it's not about

mONEy

BANK ONE

ANNUAL REPORT 2015

our report is

not only **ONE** concrete way

to show solid facts & figures

but also to show

how valuable YOU are

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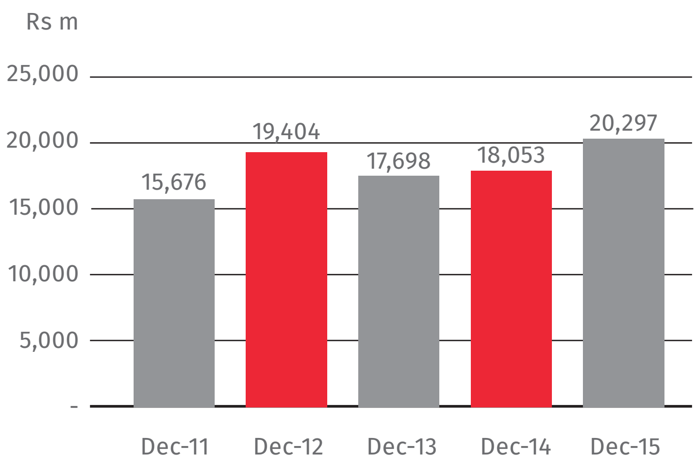
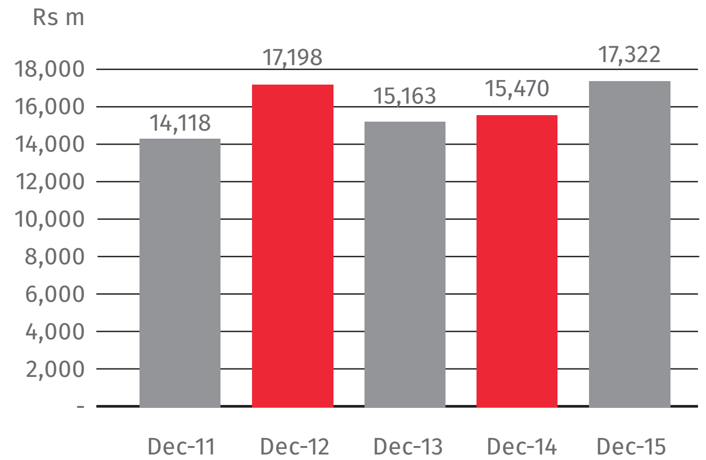
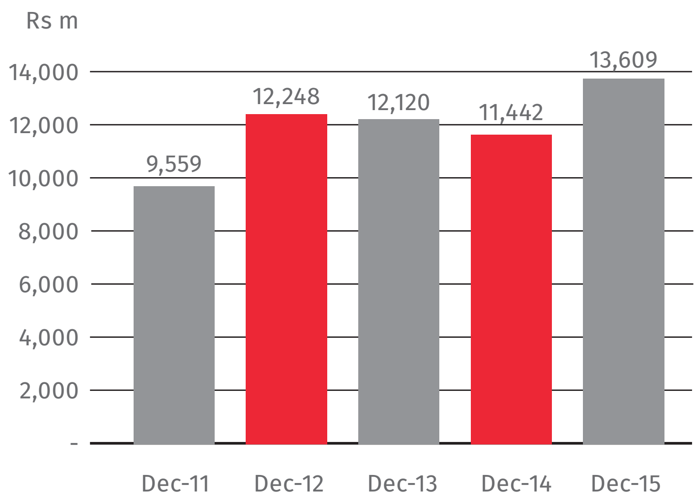
FINANCIAL HIGHLIGHTS



