diversification benefits while complying with the BOM guideline on Credit Concentration Risk.

The top five Groups and Single Borrower exposures as at 31 December 2017 were:

Group	Exposure Rs 000	% of Tier 1 Capital
1	1,017,153	46.4
2	742,720	33.9
3	719,381	32.8
4	675,200	30.8
5	661,578	30.2

Borrower	Exposure Rs 000	% of Tier 1 Capital
1	675,200	30.8
2	661,578	30.2
3	611,581	27.9
4	526,775	24.0
5	506,400	23.1

The Bank of Mauritius have in their new Guideline on Credit Concentration Risk amended the calculation of credit exposures to relate to Tier 1 Capital and no longer as a percentage of Total Capital. In cases where the actual exposures are above the new prescribed percentages, a proper plan has been submitted to the Bank of Mauritius on how the Bank will ensure compliance by October 2018. The Bank of Mauritius has accepted the Bank's proposed course of action.

Herfindahl-Hirschman Index (HHI) and Concentration Risk Level

The Bank uses the HHI to assess the concentration of its depositors and borrowers. The following table relates the HHI with the level of risk as at 31 December 2017:

HHI	Risk Level	Top 10 Individuals	Top 10 Groups	Top 10 Industries	Top 10 Depositors
< 1 000	Low Risk	↗	↗	↗	↗
1 000 – 1 800	Moderate Risk	-	-	-	-
> 1 800	High Risk	-	-	-	-

As at 31 December 2017, all portfolios showed an improvement from the Moderate Risk category to the Low Risk category.

RELATED PARTY TRANSACTIONS

The Bank complies with the BOM Guideline on Related Party Transactions which sets out the manner in which such transactions are identified, monitored and reported on a quarterly basis. The Corporate Governance Committee (CGC) approves every related party transaction and ensures these transactions are at market rates in terms of the arm's length principle.

The aggregate on balance sheet related party exposure of the Bank amounted to Rs988m (2016: Rs837m) which represents 45.04% of Tier I Capital (2016: 44.88%) and 4.6% of loans and advances (2016: 5.44%). The facilities range from bank placements; overdrafts and loans. Collateral is taken for the facilities except for bank placements which are bank senior unsecured risk. Settlement of facilities will be from the underlying obligor's operating cash flow and arm's length terms and conditions apply.

The aggregate related party exposure (off-balance sheet) of the Bank amounted to Rs104m which represents 4.75% of the Tier I Capital figures (2016: 5.67%) and 0.48% of loans and advances (2016: 0.69%).

None of the loans advanced to related parties were classified as non-performing as at 31 December 2017.

The table below sets out the four largest related party exposures and the respective percentages of the Bank's Tier 1 capital:

Related Party	Exposure Rs 000	% of Tier 1 Capital
1	380,000	17.4
2	285,029	13.0
3	236,320	10.8
4	51,568	2.4

CREDIT QUALITY

Impairment & Provisioning Policies

Impairment provisions are recognised for financial reporting purposes under International Accounting Standard (IAS 39) and BOM guidelines. The Bank is fully compliant with the revised BOM Guideline on Credit Impairment Measurement and Income Recognition, effective from the 1st July 2016.

The Bank's impairment policy requires all loans and advances past due above 90 days to be impaired. This is also applied at group level.

The impairment provision is arrived at after deducting the present value of future cash flows and the discounted net realisable value of collateral from the carrying value of the loan. Net realisable value of collateral is based on an independent valuation from a qualified appraiser. These valuations are updated every three years or earlier where warranted.

The Bank is on schedule to successfully adopt the new accounting standard, IFRS 9, from the 1st January 2018 and the first impact numbers are not material given the Bank's early adoption of a most prudent impairment and provisioning policy since end December 2015 together with enhanced discipline in the Past Due Not Impaired accounts.

Collection & Recovery Process

The Bank's philosophy is to resolve recovery matters through negotiations within a maximum specified time period. If no agreement can be reached within such a time period, legal action is pursued with urgency for the timely recovery of all non-performing assets.

The strong recovery actions and success achieved within 2015 and 2016 has continued its momentum and the results for 2017 have remained encouraging.

A number of high value recoveries have been delayed in 2017 for various reasons. However, the ground work and progress made is expected to be fully materialised in 2018. The gross non-performing asset book was negatively impacted during 2017 by a large sovereign debt default but this is expected to be restructured during the course of 2018.

Past Due Not Impaired

	As at 31 December 2017		
Loans & Advances Past Due but Not Impaired	**Individual (Retail Banking Customers) Retail & Mortgages**	**Corporate Entities Loans & Overdraft**	**Total Loans & Advances to Customers**
	Rs 000	**Rs 000**	**Rs 000**
Past due up to 1 month	222,465	107,602	330,067
Past due more than 1 month and up to 3 months	44,255	11,971	56,226
Past due more than 3 months and up to 6 months	720	-	720
Past due more than 6 months	-	-	-
Total	267,440	119,573	387,013

Enhanced credit discipline remained a focus for 2017 especially with the new IFRS 9 standard to be adopted as from January 2018. Client education was an important aspect to ensure that the impact from the new accounting standard would be limited. Appropriate management attention and processes are in place to ensure that Past Due Not Impaired accounts are managed proactively and prudently. This is evident in the Total Loans & Advances Past Due decreasing by 15% and 50% in 2016 and 2017 respectively. This approach has worked well for Corporate Accounts but individual accounts have shown a moderate deterioration in their Past Due Not Impaired position, however the bulk is within the earliest bucket of up to 30-days.

The improving trend in the bucket between 1 month up to 3 months past due has shown a strong improvement by 76% in 2016 and a further improvement of 58% in 2017

Loans & Advances Past Due but Not Impaired	As at 31 December 2016		
	Individual (Retail Banking Customers) Retail & Mortgages	Corporate Entities Loans & Overdraft	Total Loans & Advances to Customers
	Rs 000	Rs 000	Rs 000
Past due up to 1 month	152,154	487,932	640,086
Past due more than 1 month and up to 3 months	54,868	79,539	134,407
Past due more than 3 months and up to 6 months	590	-	590
Past due more than 6 months	-	-	-
Total	207,612	567,471	775,083

Loans & Advances Past Due but Not Impaired	As at 31 December 2015		
	Individual (Retail Banking Customers) Retail & Mortgages	Corporate Entities Loans & Overdraft	Total Loans & Advances to Customers
	Rs 000	Rs 000	Rs 000
Past due up to 1 month	205,215	64,589	269,804
Past due more than 1 month and up to 3 months	200,716	365,270	565,986
Past due more than 3 months and up to 6 months	37,153	24,173	61,326
Past due more than 6 months	12,056	-	12,056
Total	455,140	454,032	909,172

Properties in Possession (PIPs)

As at December 2017 the Bank held five PIPs in its books with an assessed total value of Rs9.8 m (2016: Rs8.8 m) included in the `Other Assets` figure (note 20 of the financial statements). These were repossessed in prior years. As at December 2017, the carrying value of these properties did not differ materially from the estimated market price value. The Bank's policy regarding the PIPs is to dispose of them as soon as practically possible in line with banking legislation.

The policy of the Bank is to recognise the assets repossessed at the lower of the carrying value and the fair value less cost to resell.

RISK MANAGEMENT REPORT

MARKET RISK

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monitored via ALCO which reports to the Board Risk Management Committee (BRMC). An independent Market Risk Team is in place that manages the risks and reports any exceptions to ALCO and/or BRMC for approval.

Market risk arising from the Trading Book

The Bank measures market risk from the trading book using the VaR technique (Historical Approach at a 99% confidence level over a one day holding period) and controls market risk exposures within prudent risks limits set by the Board in line with the Risk Appetite for the Bank. This is monitored on a daily basis.

Market risk arising from the Banking Book

Various management action triggers are established to provide early alerts to Management on the different levels of exposures of the banking book activities relative to foreign exchange risk, interest rate risk, and liquidity risk. Sensitivity analysis and stress testing covering shocks and shifts in interest rates on the Bank's on-and-off balance sheet positions, liquidity drift under institution-specific and general market crisis scenarios are regularly performed to gauge and forecast the market risk inherent in the banking book portfolio.

The Treasury Department monitors the debt securities book on a weekly basis, reporting monthly to ALCO and quarterly to the BRMC.

(i) Foreign exchange risk

The Bank has limited net foreign exchange exposure as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or through cover transactions with the market. The net open exposure positions, both by individual currency and in aggregate, are managed by the Treasury Department within established limits and reported to BOM on a daily basis.

During 2017, the Bank operated well within the regulatory limits regarding Net Open Positions.

The Market Risk Team ensures that limits are respected. A daily report goes to Senior Management to notify any underlying breach in limits. A monthly report is submitted to the ALCO and a quarterly report is submitted to BRMC. Any breach is notified to Senior Management immediately and gets simultaneously escalated to the relevant sanctioning authority in terms of the Bank's Escalation Matrix.

Accordingly, as at 31 December 2017, the VaR limits against the actual potential loss are given in the table hereunder:

VaR Limit vs Actual Position December 2017	USD	EUR	GBP
Limit	Rs800k	Rs150k	Rs200k
Potential Loss	Rs240k	Rs522k	Rs18k

As a prudent measure, the VaR limits were reduced during 2017 given the limited net open positions held by the Bank. The Euro VaR breach is a temporary instance due to several deals concluded for client positions as at year-end, which subsequently self-adjusted on the next business day.

(ii) Interest rate risk

The Bank considers the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which are monitored by the Market Risk Team. These are reported monthly to ALCO and quarterly to BRMC.

The framework adopted by the Bank to measure interest rate risk exposures is consistent with the BOM guidelines for reporting interest rate risk exposures, which consists principally of interest rate sensitivity analysis and stress testing.

Interest rate sensitivity analysis

A detailed breakdown of the Interest Rate Sensitivity Analysis as at 31 December 2017 is given in note 2 (f) of the financial statements.

Earnings at Risk Methodology is used to assess the impact of various interest rate change scenarios on Net Interest Income over a 12-month horizon, as required under the domestic and global regulatory guidelines.

MUR & USD Earnings at Risk Analysis As at 31 December 2017

Interest Rate Movement 2017	Impact on Earnings on account of interest basis (Rs m)	Impact on Earnings on account of interest basis (USD m)
+ 25 bps	(0.09)	0.56
-25 bps	0.09	(0.56)
+ 50 bps	(0.19)	1.13
- 50 bps	0.19	(1.13)
+ 75 bps	(0.28)	1.69
-75 bps	0.28	(1.69)
+ 100 bps	(0.38)	2.26
-100 bps	0.38	(2.26)
+ 200 bps	(0.75)	4.51
-200 bps	0.75	(4.51)

If interest rates increase by 200bps, the Bank would have a positive impact on its Net Interest Income of Rs2.55m and the converse also holds true. The Bank is well-positioned to absorb potential interest shocks.

In line with the expectation that the US Federal Reserve will continue with their rate increase policy in 2018, the Bank would have a positive impact on its Net Interest Income of USD3.12m should rates increase by 200bps.

LIQUIDITY RISK

The Bank manages its liquidity on a prudent basis and ensures that the statutory minimum cash reserve requirements are maintained throughout the year. No statutory limits have been beached during the year. Treasury is responsible for the daily management of liquidity and provides daily reporting to Senior Management.

The ALCO reviews monthly, or on ad hoc basis if required, the Bank's liquidity position. Appropriate limits on liquidity and maturity mismatch are set and sufficient liquid assets are held to ensure that the Bank can meet all its short-term funding requirements.

The Bank's funding comprises mainly of customer deposits and borrowings, both short as well as long term. Short-term interbank deposits are taken on a limited basis and the Bank is generally a net lender to the interbank market.

The table in note 2(g) of the financial statements analyses the Bank's assets and liabilities into relevant maturity buckets.

The Bank monitors liquidity gaps on a static, cumulative as well as on a dynamic basis. Under the dynamic scenario, the Bank arranges assets and liabilities into different maturity ranges according to BOM guideline on Liquidity Risk Management, taking into account the historical behavioural pattern of these assets and liabilities.

Stress testing and scenario analysis form an important part of the Bank's liquidity management process. Extreme stress situations are simulated to analyse the capacity of the Bank to withstand those shocks and still manage its liquidity comfortably. A Contingent Liquidity Plan is in place to prepare for any extreme liquidity stress scenario.

As at 31 December 2017, Bank liquidity was manageable even in stressful conditions with clearly identified actions plans for extreme stress events.

OPERATIONAL RISK

The management of operational risk within Bank One is aligned to the enterprise-wide risk management approach in accordance with the Basel Committee's guidance on "Sound Practice for the Management and Supervision of Operational Risk" and the Bank of Mauritius Guidelines on Operational Risk Management.

Reinforcement of resilience to the risk of severe disruptions caused by internal failures or external events is a key focus area for the Bank. The Bank is fully equipped with a modern Disaster Recovery (DR) site as per best practice standards. Testing of the Bank's Continuity Plan is performed semi-annually. A critical departments test is conducted in the second quarter of the year with a full Bank wide test conducted in the last quarter of each year.

Operational Risk Team compiles, consolidates and submits a monthly report to the Management Operational Risk Committee and a quarterly report to BRMC to assess the risk levels the Bank is exposed to. Remedial measures are recommended for adoption to tackle both the identified risks and their residual risks.

In line with BOM Guidelines, the Bank captures all the operational losses in its internal loss database and immediately reports all single event operational losses of at least 1% of their capital base or Rs5m, whichever is lower.

The capital charge for operational risk is provided under the Basic Indicator Approach. The capital requirement for operational risk is equal to 15% of the average gross income over the previous 3 years.

After considering the Bank's size and the scale and complexity of its operations, the exposure to operational risk is considered to be acceptable and similarly the control processes are considered adequate. However, continuous improvements are continuously introduced to ensure effective control. This is particularly relevant to Risk Control Self-Assessment and Internal Control frameworks.

RISK MANAGEMENT REPORT

COUNTRY RISK

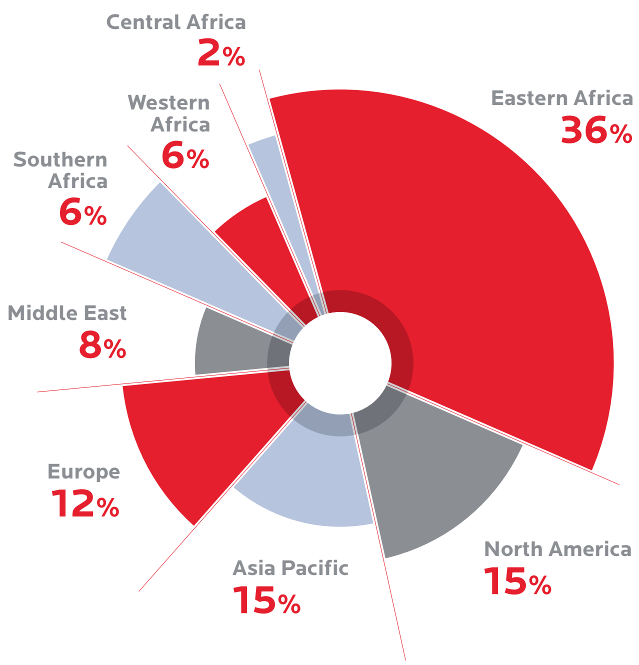
The Bank has a Country Risk Management Policy (CRMP) containing the guidelines, systems and processes to effectively identify, assess, monitor and control its country risk exposures. The CRMP is reviewed on an annual basis. The policy includes identification of countries with acceptable risks and high risk countries.

Countries are assigned risk ratings and then country exposure limits are determined by BRMC. Wherever possible, "on the ground information" is obtained from group or associate companies operating in such jurisdictions.

Country exposure limits are reviewed by BRMC on a quarterly basis. Interim reviews are also conducted and submitted to BRMC anytime during the year, in urgent response to substantive changes, if any, in a country's risk profile.

Country Risk Exposures by Region as at 31 December 2017 is shown in the chart below:

Country Risk Exposures by Region as at 31 December 2017



Eastern Africa accounts for 36% of the Country Risk exposure. The prior year's concentration risk to Eastern Africa has reduced substantially from 63% recorded as at end December 2016. The Bank has diversified its country risk with greater exposures towards North America, Asia Pacific and Southern Africa.

COMPLIANCE RISK

In terms of independence, the Compliance function has been set up in line with the BOM Guideline on Corporate Governance and reports into BRMC. In line with regulatory requirements, the Bank has moved to a risk-based approach to Compliance Risk Management. The aim of the Compliance function is to shield the organization from legal/regulatory sanctions as well as financial/reputation losses.

In view of the importance of financial crime in the industry, the Bank uses an automated monitoring tool for AML and sanctions ongoing monitoring. Dedicated and qualified team members have been assigned to a specialised team with appropriate segregation of duties. The regulatory landscape is frequently scanned to ensure compliance to regulations and laws.

BUSINESS RISK

The Bank's business strategy for Vision 2020 has been defined and approved by the Board. The strategic direction of the Bank is reviewed once a year and forms part of the annual business budget and operating plan of the Bank. This is done in conjunction with the Risk Appetite review so that a holistic approach is prudently adopted.

REPUTATION RISK

The Bank continues to dynamically assess and monitor reputational risk on a qualitative basis through a reputation risk heat map. Overall Reputation Risk was maintained at a satisfactory level in 2017.

RISK CAPITAL MANAGEMENT

Bank One's capital management policies and practices support its growth strategy and ensure that the Bank is always well-capitalised to withstand any macroeconomic downturns. The Bank strives for continual enhancement of shareholder value by efficiently using capital in order to maximise the return on equity.

CAPITAL ADEQUACY ASSESSMENT

As per Basel III guidelines, the Bank is required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.625%.

The Bank has computed its CAR on 31 December 2017 in compliance with the requirements of the regulatory guidelines on Basel III as well as the macro-prudential measures introduced by BOM, effective July 2014.

The capital charge for operational risk has been computed under the Basic Indicator Approach and the capital charge for credit and market risk under the Standardised Approach.

As at December 2017, the Bank`s CAR stood at 12.93% (*against a regulatory requirement of 10.625%*), out of which the Common Equity Tier I (CET I) CAR was 9.40% (*against minimum regulatory requirement of 6.5%*).