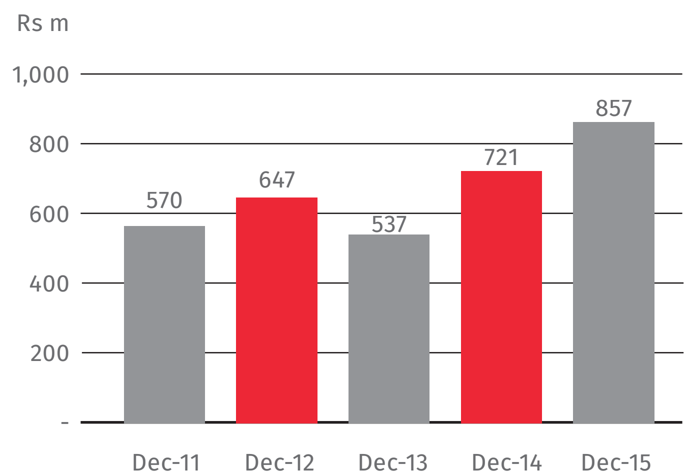
Total Assets



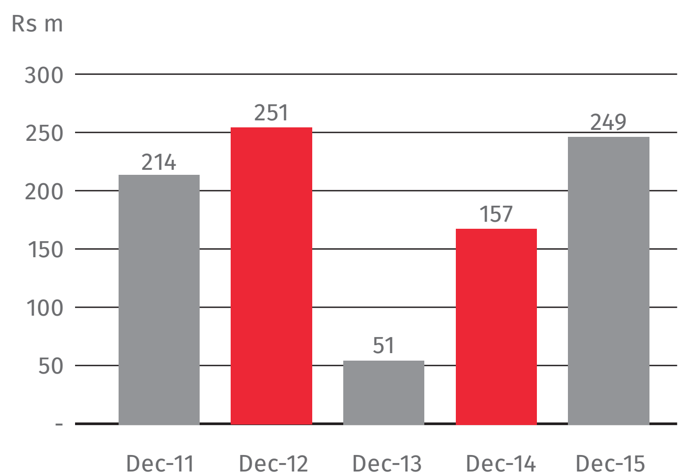
Total Deposits



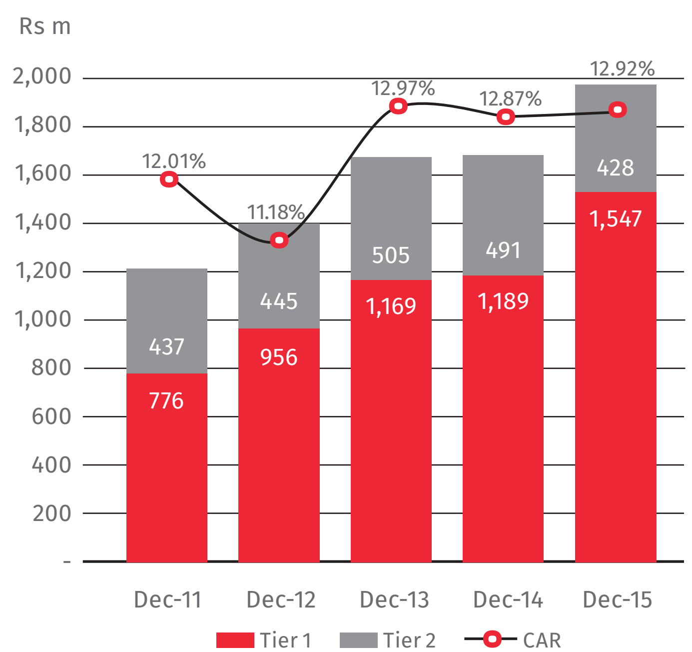
Gross Advances



Operating Income

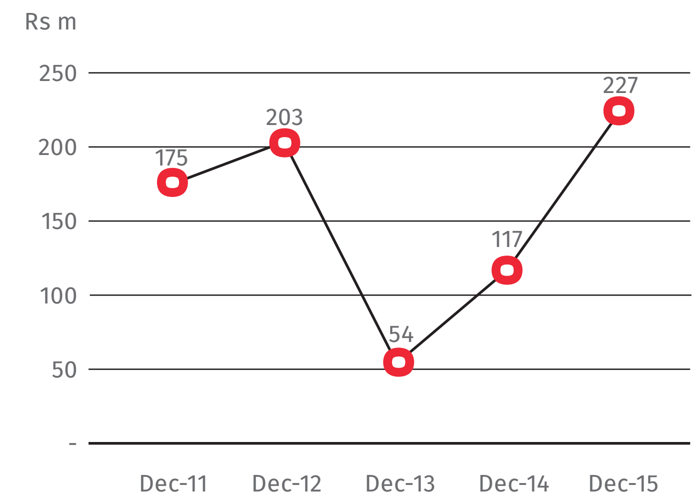


Net Non Interest Income

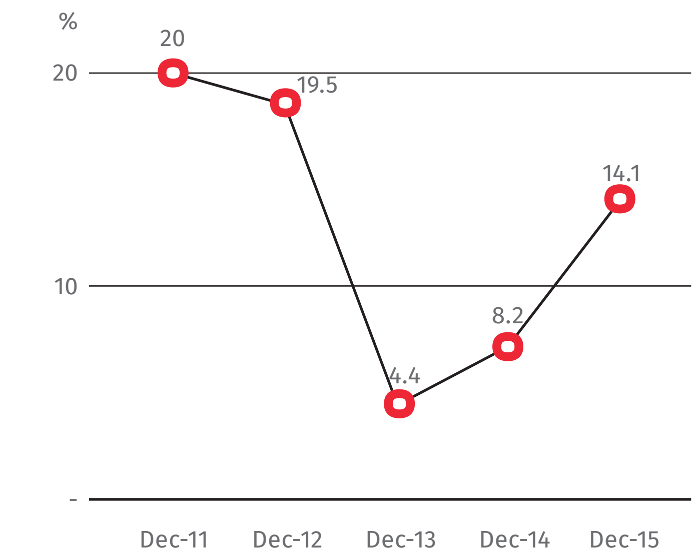


Capital Adequacy Assessment

ONE
tangible
performance



Profit after Tax



Return on Equity

rediscover your
piONEer
spirit

CORPORATE PROFILE

Corporate Profile

Bank One Limited (hereinafter referred to as "Bank One" or the "Bank") is a Mauritian bank headquartered in Port Louis, Mauritius. Bank One provides a wide range of banking products to its Retail, Corporate, Private and Offshore clients through its chain of 15 branches and its ATM network distributed across the island. The Bank also offers treasury services and has developed strong capabilities in e-commerce acquiring business. Besides being a high street bank, Bank One is licensed by the Financial Services Commission to act as an Insurance Agent, distributor of financial products, investment advisor and custodian. Bank One holds a Foreign Institutional Investor license from the Securities and Exchange Board of India and also has a representative office in South Africa.

With a client base of over 40,000, serviced by a dedicated team of above 300 well-trained staff, Bank One has an asset base of Rs20bn and enjoys a market share close to 2%.

Leveraging on the presence of its shareholders, I&M Holdings Limited and CIEL Finance Limited (each holding 50% of the Bank's capital), Bank One intends to position itself as a leading Mauritian bank with global reach, the preferred long-term partner to its clients, and an enabler for responsible and sustainable growth in the coming years.

our vision

To be amongst the leading domestic banks known for its service excellence and a regional player.

our mission

To help our clients achieve economic success.

our core values

- Integrity: We maintain the highest standards of honesty and integrity with our customers and stakeholders.
- Customer Focus: Our customers are at the centre of everything we do.
- Team Work: Through collaboration, we create more value for our customers.
- Efficiency: We do the right thing right for the benefit of our clients.
- Continuous Improvement: We constantly review our processes and ways of doing business to adapt to the changing needs of our clients.

company details

Business Registration No: C07040612

Registered Office:
16, Sir William Newton Street
Port Louis, Mauritius
Telephone: (230) 202 9200
Fax: (230) 210 4712
Website: www.bankone.mu

Nature of Business:
Bank One is licensed with the Bank of Mauritius to carry out banking business.

The Bank also holds the following licences:

Licence	Issuer
Licence to act as Insurance Agent for SWAN Life and Mauritius Union Assurance Co Ltd	Financial Services Commission of Mauritius
Licence for distribution of financial products	Financial Services Commission of Mauritius
Investment Adviser (Unrestricted) Licence	Financial Services Commission of Mauritius
Custodian Licence	Financial Services Commission of Mauritius
Foreign Institutional Investor (FII) Licence	Securities and Exchange Board of India
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 business.

Main correspondent banks

I & M Bank Limited, Nairobi
Citibank NA, New York
Citibank NA, London
Deutsche Bank Trust Company Americas, New York
Deutsche Bank AG, Frankfurt
UBS AG, Zurich
Bank of China Limited
SBM Bank (Mauritius) Ltd, Mumbai
DBS Bank Ltd, Singapore
Commonwealth Bank of Australia
The Standard Bank of South Africa Ltd, Johannesburg
Commerzbank AG, Tokyo

External Auditors

PricewaterhouseCoopers
18, CyberCity
Ebène, Réduit 72201
Republic of Mauritius

The Directors below served on the Board of Bank One as at 31.12.15:

BOARD OF DIRECTORS

Chairman

David PROCTOR (Independent)

Members

Ravneet CHOWDHURY (Executive)
Jean-Pierre DALAIS (Non-Executive)
Marc-Emmanuel VIVES (Non-Executive) (appointed on 15.04.15)
Sarit S. RAJA-SHAH (Non-Executive)
Arun Shankar MATHUR (Non-Executive)
Pratul SHAH (Independent)
Sandra MARTYRES (Independent)
Jérôme DE CHASTEAUNEUF (Alternate Director to Jean-Pierre Dalais)
Kim Foong (Roger) LEUNG SHIN CHEUNG (Independent) (resigned on 31.12.15)

Secretary to the Board & Board Committees:

Kamini VENCADASMY

BOARD COMMITTEES

Audit Committee

Pratul SHAH (Chairman)
David PROCTOR
Sandra MARTYRES

Credit Committee

Arun S. MATHUR (Chairman)
Sandra MARTYRES
Marc-Emmanuel VIVES (from 15.04.15)
Roger LEUNG (until 31.12.15)

Risk Management Committee

Sandra MARTYRES (Chairperson)
Arun S. MATHUR
David PROCTOR
Ravneet CHOWDHURY
Marc-Emmanuel VIVES (from 02.09.15)
Roger LEUNG (until 31.12.15)

Administrative & Staff Compensation Committee

Arun S. MATHUR (Chairman)
David PROCTOR
Marc-Emmanuel VIVES (from 15.04.15)
Roger LEUNG (until 31.12.15)

Conduct Review & Corporate Governance Committee

David PROCTOR (Chairman)
Pratul SHAH
Roger LEUNG (until 31.12.15)

Nomination & Remuneration Committee

Sarit S. RAJA-SHAH (Chairman until 31.12.15)
Jean-Pierre DALAIS (Chairman from 01.01.16)
Pratul SHAH
Roger LEUNG (until 31.12.15)

EXECUTIVE MANAGEMENT

Chief Executive Officer

Ravneet CHOWDHURY

Deputy Chief Executive Officer

C.P. BALACHANDRAN

Chief Operating Officer

Dhinoo VEERASAWMY (until 31.01.16)

Chief Financial Officer

B Ranjeevesingh GOWREESUNKUR

Chief Risk Officer

Stephen VLOK

Head of Corporate Banking

Fareed SOOBADAR

Head of International Banking

Suresh NANDA

Head of Private Banking & Wealth Management

Arun Kumar MATHUR

Head of Consumer Banking

Anne Marie KOO TON FAH

Head of Treasury

Rishyraj LUTCHMAN

Head of Credit Administration

Valerie DUVAL

CHAIRMAN'S STATEMENT

In 2015 the US Federal Reserve raised interest rates for the first time in almost a decade, but global economic growth remained lackluster at just 2.4%. Underlying stresses were evident as oil prices declined 31%; the Shanghai Stock Market fell 6.5% in a single day; Europe became embroiled in a refugee crisis; and major international banks reportedly cut 100,000 jobs.

The Sub-Saharan Africa region also grew below potential due to lower oil and commodity prices; the slowdown in regional trading partners; instances of political instability; and water and electricity shortages, although Kenya (home to I&M Group, a 50% shareholder in Bank One) was one of the few economies to show resilience against these headwinds.

In Mauritius, domestic politics and the financial sector dominated the news. 3.5% economic growth exceeded a number of regional economies, but fell short of the 5.3% forecast in the new government's Budget Statement, while the collapse of the BAI Group resulted in the closure of a number of major local entities including Bramer Bank.

Set against this backdrop, Bank One's 2015 financial performance (19% growth in revenue; 90% increase in net profit) marked further satisfying progress, supported by an additional Rs 125 million investment from the shareholders.

However, the market turmoil which has greeted the start of 2016 highlights the need for Bank One's Board to remain focused on its two main priorities - governance and performance.

On governance, 2015 saw a number of new additions to Bank One's senior executive team; enhanced management reporting providing Directors a sharper insight on leading indicators for revenue, cost and risk/capital management; and assertive action to improve the management of the impaired portfolio.

On performance, the Board has set a clear near term target for Bank One to achieve a position where it can comfortably re-commence paying dividends to Shareholders.

Throughout my 35 year career in the global banking industry, I have witnessed the highs of explosive economic growth and the lows of deep recession. However, I believe the next few years will prove a major turning point for the financial services sector.

Ongoing regulatory changes; residual mis-trust from customers; and emerging "FinTech" solutions are placing enormous pressure on large banks struggling with inflexible, legacy structures. At Bank One we are not complacent about such changes, but believe they offer new opportunities as international banks selectively withdraw from local markets; customers seek an alternative friendly and reliable partner; and cost effective new technologies benefit customers and staff.

Mr Kim Foong (Roger) Leung Shin Cheung resigned from the Board with effect from 31 December 2015 and I would like to thank him for the diligence he showed as an independent director and as Chairman of the Board from 1 March 2013 to 31 December 2014.