	Basel III		
	Dec-15	**Dec-16**	**Dec-17**
	Rs 000	**Rs 000**	**Rs 000**
Core Capital (Tier 1 Capital)			
Paid up Capital	856,456	856,456	856,456
Statutory Reserve	145,083	191,821	247,950
Retained Earnings	707,284	967,011	1,239,958
Deductions			
Intangibles	(37,424)	(40,693)	(41,580)
Deferred Tax	(95,399)	(71,918)	(71,766)
Investment in other banks	(29,187)	(36,915)	(37,053)
Total Tier 1 Capital	**1,546,813**	**1,865,762**	**2,193,965**
Supplementary Capital (Tier 2 Capital)			
Reserves arising from revaluation of Assets	35,503	34,800	41,520
Portfolio Provision	146,000	175,000	205,656
General Banking Reserves	31,094	54,328	67,803
Subordinated Debt	212,909	474,008	500,567
Fair Value Gains	2,978	6,392	8,537
Total Tier 2 Capital	**428,484**	**744,528**	**824,083**
Total Capital Base	**1,975,297**	**2,610,290**	**3,018,048**
Risk Weighted Assets for:			
Credit Risk	14,167,509	18,887,265	21,876,694
Market Risk	59,629	16,255	60,734
Operational Risk	1,057,484	1,286,836	1,405,912
Total Risk Weighted Assets	**15,284,622**	**20,190,356**	**23,343,340**
Tier 1 Ratio	10.12%	9.24%	9.40%
Capital Adequacy Ratio	**12.92%**	**12.93%**	**12.93%**

RISK MANAGEMENT REPORT

Risk Weighted On Balance Sheet Items	Rs 000	Risk Weight %	Risk Weighted Dec-15 Rs 000	Risk Weighted Dec-16 Rs 000	Risk Weighted Dec-17 Rs 000
Cash in Hand and with Central Bank	1,815,203	0%	-	-	-
Balance and Placements with Banks	3,894,555	20-100%	2,020,769	3,017,890	1,021,408
Balance in Process of Collection	56,055	20%	4,887	6,700	11,211
Treasury Bills and GOM Bills	3,400,148	0%	-	-	-
Other Investments	468,416	20-100%	337,500	658,526	468,416
Fixed and Other Assets	548,744	100%	405,532	487,995	548,744
Loans and Advances	21,579,324	0 - 100%	11,074,451	14,169,640	19,596,138
	31,762,445		**13,843,139**	**18,340,751**	**21,645,917**

Risk Weighted Off-Balance Sheet Items	Credit Conversion Factor (%)	Risk Weight %	Risk Weighted Dec-15 Rs 000	Risk Weighted Dec-16 Rs 000	Risk Weighted Dec-17 Rs 000
Acceptances and Bills of Exchange	100%	100%	278,836	520,285	177,603
Guarantees, bonds, etc	50%	100%	32,450	13,938	33,187
Letters of credit	20%	100%	9,996	2,415	5,567
Foreign Exchange Contracts	1% to 7.5%	20-100%	3,088	9,876	14,420
			324,370	**546,514**	**230,777**

Risk-Weighted Assets for Market risk	Dec-15	Dec-16	Dec-17
Foreign Exchange risk	59,629	16,255	60,734
Interest Rate Risk	-	-	-
Equivalent Risk-Weighted Assets	**59,629**	**16,255**	**60,734**

Risk-Weighted Assets for Operational Risk	Dec-15	Dec-16	Dec-17
Average Gross Income for last 3 years	704,989	857,891	937,275
Capital Charge	105,748	128,684	140,591
Equivalent Risk-Weighted Assets	**1,057,484**	**1,286,837**	**1,405,912**

Summary of Risk Weighted Exposures	Dec-15	Dec-16	Dec-17
Risk Weighted On Balance Sheet Assets	13,843,139	18,340,751	21,645,917
Risk Weighted Off-Balance Sheet Exposures	324,370	546,514	230,777
Risk Weighted on Market Risk	59,629	16,255	60,734
Risk Weighted on Operational Risk	1,057,484	1,286,836	1,405,912
Total Risk-Weighted Assets	**15,284,622**	**20,190,356**	**23,343,340**

In line with the recommendations of the Bank of Mauritius Guideline on the recognition and use of the External Credit Assessment Institutions (ECAI)[1], the ratings from the agencies listed below have been used in computing the relative risk weights for balances with foreign banks, lending to foreign entities and banks and other foreign investments.

[1] ECAI includes Moodys, Standard & Poors, Fitch and recently BOM approved CARE Ratings.

FUTURE CAPITAL REQUIREMENTS

In view of the continuous growth of Bank One assets portfolio associated with new products, markets and activities, the Bank intends to raise additional capital either through injection by its main shareholders or through other eligible instruments qualifying as Tier I or Tier II.

INTERNAL CAPITAL ADEQUACY ASSESSMENT AND SUPERVISORY REVIEW PROCESS

Internal Capital Adequacy Assessment Process (ICAAP) is an informative exercise carried out to inform the Board on Bank's risks and their impact on the Bank`s business. With this exercise, the Bank is in a better position to prepare mitigating measures to counter the impact in case the conditions relating to the risks materialise.

The Bank's ICAAP is conducted on a bi-annual basis, or earlier if warranted, where the level of capitalisation of Bank One is determined using different types of plausible as well as unexpected stress scenarios.

Stress testing forms an integral part of the ICAAP. Stress testing is performed monthly to assess the impact for market risks and reported to the Assets & Liabilities Committee. The same exercise is carried out more intensively yearly including on other risks not included in the actual capital computations and reported in ICAAP report.

Assessment of the overall capital adequacy through the ICAAP requires thorough identification of all material risks, measurement of those that can be reliably quantified, and systematic assessment for the limitations of minimum risk-based capital requirements so that the Bank is in norms with the regulatory body.

Moreover, the supervisory review and evaluation process is used to evaluate the Bank's risk profile including an assessment of the level of risk and the risk management systems for the main risks such as credit, operational, market, liquidity, strategic and reputation risks.

METHODOLOGY AND ASSUMPTIONS

Type of Risk	Methodology for Assessment
Operational Risk	Risk & Control Self-Assessment/Operational Risk Heat Map
Concentration Risk	HH Index and Stress Testing
Country Risk	Quantitative and Qualitative Assessment
Liquidity Risk	Ratio Analysis and Stress Testing
Interest Rate Risk in Banking Book	Gap Analysis and Stress Testing
Compliance Risk	Qualitative Assessment
Reputational Risk	Reputation Heat Map

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the Bank and which comply with the Companies Act 2001, the Banking Act 2004 and the International Financial Reporting Standards.

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 are also responsible for the safeguarding of the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the annual report and financial statements. The Board acknowledges its responsibility for ensuring the preparation of the financial statements in accordance with the International Financial Reporting Standards and the responsibility of external auditors to report on these financial statements. The Board also acknowledges its responsibility for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Approved by the Board of Directors and signed on its behalf by

Sandra Martyres
Chairperson of the Board of Directors

Ravneet Chowdhury
Chief Executive Officer

Leonard C. Mususa
Chairman of the Audit Committee

28 March 2018

STATEMENT OF MANAGEMENT RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Bank's financial statements presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Accounting Standards/International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder 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, procedure manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review & Corporate Governance and Risk Management Committee, which comprise Independent Directors, 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 programme 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.

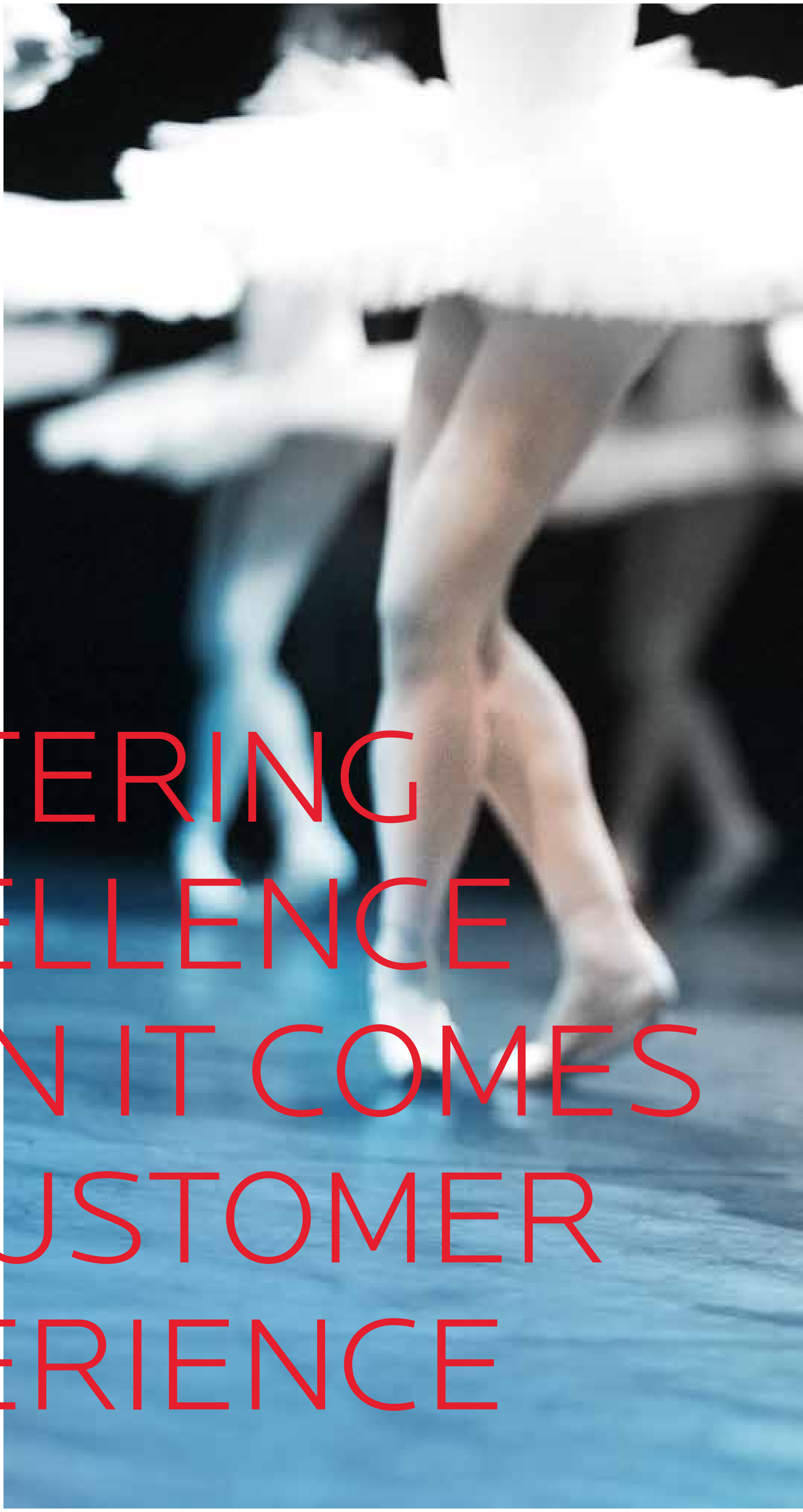
The Bank's external auditors, PwC, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Sandra Martyres
Chairperson of the Board of Directors

Ravneet Chowdhury
Chief Executive Officer

Leonard C. Mususa
Chairman of the Audit Committee

28 March 2018



FOSTERING EXCELLENCE WHEN IT COMES TO CUSTOMER EXPERIENCE

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK ONE 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 Bank One Limited (the "Bank") as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

WHAT WE HAVE AUDITED

The Bank One Limited's accompanying financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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

Independence

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the financial highlights, the corporate profile, the chairperson's report, the ceo's report, the economic review, the corporate governance report, the statement of compliance, the company secretary certificate, the CSR report, the management discussions and analysis, the risk management report, the statement of directors responsibilities in respect of financial statements and the statement of management responsibilities in respect of financial statements and the branch network but does not include the financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

The directors are responsible for overseeing the financial reporting process.

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.

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 tax advisor;

(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:

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

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

MAURITIAN FINANCIAL REPORTING ACT 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

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

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Bank's shareholders, as a body, 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

28 March 2018

Gilles Beesoo,

licensed by FRC

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Interest income		1,080,674	1,022,557	902,756
Interest expense		(367,117)	(323,403)	(294,463)
Net interest income	3	713,557	699,154	608,293
Fee and commission income		271,295	411,836	318,988
Fee and commission expense		(123,196)	(200,132)	(151,946)
Net fee and commission income	4	148,099	211,704	167,042
Net gain on dealing in foreign currencies and derivatives	5	82,917	84,015	72,258
Other operating income	6	14,987	397	9,401
		97,904	84,412	81,659
Operating income		959,560	995,270	856,994
Personnel expenses	8	(367,600)	(313,654)	(311,032)
Depreciation and amortisation	17 & 18	(43,691)	(34,392)	(35,189)
Other expenses	9	(136,203)	(144,785)	(134,476)
		(547,494)	(492,831)	(480,697)
Profit before impairment		412,066	502,439	376,297
Net impairment loss on financial assets	7	(11,299)	(153,626)	(165,158)
		(11,299)	(153,626)	(165,158)
Profit before income tax		400,767	348,813	211,139
Income tax (expense)/credit	10	(26,568)	(37,229)	15,790
Profit for the year		374,199	311,584	226,929
Basic earnings per share (Rs)	11	43.69	36.38	30.37

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Profit for the year	374,199	311,584	226,929
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation net of tax (note 26)	(25,539)	(4,924)	(2,063)
Revaluation on building net of tax	14,934	(1,561)	-
Items that may be reclassified subsequently to profit or loss:			
Unrealised losses on available-for-sale investments recycled to profit or loss	1,584	-	-
Net fair value (loss)/gain on available for sale investment securities net of tax	(7,252)	7,586	(6,893)
Other Comprehensive Income for the year	(16,273)	1,101	(8,956)
Total Comprehensive Income for the year	357,926	312,685	217,973

The notes on pages 78 to 135 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
ASSETS				
Cash and cash equivalents	12	4,221,988	4,584,789	3,670,672
Derivative assets held for risk management	13	4,824	1,337	207
Loans and advances to banks	14	3,707,245	1,650,343	534,289
Loans and advances to customers	15	17,746,327	13,750,096	12,335,145
Investment Securities - Available-for-sale	16	2,249,806	1,494,704	843,338
Investment Securities - Held-to-maturity	16	1,968,379	2,296,326	1,683,082
Property and equipment	17	403,161	372,417	322,653
Intangible assets	18	41,580	40,693	37,424
Deferred tax assets	19	71,766	71,918	95,399
Other assets	20	1,296,936	1,024,519	774,326
Total assets		31,712,012	25,287,142	20,296,535
LIABILITIES				
Deposits from customers	21	28,299,442	22,187,299	17,321,879
Derivative liabilities held for risk management	13	822	11,423	5,622
Other borrowed funds	22	123,441	188,431	474,379
Subordinated liabilities	23	512,205	524,390	410,635
Current tax liabilities	24	11,609	6,959	1,880
Other liabilities	25	304,228	240,301	266,486
Total liabilities		29,251,747	23,158,803	18,480,881
EQUITY				
Stated capital	27	856,456	856,456	856,456
Retained earnings		1,239,958	967,011	707,284
Other reserves		363,851	304,872	251,914
Total Equity		2,460,265	2,128,339	1,815,654
Total equity and liabilities		31,712,012	25,287,142	20,296,535

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.

Sandra Martyres
Chairperson of the Board of Directors

Ravneet Chowdhury
Chief Executive Officer

Leonard C. Mususa
Chairman of the Audit Committee

The notes on pages 78 to 135 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Stated capital	Revaluation surplus	Statutory reserve	General Banking reserve	Fair value reserve	Retirement Benefit Plan reserve	Retained earnings	Total equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1 January 2015	731,456	78,895	111,044	92,093	13,512	(25,829)	471,510	1,472,681
Profit for the year	-	-	-	-	-	-	226,929	226,929
Other comprehensive income for the year	-	-	-	-	(6,893)	(2,063)	-	(8,956)
Transfer to general banking reserve	-	-	-	(42,884)	-	-	42,884	-
Transfer to statutory reserve	-	-	34,039	-	-	-	(34,039)	-
Total comprehensive income	-	-	34,039	(42,884)	(6,893)	(2,063)	235,774	217,973
Transactions with owners								
Issue of shares	125,000	-	-	-	-	-	-	125,000
Total transactions with owners	125,000	-	-	-	-	-	-	125,000
Balance as at 31 December 2015	856,456	78,895	145,083	49,209	6,619	(27,892)	707,284	1,815,654
Balance as at 1 January 2016	856,456	78,895	145,083	49,209	6,619	(27,892)	707,284	1,815,654
Profit for the year	-	-	-	-	-	-	311,584	311,584
Other comprehensive income for the year	-	(1,561)	-	-	7,586	(4,924)	-	1,101
Transfer to general banking reserve	-	-	-	5,119	-	-	(5,119)	-
Transfer to statutory reserve	-	-	46,738	-	-	-	(46,738)	-
Total comprehensive income	-	(1,561)	46,738	5,119	7,586	(4,924)	259,727	312,685
Balance as at 31 December 2016	856,456	77,334	191,821	54,328	14,205	(32,816)	967,011	2,128,339
Balance as at 1 January 2017	856,456	77,334	191,821	54,328	14,205	(32,816)	967,011	2,128,339
Profit for the year	-	-	-	-	-	-	374,199	374,199
Other comprehensive income for the year	-	14,934	-	-	(5,668)	(25,539)	-	(16,273)
Transfer to general banking reserve	-	-	-	19,123	-	-	(19,123)	-
Transfer to statutory reserve	-	-	56,129	-	-	-	(56,129)	-
Total comprehensive income	-	14,934	56,129	19,123	(5,668)	(25,539)	298,947	357,926
Transactions with owners								
Dividend	-	-	-	-	-	-	(26,000)	(26,000)
Total transactions with owners	-	-	-	-	-	-	(26,000)	(26,000)
Balance as at 31 December 2017	856,456	92,268	247,950	73,451	8,537	(58,355)	1,239,958	2,460,265

Revaluation surplus

Revaluation surplus, which comprises the changes in the carrying amount arising on revaluation of property and equipment.

Statutory reserve

Statutory reserve, which comprises the accumulated annual transfer of 15% of the net profit for the year in line with Section 21(1) of the Banking Act 2004.

Fair value reserve

Fair value reserve, which comprises the cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

General Banking reserve

General Banking reserve comprises provisions in line with the Bank of Mauritius macroprudential guidelines, and provisions for country risk.

Dividend

During the year under review, the Directors approved a dividend payment of Rs 26m - Rs 3.04 per share (2016 and 2015 - Nil). The dividend was paid out of retained earnings.

The notes on pages 78 to 135 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Cash flows from operating activities			
Profit before income tax	400,767	348,813	211,139
Net change on provision for credit impairment (note 7)	11,299	153,626	165,158
Depreciation (note 17)	30,110	21,045	22,124
Amortisation (note 18)	13,581	13,347	13,065
Loss on disposal of property and equipment	643	6,091	4,222
Change in provisions and pensions obligations	14,817	2,226	(2,910)
Gain on sale of securities	(14,379)	(2,360)	(7,656)
Others	42,805	(4,164)	15,422
Net interest income	(713,557)	(699,154)	(608,293)
	(213,914)	(160,530)	(187,729)
Changes in operating assets and liabilities			
Movement in Derivatives	(14,088)	4,671	(7,080)
Increase in loans and advances			
- to banks	(2,076,646)	(1,127,321)	(222,680)
- to customers	(3,934,211)	(1,536,400)	(1,938,808)
(Increase)/decrease in other assets	(245,863)	(247,858)	596
Increase in deposits from customers	6,073,781	4,824,760	1,855,421
Increase/(decrease) in other liabilities	33,070	(43,585)	(14,453)
Interest received	1,027,098	1,001,647	887,070
Interest paid	(328,754)	(282,743)	(298,045)
Income tax paid	(14,589)	(9,264)	(33,820)
Net cash from operating activities	301,884	2,423,377	40,472
Cash flows from investing activities			
Purchase of investment securities	(9,245,028)	(7,765,000)	(2,509,174)
Proceeds from sale of investment securities	8,296,875	6,967,049	1,769,312
Purchase of property and equipment (note 17)	(50,515)	(79,752)	(21,239)
Proceeds from sale of other assets	-	9,809	-
Proceeds from sale of property and equipment	197	3,287	295
Purchase of intangible assets (note 18)	(14,468)	(16,623)	(12,761)
Net cash used in investing activities	(1,012,939)	(881,230)	(773,567)
Cash flows from financing activities			
Proceeds from shares issued (note 27)	-	-	125,000
Repayment of other borrowed funds	(41,273)	(34,208)	(187,412)
Proceeds from subordinated liabilities	-	119,884	-
Repayment of subordinated liabilities	(50,000)	-	(37,209)
Dividend paid	(26,000)	-	-
Net cash (used in)/from financing activities	(117,273)	85,676	(99,621)
Cash and cash equivalents at beginning of the year (note 12)	5,519,687	3,891,864	4,724,580
Net cash from operating activities	301,884	2,423,377	40,472
Net cash used in investing activities	(1,012,939)	(881,230)	(773,567)
Net cash (used in)/from financing activities	(117,273)	85,676	(99,621)
Net (decrease)/increase in cash and cash equivalents	(828,328)	1,627,823	(832,716)
Cash and cash equivalents at end of year (note 12)	4,691,359	5,519,687	3,891,864

The notes on pages 78 to 135 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Bank One Limited (The Bank) is a privately owned entity incorporated on 26 March 2002 in the Republic of Mauritius and licensed with the Bank of Mauritius to carry out banking business. The Bank is owned jointly by Ciel Finance Ltd and I&M Holdings Limited, holding 50% shareholding each. The Bank is domiciled in the Republic of Mauritius with registered address as follows:

Bank One Limited

16, Sir William Newton Street

Port Louis

Mauritius

1.1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Bank One Limited comply with the Mauritian Companies Act 2001 and the Banking Act 2004 and have been prepared in accordance with International Financial Reporting Standards (IFRS), Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned. Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The financial statements have been prepared under the historical cost convention, except for the following assets and liabilities that are measured at fair value:

1. financial assets measured at fair value through other comprehensive income;
2. financial assets measured at fair value through profit or loss;
3. certain classes of property and equipment;
4. defined pension benefits plan; and
5. derivative assets and liabilities held for risk management purposes.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.2.

New standards, amendments and interpretations to standards effective 1 January 2017

The adoption of the below amendment for the financial period beginning on 1 January 2017 has resulted in additional disclosures in the financial statements:

Disclosure Initiative

The adoption of the amendments to IAS 7 has resulted in additional disclosures in the financial statements in respect of changes in the Bank's liabilities arising from financing activities. The Bank has provided a reconciliation for the movement of its subordinated liabilities in Note 23 – subordinated liabilities.

The bank has also provided a net debt reconciliation in note 12 – cash and cash equivalents.

Recognition of Deferred Tax Assets for Unrealised Losses

The Bank has considered the amendments made to IAS 12 when accounting for deferred tax on assets measured at fair value when the fair value is below the asset`s tax base.

Adoption of the below new amendments and interpretations did not have an impact on the financial statements:

- Annual improvements 2014-2016 cycle: Amendments to IFRS 12 - The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held-for-sale, except for the summarised financial information.

New standards, amendments and interpretations to standards not yet adopted

A number of new standards, amendments, interpretations to standards are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the Bank's financial statements, except the following:

IFRS 9, 'Financial instruments'

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one Management actually use for Risk Management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Management has already set up a project team and is in advanced stage of closing the implementation.

Prior to implementation of IFRS 9, Bank One benchmarked its current state to the new standard requirements across several essential parameters such as data, models, accounting and business model to identify the gaps and understand the readiness for adoption of IFRS 9. Bank One developed a detailed implementation plan, outlined with target completion dates against each activity and internal stakeholder responsibilities, for the implementation of the requirements of IFRS 9 and is following the plan to meet the stipulated timelines.

Bank One shall perform considerable parallel run before implementation of the new aspects introduced by the standard to ensure robust implementation. This assessment will be based on information currently available and may be subject to change arising from additional reasonable and supportable information being made available to the company in the future. Bank One expects similarity between the existing and revised classification and measurement of financial assets and liabilities under IFRS 9.

Classification and measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss.

With respect to the classification and measurement, the number of financial categories of financial assets under IFRS 9 has been reduced: all recognised financial assets that are currently within the scope of IAS 39 will subsequently be measured at either amortised cost or fair value under IFRS 9. The classification and measurement of financial assets into the categories mentioned above will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics;

Specifically:

- A debt instrument that is held within a business model whose objective is to collect the contractual cash flows that are solely payment of principal interest on the principal amount outstanding must be measured at amortised cost (net of any write down impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option;
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVOCI, unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option;
- All other debt instruments must be measured at FVTPL; and
- All equity investments are to be measured in the statement of financial position at fair value, with gains or losses recognised in profit or loss except that if an equity investment is not held for trading, nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, an irrevocable election can be made at initial recognition to measure the investment at FVOCI, with dividend income recognised in profit and loss.

IFRS 9 retains almost all of the existing requirements from IAS 39 on the classification of financial liabilities, including those relating to embedded derivatives except for financial liabilities classified at FVTPL using the fair value option. The amount of change in fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit and loss. Under IAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit and loss is presented in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

New standards, amendments and interpretations to standards not yet adopted (Cont'd)

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. In the case of Bank One, the new impairment requirements are applied to debt instruments accounted for at amortized cost or at FVOCI; most loan commitments; and lease receivables under IAS 17 Leases.

At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets where 12-month ECL is recognized are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

As a result, an increase in the total level of impairment allowances is expected, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

The following variables are key inputs for measuring expected credit losses, ECL:

- Exposure at default, EAD
- Loss given default, LGD
- Probability of default, PD

EAD is the expected exposure in the event of a default and is derived from the counterparty's current exposure and all potential changes to the current amount allowed under the contract including amortisation. These potential changes are estimated using an internally developed EAD-ECL tool which models the range of possible exposure outcomes at multiple points in time using scenario and statistical techniques.

The EAD-ECL tool differentiates the different category of financial assets. Financial assets EAD is its gross carrying amount. Overdrafts and financial guarantees EAD includes the amount drawn and 50% of the undrawn amount as per Basel guidelines.

LGD is the possible loss rate after a default event occurred. For both LGD and PD, the Bank segmented its book into Retail, Corporate, IBD, Banks and Off-balance sheet portfolios. The bank adopted the LGD figures from Basel guidelines for its portfolios due to insufficient data available to reconcile the history of recovery rates of claims against defaulted counterparties. The bank is setting up new structures for efficient data keeping and aims to migrate to internally developed LGD models once adequate data is available to support the relevant LGD models. For Corporate (excluding individuals), IBD (excluding individuals) and Banks portfolio, the bank acquired RiskCalc - Moody's software to obtain estimates of LGD using its emerging markets models and banks models 4.0.

PD is the likelihood that a particular borrower will default. PD are point in time estimates which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. For Retail, Corporate (individual clients only), Private and IBD (individual clients only) portfolio, the Bank developed statistical models (logistic regressions) based on internally compiled data comprising both quantitative and qualitative factors. For Corporate (excluding individual clients), IBD (excluding individual clients) and banks portfolio, the RiskCalc - Moody's software is used to extract both ratings and PD estimates using the emerging market model and banks model 4.0.

Impact assessment

There will be no impact on the Bank's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Bank does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts.

The Bank's debt instruments that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Bank include:

- equity instruments currently classified as Available-for Sale for which a FVOCI election is available; and
- debt instruments currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

Accordingly, the Bank does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

During the 2017 financial year, MUR 14m of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

Based on the assessments undertaken to date, the Bank does not expect any significant increase in the loss allowance. A change in loss allowance by approximately 2.5% in relation to debt investments held at amortised cost has been observed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Bank will apply the new rules from 1 January 2018, however, comparatives for previous years will not be restated.

IFRS 16: On 13 January 2016, the IASB published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. The standard applies to annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. The Bank is still assessing the impact of IFRS 16 on its operating lease commitment.

(b) Foreign currency translation

(i) Functional and presentation currency

These financial statements are prepared in Mauritian Rupees (Rs), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the closing rate of exchange ruling at the reporting date. Differences arising from reporting monetary items are dealt with in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

1.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Interest income and expense

Interest income and expense are recognised in profit or loss for all interest-bearing financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When a receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

(e) Net gain/(loss) on dealing in foreign currencies and derivatives

Net gain/(loss) on dealing in foreign currencies and derivatives comprise of net gains on foreign exchange transactions, fair value gain/(loss) on derivatives and translation differences.

(f) Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of statement of cash flows, cash and cash equivalents comprise cash and unrestricted balances with Bank of Mauritius, balances with less than 90 days maturity from the date of acquisition including: borrowings from banks in Mauritius and abroad, balances with other financial institutions, investment securities and trading assets. The mandatory cash balance is included in other assets

Cash and cash equivalents are carried at amortised cost.

(g) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Gains or losses arising from change in fair value of the derivatives are included in the profit or loss as net gain/(loss) on dealing in foreign currencies and derivatives. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards involving Mauritian Rupees are based on treasury bills rate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately in profit or loss.

The Bank's derivative transactions, while providing effective economic hedges under the Bank's Risk Management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are, therefore, treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

(h) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) those that the Bank intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Bank upon initial recognition designates as available-for-sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the fair value consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loan to banks and loans to customers. Interest on loans receivable and loans and advances is included in the statement of profit or loss and is reported as interest income on loans. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit or loss as 'net impairment loss on financial assets'.

(i) Investment securities

(i) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Directors have the positive intention and ability to hold to maturity, other than:

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank designates as available-for-sale; and

(c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

(ii) Available-for-sale

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the fair value consideration including any transaction cost, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income and cumulated in a separate reserve in equity, fair value reserve, until the financial asset is derecognised.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are released in the statement of profit or loss as "Gains or losses on sale of available-for-sale securities" under "other operating income". However, interest is calculated using the effective interest method, and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised as other operating income in profit or loss.

The fair value of a debt instrument is the present value of the expected future cash flows discounted at the current market rate of interest for a similar financial asset. Changes in the fair value of instruments designated as available-for-sale are recognised in the statement of comprehensive income.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in 'dividend income' when the entities' right to receive payment is established.

(j) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') at a predetermined price are reclassified in the financial statements as trading or investment securities and the counterparty liability is included in 'borrowings from other financial institutions'. Securities purchased under agreements to resell ('reverse repos') are recorded as loans to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of 'repos' agreements using the effective yield method.

1.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of financial assets

(i) Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the Directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any difference between loss estimates and actual loss experience.

Additional provisions for certain specific sectors are made in accordance with the BOM macro-prudential measures.

Country risk provisions are made based on the internal policy of the Bank.

All provisions with regard to macro-prudential measures and country risk are booked as appropriation of earnings and kept in General Banking Reserve.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account in profit or loss for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Assets classified as available-for-sale

In the case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If in a subsequent period, the fair value of an equity or debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Bank has entered in a master netting agreement (ISDA) with the following correspondent banks:

(i) The Standard Bank of South Africa Limited

(ii) Citigroup Global Markets Limited

(iii) Barclays Bank (Mauritius) Ltd

(iv) FirstRand Bank Limited

(v) Citibank, N.A

(m) Recognition and derecognition of financial assets

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Bank commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(n) Reclassification of financial assets

The Bank may choose to reclassify a non-derivative trading financial asset out of held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Reclassifications are made at fair value as at the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments.

The classification can be seen in the table below:

Category		Class		Subclasses
Financial Assets	Loans and receivables	Loans and advances to banks		Term Loans
		Loans and advances to customers	Loans to individuals	Credit Cards Mortgages Other Retail Loans
			Loans to corporate entities	Corporate Customers
			Loans to entities outside Mauritius	Offshore Retail and Corporate Loans
	Held-to-maturity investment securities	Investment securities Debt instruments		Unlisted
	Available-for-sale investment securities	Investment securities Debt instruments		Unlisted
		Investment securities Equity instruments		Unlisted
	Derivatives assets held for risk management			
Financial Liabilities	Deposits	Deposits from customers		Retail customers Corporate customers International customers Government
	Derivatives liabilities held for risk management (FVTPL)			
	Borrowings (HTM)	Other borrowed funds		Local and foreign banks
	Subordinated liabilities (HTM)			
Off-balance sheet financial Instruments	Loans commitments			Retail customers Corporate customers International customers Private customers
	Guarantees, acceptances and other financial facilities		Acceptances Guarantees Letters of credit	Retail customers Corporate customers International customers Private customers

(p) Property and equipment

Property and equipment (except land and building) are carried at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings are stated at revalued amounts. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer & Office equipment	3-5 years
Furniture, fixtures	10 years
Motor Vehicles	5 years

The assets' residual values and useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are recognised as income or expense in profit or loss. On disposal of revalued assets, the corresponding amounts included in the revaluation surplus are transferred to retained earnings.

Revaluation of property

Properties are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to Other Comprehensive Income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in Other Comprehensive Income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

As per the Bank's policy, the Bank's properties are subject to a revaluation exercise every 3 years, carried out by a professional property valuation officer.

(q) Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(r) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow (cash generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(s) Financial Liabilities

The Bank`s holding in financial liabilities represents mainly deposits from customers, subordinated liabilities, other borrowed funds and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

For subordinated liabilities and other borrowed funds, the initial fair value equals their proceeds (fair value of consideration received) net of transaction costs incurred.

1.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Provisions for liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, 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.

(u) Employee Benefits

(i) Defined contribution plans

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.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions. 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 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.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flow using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they occur.

The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate to the net defined benefit liability/(asset) and the fair value of the planned asset.

Net interest expense/(income) is recognised in statement of profit or loss.

Service costs comprising current service cost and past service cost are recognised immediately in the statement of profit or loss. Current service cost reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit charges curtailments and settlements.

(iii) Preferential loans to employees

The Bank grants loans to its employees at preferential rates. The prepaid employee benefits on these loans is accounted for under 'other assets' and is recognised in profit or loss over the shorter of the life of the loan and the expected service life of the employee. The interest rate on the loan reverts to market rate from the day the employee is no longer employed by the Bank. There may be cases where, following special arrangements, the Bank agrees to keep the loan of the leavers at preferential rates. The prepaid employee benefits is the difference between the present value of future cash flows discounted at commercial rate (which are rates that would be given to similar customers in arm's length transactions), and the carrying amount of the loan. Interest on such loans is then recognised at market rate over the life of the loan.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or when the employee accepts voluntary redundancy in exchange of these benefits. The Bank recognises termination benefits at the earlier of the following dates:

(a) When the Bank can no longer withdraw the offer of those benefits;

(b) When the Bank recognises costs for a restructuring that is within the scope of IAS 37 and involves payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

As at 31 December 2017, no provision has been made for termination benefits.

(v) Income Tax

Tax expense for the period includes current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are recoverable or unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The Bank is also liable to pay a special levy on taxable income for Segment A and operating income and profit before tax for Segment B based on the rates enacted at the reporting date.

The Bank also makes a statutory provision for CSR activities at the rate of 2% of chargeable income (Segment A only) as per Income Tax Act 1995 Section 50L.

(ii) Deferred income tax

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authorities.

(w) Stated Capital

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

(x) Dividend policy

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

(y) Leases

Accounting for leases - where the Bank is the lessor

(i) Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable, the amount being equal to the net investment in the leases after specific provision for bad and doubtful debts in respect of all identified impaired leases in the light of periodical reviews.

The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Accounting for leases - where the Bank is the lessee

(ii) Operating leases

Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

1.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) Acceptances, letters of credit and financial guarantee contracts

Acceptances and letters of credit

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances and letters of credit are accounted for as off-balance sheet items and are disclosed as contingent liabilities and commitments.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation calculated to recognise in profit or loss the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. Any increase in the liability relating to guarantees is taken to profit or loss.

(aa) Repossessed assets

Repossessed assets are accounted at lower of the loan carrying amount and the fair value of the property. Repossessed assets are disclosed as part of other assets.

(ab) Segmental reporting

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 gives rise to foreign source income. Such services may be fund based or non-fund based.

Segment A relates to banking business other than Segment B business.

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

Neither these guidelines nor IFRS mandate the application of IFRS 8 to the financial statements of the Bank. The financial statements do not purport to comply with the requirements of IFRS 8.

(ac) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where International Accounting Standard 8 on Accounting Policies, changes in accounting estimates and errors apply, comparative figures have been adjusted to conform with changes in presentation in the current year.

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and Directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The Directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. 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.

Specific provisioning

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements based on any observable data which could indicate an impairment followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers discounted as per requirements of the Bank of Mauritius Guidelines on Credit Impairment.

Portfolio provisioning

In assessing the portfolio provisioning, Management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

As at 31 December 2017, Portfolio Provisioning amounted to Rs206m representing above 1% of the total performing loan portfolio. Had there been an increase of 0.25% in Portfolio Provisioning, the additional charge to the 2017 financial statements would amount to Rs59m.

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require Management to make estimates.

Refer to note 2 (i) fair value hierarchy for sensitivity analysis.

(c) Held-to-maturity investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost. If all held-to-maturity investments were to be so reclassified, the carrying value would increase by Rs8m, with a corresponding entry in the fair value reserve in shareholders' equity.

(d) Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year and which are validated by the Bank. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Should there be a 1% increase in the future long-term salary increase assumption, there would be an increase in the defined benefit obligation by Rs 21m and a 1% increase in discount rate would lead to a decrease of Rs 16m in the defined benefit obligation.

2. FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

The Bank`s business involves taking risks in a targeted manner and managing them professionally. The core functions of the Bank`s Risk Management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its Risk Management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk Management is carried out by the Risk Department under policies approved by the Board of Directors. The Risk Department identifies, evaluates and monitors financial risk in close collaboration with the operating units including Treasury.

(b) Credit Risk

Credit Risk is the risk of suffering financial loss, should any of the Bank`s customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit Risk arises mainly from commercial and consumer advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities, including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties.

Credit Risk is the single largest risk for the Bank`s business. The Directors therefore carefully manage the exposure of the Bank to Credit Risk. The Credit Risk management and control are centralised in a Credit Risk management team, which reports to the Chief Risk Officer who in turn reports to the Chief Executive Officer.