My thanks also go to all my other fellow directors, the Management and staff of the Bank, and most especially to all our customers without whom none of this progress would be possible.

This 04th March 2016

David Proctor
Chairman

CEO'S REPORT

Ravneet Chowdhury
Chief Executive Officer

I am extremely pleased to report that 2015 has been a year of encouraging progress for Bank One on numerous fronts despite the not so conducive business environment.

2015 proved to be a difficult year for the Mauritian financial markets as it faced a few tremors in the first quarter that threatened to erode the public confidence and destabilise the financial system. In addition, the global economic outlook remained gloomy and appeared to drift towards greater volatility and risk aversion. Although, we could not derive much support from the macroeconomic environment, the Bank managed to grow strongly during the year.

Solid Financial Performance

The Bank registered a solid performance with an increase in the top line from Rs720m to Rs855m representing a 19% growth. After accounting for Rs165m as impairment charges following enhanced measures undertaken in line with the credit policy, the Bank closed 2015 with a net profit of Rs227m. The Balance sheet footings are also at an all-time high, with total assets growing by 12%, thus crossing the Rs20bn mark.

The Bank delivered an improved return on shareholders' equity of 14.10% as compared to 8.2% in 2014. The initiatives taken by the Bank to increase efficiency and contain costs resulted in an improved cost to income ratio of 56% (60% in 2014). In anticipation of the new standard on impairment of financial assets, the Bank has prudently tightened its provisioning and impairment criteria that impacted the gross impairment ratio which moved up to 8.7%.

The Shareholders continued to extend their commitment for growth by injecting additional Rs125m as share capital during the last quarter of the year thereby shoring up the capital adequacy ratio to 12.92% as at December 2015.

Enriched Risk Management Framework

The credit policy of the Bank was completely reviewed and revised with the introduction of more stringent provisioning measures. The impact of these new actions was evidenced by the higher impairment ratios and the relative charges.

The operational risk management framework also underwent a complete overhaul. A separate department was created with the objective to better identify and address the operational risks by adopting best international practices.

In this volatile environment, the Bank also took steps to diligently monitor the exchange and interest rates movement to evaluate the risks and its potential impact on the bank's operations.

Internal audit was armed with new tools and techniques to function as a value-added early warning indicator for the Bank.

We have placed a strong emphasis on continuously improving our processes and procedures.

Bank One is in the process of formulating a clear and transparent Risk Culture Statement that will be communicated throughout the Bank for better Risk Management.

Furthermore, in line with regulations and best practices, to enable better detection of suspicious transactions/activities and further fortify controls, we invested in a modern Anti Money Laundering system that went live during the year.

As an additional prudential measure, the Board of Directors have internally set more stringent Capital Ratio benchmarks to be followed by the Bank.

Our core business drivers

On the business front we continue to make good progress with the International Banking Department (IBD) continuing to make forays into Africa and other markets to establish Bank One as a known lender in Africa. Our Treasury business delivered a good performance during the year. The business volumes relating to E-commerce grew rapidly and managed to maintain a strong growth trajectory. On the local side, Corporate Banking business continues to reposition itself to target the upper end of the market with deeper penetration of larger names. The Private Banking business continues to embed its model by forging tie-ups with global leaders to offer an array of products that should place us in a very competitive position in the market. We have a very strong Retail franchise on which we intend to capitalise. We have thus embarked on a transformation exercise for this segment which will start bearing fruit in the medium term.

In 2015, Bank One won two accolades that really made us very proud. Over and above the award from Visa International for the Best Bank in e-commerce acquisition business risk management in Mauritius, we were also chosen for being the fastest growing Private Bank in Mauritius by the Global Banking and Finance Review.

Continued attention to our most valuable asset

People continue to be our most valuable asset. During the year, in line with our strategy, we completed our top management team hiring. We also obtained board approval for a new incentive plan for staff that will motivate people to outperform in order to create a performance-driven culture. The features and terms of our staff loan policy have been revised to allow greater flexibility and benefits.

Furthermore, we continued our ongoing training programmes for our team members to improve their technical and other skills as part of our continuing professional development scheme.

To provide our team members and customers a modern and more conducive workplace and in line with our aim to create a new image of Bank One, we have started the refurbishment of our Head Office which we expect to complete in 2016. Our Goodlands branch also underwent a soft refit, to provide our team and customers a new experience that is fresh and modern. During the last quarter of the year, we closed our Volcy Pougnet branch to improve operational efficiency and redeployed the staff in other departments and branches.

Future Plans

We intend to grow the business diligently and safely both in the local as well as offshore markets. Bank One is positioned extremely well to capitalize on the Mauritius advantage as an international financial centre and gateway to Africa. We are striving hard to emerge as a recognised player in Africa and other chosen markets. Africa will continue to be a key area of focus for us and we will intensify our efforts to provide added value to Corporates, Financial Institutions and High Net Worth customers on the continent.

We are refreshing our Brand shortly with the intention to making the Bank One brand more visible and distinct. This will eventually help us in our strategy to accelerate the repositioning of our Retail Business and embed our Private Banking model more deeply.

In parallel, we will continue to focus on the various risks related to the business and will continue with process reengineering for better efficiency. We will further reinforce the Risk Culture Statement with an appropriate Risk Appetite Framework.

Negotiations are afoot to increase capital to cater to our strong growth plans and also to work towards boosting our capital buffer over the coming years.

A note of appreciation

I am very thankful to our customers and other stakeholders for their continued trust and support. The credit for this strong performance goes to my team members who worked relentlessly with full dedication. The Shareholders and the Board have been extremely helpful in debating and setting our future strategy and I thank them for their contribution and guidance. We look forward towards 2016 and beyond with immense faith and confidence to sustain this strong all-round growth momentum.