Other disclosures on Credit Risk on pages 57-61 of the Risk Management Report.

Analysis of loans and advances

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Neither past due nor impaired	20,453,620	14,105,648	11,516,131
Past due but not impaired	387,013	775,083	909,172
Impaired	1,344,783	1,225,584	1,184,050
Gross	22,185,416	16,106,315	13,609,353
Less allowance for credit impairment	(731,844)	(705,876)	(739,919)
Net	21,453,572	15,400,439	12,869,434
Loans and advances renegotiated	205,895	1,167,127	561,096
Fair value of collaterals	205,885	1,163,643	561,096

Maximum exposure to credit risk before collateral and other credit risk enhancements:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Credit risk exposures relating to on balance sheet assets are as follows:			
Balances with banks in Mauritius, banks abroad and interbank loans	4,026,734	4,420,263	3,428,577
Derivative assets held for risk management	4,824	1,337	207
Government of Mauritius/Bank of Mauritius Bills	3,400,148	2,238,768	1,717,175
Other Investments	780,984	1,515,347	780,058
Loans and advances to customers and banks	21,453,572	15,400,439	12,869,434
Others	1,268,780	1,014,865	764,495
Credit risk exposures relating to off-balance sheet assets are as follows:			
Financial guarantees	467,162	692,453	564,448
Loans commitments and other credit related liabilities	2,336,517	969,809	874,003
Total	33,738,721	26,253,281	20,998,397

Types of collateral and credit enhancements held at year end:

- Fixed and floating charges on properties and other assets
- Privilege D`Inscription
- Lien on vehicle/equipment/machinery
- Pledge on shares/rent/proceeds of crops
- Lien on deposits
- Assignment of Life Policy/General Insurance Policy
- Bank Guarantee/Personal Guarantee/Government Guarantee
- Nantissement de Parts Sociales dans le capital d'une Société.
- Leasing of machinery/equipment/vehicle with the Bank as a lessor
- Pledge of deposits from other Financial Institution/Licensed Deposit Taker

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk (Cont'd)

	Dec-17	Mauritius	Africa	Europe	Others
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	4,026,734	368,370	120,577	1,275,099	2,262,688
Derivative assets held for risk management	4,824	3,022	342	1,459	-
Loans and advances to banks	3,707,245	-	2,470,049	-	1,237,196
Loans and advances to customers	17,746,327	10,761,726	4,662,863	255,763	2,065,975
Government of Mauritius/Bank of Mauritius Bills	3,400,148	3,400,148	-	-	-
Other Investments	780,984	336,655	444,328	-	-
Other assets	1,268,780	1,268,780	-	-	-
Total assets	30,935,042	16,138,701	7,698,159	1,532,321	5,565,859
On balance sheet country region percentage	100%	52%	25%	5%	18%
Credit risk exposure relating to off-balance sheet items as follows:					
Financial guarantees and other credit related liabilities	467,162	332,110	135,002	-	50
Off-balance sheet country region percentage	100%	71%	29%	-	-

	Dec-16	Mauritius	Africa	Europe	Others
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	4,420,263	211,966	2,769,805	1,177,121	261,371
Derivative assets held for risk management	1,337	520	277	540	-
Loans and advances to banks	1,650,343	-	1,292,909	-	357,434
Loans and advances to customers	13,750,096	9,203,729	3,271,164	233,031	1,042,172
Government of Mauritius/Bank of Mauritius Bills	2,238,768	2,238,768	-	-	-
Other Investments	1,515,347	554,325	959,881	1,141	-
Other assets	1,014,865	1,014,865	-	-	-
Total assets	24,591,019	13,224,173	8,294,036	1,411,833	1,660,977
On balance sheet country region percentage	100%	54%	34%	6%	6%
Credit risk exposure relating to off-balance sheet items as follows:					
Financial guarantees and other credit related liabilities	692,454	650,268	42,186	-	-
Off-balance sheet country region percentage	100%	94%	6%	-	-

	Dec-15	Mauritius	Africa	Europe	Others
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	3,428,577	40,912	2,353,303	201,324	833,038
Derivative assets held for risk management	207	3	-	204	-
Loans and advances to banks	534,289	-	534,289	-	-
Loans and advances to customers	12,335,145	8,704,729	2,693,813	598,127	338,476
Government of Mauritius/Bank of Mauritius Bills	1,717,175	1,717,175	-	-	-
Other Investments	780,058	388,692	390,369	-	997
Other assets	764,495	762,516	-	1,979	-
Total assets	19,559,946	11,614,027	5,971,774	801,634	1,172,511
On balance sheet country region percentage	100%	59%	31%	4%	6%
Credit risk exposure relating to off-balance sheet items as follows:					
Financial guarantees and other credit related liabilities	564,448	357,131	207,317	-	-
Off-balance sheet country region percentage	100%	63%	37%	-	-

The Table below represents an analysis of trading assets and investments securities at 31 December 2017 and comparatives for December 2016 and 2015. Since the Bank does not have any internal rating tool, the ratings (where applicable) are based on assessment effected by Standard & Poors agency at the end of each financial year.

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Cash and cash equivalents			
AAA to AA	3,098	-	-
AA- to A	3,336,750	1,431,855	775,308
BBB+ to BB	215,875	1,698,936	2,069,081
UNRATED	471,011	1,289,472	584,188
TOTAL	4,026,734	4,420,263	3,428,577
Derivatives Assets			
AA-	-	540	204
AA- to A	2,685	-	-
BBB+	-	277	-
UNRATED	2,139	520	3
TOTAL	4,824	1,337	207
Government of Mauritius/Bank of Mauritius Bills			
UNRATED	3,400,148	2,238,768	1,717,175
TOTAL	3,400,148	2,238,768	1,717,175
Investments and securities			
B+	444,363	225,159	-
UNRATED	336,621	1,290,188	780,058
TOTAL	780,984	1,515,347	780,058
Loans and advances to banks			
BB-	862,864	216	-
B+	-	361,044	356,177
BB+	668,650	361,044	-
BBB+	501,487	-	-
UNRATED	1,674,244	928,039	178,112
TOTAL	3,707,245	1,650,343	534,289
Loans and advances to customers			
AAA to AA	1,378,576	1,232,959	828,804
BBB- to B	4,484,201	2,558,213	2,605,335
CCC+	141,994	-	-
CC	-	243,294	-
UNRATED	11,741,556	9,715,630	8,901,006
TOTAL	17,746,327	13,750,096	12,335,145
Other Assets			
UNRATED	1,268,780	1,014,865	764,495
TOTAL	1,268,780	1,014,865	764,495
TOTAL	30,935,042	24,627,934	19,589,133

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Off-balance sheet ratings			
AAA to AA	1,600	20	360
BBB- to B+	869,153	137,790	4,544
UNRATED	1,932,926	1,524,452	1,433,547
TOTAL	2,803,679	1,662,262	1,438,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Capital Structure

The Bank`s objectives when managing capital are:

(i) to comply with the capital requirements set by the Bank of Mauritius;

(ii) to safeguard the Bank`s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(iii) to maintain a strong capital base to support the development of its business.

Other disclosures on capital and risk assets included on pages 64 - 67 of the Risk Management Report.

Details of Tier 1 capital, Tier 2 capital, total Risk-Weighted Assets and Capital Adequacy Ratio are given below:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Tier 1 Capital	2,193,965	1,865,762	1,546,813
Tier 2 Capital	824,083	744,528	428,484
Total Capital Base	3,018,048	2,610,290	1,975,297
Total Risk-Weighted Assets	23,343,340	20,190,356	15,284,622
Capital Adequacy Ratio	12.93%	12.93%	12.92%

The minimum statutory capital adequacy ratio is fixed at 10.625%.

(d) Market Risk

The Bank is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risk arising from trading and non-trading activities are concentrated in the Bank's Treasury and Market Risk teams. Regular reports are submitted to the Management and the Board of Directors. The Board of Directors approves the risk strategy, risk policies and prudential limits within which the operations are to be carried out.

Implementation of the policies and business strategies are delegated to Management and the Risk Management Unit.

Other disclosures on Market Risk are in the Risk Management Report.

(e) Currency Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra day positions, which are monitored daily. The table below summarises the Bank`s exposure to foreign exchange risk as at 31 December 2017. Included in the table are the Bank`s financial instruments at carrying amounts, categorised by currency.

Other disclosures on Currency Risk are in the Risk Management Report.

At 31 December 2017	USD	EUR	GBP	OTHERS	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	2,358,434	287,425	946,322	104,410	3,696,591
Derivative assets held for risk management	1,797	432	1,225	1,370	4,824
Loans and advances to banks	3,310,137	397,120	-	-	3,707,257
Loans and advances to customers	7,536,743	1,257,939	116,388	-	8,911,070
Investment Securities	444,671	103,353	-	33,837	581,861
Other assets	153,136	33,530	5,893	-	192,559
Total assets	13,804,918	2,079,799	1,069,828	139,617	17,094,162
LIABILITIES					
Deposits	13,192,502	1,522,199	1,526,146	151,112	16,391,959
Derivative liabilities held for risk management	362	458	-	2	822
Other borrowed funds	-	122,811	-	630	123,441
Subordinated liabilities	-	412,390	-	-	412,390
Other liabilities	43,268	829	-	-	44,097
Total liabilities	13,236,132	2,058,687	1,526,146	151,744	16,972,709
Net on balance sheet position	568,786	21,112	(456,318)	(12,127)	121,453
Credit commitments undrawn	1,240,973	-	-	-	1,240,973

At 31 December 2016	USD	EUR	GBP	OTHERS	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	3,031,172	1,006,697	103,269	95,287	4,236,425
Derivative assets held for risk management	-	-	539	278	817
Loans and advances to banks	1,650,343	-	-	-	1,650,343
Loans and advances to customers	5,937,851	647,954	168,886	-	6,754,691
Investment Securities	962,914	96,606	-	33,882	1,093,402
Other assets	74,819	22,109	4,622	-	101,550
Total assets	11,657,099	1,773,366	277,316	129,447	13,837,228
LIABILITIES					
Deposits	9,822,352	1,079,854	1,399,428	158,423	12,460,057
Derivative liabilities held for risk management	10,406	-	455	2	10,863
Other borrowed funds	25,361	154,825	-	8,245	188,431
Subordinated liabilities	-	374,467	-	-	374,467
Other liabilities	34,459	308	184	-	34,951
Total liabilities	9,892,578	1,609,454	1,400,067	166,670	13,068,769
Net on balance sheet position	1,764,521	163,912	(1,122,751)	(37,223)	768,459
Credit commitments undrawn	495,577	-	-	-	495,577

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency Risk (Cont`d)

At 31 December 2015

	USD Rs 000	EUR Rs 000	GBP Rs 000	OTHERS Rs 000	TOTAL Rs 000
ASSETS					
Cash and cash equivalents	3,120,188	145,063	64,214	88,420	3,417,885
Derivative assets held for risk management	1	3	3	200	207
Loans and advances to banks	534,289	-	-	-	534,289
Loans and advances to customers	4,417,345	741,787	579,345	-	5,738,477
Investment Securities	393,294	997	-	26,299	420,590
Other assets	27,901	26,270	3,079	-	57,250
Total assets	8,493,018	914,120	646,641	114,919	10,168,698
LIABILITIES					
Deposits	6,872,386	1,175,598	1,288,095	169,593	9,505,672
Derivative liabilities held for risk management	696	881	4,045	-	5,622
Other borrowed funds	179,855	194,325	-	199	374,379
Subordinated liabilities	164,094	-	-	-	164,094
Other liabilities	36,561	1,330	8,116	(667)	45,340
Total liabilities	7,253,592	1,372,134	1,300,256	169,125	10,095,107
Net on balance sheet position	1,239,426	(458,014)	(653,615)	(54,206)	73,591
Credit commitments undrawn	84,386	-	-	-	84,386

(f) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interes rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may induce losses in the event that unexpected movements arise. The table below summarises the Bank`s non trading book fair value exposure to interest rate risks. It includes the Bank`s financial instruments at carrying value categorised by the earlier of contractual maturity and date of repricing.

Other disclosures on Interest Rate Risk are found on page 62 of the Risk Management Report.

Interest Sensitivity of Assets and Liabilities – Repricing Analysis

At 31 December 2017

	Up to 1 mth Rs 000	1-3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-3 Yrs Rs 000	> 3 Yrs Rs 000	Non-Interest Bearing Rs 000	TOTAL Rs 000
ASSETS								
Cash and cash equivalents	2,268,943	-	-	-	-	-	1,953,045	4,221,988
Derivative assets held for risk management	-	-	-	-	-	-	4,824	4,824
Loans and advances to banks	-	-	1,360,406	1,002,967	1,343,872	-	-	3,707,245
Loans and advances to customers	2,436,264	12,757,416	911,603	567	90,378	755,504	794,595	17,746,327
Investment Securities	312,123	804,521	1,082,919	170,718	1,397,122	413,729	37,053	4,218,185
Other assets	-	-	-	-	-	-	1,268,780	1,268,780
Total assets	5,017,330	13,561,937	3,354,928	1,174,252	2,831,372	1,169,233	4,058,297	31,167,349
LIABILITIES								
Deposits	3,206,448	10,888,582	1,403,550	1,196,304	1,061,796	204,310	10,338,451	28,299,441
Derivative liabilities held for risk management	-	-	-	-	-	-	822	822
Other borrowed funds	-	-	42,663	-	80,148	-	630	123,441
Subordinated liabilities	-	512,205	-	-	-	-	-	512,205
Other liabilities	-	-	-	-	-	-	178,770	178,770
Total liabilities	3,206,448	11,400,787	1,446,213	1,196,304	1,141,944	204,310	10,518,673	29,114,679
Interest rate sensitivity gap	1,810,882	2,161,150	1,908,715	(22,052)	1,689,428	964,923	(6,460,376)	2,052,670

At 31 December 2016

	Up to 1 mth Rs 000	1-3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-3 Yrs Rs 000	> 3 Yrs Rs 000	Non-Interest Bearing Rs 000	TOTAL Rs 000
ASSETS								
Cash and cash equivalents	2,900,677	-	-	-	-	-	1,684,112	4,584,789
Derivative assets held for risk management	-	-	-	-	-	-	1,337	1,337
Loans and advances to banks	213	-	220,395	357,434	1,072,301	-	-	1,650,343
Loans and advances to customers	1,088,592	11,436,380	265,521	130	147,819	116,945	694,709	13,750,096
Investment Securities	1,022,727	1,199,148	231,598	258,922	785,058	256,662	36,915	3,791,030
Other assets	-	-	-	-	-	-	1,014,865	1,014,865
Total assets	5,012,209	12,635,528	717,514	616,486	2,005,178	373,607	3,431,938	24,792,460
LIABILITIES								
Deposits	1,258,710	8,340,088	1,055,848	995,143	675,420	156,769	9,705,321	22,187,299
Derivative liabilities held for risk management	-	-	-	-	-	-	11,423	11,423
Other borrowed funds	-	-	39,918	-	114,907	-	33,606	188,431
Subordinated liabilities	-	524,390	-	-	-	-	-	524,390
Other liabilities	-	-	-	-	-	-	135,986	135,986
Total liabilities	1,258,710	8,864,478	1,095,766	995,143	790,327	156,769	9,886,336	23,047,529
Interest rate sensitivity gap	3,753,499	3,771,050	(378,252)	(378,657)	1,214,851	216,838	(6,454,398)	1,744,931

At 31 December 2015

	Up to 1 mth Rs 000	1-3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-3 Yrs Rs 000	> 3 Yrs Rs 000	Non-Interest Bearing Rs 000	TOTAL Rs 000
ASSETS								
Cash and cash equivalents	2,949,225	-	-	-	-	-	721,447	3,670,672
Derivative assets held for risk management	-	-	-	-	-	-	207	207
Loans and advances to banks	-	534,289	-	-	-	-	-	534,289
Loans and advances to customers	1,173,188	5,649,259	383,046	1,268,040	1,461,449	1,950,636	449,527	12,335,145
Investment Securities	207,579	400,811	577,341	374,435	869,722	67,345	29,187	2,526,420
Other assets	-	-	-	-	-	-	764,495	764,495
Total assets	4,329,992	6,584,359	960,387	1,642,475	2,331,171	2,017,981	1,964,863	19,831,228
LIABILITIES								
Deposits	1,517,248	6,819,751	240,388	1,587,948	456,955	34,349	6,665,240	17,321,879
Derivative liabilities held for risk management	-	-	-	-	-	-	5,622	5,622
Other borrowed funds	279,854	-	34,060	-	82,641	77,625	199	474,379
Subordinated liabilities	161,093	249,542	-	-	-	-	-	410,635
Other liabilities	-	-	-	-	-	-	166,153	166,153
Total liabilities	1,958,195	7,069,293	274,448	1,587,948	539,596	111,974	6,837,214	18,378,668
Interest rate sensitivity gap	2,371,797	(484,934)	685,939	54,527	1,791,575	1,906,007	(4,872,351)	1,452,560

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. The Bank`s liquidity management process is carried out by the Bank Treasury team. The Bank uses the maturity gap report for measurement and management of liquidity risk. The maturity gap report slots the inflows and outflows in different maturity buckets as defined by the Bank of Mauritius, according to the expected timing of cash flows.

Other disclosures on liquidity and management are included in the Risk Management Report.

Maturities of Assets & Liabilities:

At 31 December 2017

	Up to 1 mth	1 to 3 mths	3 to 6 mths	6 to 12 mths	1 to 3 Yrs	> 3 Yrs	Non Maturity Items	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	4,433,758	-	-	-	-	-	-	4,433,758
Derivative assets held for risk management	3,599	-	-	1,225	-	-	-	4,824
Loans and advances to banks	-	35,432	2,042,438	1,170,877	513,088	-	-	3,761,835
Loans and advances to customers	3,384,621	2,126,556	2,044,268	2,323,712	6,672,147	6,665,178	1,344,821	24,561,303
Investment Securities	440,857	730,295	1,586,171	252,611	1,669,029	536,837	37,053	5,252,853
Other assets	-	-	-	-	-	-	1,268,780	1,268,780
Total assets	8,262,835	2,892,283	5,672,877	3,748,425	8,854,264	7,202,015	2,650,654	39,283,354
LIABILITIES								
Deposits	21,255,818	1,371,170	1,653,206	1,559,114	1,624,601	745,623	274,874	28,484,406
Derivative liabilities held for risk management	822	-	-	-	-	-	-	822
Other borrowed funds	-	-	44,505	-	80,751	-	-	125,256
Subordinated liabilities	671	13,093	2,013	15,777	55,057	662,349	-	748,960
Other liabilities	-	-	-	-	-	-	178,770	178,770
Total liabilities	21,257,311	1,384,263	1,699,724	1,574,891	1,760,409	1,407,972	453,644	29,538,214
Net liquidity gap	(12,994,476)	1,508,020	3,973,153	2,173,534	7,093,855	5,794,043	2,197,010	9,745,140

At 31 December 2016

	Up to 1 mth	1 to 3 mths	3 to 6 mths	6 to 12 mths	1 to 3 Yrs	> 3 Yrs	Non Maturity Items	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	4,587,277	-	-	-	-	-	-	4,587,277
Derivative assets held for risk management	1,066	271	-	-	-	-	-	1,337
Loans and advances to banks	2,923	35,499	260,493	434,552	996,947	-	-	1,730,414
Loans and advances to customers	1,338,792	2,591,718	1,719,302	1,999,691	4,338,121	5,799,299	-	17,786,923
Investment Securities	1,023,933	1,205,404	253,801	283,825	843,292	181,994	36,915	3,829,164
Other assets	-	-	-	-	-	-	1,014,865	1,014,865
Total assets	6,953,991	3,832,892	2,233,596	2,718,068	6,178,360	5,981,293	1,051,780	28,949,980
LIABILITIES								
Deposits	16,767,323	873,192	1,654,645	1,582,240	1,031,544	411,153	32,851	22,352,948
Derivative liabilities held for risk management	11,301	102	-	-	19	-	-	11,422
Other borrowed funds	33,606	-	40,551	-	115,684	-	-	189,841
Subordinated liabilities	1,115	5,994	3,344	69,029	75,103	720,904	-	875,489
Other liabilities	-	-	-	-	-	-	240,301	240,301
Total liabilities	16,813,345	879,288	1,698,540	1,651,269	1,222,350	1,132,057	273,152	23,670,001
Net liquidity gap	(9,859,354)	2,953,604	535,056	1,066,799	4,956,010	4,849,236	778,628	5,279,979

At 31 December 2015

	Up to 1 mth	1 to 3 mths	3 to 6 mths	6 to 12 mths	1 to 3 Yrs	> 3 Yrs	Non Maturity Items	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	3,672,444	-	-	-	-	-	-	3,672,444
Derivative assets held for risk management	204	-	3	-	-	-	-	207
Loans and advances to banks	537	1,164	1,745	543,125	-	-	-	546,571
Loans and advances to customers	1,147,804	958,189	1,048,562	2,135,079	3,019,749	5,878,305	-	14,187,688
Investment Securities	221,117	370,500	195,589	597,270	1,172,228	183,305	29,187	2,769,196
Other assets	-	-	-	-	-	-	764,495	764,495
Total assets	5,042,106	1,329,853	1,245,899	3,275,474	4,191,977	6,061,610	793,682	21,940,601
LIABILITIES								
Deposits	13,285,470	833,377	371,077	1,939,973	827,941	233,116	-	17,490,954
Derivative liabilities held for risk management	4,882	625	115	-	-	-	-	5,622
Other borrowed funds	283,034	34,061	4,440	-	117,021	65,500	-	504,056
Subordinated liabilities	44,682	3,540	55,165	59,586	82,197	249,171	-	494,341
Other liabilities	-	-	-	-	-	-	266,486	266,486
Total liabilities	13,618,068	871,603	430,797	1,999,559	1,027,159	547,787	266,486	18,761,459
Net liquidity gap	(8,575,962)	458,250	815,102	1,275,915	3,164,818	5,513,823	527,196	3,179,142

Derivative Cash Flows:

	Up to 1 mth	1 to 3 mths	3 to 6 mths	6 to 12 mths	1 to 3 Yrs	> 3 Yrs	Non Maturity Items	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
As at 31 December 2017								
Inflows	584,271	-	-	453,808	-	-	-	1,038,079
Outflows	581,405	-	-	450,696	-	-	-	1,032,101
As at 31 December 2016								
Inflows	1,948,581	130,698	-	-	451	-	-	2,079,730
Outflows	1,958,404	130,181	-	-	459	-	-	2,089,044
As at 31 December 2015								
Inflows	1,286,640	11,640	4,906	-	-	-	-	1,303,186
Outflows	1,291,258	12,119	5,088	-	-	-	-	1,308,465

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(h) Financial Instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented at fair value compared to carrying amounts shown in the financial statement.

	Carrying value			Fair value		
	2017	2016	2015	2017	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets						
Cash and cash equivalents	4,221,988	4,584,789	3,670,672	4,221,988	4,584,789	3,670,672
Loans and advances	21,453,572	15,400,439	12,869,434	21,452,992	15,339,530	12,746,264
Investment & Securities	1,968,379	2,296,326	1,683,082	1,962,676	2,259,564	1,664,150
Other assets	1,268,780	1,014,865	764,495	1,268,780	1,014,865	764,495
Financial liabilities						
Deposits	28,299,442	22,187,299	17,321,879	28,258,401	22,142,038	17,291,055
Other borrowed funds	123,441	188,431	474,379	123,441	188,431	474,379
Subordinated liabilities	512,205	524,390	410,635	512,205	524,390	410,635
Other liabilities	178,770	135,986	166,153	178,770	135,986	166,153
Off-balance sheet						
Loan commitments	2,336,517	969,809	874,003	2,336,517	969,809	874,003
Other contingent liabilities	648,581	722,407	606,763	648,581	722,407	606,763

(i) Cash resources

The fair value of cash resources is equal to their carrying amount as these are for short terms only.

(ii) Loans and advances to banks and to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. The fair value is calculated by applying the market rates to the fixed rate term loans.

(iii) Investment securities

Interest-bearing held-to-maturity investments include Treasury Notes whose fair values are based on market prices or broker/dealer price quotations.

Available-for-sale financial assets represent investment in Treasury Bills whose fair value are based on bid price and yield published by the Bank of Mauritius.

(iv) Deposits and subordinated liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and debt securities issued not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) Other financial assets and liabilities on the statement of financial position

The fair values of other assets, other borrowed funds, provisions and other liabilities at the reporting date approximate their fair values.

(vi) Off-balance sheet financial instruments

Guarantees, acceptances, loans commitments and other financial liabilities are shown at their fair values.

(i) Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the Over-The-Counter derivative contracts, traded loans, issued structured debt and other investment securities.

Level 3 – Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

As at 31 December 2017, the Bank holds equity investments with significant unobservable components falling under the level 3 fair value hierarchy. The equity investment has been fair valued based on the market approach. The bank has also fair valued its land and buildings based on the direct comparison method and the replacement cost approach. The fair value of the property has been performed by an independent valuer.

The Bank's level 2 instruments consists of derivatives held for risk management and investment securities. The input used in the fair value of these instruments relates to Libor interest rate, as published by Reuters, and yield curve by the Government of Mauritius.

As at 31 December 2017, the Bank holds equity investments with significant unobservable components falling under the level 3 fair value hierarchy. The equity investment has been fair valued based on the market approach. Derivatives held for risk management falling under category level 2, uses Quoted prices using Reuters platform. Level 3 fair values of land and building have been derived using the services of a chartered valuer.

Sensitivity analysis have been done for assets not measured at fair value and the results are shown in the Critial Accounting Estimates and Judgements on page 91.

The hierarchy requires the use of observable market data where applicable.

At 31 December 2017	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Non-equity Investments				
Derivative assets held for risk management	-	4,824	-	4,824
Investment Securities	-	2,212,753	-	2,212,753
Property & Equipment	-	-	239,656	239,656
Equity Investments				
Investment Securities	-	-	37,053	37,053
Total assets	-	2,217,577	276,709	2,494,286
Derivative liabilities held for risk management	-	822	-	822
Total liabilities	-	822	-	822

At 31 December 2016	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Non-equity Investments				
Derivative assets held for risk management	-	1,337	-	1,337
Investment Securities	-	1,457,789		1,457,789
Property & Equipment	-	-	232,330	232,330
Equity Investments				
Investment Securities	-	-	36,915	36,915
Total assets	-	1,459,126	269,245	1,728,371
Derivative liabilities held for risk management	-	11,423	-	11,423
Total liabilities	-	11,423	-	11,423

At 31 December 2015	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Non-equity Investments				
Derivative assets held for risk management	-	207	-	207
Investment Securities	-	814,151	-	814,151
Property & Equipment	-	-	236,159	236,159
Equity Investments				
Investment Securities	-	-	29,187	29,187
Total assets	-	814,358	265,346	1,079,704
Derivative liabilities held for risk management	-	5,622	-	5,622
Total liabilities	-	5,622	-	5,622

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy (Cont'd)

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

Financial instrument	Fair value Rs 000	Unobservable input	Rate	Relationship of unobservable inputs to fair value
Available-for-sale investment: Oriental Commercial Bank Ltd	33,838	illiquidity discount	25%	A decrease of 5% in the discount rate from 25% to 20% would increase the fair value of the investment by MUR 2m and an increase of 5% would decrease the fair value by MUR 2.4m.
Available-for-sale investment: Private Equity Fund Ltd	1,892	Net asset	N/A	N/A
Available-for-sale investment: S.W.I.F.T SCRL	1,323	Net asset	N/A	N/A

Reconciliation of level 3 fair value measurement

	Rs 000
Balance as at 1 January 2015	27,970
Fair value	1,217
Balance as at 31 December 2015	29,187
Fair value	7,728
Balance as at 31 December 2016	36,915
Fair value	138
Balance as at 31 December 2017	37,053

Transfer between levels

No transfer arose between levels during the year.

Valuation process

The valuations of non-property items required for financial reporting purposes, including level 3 fair values are performed at finance department lead by the Chief Financial Officer (CFO).

(j) Financial instruments by category

At 31 December 2017

Financial assets	Loans & Receivables Rs 000	Financial assets at fair value through profit or loss Rs 000	Held-to-Maturity Rs 000	Available-for-sale Rs 000	Total Rs 000
Cash and cash equivalents	4,221,988	-	-	-	4,221,988
Derivative assets held for risk management	-	4,824	-	-	4,824
Loan and advances to banks	3,707,245	-	-	-	3,707,245
Loan and advances to customers	17,746,327	-	-	-	17,746,327
Investment Securities	-	-	1,968,379	2,249,806	4,218,185
Other assets	1,268,780	-	-	-	1,268,780
	26,944,340	4,824	1,968,379	2,249,806	31,167,349

Financial liabilities	Financial liabilities at fair value through profit or loss Rs 000	Financial liabilities at amortised cost Rs 000	Total Rs 000
Deposits from customers	-	28,299,442	28,299,442
Derivative liabilities held for risk management	822	-	822
Other borrowed funds	-	123,441	123,441
Subordinated liabilities	-	512,205	512,205
Other liabilities	-	178,770	178,770
	822	29,113,858	29,114,680

At 31 December 2016

Financial assets	Loans & Receivables	Financial assets at fair value through profit or loss	Held-to-Maturity	Available-for-sale	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and cash equivalents	4,584,789	-	-	-	4,584,789
Derivative assets held for risk management	-	1,337	-	-	1,337
Loan and advances to banks	1,650,343	-	-	-	1,650,343
Loan and advances to customers	13,750,096		-	-	13,750,096
Investment Securities	-	-	2,296,326	1,494,704	3,791,030
Other assets	1,014,865	-	-	-	1,014,865
	21,000,093	1,337	2,296,326	1,494,704	24,792,460

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000	Rs 000
Deposits from customers	-	22,187,299	22,187,299
Derivative liabilities held for risk management	11,423	-	11,423
Other borrowed funds	-	188,431	188,431
Subordinated liabilities	-	524,390	524,390
Other liabilities	-	135,986	135,986
	11,423	23,036,106	23,047,529

At 31 December 2015

Financial assets	Loans & Receivables	Financial assets at fair value through profit or loss	Held-to-Maturity	Available-for-sale	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and cash equivalents	3,670,672	-	-	-	3,670,672
Derivative assets held for risk management	-	207	-	-	207
Loan and advances to banks	534,289	-	-	-	534,289
Loan and advances to customers	12,335,145	-	-	-	12,335,145
Investment Securities	-	-	1,683,082	843,338	2,526,420
Other assets	764,495 -	-	-		764,495
	17,304,601	207	1,683,082	843,338	19,831,228

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000	Rs 000
Deposits from customers	-	17,321,879	17,321,879
Derivative liabilities held for risk management	5,622	-	5,622
Other borrowed funds	-	474,379	474,379
Subordinated liabilities	-	410,635	410,635
Other liabilities	-	166,153	166,153
	5,622	18,373,046	18,378,668

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. NET INTEREST INCOME

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Interest income			
Loans and advances to banks	34,020	26,192	33,708
Loans and advances to customers	830,838	789,961	693,890
Investment Securities	140,509	88,712	52,292
Placements with other banks	75,307	117,692	122,866
Total interest income	1,080,674	1,022,557	902,756
Interest expense			
Deposits from customers	(319,579)	(288,205)	(254,569)
Borrowings from banks	(7,108)	(5,756)	(4,616)
Subordinated liabilities	(40,430)	(29,442)	(35,278)
Total interest expense	(367,117)	(323,403)	(294,463)
Net interest income	713,557	699,154	608,293

(a) Segment A

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Interest income			
Loans and advances to customers	496,245	508,649	508,911
Investment Securities	130,834	85,790	51,674
Placements with other banks	3,101	2,884	1,091
Total interest income	630,180	597,323	561,676
Interest expense			
Deposits from customers	(270,462)	(259,011)	(227,972)
Borrowings from banks	(2,590)	(5,335)	(3,903)
Subordinated liabilities	(10,583)	(19,427)	(22,650)
Total interest expense	(283,635)	(283,773)	(254,525)
Net interest income	346,545	313,550	307,151

(b) Segment B

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Interest income			
Loans and advances to banks	34,020	26,192	33,708
Loans and advances to customers	334,593	281,312	184,979
Investment Securities	9,675	2,922	618
Placements with other banks	72,206	114,808	121,775
Total interest income	450,494	425,234	341,080
Interest expense			
Deposits from customers	(49,117)	(29,194)	(26,597)
Borrowings from banks	(4,518)	(421)	(713)
Subordinated liabilities	(29,847)	(10,015)	(12,628)
Total interest expense	(83,482)	(39,630)	(39,938)
Net interest income	367,012	385,604	301,142

4. NET FEE AND COMMISSION INCOME

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Fee and commission income			
Retail banking customer fees	41,107	40,458	39,085
Corporate banking credit related fees	13,571	8,143	10,517
International banking customer fees	64,731	88,016	58,441
Guarantees	7,882	7,994	5,604
Credit cards and e-commerce related fees	111,099	236,767	185,240
Other	32,905	30,458	20,101
Total fee and commission income	271,295	411,836	318,988
Fee and commission expense			
Interbank transaction fees	(7,394)	(7,834)	(4,006)
Credit cards and e-commerce related fees	(84,995)	(167,685)	(122,102)
Other	(30,807)	(24,613)	(25,838)
Total fee and commission expense	(123,196)	(200,132)	(151,946)
Net fee and commission income	148,099	211,704	167,042

(a) Segment A

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Fee and commission income			
Retail banking customer fees	41,107	40,458	39,085
Corporate banking credit related fees	13,571	8,143	10,517
Guarantees	2,528	2,791	3,165
Credit cards	8,844	9,784	9,710
Other	14,282	14,931	6,563
Total fee and commission income	80,332	76,107	69,040
Fee and commission expense			
Interbank transaction fees	(2,943)	(3,925)	(717)
Credit cards	(7,891)	(7,098)	(6,545)
Other	(24,785)	(23,462)	(24,798)
Total fee and commission expense	(35,619)	(34,485)	(32,060)
Net fee and commission income	44,713	41,622	36,980

(b) Segment B

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Fee and commission income			
International banking customer fees	64,731	88,016	58,441
Guarantees	5,354	5,203	2,439
Credit cards and e-commerce related fees	102,255	226,983	175,530
Other	18,623	15,527	13,538
Total fee and commission income	190,963	335,729	249,948
Fee and commission expense			
Interbank transaction fees	(4,451)	(3,909)	(3,289)
Credit cards and e-commerce related fees	(77,104)	(160,587)	(115,557)
Other	(6,022)	(1,151)	(1,040)
Total fee and commission expense	(87,577)	(165,647)	(119,886)
Net fee and commission income	103,386	170,082	130,062

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5. NET GAIN ON DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

		Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
	Profit arising from dealing in foreign currencies	78,915	94,100	77,672
	Net profit/(loss) from derivatives	4,002	(10,085)	(5,414)
		82,917	84,015	72,258
(a)	Segment A			
	Profit arising from dealing in foreign currencies	27,424	31,498	45,061
	Net profit/(loss) from derivatives	2,607	(3,566)	(471)
		30,031	27,932	44,590
(b)	Segment B			
	Profit arising from dealing in foreign currencies	51,491	62,602	32,611
	Net profit/(loss) from derivatives	1,395	(6,519)	(4,943)
		52,886	56,083	27,668

6. OTHER OPERATING INCOME

		Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
	Gain on sale of available-for-sale and held-for-trading securities	14,379	3,301	11,530
	Gain on sale of land through compulsory acquisition	-	3,187	-
	Other	608	(6,091)	(2,129)
		14,987	397	9,401
(a)	Segment A			
	Gain on sale of available-for-sale and held-for-trading securities	14,379	3,301	3,874
	Gain on sale of land through compulsory acquisition	-	3,187	-
	Other	381	(6,091)	(2,129)
		14,760	397	1,745
(b)	Segment B			
	Gain on sale of available-for-sale and held-for-trading securities	-	-	7,656
	Other	227	-	-
		227	-	7,656

7. NET IMPAIRMENT REVERSAL/LOSS ON FINANCIAL ASSETS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Provision for bad and doubtful debts	(170,059)	(304,762)	(262,542)
Bad debts written off for which no provisions were made	(35)	(8,842)	(17)
Provisions released during the year	146,517	154,848	97,316
Recoveries of advances written off	12,278	5,130	85
Net impairment loss on financial assets	(11,299)	(153,626)	(165,158)

(a) SEGMENT A

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Provision for bad and doubtful debts	(136,799)	(209,821)	(236,000)
Bad debts written off for which no provisions were made	(35)	(8,842)	(17)
Provisions released during the year	146,517	146,763	97,316
Recoveries of advances written off	12,278	5,130	85
Net impairment reversal/(loss) on financial assets	21,961	(66,770)	(138,616)

(b) SEGMENT B

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Provision for bad and doubtful debts	(33,260)	(94,941)	(26,542)
Provisions released during the year	-	8,085	-
Net impairment loss on financial assets	(33,260)	(86,856)	(26,542)