This 04th March 2016

Ravneet Chowdhury

Chief Executive Officer

ECONOMIC REVIEW

GLOBAL ECONOMIC ENVIRONMENT 2015

In 2015, global economic activity remained subdued. Growth in emerging markets and developing economies, declined. The global economic outlook is expected to remain gloomy due to the increasing uncertainties across international markets and worsening commodity prices.

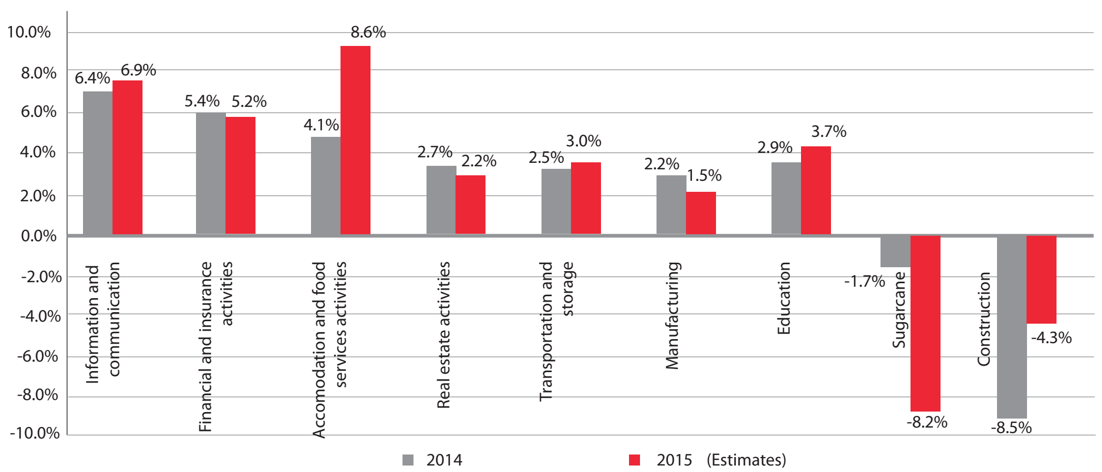
Economies under monitoring

The Bank maintains specific attention towards Africa especially Eastern Africa primarily due to our market understanding, ready access and coverage of this region as I&M Group entity. Other key geographies tracked include West and Southern Africa, France, United Kingdom (UK) and India where the Bank has dealings.

MAURITIAN ECONOMIC OVERVIEW 2015

Mauritius had an eventful year in 2015. A new government took over which raised expectations of the economy being put back on track after a lackluster run. In addition, a new team took charge at the central bank. Nevertheless, certain subsequent developments in the financial markets dented investors' confidence and the economic growth did not gather momentum as projected. As a result, GDP growth stood at 3.4% against the anticipated 4.7%. According to Statistics Mauritius, the Mauritian economy is expected to grow by 3.9% in 2016 aided by the actions taken by the government to prop up the economy. Tourism will be one of the key drivers of growth with higher tourist arrivals. The financial services sector growth is expected to gather momentum and go up by 5.3% in 2016, in line with the government strategy to attract well reputed liquidity providers, international broker firms, investment banks, insurance companies and fund managers. Numerous investments planned that includes development of multiple smart cities and related infrastructure, are expected to generate sizeable employment opportunities and put back the economy on a fast track.

Annual growth rate (%) by industry, 2015 Sectoral Real Growth Rates 2015 (estimated)

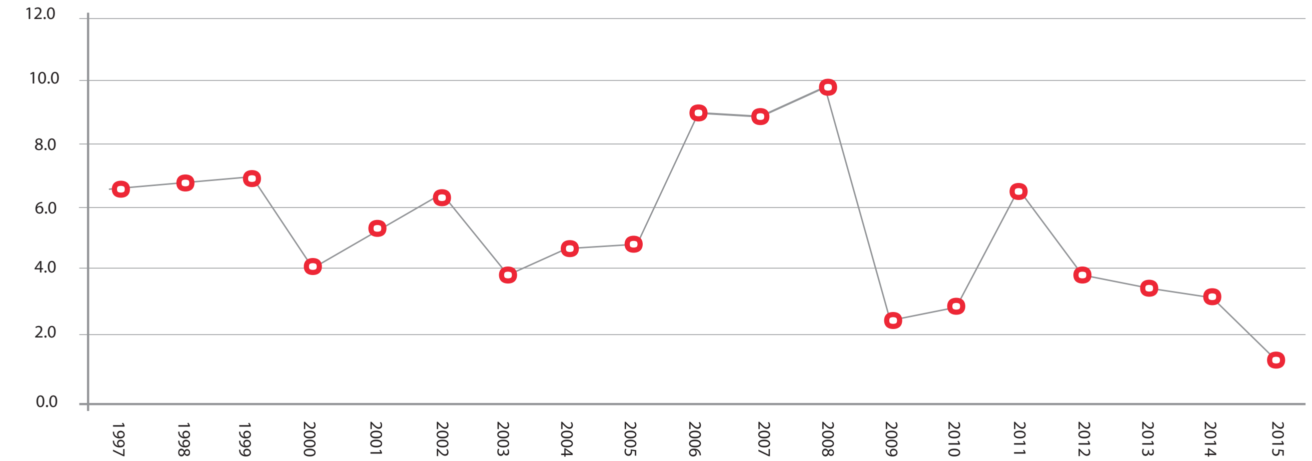


Source: Statistics Mauritius: December 2015

The **accommodation and food service activities** growth estimates are based on a forecast of higher tourist arrivals in 2015.
Sugarcane cultivation is projected lower due to declining area under cultivation.
The drop in **construction sector** is mainly explained by delays in major public and private construction projects.

Inflation

Inflation rate (%), Calendar years 1997-2015



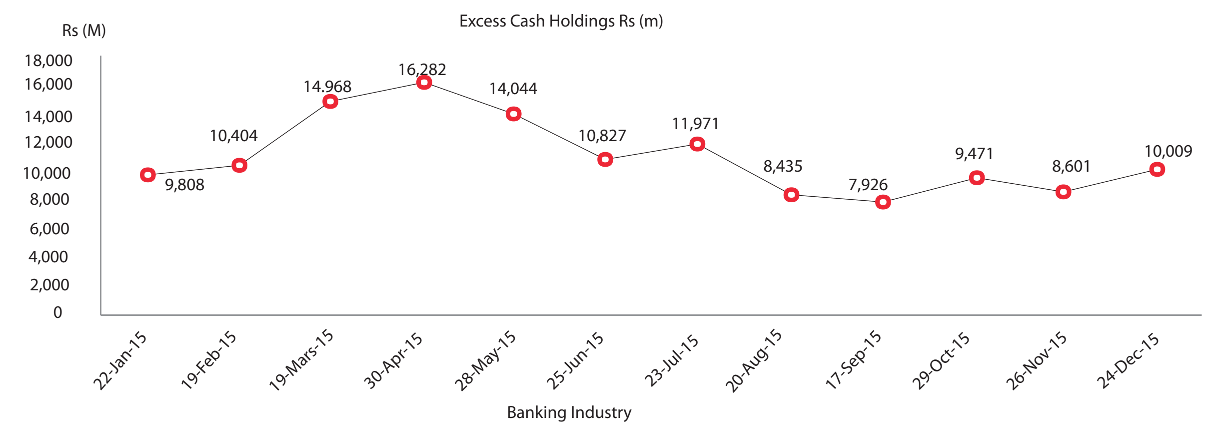
Statistics Mauritius: January 2016

Source: CSO, January 2016
The headline inflation rate was 1.3% for year 2015

Excess Liquidity in the Banking Industry

Lower government borrowing and reduced credit offtake among other things led to persistent excess liquidity in the market and the average excess liquidity rose substantially to reach a peak of Rs16.5bn in April 2015. The Central Bank's effective liquidity management operations, through the issue of Treasury Bills and Notes, temporarily brought down the excess liquidity to Rs 5.6 bn in September 2015 before going up to close the year at Rs 10 bn.

The graph below shows the trend of the excess liquidity in the banking industry in 2015:



Source: Bank of Mauritius

ECONOMIC REVIEW (CONT'D)

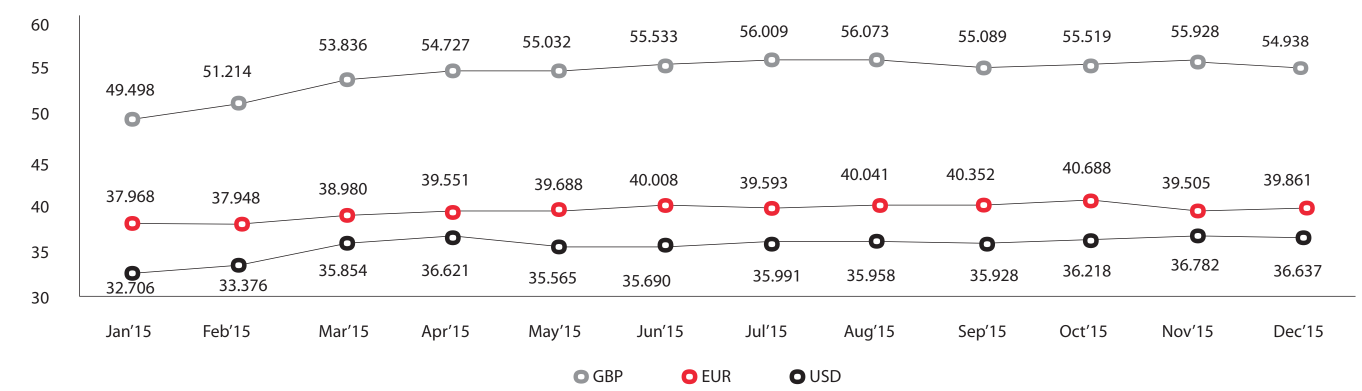
Monetary Policy

The Monetary Policy Committee (MPC) of Bank of Mauritius (BOM) held three meetings during the year 2015 and the Key Repo Rate was reduced by 25 basis points to 4.40% per annum in the November meeting to boost growth.

Exchange Rates

In 2015, Mauritian rupee depreciated significantly against the US dollar, reasonably against the Pound sterling and marginally against the Euro. After maintaining a strong rupee for several years, the value was readjusted to align with the international trend to make it more competitive for exports.

Exchange rate of rupee (Period Average): January 2015 to December 2015



The average exchange rate of USD/MUR ranged between 32.706 (lowest in January 2015) and 36.782 (highest in November 2015), for EUR/MUR it ranged between 37.948 (lowest in February 2015) and 40.688 (highest in October 2015) and for GBP/MUR it ranged between 49.498 (lowest in January 2015) and 56.073 (highest in August 2015).

Source: Financial Markets Operation Division

Foreign Exchange Reserves

The reserves of Mauritius stood at USD 4.3 bn at the end of 2015 as against USD 3.9 bn in previous year covering almost 8 months imports.

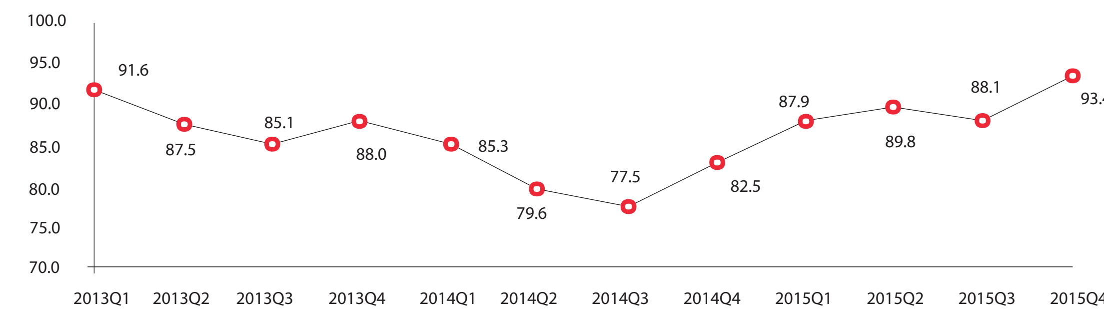
Unemployment Rate

Unemployment rate is projected at 8% for 2015 by Statistics Mauritius, marginally higher than the 7.8% for 2014.