8. PERSONNEL EXPENSES

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Wages and salaries	(193,202)	(172,108)	(165,627)
Compulsory social security obligations	(8,494)	(7,583)	(7,335)
Funded pension costs (note 26)	(8,098)	(6,330)	(1,770)
Unfunded pension costs (note 26)	(10,979)	-	-
Deferred contribution plan	(16,339)	(14,098)	(12,691)
Other personnel expenses	(130,488)	(113,535)	(123,609)
	(367,600)	(313,654)	(311,032)
(a) Segment A			
Wages and salaries	(142,432)	(127,190)	(122,217)
Compulsory social security obligations	(6,368)	(5,636)	(5,427)
Funded pension costs (note 26)	(7,086)	(6,330)	(1,770)
Unfunded pension costs (note 26)	(7,988)	-	-
Deferred contribution plan	(11,888)	(10,325)	(9,436)
Other personnel expenses	(97,813)	(82,294)	(92,388)
	(273,575)	(231,775)	(231,238)
(b) Segment B			
Wages and salaries	(50,770)	(44,918)	(43,410)
Compulsory social security obligations	(2,126)	(1,947)	(1,908)
Funded pension costs (note 26)	(1,012)	-	-
Unfunded pension costs (note 26)	(2,991)	-	-
Deferred contribution plan	(4,451)	(3,773)	(3,255)
Other personnel expenses	(32,675)	(31,241)	(31,221)
	(94,025)	(81,879)	(79,794)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9. OTHER EXPENSES

		Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
	Software licensing & other information technology cost	(43,015)	(37,389)	(38,605)
	Premises related expenses	(57,579)	(64,128)	(59,466)
	Legal and professional expenses	(5,358)	(19,935)	(8,500)
	Others	(30,251)	(23,333)	(27,905)
		(136,203)	(144,785)	(134,476)
(a)	Segment A			
	Software licensing & other information technology cost	(36,032)	(32,470)	(34,813)
	Premises related expenses	(49,452)	(56,906)	(52,733)
	Legal and professional expenses	(4,429)	(13,797)	(5,418)
	Others	(21,056)	(18,705)	(13,772)
		(110,969)	(121,878)	(106,736)
(b)	Segment B			
	Software licensing & other information technology cost	(6,983)	(4,919)	(3,792)
	Premises related expenses	(8,127)	(7,222)	(6,733)
	Legal and professional expenses	(929)	(6,138)	(3,082)
	Others	(9,195)	(4,628)	(14,133)
		(25,234)	(22,907)	(27,740)

10. INCOME TAX EXPENSE/(CREDIT)

Recognised in the statement of profit or loss

		Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
(a)	**Current tax expense**			
	Current period	19,239	14,343	15,196
(b)	**Deferred tax expense**			
	Originated and reversal of temporary differences (Note 19)	7,329	22,886	(30,986)
		26,568	37,229	(15,790)

(c) Reconciliation of effective tax rate

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Profit before income tax	400,767	348,813	211,139
Income tax at a rate of 3% & 25% *(2016: 3% & 27% - 2015: 3% & 27%)*	19,177	(6,096)	(22,355)
Non-deductible expenses	1,306	4,669	1,742
Income not subject to tax	(3,070)	(1,462)	(9,179)
Special levy on banks	4,936	4,065	3,179
Corporate Social Responsibility Fund	-	-	1,503
Other permanent differences – write off of loans	3,136	7,779	9,580
Differences in rates	(3,021)	5,685	11,081
Losses utilised against segment B profit	-	22,555	-
Under provision of deferred tax in prior years	4,104	34	(11,341)
Total income tax in income statement	26,568	37,229	(15,790)

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
(a) Segment A			
Current tax expense			
Current period	3,462	-	1,503
Deferred tax credit			
Originated and reversal of temporary differences	7,953	25,537	(29,861)
(b) Segment B			
Current tax expense			
Current period	15,777	14,343	13,693
Deferred tax credit			
Originated and reversal of temporary differences	(624)	(2,651)	(1,125)

The Bank has used an effective tax rate of 25% under segment A activities in 2017 (2016-27%), but it is entitled to a foreign tax credit of 80% of normal corporation tax rate of 15% from segment B activities resulting to an effective tax rate of 4% for this segment. Special levy is calculated at the rate of 10% on chargeable income for Segment A. For Segment B, special levy is calculated at the rate of 1% on operating profit and 4.0% on profit before income tax less foreign tax credit of 80%.

11. BASIC EARNINGS PER SHARE

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Profit for the year	374,199	311,584	226,929
Weighted average number of ordinary shares	8,564,560	8,564,560	7,472,094
Earnings per share - Basic (Rs.)	43.69	36.38	30.37

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

12. CASH AND CASH EQUIVALENTS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Cash in hand	184,974	149,143	220,661
Foreign currency notes and coins	10,280	15,383	21,434
Unrestricted balances with central bank (note i)	368,370	211,966	40,912
Money market placements (note ii)	51,699	2,730,694	2,323,181
Balances with banks abroad	3,606,665	1,477,603	1,064,484
	4,221,988	4,584,789	3,670,672
Current	4,221,988	4,584,789	3,670,672
(a) Segment A			
Cash in hand	184,974	149,143	220,661
Foreign currency notes and coins	10,280	15,383	21,434
Unrestricted balances with central bank (note i)	368,370	211,966	40,912
	563,624	376,492	283,007
(b) Segment B			
Money market placements (note ii)	51,699	2,730,694	2,323,181
Balances with banks abroad	3,606,665	1,477,603	1,064,484
	3,658,364	4,208,297	3,387,665

(i) Balances with central bank over and above the minimum Cash Reserve Requirement (CRR) as disclosed in note 20.

(ii) Money market placements are investments maturing within three months.

For the purpose of the statement of cash flows, cash and cash equivalents include:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Cash and cash equivalents	4,221,988	4,584,789	3,670,672
Securities maturing within 3 months	413,946	935,003	476,811
Borrowings from banks	(630)	(33,606)	(280,054)
Balance due in clearing	56,055	33,501	24,435
	4,691,359	5,519,687	3,891,864

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year.

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Cash and cash equivalents	4,221,988	4,584,789	3,670,672
Short-term borrowing from banks	(630)	(33,606)	(280,054)
Liquid investments	413,946	935,003	476,811
Balance due in clearing	56,055	33,501	24,435
Cash and cash equivalent for cash flow purposes	4,691,359	5,519,687	3,891,864
Borrowings - repayable within one year	(42,664)	(89,982)	(177,960)
Borrowings - repayable after one year	(592,352)	(589,233)	(427,000)
	4,056,343	4,840,472	3,286,904
Cash and cash equivalent for cash flow purposes	4,691,359	5,519,687	3,891,864
Gross debt - variable interest rates	(635,016)	(679,215)	(604,960)
	4,056,343	4,840,472	3,286,904

	Cash and cash equivalent for cash flow purposes Rs 000	Other borrowed funds within 1 year Rs 000	Other borrowed funds after 1 year Rs 000	Subordinated liabilities within 1 year Rs 000	Subordinated liabilities after 1 year Rs 000	Total Rs 000
Net debt as at 1 January 2017	5,519,687	(39,918)	(114,907)	(50,064)	(474,326)	4,840,472
Cash flows	(828,328)	(362)	41,635	50,000	-	(737,055)
Foreign exchange adjustments	-	(2,384)	(6,875)	64	(26,200)	(35,395)
Other non-cash movements	-	-	-	-	(11,679)	(11,679)
Net debt as at 31 December 2017	4,691,359	(42,664)	(80,147)	-	(512,205)	4,056,343

13. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

	Nominal Amount Rs 000	Assets Fair Value Rs 000	Liabilities Fair Value Rs 000
As at 31 December 2017			
Currency Forwards	281,241	560	822
Currency Swaps	756,837	4,264	-
	1,038,078	4,824	822
Segment A	783,279	3,022	414
Segment B	254,799	1,802	408
Current	1,038,078	4,824	822
As at 31 December 2016			
Currency Forwards	21,840	7	590
Currency Swaps	2,067,203	1,330	10,833
	2,089,043	1,337	11,423
Segment A	812,656	520	4,086
Segment B	1,276,387	817	7,337
Current	2,089,043	1,337	11,423
As at 31 December 2015			
Currency Forwards	34,031	7	190
Currency Swaps	1,274,234	200	5,432
	1,308,265	207	5,622
Segment A	63,332	3	474
Segment B	1,244,933	204	5,148
Current	1,308,265	207	5,622

14. LOANS AND ADVANCES TO BANKS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Outside Mauritius	3,744,692	1,667,012	539,685
	3,744,692	1,667,012	539,685
Less: allowance for credit impairment	(37,447)	(16,669)	(5,396)
	3,707,245	1,650,343	534,289
Current	2,363,376	578,043	534,289
Non Current	1,343,869	1,072,300	-

(a) Segment B

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Outside Mauritius	3,744,692	1,667,012	539,685
	3,744,692	1,667,012	539,685
Less: allowance for credit impairment	(37,447)	(16,669)	(5,396)
	3,707,245	1,650,343	534,289

14. LOANS AND ADVANCES TO BANKS (CONT'D)

(b) Remaining term to maturity

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Up to 3 months	-	216	-
Over 3 months and up to 6 months	1,374,143	222,620	-
Over 6 months and up to 12 months	1,013,106	361,044	539,685
Over 1 year and up to 5 years	1,357,443	1,083,132	-
	3,744,692	1,667,012	539,685

(c) Allowance for credit impairment

	Specific allowances for impairment Rs 000	Portfolio allowances for impairment Rs 000	Total Rs 000
Balance as at 1 January 2015	-	3,170	3,170
Provision during the year	-	2,226	2,226
Balance as at 31 December 2015	-	5,396	5,396
Provision during the year	-	11,273	11,273
Balance as at 31 December 2016	-	16,669	16,669
Provision during the year	-	20,778	20,778
Balance as at 31 December 2017	-	37,447	37,447

15. LOANS AND ADVANCES TO CUSTOMERS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Retail customers			
- Credit cards	41,554	50,016	50,713
- Mortgages	1,868,029	1,822,641	1,990,818
- Other retail loans	1,687,305	1,784,782	2,164,051
Corporate customers	8,297,807	6,557,866	6,024,941
Entities outside Mauritius	6,546,029	4,223,998	2,839,145
	18,440,724	14,439,303	13,069,668
Less: allowance for credit impairment	(694,397)	(689,207)	(734,523)
	17,746,327	13,750,096	12,335,145
Current	6,629,205	5,277,768	4,344,296
Non current	11,117,122	8,472,328	7,990,849
Net finance lease receivables included in loans and advances to customers are as follows:	157,171	171,147	183,867

(a) Segment A

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Retail customers			
- Credit cards	41,554	50,016	50,713
- Mortgages	1,852,915	1,784,785	1,898,936
- Other retail loans	1,658,366	1,506,260	1,909,227
Corporate customers	7,339,087	5,427,043	4,288,210
	10,891,922	8,768,104	8,147,086
Less allowance for credit impairment	(549,518)	(553,879)	(680,031)
	10,342,404	8,214,225	7,467,055

(b) Segment B

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Retail customers			
- Mortgages	15,114	37,856	91,882
- Other retail loans	28,939	278,522	254,824
Corporate customers	958,720	1,130,823	1,736,731
Entities outside Mauritius	6,546,029	4,223,998	2,839,145
	7,548,802	5,671,199	4,922,582
Less allowance for credit impairment	(144,879)	(135,328)	(54,492)
	7,403,923	5,535,871	4,868,090

(c) Remaining term to maturity

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Up to 3 months	4,799,214	4,136,619	2,577,276
Over 3 months and up to 6 months	1,543,229	761,562	520,806
Over 6 months and up to 12 months	352,635	443,594	1,298,221
Over 1 year and up to 5 years	7,349,642	6,157,599	5,086,151
Over 5 years	4,396,004	2,939,929	3,587,214
	18,440,724	14,439,303	13,069,668

(d) Credit concentration of risk by industry sectors

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Agriculture and fishing	1,108,339	829,771	558,772
Manufacturing	1,309,878	822,286	776,890
of which Export Processing Zone License holders	*153,010*	*96,963*	*18,327*
Tourism	2,012,613	954,424	1,001,644
Transport	250,143	551,635	425,907
Construction	3,121,998	3,426,553	3,765,596
of which Residential Mortgages	*1,868,029*	*1,822,641*	*1,990,818*
Other constructions	*1,253,969*	*1,603,912*	*1,774,778*
Financial and business services	3,478,405	1,033,239	744,594
Traders	2,960,160	3,104,646	2,595,491
Personal	652,547	761,309	956,439
of which credit cards	*41,554*	*50,016*	*50,713*
Professional	12,350	14,130	28,257
Global business license holders	754,550	1,090,086	1,517,069
Others	2,779,741	1,851,224	699,009
of which central government	*1,705,452*	*1,127,749*	*409,968*
	18,440,724	14,439,303	13,069,668

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FOR THE YEAR ENDED 31 DECEMBER 2017

15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(d) Credit concentration of risk by industry sectors (Cont'd)

		Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
(i)	Segment A			
	Agriculture and Fishing	1,093,756	715,933	392,369
	Manufacturing	439,096	375,889	348,893
	of which Export Processing Zone License holders	*150,457*	*95,163*	*15,788*
	Tourism	1,329,185	945,214	992,542
	Transport	168,728	160,308	199,763
	Construction	2,715,008	2,721,318	3,052,329
	of which Residential Mortgages	*1,852,915*	*1,784,785*	*1,898,936*
	Other constructions	*862,093*	*936,533*	*1,153,393*
	Financial and business services	1,990,914	775,156	377,584
	Traders	2,171,143	2,026,452	1,609,139
	Personal	645,592	705,079	892,075
	of which credit cards	*41,554*	*50,016*	*50,713*
	Professional	12,350	14,130	28,257
	Others	326,150	328,625	254,135
		10,891,922	8,768,104	8,147,086
(ii)	Segment B			
	Agriculture and Fishing	14,583	113,838	166,403
	Manufacturing	870,782	446,397	427,997
	of which Export Processing Zone License holders	*2,553*	*1,800*	*2,539*
	Tourism	683,428	9,210	9,102
	Transport	81,415	391,327	226,144
	Construction	406,990	705,235	713,267
	of which Residential Mortgages	*15,114*	*37,856*	*91,882*
	Other constructions	*391,876*	*667,379*	*621,385*
	Financial and business services	1,487,491	258,083	367,010
	Traders	789,017	1,078,194	986,352
	Personal	6,955	56,230	64,364
	Global business license holders	754,550	1,090,086	1,517,069
	Others	2,453,591	1,522,599	444,874
	of which central government	*1,705,452*	*1,127,749*	*409,968*
		7,548,802	5,671,199	4,922,582

Others include the following sectors: Media, Entertainment & Recreational Activities, Education, Modernisation & Expansion Enterprise Certificate Holders, Health Development Certificate Holders, Public Non-financial Corporations, State and Local Government, Infrastructure, ICT, Freeport Certificate Holders and others.

Off-balance sheet by industry sector	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Agriculture and Fishing	407	13,614	2,571
Manufacturing	34,583	81,789	171,943
Tourism	70,050	52,892	70,109
Transport	6,400	17,746	2,480
Construction	290,407	336,192	195,856
Financial and business services	986,079	283,993	203,736
Traders	566,702	401,601	281,406
Personal	482,630	235,107	245,525
Global business license holders	11,189	31,371	74,643
Others	355,232	207,958	190,182
	2,803,679	1,662,263	1,438,451

(e) Allowance for credit impairment

	Specific allowances for impairment Rs 000	Portfolio allowances for impairment Rs 000	Total Rs 000
Balance as at 1 January 2015	464,513	116,830	581,343
Provision for credit impairment for the year	304,405	23,774	328,179
Loans written off out of allowance	(90,185)	-	(90,185)
Provisions released	(84,814)	-	(84,814)
Balance as at 31 December 2015	593,919	140,604	734,523
Provision for credit impairment for the year	351,114	17,727	368,841
Loans written off out of allowance	(246,726)	-	(246,726)
Provisions released	(167,431)	-	(167,431)
Balance as at 31 December 2016	530,876	158,331	689,207
Provision for credit impairment for the year	217,444	9,878	227,322
Loans written off out of allowance	(55,834)	-	(55,834)
Provisions released	(166,298)	-	(166,298)
Balance as at 31 December 2017	526,188	168,209	694,397

(f) Allowance for credit impairment by sectors

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Retail customers			
- Credit cards	3,771	5,892	19,461
- Mortgages	91,116	93,644	82,964
- Other retail loans	143,505	143,340	184,286
Corporate customers	351,371	340,716	423,811
Entities outside Mauritius	104,634	105,615	24,001
	694,397	689,207	734,523

(i) Segment A

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Retail customers			
- Credit cards	3,771	5,892	19,461
- Mortgages	88,809	89,429	78,555
- Other retail loans	135,629	136,991	179,194
Corporate customers	321,309	321,567	402,821
	549,518	553,879	680,031

(ii) Segment B

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Retail customers			
- Mortgages	2,307	4,216	4,409
- Other retail loans	7,876	6,348	5,092
Corporate customers	30,061	19,150	20,990
Entities outside Mauritius	104,635	105,614	24,001
	144,879	135,328	54,492

15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(g) Investment in finance leases

The amount of investments in finance leases included in the loans and advances to customers is outlined below:

	Up to 1 Year	1 to 5 Years	Over 5 years	Dec-17 Total	Dec-16 Total	Dec-15 Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Gross investment in finance leases	10,987	224,050	155,088	390,125	411,870	472,670
Unearned finance income	(9,443)	(160,608)	(61,315)	(231,366)	(238,994)	(286,945)
Present value of minimum lease payments	1,544	63,442	93,773	158,759	172,876	185,725
Allowance for impairment				(1,588)	(1,729)	(1,858)
				157,171	171,147	183,867

Under finance lease, all the risks and rewards of ownership of the asset are transferred to the lessee. The finance lease agreement gives the lessee an option to buy the asset at a discounted price to the fair market value at the end of the lease term. The term of the lease contract generally ranges from five to seven years. All finance lease receivables are secured over the asset leased and in some cases additional guarantees are taken from the lessee.