Business Confidence

The Mauritius Chamber of Commerce and Industry (MCCI) publishes Business Confidence Indicator every quarter that measures the business climate in Mauritius. The Indicator shows the perception of entrepreneurs about their businesses, the level of firm orders, expectations on the evolution of the affairs in the immediate future, the outlook for hiring and the level of finished goods inventory.

The average confidence index for the year 2015 showed improvement over that of 2014.



World Bank Doing Business 2015 Report

The World Bank Doing Business Report measures regulations based on 11 areas of the life cycle of a business, namely: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation.

As before, Mauritius tops Africa's Sub-Saharan economies and is ranked at the 28th position worldwide, from 29th in 2014, on Overall Doing Business. The report states that the country's performance can be mostly attributed to the continuous reforms on which it has embarked thus transforming and improving the business climate into a more globally competitive one. Reforms have also made the investment procedures significantly easier for people to do business.

ONE to treasure

Thinking of her days ahead while growing along her side

CORPORATE GOVERNANCE REPORT

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.

Compliance Statement

The Board of Bank One 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.

The present report describes the corporate governance framework put in place by the Board, whilst explaining how the Bank applies the provisions of the Code of Corporate Governance for Mauritius (the "Code"), the Bank of Mauritius' Guideline on Corporate Governance (the "Guideline on Corporate Governance"), and more generally the principles of good governance.

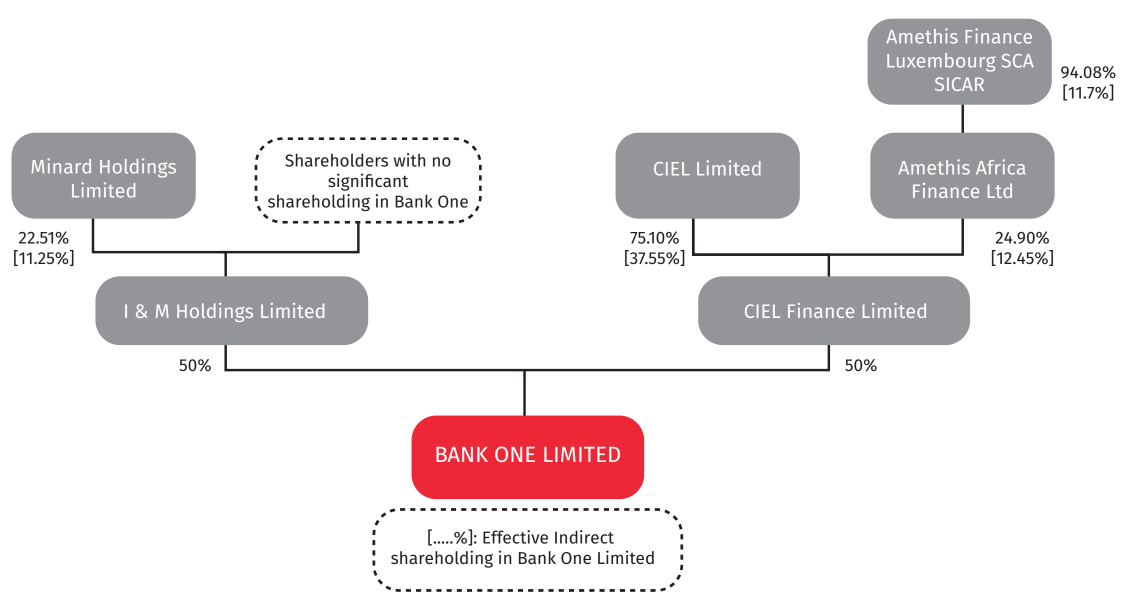
For the year under review, Bank One has complied with the Code and the Guideline on Corporate Governance in all material aspects, save for the following requirements of the Code:

- **Section 2.2.3 – All boards should have a strong executive management presence with at least 2 executive members:** The Board is of the view 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:** 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:** Considering that, in line with the 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 Mr. David Proctor has the requisite skills and competence to sit on the Audit Committee, the Board agreed to appoint him on the Audit Committee.

SHAREHOLDERS

Significant Shareholders

Shareholders holding 10% or more in Bank One as at 31 December 2015 are provided below:



As at 31 December 2015, the Bank's issued and paid up capital was Rs 856,456,000, divided into 8,564,560 ordinary shares of no par value, held on a 50/50 basis by CIEL Finance Limited and I&M Holdings Limited.

The Bank's capital increased by Rs125 million on the 16 November 2015 through an issue of 1,250,000 new ordinary shares, which were allotted on a prorata basis to the existing Shareholders.

No share transfer occurred during the year under review.

Shareholders' Profile

CIEL Finance Limited

Of Ebène Skies, Rue de L'institut, Ebène, Mauritius

CIEL Finance Limited is a subsidiary of CIEL Limited (75.1%) and Amethis Finance Africa Limited (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, Asset Management, and Private Equity.

CIEL Limited is a leading diversified investment company in Mauritius, also operating in Africa and Asia. With a market capitalisation of about Rs 10.1 bn as at 31 December 2015 and a consolidated turnover of Rs16.5 bn for the 12 months period ending 30 June 2015, CIEL is one of the largest listed Mauritian companies. As at 31 December 2015, its portfolio was valued at Rs 14.3 bn and the group total assets at Rs 55.6 bn.

The activities of the Group are organised under five distinct business segments, namely Agro Industry & Property; Banking & Financial Services; Healthcare; Hotel & Resorts; and Textile.

Amethis Finance is a private investment fund dedicated to long-term financing in Africa.