Amount due from lessees under finance leases are recorded under loans and receivables. Finance lease income is allocated to the accounting period so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

(h) Allowance for credit impairment by industry sectors

	Dec-17 Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Portfolio allowances for credit impairment	Total allowances for credit impairment	Dec-16 Total allowances for credit impairment	Dec-15 Total allowances for credit impairment
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture and fishing	1,108,339	2,887	2,816	11,535	14,351	14,890	25,488
Manufacturing	1,309,878	35,053	34,444	12,427	46,871	32,408	30,085
of which Export Processing Zone License holders	*153,010*	*-*	*-*	*1,533*	*1,533*	*1,315*	*243*
Tourism	2,012,613	93,435	24,083	20,500	44,583	29,638	19,541
Transport	250,143	87,504	18,295	1,570	19,865	10,953	8,612
Construction	3,121,998	522,608	241,810	25,129	266,939	333,989	339,008
of which Residential Mortgages	*1,868,029*	*163,877*	*73,838*	*17,084*	*90,922*	*101,632*	*86,884*
Other constructions	*1,253,969*	*358,731*	*167,972*	*8,045*	*176,017*	*232,358*	*252,124*
Financial and business services	3,478,405	-	-	33,410	33,410	12,280	10,115
Traders	2,960,160	144,292	70,958	27,767	98,725	119,829	121,736
Personal	652,547	89,654	65,324	4,553	69,877	68,457	98,183
of which credit cards	*41,554*	*3,334*	*3,387*	*379*	*3,766*	*6,099*	*19,543*
Professional	12,350	1,174	492	112	604	1,175	388
Global business license holders	754,550	78,450	21,504	6,706	28,210	19,236	19,895
Others	2,779,741	289,726	46,462	24,500	70,962	46,352	61,472
	18,440,724	1,344,783	526,188	168,209	694,397	689,207	734,523

	Dec-17					Dec-16	Dec-15
	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Portfolio allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Segment A							
Agriculture and fishing	1,093,756	2,887	2,816	11,389	14,205	14,841	25,015
Manufacturing	439,096	35,053	34,444	4,012	38,456	28,276	26,328
of which Export Processing Zone License holders	*150,457*	-	-	*1,507*	*1,507*	*1,297*	*218*
Tourism	1,329,185	93,435	24,083	13,750	37,833	29,638	19,541
Transport	168,728	6,679	3,657	1,564	5,221	8,120	6,357
Construction	2,715,008	430,901	221,396	22,735	244,131	253,742	327,728
of which Residential Mortgages	*1,852,889*	*159,268*	*71,683*	*16,960*	*88,643*	*97,550*	*82,867*
Other constructions	*862,121*	*271,633*	*149,713*	*5,775*	*155,488*	*156,193*	*244,861*
Financial and business services	1,990,914	-	-	19,897	19,897	10,081	7,171
Traders	2,171,143	133,216	66,966	20,116	87,082	108,582	112,106
Personal	645,592	89,654	65,324	4,483	69,807	67,898	98,047
of which credit cards	*41,554*	*3,334*	*3,387*	*379*	*3,766*	*6,099*	*19,543*
Professional	12,350	1,174	492	112	604	1,175	388
Others	326,150	43,223	29,722	2,560	32,282	31,526	57,350
	10,891,922	836,222	448,900	100,618	549,518	553,879	680,031
Segment B							
Agriculture and fishing	14,583	-	-	146	146	49	473
Manufacturing	870,782	-	-	8,415	8,415	4,132	3,757
of which Export Processing Zone License holders	*2,553*	-	-	*26*	*26*	*18*	*25*
Tourism	683,428	-	-	6,750	6,750	-	-
Transport	81,415	80,825	14,638	6	14,644	2,833	2,255
Construction	406,990	91,707	20,414	2,394	22,808	80,247	11,280
of which Residential Mortgages	*15,142*	*4,609*	*2,155*	*124*	*2,279*	*4,082*	*4,017*
Other constructions	*391,848*	*87,098*	*18,259*	*2,270*	*20,529*	*76,165*	*7,263*
Financial and business services	1,487,491	-	-	13,513	13,513	2,199	2,944
Traders	789,017	11,076	3,992	7,651	11,643	11,247	9,630
Personal	6,955	-	-	70	70	559	136
Global business license holders	754,550	78,450	21,504	6,706	28,210	19,236	19,895
Others	2,453,591	246,503	16,740	21,940	38,680	14,826	4,122
	7,548,802	508,561	77,288	67,591	144,879	135,328	54,492

16. INVESTMENT SECURITIES

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Available-for-sale investment securities	2,249,806	1,494,704	843,338
Held-to-maturity investment securities	1,968,379	2,296,326	1,683,082
	4,218,185	3,791,030	2,526,420
Current	2,213,821	2,487,922	949,423
Non current	2,004,364	1,303,108	1,576,997

		Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
	Available-for-sale investment securities			
	Equity shares in Oriental Commercial Bank Ltd (Kenya)	33,838	33,882	26,298
	Bank/Government of Mauritius securities and other corporate bonds	2,212,753	1,457,789	814,151
	Equity	3,215	3,033	2,889
		2,249,806	1,494,704	843,338
(a)	Segment A			
	Bank/Government of Mauritius securities	2,212,753	1,457,789	814,151
	Others	1,892	1,892	1,892
		2,214,645	1,459,681	816,043
(b)	Segment B			
	Equity shares in Oriental Commercial Bank Ltd (Kenya)	33,838	33,882	26,298
	Others	1,323	1,141	997
		35,161	35,023	27,295

The Bank holds 4,597,210 shares, representing 3.69% shareholding of Oriental Commercial Bank Ltd, incorporated and operating in Kenya. The investment has been fair valued based on the market approach using financial information for similar banks listed in Kenya.

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Held-to-maturity investment securities			
Government of Mauritius Bonds	49,988	145,503	221,892
Government of Mauritius Bills	-	-	124,789
Bank of Mauritius Bills	99,921	-	-
Treasury Bills / Notes issued by Government of Mauritius	1,037,485	635,476	556,343
Corporate Bonds / Other Bank Placements	780,985	1,515,347	780,058
	1,968,379	2,296,326	1,683,082
Segment A			
Government of Mauritius Bonds	49,988	145,503	221,892
Government of Mauritius Bills	-	-	124,789
Bank of Mauritius Bills	99,921	-	-
Treasury Bills / Notes issued by Government of Mauritius	1,037,485	635,476	556,343
Corporate Bonds / Other Bank Placements	337,155	433,367	386,801
	1,524,549	1,214,346	1,289,825
Segment B			
Corporate Bonds / Other Bank Placements	443,830	1,081,980	393,257
	443,830	1,081,980	393,257

Remaining term to maturity - 2017	Up to 3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-5 yrs Rs 000	Over 5 yrs Rs 000	Total Rs 000
Government of Mauritius Bonds	-	-	49,988	-	-	49,988
Government of Mauritius Bills	99,921	-	-	-	-	99,921
Treasury Bills / Notes issued by Government of Mauritius	175,976	431,235	-	430,274	-	1,037,485
Corporate Bonds / Other Bank Placements	73,330	237,076	-	375,495	95,084	780,985
	349,227	668,311	49,988	805,769	95,084	1,968,379

Remaining term to maturity - 2016	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	Over 5 yrs	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Government of Mauritius Bonds	-	80,938	15,150	49,415	-	145,503
Government of Mauritius Bills	-	49,578	-	-	-	49,578
Treasury Bills / Notes issued by Government of Mauritius	26,327	-	50,255	509,317	-	585,899
Corporate Bonds / Other Bank Placements	737,756	101,200	193,447	338,055	144,888	1,515,346
	764,083	231,716	258,852	896,787	144,888	2,296,326

Remaining term to maturity - 2015	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	Over 5 yrs	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Government of Mauritius Bonds	2,082	1,747	75,359	142,704	-	221,892
Government of Mauritius Bills	124,789	-	-	-	-	124,789
Treasury Bills / Notes issued by Government of Mauritius	1,220	152,326	150	402,647	-	556,343
Corporate Bonds / Other Bank Placements	46,847	362,168	182,735	175,521	12,787	780,058
	174,938	516,241	258,244	720,872	12,787	1,683,082

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17. PROPERTY AND EQUIPMENT

	Land and buildings	Computer and other equipment	Other fixed assets	Work in Progress	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost or Valuation					
Balance as at 1 January 2015	288,464	172,157	142,693	2,408	605,722
Acquisitions	-	538	4,138	16,563	21,239
Transfer to property and equipment	-	-	1,243	(1,243)	-
Disposal	-	-	(1,525)	-	(1,525)
Write-off	-	(1,510)	(7,691)	(1,568)	(10,769)
Balance as at 31 December 2015	288,464	171,185	138,858	16,160	614,667
Acquisitions	-	8,092	3,412	68,248	79,752
Transfer to property and equipment	-	8,546	-	(8,546)	-
Disposal	-	-	(11,275)	-	(11,275)
Write-off/scrapped	-	(6,723)	(18,496)	-	(25,219)
Balance as at 31 December 2016	288,464	181,100	112,499	75,862	657,925
Acquisitions	-	9,597	22,731	18,187	50,515
Transfer to property and equipment	-	19,191	70,561	(89,752)	-
Disposal	-	(395)	(822)	-	(1,217)
Write-off/scrapped	-	(4,035)	(1,887)	-	(5,922)
Revaluation gain	11,179	-	-	-	11,179
Balance as at 31 December 2017	299,643	205,458	203,082	4,297	712,480
Accumulated depreciation					
Balance as at 1 January 2015	48,465	144,403	84,798	-	277,666
Depreciation for the year	3,840	7,910	10,374	-	22,124
Scrapped	-	-	(1,525)	-	(1,525)
Disposal adjustment	-	(1,357)	(4,894)	-	(6,251)
Balance as at 31 December 2015	52,305	150,956	88,753	-	292,014
Depreciation for the year	3,829	7,565	9,651	-	21,045
Disposal	-	-	(9,898)	-	(9,898)
Write-off	-	(6,290)	(11,363)	-	(17,653)
Balance as at 31 December 2016	56,134	152,231	77,143	-	285,508
Depreciation for the year	3,853	11,124	15,133	-	30,110
Disposal	-	(388)	(764)	-	(1,152)
Write-off/scrapped	-	(3,881)	(1,266)	-	(5,147)
Balance as at 31 December 2017	59,987	159,086	90,246	-	309,319
Net book value as at 31 December 2017	239,656	46,372	112,836	4,297	403,161
Net book value as at 31 December 2016	232,330	28,869	35,356	75,862	372,417
Net book value as at 31 December 2015	236,159	20,228	50,105	16,160	322,653
Net book value as at 31 December 2017 by segments					
Segment A	239,656	45,471	112,818	4,297	402,242
Segment B	-	901	18	-	919
	239,656	46,372	112,836	4,297	403,161
Net book value as at 31 December 2016 by segments					
Segment A	232,330	28,817	34,049	75,862	371,058
Segment B	-	52	1,307	-	1,359
	232,330	28,869	35,356	75,862	372,417
Net book value as at 31 December 2015 by segments					
Segment A	236,159	20,150	48,397	16,160	320,866
Segment B	-	79	1,708	-	1,787
	236,159	20,229	50,105	16,160	322,653

	2017 Rs 000	2016 Rs 000	2015 Rs 000
Assets disposed/scrapped/written-off during the year (cost):			
Computer and equipment	4,430	6,723	1,510
Other assets	2,709	29,771	9,216
	7,139	36,494	10,726
Work in progress included in tangible assets as at 31.12.2017:			
(i) Renovation of branch	2,880		
(ii) Others	1,417		
	4,297		

The Company's land and building were last revalued in 2017 by V.Ramjee & Associates Ltd (Chartered Valuer). The basis of valuation is based on market value, defined in accordance with International Valuation Standard Committee and the accounts were amended to reflect the fair value.

	2017 Rs 000	2016 Rs 000	2015 Rs 000
Land & Building excluding revaluation:			
Cost	201,000	201,000	201,000
Accumulated depreciation	(62,469)	(58,449)	(54,429)
Net	138,531	142,551	146,571

18. INTANGIBLE ASSETS

	Computer Software Rs 000	Work in Progress Rs 000	Total Rs 000
Balance as at 1 January 2015	138,267	-	138,267
Additions	2,580	10,181	12,761
Transfer to intangibles	5,824	(5,824)	-
Balance as at 31 December 2015	146,671	4,357	151,028
Additions	6,922	9,701	16,623
Transfer to intangibles	11,611	(11,611)	-
Scrapped	(85)	-	(85)
Balance as at 31 December 2016	165,119	2,447	167,566
Additions	1,223	13,245	14,468
Transfer to intangibles	810	(810)	-
Balance as at 31 December 2017	167,152	14,882	182,034
Amortisation			
Balance as at 1 January 2015	100,539	-	100,539
Charge for the year	13,065	-	13,065
Balance as at 31 December 2015	113,604	-	113,604
Charge for the year	13,347	-	13,347
Scrapped	(78)	-	(78)
Balance as at 31 December 2016	126,873	-	126,873
Charge for the year	13,581	-	13,581
Balance as at 31 December 2017	140,454	-	140,454
Net book value as at 31 December 2017	26,698	14,882	41,580
Net book value as at 31 December 2016	38,246	2,447	40,693
Net book value as at 31 December 2015	33,067	4,357	37,424
Net book value as at 31 December 2017 by segments			
Segment A	25,938	14,882	40,820
Segment B	760	-	760
	26,698	14,882	41,580
Net book value as at 31 December 2016 by segments			
Segment A	35,793	2,447	38,240
Segment B	2,453	-	2,453
	38,246	2,447	40,693
Net book value as at 31 December 2015 by segments			
Segment A	29,033	4,357	33,390
Segment B	4,034	-	4,034
	33,067	4,357	37,424

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19. DEFERRED TAX ASSETS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
At start of year	71,918	95,399	59,641
Statement of profit or loss charge (note 10)	(7,329)	(22,886)	30,986
Amount recognised directly in Other Comprehensive Income:			
Deferred income tax on fair value adjustments	1,177	(42)	377
Under/(over) provision of deferred tax in previous years	4,199	(1,561)	-
Deferred income tax on actuarial losses on retirement benefits obligations	3,701	1,008	4,395
Deferred tax on revaluation of building	(1,900)	-	-
At end of year	71,766	71,918	95,399
Deferred tax assets			
Allowances for loan losses	63,833	69,274	91,200
Available-for-sale securities	1,562	386	428
Revaluation on building	-	8,029	8,029
Retirement Benefit Obligation	945	3,620	3,960
Deferred tax through OCI	8,968	6,722	5,714
	75,308	88,031	109,331
Deferred tax liabilities			
Accelerated capital allowances	2,054	2,841	2,220
Revaluation reserve	1,488	13,272	11,712
	3,542	16,113	13,932
Non current	71,766	71,918	95,399

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 17% (2016 and 2015-17%) for segment A and an effective tax rate of 3% (2016 and 2015-3%) for segment B resulting from 80% tax relief for segment B activities.

The Board of Directors considered that the deferred tax is recoverable based on the forecasted taxable profit.

20. OTHER ASSETS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Mandatory balances with Central Bank*	1,179,779	948,551	724,929
Balance due in clearing	56,055	33,501	24,435
Non-banking assets acquired in satisfaction of debts**	9,760	8,789	1,660
Other receivables	51,342	33,678	23,302
	1,296,936	1,024,519	774,326
Current	90,576	70,960	44,849
Non Current	1,206,360	953,559	729,477

(a) Segment A

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Mandatory balances with Central Bank*	1,179,779	948,551	724,929
Balance due in clearing	56,055	33,501	24,435
Non-banking assets acquired in satisfaction of debts**	9,760	8,789	1,660
Other receivables	39,692	28,744	21,278
	1,285,286	1,019,585	772,302

(b) Segment B

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Other receivables	11,650	4,934	2,024
	11,650	4,934	2,024

** Balances to be maintained with Central Bank as Cash Reserve requirement.*
***The Bank's policy is to dispose of such assets as soon as possible depending on the market availability.*

21. DEPOSITS FROM CUSTOMERS

(a) Deposits comprise the following:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Retail customers	8,176,022	7,217,618	6,089,279
Corporate customers	4,789,811	3,477,120	2,108,142
International customers	15,171,622	11,125,380	9,026,463
Government	161,987	367,181	97,995
	28,299,442	22,187,299	17,321,879
Current	26,073,424	20,479,157	16,398,781
Non Current	2,226,018	1,708,142	923,098

(b) The table below shows the remaining term to maturity for deposits by type of customer:

	Current accounts	Savings accounts	Time deposits with remaining term to maturity: Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 1 year and up to 5 years	Over 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 31 December 2017								
Retail customers	747,661	5,977,028	307,045	179,686	396,249	556,206	12,147	8,176,022
Corporate customers	806,816	435,372	731,219	910,517	467,127	1,438,760	-	4,789,811
International customers	9,752,900	1,083,396	2,939,259	543,795	633,367	218,905	-	15,171,622
Government	-	30,402	101,219	-	30,366	-	-	161,987
Total	11,307,377	7,526,198	4,078,742	1,633,998	1,527,109	2,213,871	12,147	28,299,442
At 31 December 2016								
Retail customers	772,455	5,284,040	271,593	153,126	301,258	431,758	12,046	7,226,276
Corporate customers	807,550	438,341	616,489	499,037	551,180	537,809	-	3,450,406
International customers	7,171,260	1,121,806	1,152,860	448,504	600,751	656,257	-	11,151,438
Government	-	2,805	-	200,774	85,329	70,271	-	359,179
Total	8,751,265	6,846,992	2,040,942	1,301,441	1,538,518	1,696,095	12,046	22,187,299
At 31 December 2015								
Retail customers	445,485	4,647,126	172,821	131,522	253,780	438,545	-	6,089,279
Corporate customers	756,775	342,065	116,522	19,500	566,900	306,380	-	2,108,142
International customers	5,747,672	1,098,020	931,651	206,340	919,607	123,173	-	9,026,463
Government	-	2,395	-	-	40,600	55,000	-	97,995
Total	6,949,932	6,089,606	1,220,994	357,362	1,780,887	923,098	-	17,321,879

(c) Deposits by Segments

	Current accounts	Savings accounts	Time deposits with remaining term to maturity: Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 1 year and up to 5 years	Over 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 31 December 2017								
Segment A	1,554,477	6,442,802	1,139,483	1,090,203	893,742	1,994,966	12,147	13,127,820
Segment B	9,752,900	1,083,396	2,939,259	543,795	633,367	218,905	-	15,171,622
At 31 December 2016								
Segment A	1,580,005	5,725,186	888,082	852,937	937,767	1,039,838	12,046	11,035,861
Segment B	7,171,260	1,121,806	1,152,860	448,504	600,751	656,257	-	11,151,438
At 31 December 2015								
Segment A	1,202,260	4,991,586	289,343	151,022	861,280	799,925	-	8,295,416
Segment B	5,747,672	1,098,020	931,651	206,340	919,607	123,173	-	9,026,463

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FOR THE YEAR ENDED 31 DECEMBER 2017

22. OTHER BORROWED FUNDS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Borrowings from Bank of Mauritius*	122,811	154,825	194,325
Short-term borrowings from local banks	-	-	100,000
Short-term borrowings from banks abroad	630	33,606	180,054
	123,441	188,431	474,379
Current	43,294	73,524	314,114
Non current	80,147	114,907	160,265
Segment A			
Borrowings from Bank of Mauritius*	122,811	154,825	194,325
Short-term borrowings from local banks	-	-	100,000
	122,811	154,825	294,325
Segment B			
Short-term borrowings from banks abroad (at market rates)	630	33,606	180,054
	630	33,606	180,054

**Borrowings from Bank of Mauritius relates to the special foreign currency line of credit availed to lend to export operators. Interest rates on the other borrowings are on average below 1%.*

2017 Remaining term to maturity :	Up to 1 year Rs 000	1-2 years Rs 000	2-3 years Rs 000	3-4 years Rs 000	4-5 years Rs 000	Above 5 years Rs 000	Total Rs 000
Borrowings from Bank of Mauritius	42,665	80,146	-	-	-	-	122,811
	42,665	80,146	-	-	-	-	122,811

2016 Remaining term to maturity :	Up to 1 year Rs 000	1-2 years Rs 000	2-3 years Rs 000	3-4 years Rs 000	4-5 years Rs 000	Above 5 years Rs 000	Total Rs 000
Borrowings from Bank of Mauritius	39,917	39,918	74,990	-	-	-	154,825
	39,917	39,918	74,990	-	-	-	154,825

2015 Remaining term to maturity :	Up to 1 year Rs 000	1-2 years Rs 000	2-3 years Rs 000	3-4 years Rs 000	4-5 years Rs 000	Above 5 years Rs 000	Total Rs 000
Borrowings from Bank of Mauritius	34,060	41,320	41,320	77,625	-	-	194,325
	34,060	41,320	41,320	77,625	-	-	194,325

23. SUBORDINATED LIABILITIES

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Remaining term to maturity :			
Within 1 year	-	50,064	143,900
Over 1 year and up to 2 years	-	-	89,010
Over 2 years and up to 3 years	-	-	39,010
Over 3 years and up to 4 years	-	-	39,094
Over 4 years and up to 5 years	99,815	-	-
Over 5 years	412,390	474,326	99,621
	512,205	524,390	410,635
Current	-	50,064	143,900
Non current	512,205	474,326	266,735
(a) Segment A			
Within 1 year	-	50,064	99,920
Over 1 year and up to 2 years	-	-	50,000
Over 4 years and up to 5 years	99,815	-	-
Over 5 years	-	99,700	99,621
	99,815	149,764	249,541
(b) Segment B			
Within 1 year	-	-	43,980
Over 1 year and up to 2 years	-	-	39,010
Over 2 years and up to 3 years	-	-	39,010
Over 3 years and up to 4 years	-	-	39,094
Over 5 years	412,390	374,626	-
	412,390	374,626	161,094

Interest rates on the subordinated debts range between 7.56% and 8.05%. (between 7.55% and 8.75% in 2016 and between 7.55% and 8.93% in 2015)

Movement in subordinated liabilities:	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Opening balance	524,390	410,635	426,732
Additions	-	374,626	-
Redemptions/amortisations	(12,185)	(260,871)	(16,097)
Closing balance	512,205	524,390	410,635

24. CURRENT TAX LIABILITIES

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Special levy on banks	4,936	4,065	-
Corporate Social Responsibility Fund	-	170	1,842
Income tax	6,673	2,724	38
	11,609	6,959	1,880
Current	11,609	6,959	1,880

25. OTHER LIABILITIES

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Liability for defined pension plan (note 26)	24,944	21,913	13,755
Liability for unfunded pension plan (note 26)	18,571	-	-
Bills payable	28,164	20,152	5,851
Other payables	232,069	197,756	246,400
Allowances for off-balance sheet exposures	480	480	480
	304,228	240,301	266,486
Current	210,521	166,090	204,150
Non current	93,707	74,211	62,336

25. OTHER LIABILITIES (CONT'D)

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Segment A			
Liability for defined pension plan (note 26)	18,389	21,913	13,755
Liability for unfunded pension plan (note 26)	13,691	-	-
Bills payable	28,164	20,152	5,851
Other payables	175,989	134,640	178,618
Allowances for off-balance sheet exposures	480	480	480
	236,713	177,185	198,704
Segment B			
Liability for defined pension plan (note 26)	6,555	-	-
Liability for defined contribution pension plan (note 26)	4,880	-	-
Other payables	56,080	63,116	67,782
	67,515	63,116	67,782

26. PENSION OBLIGATIONS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Pension obligations under defined benefit plan:			
Amounts recognised in the statement of financial position (note 25)	24,944	21,913	13,755
Amounts charged to profit or loss statement (note 8)	8,098	6,330	1,770
Amounts credited to other comprehensive income net of deferred tax	19,237	4,924	2,063
Pension obligations under unfunded pension plan:			
Amounts recognised in the statement of financial position (note 25)	18,571	-	-
Amounts charged to profit or loss statement (note 8)	10,979	-	-
Amounts credited to other comprehensive income net of deferred tax	6,301	-	-

(a) Defined pension benefits (funded)

The Bank operates a defined pension benefit plan for all its employees in employment before the financial year 2008. The employees in the scheme are entitled to 10% of their basic salary as pension benefit. The assets of the funded plan are held and independently administered by Swan Life Ltd.

The following information is based on actuarial valuation report dated 31 December 2017 by Swan Life Ltd.

(i) The amounts recognised in the statement of financial position are as follows:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Present value of funded obligations	150,513	118,511	124,896
Fair value of plan assets	(125,569)	(96,598)	(111,141)
Liability in the statement of financial position	24,944	21,913	13,755

(ii) The movement in the defined benefit obligations over the year is as follows:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
At 1 January	21,913	13,755	10,207
Amount recognised in profit and loss	8,098	6,330	1,770
Amount recognised in other comprehensive income (gross)	20,192	5,932	6,458
Contributions by the employer	(25,259)	(4,104)	(4,680)
At 31 December	24,944	21,913	13,755
Non current	24,944	21,913	13,755

(iii) The movement in the defined benefit obligations of the year is as follows:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
At 1 January	118,511	124,896	114,850
Included in profit or loss:			
Current service cost	5,818	4,168	4,565
Interest cost	7,435	8,186	8,214
Effects of curtailments/settlements	-	-	(3,894)
Included in other comprehensive income:			
Experience losses/(gains) on the liabilities	2,875	(7,189)	4,033
Changes in assumptions underlying the present value of the scheme	16,687	12,090	1,266
Other:			
Benefits paid	(813)	(23,640)	(4,138)
At 31 December	150,513	118,511	124,896

(iv) The movement in the fair value of plan assets of the year is as follows:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
At 1 January	96,598	111,141	104,643
Included in other comprehensive income:			
Return on plan assets	6,495	6,526	7,371
Other:			
Employer's contribution	25,259	4,104	4,680
Scheme expenses	(991)	(160)	228
Cost of insuring risk benefits	(349)	(343)	(484)
Actuarial loss	(630)	(1,030)	(1,159)
Benefits paid	(813)	(23,640)	(4,138)
At 31 December	125,569	96,598	111,141

(v) The amounts recognised in profit or loss are as follows:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Current service cost	5,818	4,168	4,565
Scheme expenses	991	160	(228)
Cost of insuring risk benefits	349	343	484
Effects of curtailments/settlements	-	-	(3,894)
Net interest cost	940	1,659	843
Total included in employee benefit expense	8,098	6,330	1,770
Actual return on plan assets	5,865	5,497	6,213

(a) Defined pension benefits (funded) (Cont'd)

(vi) The amounts recognised in other comprehensive income are as follows:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Losses on pension scheme assets	630	1,030	1,159
Experience losses on the liabilities	2,875	(7,189)	4,033
Changes in assumptions underlying the present value of the scheme	16,687	12,090	1,266
	20,192	5,932	6,458

(vii) Plan assets

The assets of the plan are invested in the Deposit Administration Policy underwritten by Swan Life Ltd. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes. It is a long-term investment policy which aims to provide a smooth progression of returns from one year to the next without regular fluctuations associated with asset-linked investments such as Equity Funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4% p.a.

(viii) As the pension fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long-term expected return on asset assumption has been based on historical performance of the pension fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk-free rate. The risk-free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

(ix) Average duration

The weighted average duration of the defined benefit obligation is 9 years at the end of the reporting period.

(x) Future cash flows

The funding requirements of the defined benefit plan are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The Bank expects to pay Rs 7.5m in contributions to its post-employment benefit plans for the year ending 31 December 2018.

(b) Liability for unfunded pension plan

This relates to Retirement Gratuities payable under the Employment Rights Acts which stipulates that all companies shall provide a lump sum to their employees at retirement based on final salary and years of service. All employees joining after 2008 will be entitled to receive the gratuity payment under the Employment Rights Act.

The movement in the obligation of the unfunded pension plan of the year is as follows:

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
At 1 January	-	-	-
Amount recognised in profit or loss:			
Current service cost	10,357	-	-
Net interest cost	622	-	-
Amount recognised in profit or loss	10,979	-	-
Amount recognised in other comprehensive income	7,592	-	-
At 31 December	18,571	-	-

During the year there was no payment or benefit paid for the unfunded scheme. The Bank does not anticipate to make any payment in the coming 12 months to employees in the unfunded plan.

(c) Key assumptions used in funded and unfunded pension liability

The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	Dec-17	Dec-16	Dec-15
	%	%	%
Discount rate	5.0	6.0	7.0
Future salary growth rate	4.0	4.0	5.0

(d) Sensitivity analysis

Sensitivity analysis on both funded and unfunded benefit obligations to changes in the weighted principal assumptions is outlined below:

	31-Dec-17	31-Dec-16	31-Dec-15
	Inc / (Dec)	Inc / (Dec)	Inc / (Dec)
	Rs 000	Rs 000	Rs 000
Defined pension benefit funded scheme:			
Discount rate (1% movement)	(12,410)	(9,918)	(9,349)
Future salary growth rate (1% movement)	18,635	13,383	12,832
Defined pension benefit unfunded scheme:			
Discount rate (1% movement)	(3,710)	-	-
Future salary growth rate (1% movement)	2,553	-	-

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(e) Risk exposure

Through its defined pension benefit and unfunded plan, the Bank is exposed to a number of risks, the most significant of which are detailed below:

(i) Funded plan

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

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

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

The Bank ensures that the investment positions is managed by Swan Life Ltd on a regular basis and also monitors the assets and liabilities of the scheme.

(ii) Unfunded plan

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

27. SHARE CAPITAL

	Dec-17	Dec-16	Dec-15
	Rs 000	Rs 000	Rs 000
Shares at no par value			
Stated capital	856,456	856,456	856,456
At start of year	856,456	856,456	731,456
Issue of shares	-	-	125,000
At end of year	856,456	856,456	856,456
No of ordinary shares in issue (no par value)	8,564,560	8,564,560	8,564,560

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

28. CONTINGENT LIABILITIES

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Acceptances on account of customers	6,203	72,785	23,315
Guarantees on account of customers	423,388	601,492	487,617
Letters of credit and other obligations on account of customers	37,571	18,176	53,516
Other contingent items	181,419	29,954	42,315
	648,581	722,407	606,763
Segment A			
Acceptances on account of customers	5,401	61,109	14,133
Guarantees on account of customers	289,554	292,631	241,734
Letters of credit and other obligations on account of customers	25,866	9,298	20,669
Other contingent items	129,332	17,448	11,325
	450,153	380,486	287,861
Segment B			
Acceptances on account of customers	802	11,676	9,182
Guarantees on account of customers	133,834	308,861	245,883
Letters of credit and other obligations on account of customers	11,705	8,878	32,847
Other contingent items	52,087	12,506	30,990
	198,428	341,921	318,902

29. COMMITMENTS

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
(a) Undrawn credit facilities	2,336,517	969,809	874,003
Segment A	1,095,543	777,781	803,943
Segment B	1,240,974	192,028	70,060

(b) Operating lease commitments - where Bank One is the lessee

The bank leases various branches under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

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

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Not later than one year	11,171	11,732	13,963
Later than one year and not later than five years	12,461	19,240	21,818
Later than five years	-	-	1,133
	23,632	30,972	36,914

(c) Securities pledged

GOM bonds as collateral for the purpose of overnight facility from the Bank of Mauritius when required.

Treasury notes and GOM bonds as collateral for facilities availed under the Special Foreign Currency line of credit.

	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
GOM bonds	50,000	70,000	120,000
Treasury notes/bills	490,000	370,000	270,000
	540,000	440,000	390,000

30. CONTINGENT ASSET

The Bank is entitled to net proceeds on recovery of certain assets by the Liquidator of Delphis Bank Limited (in liquidation).

31. RELATED PARTIES

Related parties	Name of relationship	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Loans and advances	Related Companies	952,917	811,161	447,113
	Directors	186	367	912
	Key Management Personnel	34,835	25,854	34,369
Deposits	Related Companies	315,638	78,087	103,407
	Directors	8,671	47,469	18,042
	Key Management Personnel	32,778	27,082	39,103
Interest income	Related Companies	13,305	16,878	10,998
	Directors	-	-	67
	Key Management Personnel	4,931	1,344	1,548
Interest expense	Related Companies	10,005	3,411	362
	Directors	210	755	176
	Key Management Personnel	3,621	4,245	770
Fees and Expenses	Directors	7,222	6,422	7,753

Related companies relates to enterprises in which Shareholders, Directors, Key Management Personnel have significant interest as defined in the guideline issued by BOM.

Credit commitments for Directors/Senior Management Personnel equals to Rs3.6m and Rs100m relates to commitments with related companies.

Other disclosures on page 59 of the Risk Management Report.

(a) Key Management Personnel compensation	Dec-17 Rs 000	Dec-16 Rs 000	Dec-15 Rs 000
Salaries and short-term employee benefits	66,597	66,790	70,764
Post-employment benefits	4,654	4,429	4,622
Termination benefits	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

32. SEGMENTAL STATEMENT OF FINANCIAL POSITION

	Dec-17			Dec-16			Dec-15		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Statement of Financial Position									
ASSETS									
Cash and cash equivalents	4,221,988	563,624	3,658,364	4,584,789	376,492	4,208,297	3,670,672	283,007	3,387,665
Derivative assets held for risk management	4,824	3,022	1,802	1,337	520	817	207	3	204
Loan and advances to banks	3,707,245	-	3,707,245	1,650,343	-	1,650,343	534,289	-	534,289
Loan and advances to customers	17,746,327	10,342,404	7,403,923	13,750,096	8,214,225	5,535,871	12,335,145	7,467,055	4,868,090
Investment securities - AFS	2,249,806	2,214,645	35,161	1,494,704	1,459,681	35,023	843,338	816,043	27,295
Investment securities - HTM	1,968,379	1,524,549	443,830	2,296,326	1,214,346	1,081,980	1,683,082	1,289,825	393,257
Property and equipment	403,161	402,242	919	372,417	371,058	1,359	322,653	320,866	1,787
Intangible asset	41,580	40,820	760	40,693	38,240	2,453	37,424	33,390	4,034
Deferred tax asset	71,766	66,836	4,930	71,918	68,143	3,775	95,399	94,274	1,125
Other assets	1,296,936	1,285,286	11,650	1,024,519	1,019,585	4,934	774,326	772,302	2,024
Total assets	31,712,012	16,443,428	15,268,584	25,287,142	12,762,290	12,524,852	20,296,535	11,076,765	9,219,770
LIABILITIES									
Deposits from customers	28,299,442	13,127,820	15,171,622	22,187,299	11,035,861	11,151,438	17,321,879	8,295,416	9,026,463
Derivative liabilities held for risk management	822	414	408	11,423	4,086	7,337	5,622	474	5,148
Other borrowed funds	123,441	122,811	630	188,431	154,825	33,606	474,379	294,325	180,054
Subordinated liabilities	512,205	99,815	412,390	524,390	149,764	374,626	410,635	249,541	161,094
Current tax liabilities	11,609	11,609	-	6,959	6,959	-	1,880	1,880	-
Other liabilities	304,228	236,713	67,515	240,301	177,185	63,116	266,486	198,704	67,782
	29,251,747	13,599,182	15,652,565	23,158,803	11,528,680	11,630,123	18,480,881	9,040,340	9,440,541
Shareholders' Equity									
Stated Capital	856,456	-	-	856,456	-	-	856,456	-	-
Retained earnings	1,239,958	-	-	967,011	-	-	707,284	-	-
Other reserves	363,851	-	-	304,872	-	-	251,914	-	-
	2,460,265	-	-	2,128,339	-	-	1,815,654	-	-
Total equity and liabilities	31,712,012	-	-	25,287,142	-	-	20,296,535	-	-

33. SEGMENTAL STATEMENT OF PROFIT OR LOSS

	Dec-17			Dec-16			Dec-15		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Statement of profit or loss									
Interest income	1,080,674	630,180	450,494	1,022,557	597,323	425,234	902,756	561,676	341,080
Interest expense	(367,117)	(283,635)	(83,482)	(323,403)	(283,773)	(39,630)	(294,463)	(254,525)	(39,938)
Net interest income	713,557	346,545	367,012	699,154	313,550	385,604	608,293	307,151	301,142
Fee and commission income	271,295	80,332	190,963	411,836	76,107	335,729	318,988	69,040	249,948
Fee and commission expense	(123,196)	(35,619)	(87,577)	(200,132)	(34,485)	(165,647)	(151,946)	(32,060)	(119,886)
Net fee and commission income	148,099	44,713	103,386	211,704	41,622	170,082	167,042	36,980	130,062
Net gain on dealing in foreign currencies and derivatives	82,917	30,031	52,886	84,015	27,932	56,083	72,258	44,590	27,668
Other operating income	14,987	14,760	227	397	397	-	9,401	1,745	7,656
	97,904	44,791	53,113	84,412	28,329	56,083	81,659	46,335	35,324
Operating income	959,560	436,049	523,511	995,270	383,501	611,769	856,994	390,466	466,528
Non-interest expenses									
Personnel expenses	(367,600)	(273,575)	(94,025)	(313,654)	(231,775)	(81,879)	(311,032)	(231,238)	(79,794)
Depreciation & amortisation	(43,691)	(40,951)	(2,740)	(34,392)	(32,080)	(2,312)	(35,189)	(33,416)	(1,773)
Other expenses	(136,203)	(110,969)	(25,234)	(144,785)	(121,878)	(22,907)	(134,476)	(106,736)	(27,740)
	(547,494)	(425,495)	(121,999)	(492,831)	(385,733)	(107,098)	(480,697)	(371,390)	(109,307)
Profit before Impairment	412,066	10,554	401,512	502,439	(2,232)	504,671	376,297	19,076	357,221
Net impairment loss on financial assets	(11,299)	21,961	(33,260)	(153,626)	(66,770)	(86,856)	(165,158)	(138,616)	(26,542)
Profit before tax	400,767	32,515	368,252	348,813	(69,002)	417,815	211,139	(119,540)	330,679
Income tax (expense)/credit	(26,568)	(11,415)	(15,153)	(37,229)	(25,537)	(11,692)	15,790	28,357	(12,567)
Profit/(loss) after tax	374,199	21,100	353,099	311,584	(94,539)	406,123	226,929	(91,183)	318,112

INFUSING THE ESSENCE OF BUILDING MUTUAL TRUST

BRANCH
NETWORK

BRANCH	ADDRESS
Main Branch	16, Sir William Newton Street, Port Louis
Triolet	Royal Road, Triolet
Goodlands	Royal Road, Goodlands
Rivière du Rempart	Royal Road, Rivière du Rempart
Flacq	Charles de Gaulle Street, Flacq
Rose Hill	Royal Road, Rose Hill
Quatre Bornes	Royal Road, Quatre Bornes
Vacoas	John Kennedy Avenue, Vacoas
Curepipe	Opposite Poncini, Next to Monoprix
Rose Belle	Royal Road, Rose Belle
Mahébourg	Royal Road, Mahébourg
L'Escalier	Royal Road, L'Escalier
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