I&M Holdings Limited

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

I&M Holdings Limited is part of the I&M Group which comprises its banking entities in Kenya, Tanzania and Rwanda, as well as a General Accident Insurance Company amongst others. I&M Group is a leader in the financial services industry in East Africa with a significant presence in the banking, insurance, manufacturing and real estate sectors. The Banking group offers the full range of personal, business and alternative banking products through its extensive range of debit, credit and prepaid cards, Email Banking, Internet Banking, Mobile banking, E-Commerce, and Social Media banking.

Listed on the NSE with a market capitalisation of approx. KES 40 bn, I&M Holdings Limited is regulated by the Capital Markets Authority as well as by the Central Bank of Kenya as a non-operating holding company.

I&M Holdings reported Total Assets of approximately KES 195 bn as at 30th September 2015 , a customer base of over 150,000 and employs over 1600 people across the region.

With a stake of 22.51%, 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.

Bank One's Constitution

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

Bank One is governed by a constitution in conformity with the Companies Act 2001 of Mauritius. It was adopted by the Shareholders on the 29 December 2010, and amended by Special Resolution dated 07 July 2011.

Material clauses of the Bank's constitution include the following:

- Share transfers are subject to pre-emptive 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.
- The Board may issue redeemable Shares.
- 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 Chairman of the Board shall be elected by a majority of the Shareholders from one of the Directors for a term of one year.
- 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, holding each not less than 35% of the voting rights.
- 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

Shareholders' Agreement

The provisions of the Shareholders' Agreement 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.

No dividend was paid during the year under review.

Shareholder Relations and Communication

The Bank communicates to its shareholders through its website (www.bankone.mu), annual reports and annual meetings of shareholders. The website is regularly updated with products and corporate events, as well as the Bank's financial statements.

Shareholders are also able to follow closely the affairs of the Bank on a quarterly basis through their representatives, being present 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 key events and shareholder communication of the Bank are set out below:

Events	Date
Financial year end	31 December 2015
Annual Meeting of Shareholders	04 March 2016
Release of full year results 2015	March 2016
Release of 1st quarter results 2016	May 2016
Release of 2nd quarter results 2016	August 2016
Release of 3rd quarter results 2016	November 2016

BOARD OF DIRECTORS

During the year under review, Bank One was headed by a unitary board comprised of 9 Directors, including 8 Non-Executive Directors and 1 Executive Director (the Chief Executive Officer). Amongst the 8 Non-Executive Directors, 4 qualify as Independent under the Guideline on Corporate Governance.

The Board was chaired by an Independent Director. The titles, roles and functions of the Chairman of the Board and the CEO are kept separate to ensure proper balance in power, increased accountability and greater capacity of the Board for independent decision-making.

The Board has had 1 resignation during the preceding year, namely Mr Kim Foong (Roger) Leung (Independent Director), effective on 31 December 2015. The Board, through the Nomination & Remuneration Committee, has initiated the necessary process to identify a suitable replacement.

As per best practice, all Directors stand for re-election at each Annual Meeting of the Shareholders. All the Directors who have been on the Board of Bank One for more than 6 years, were reappointed in office with the approval of the Bank of Mauritius as permitted under the Guideline on Corporate Governance. In the meantime, adequate measures are being taken by the Board through the Nomination & Remuneration Committee to rotate these Directors and identify able successors in an efficient and planned manner.

Moreover, to ensure that Directors satisfy on a continuing basis, the "fit and proper" criteria set by the Bank of Mauritius, they are required to complete on an annual basis the "fit and proper person test", which incorporates elements of the guideline issued by Bank of Mauritius and conflict of interest disclosures. This process is conducted by the Company Secretary and any matter of concern is highlighted to the Nomination & Remuneration Committee.

The current composition of the Board and the Directors' profiles are given on the pages that follow :

MEMBERS OF THE BOARD OF DIRECTORS & THEIR PROFILE

David Proctor (Age 55)

Independent Director / Chairman
(Appointed as director on 28.07.14 and Chairman from 01.01.15)

Mr David Proctor previously held senior executive positions at Bank of America NT&SA (Thailand CEO), Standard Chartered Bank Plc (Group Head Risk Strategy, Europe CEO and UAE CEO) and Al Khalij Commercial Bank Q.S.C (CEO). He is currently an independent consultant and Chairman of BAS Consulting Pte Ltd, advising clients on strategy, governance, corporate finance and capital introduction. Mr Proctor holds a BA (Hons.) Degree from the Cambridge University, England.

Membership on Board Committees:

- Conduct Review & Corporate Governance Committee (Chairman) • Audit Committee
- Risk Management Committee • Administration & Staff Compensation Committee

Directorships held in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15: None.

Ravneet Chowdhury (Age 48)

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 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.

Membership on Board Committees:

- Risk Management Committee

Directorships held in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15: None.

CORPORATE GOVERNANCE REPORT (CONT'D)

Jean-Pierre Dalais (Age 51)

Non-Executive Director (Appointed on 22.02.08 & reappointed on 22.02.15)

Mr Jean-Pierre Dalais is an Executive Director of the CIEL Group. He also sits on the Board of other companies of the Group, including CIEL Finance Limited.

Mr Dalais holds an MBA from the International University of America. He started his career with Arthur Andersen, and joined the CIEL Group in 1990. He was the Chief Executive Officer of the former CIEL Investment Limited for 15 years, until his appointment as Executive Director of CIEL Limited in January 2014.

Membership on Board Committees:
- Nomination & Remuneration Committee (Chairman from 01.01.16)

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15:
- CIEL Limited • IPRO Growth Fund Ltd • Alteo Limited • Sun Limited • Phoenix Beverages Ltd (alternate director)

Marc-Emmanuel Vives (Age 54)

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. After starting within the General Inspection of the 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.

Membership on Board Committees:
- Credit Committee • Administrative & Staff Compensation Committee
- Risk Management Committee

Directorships held in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15: None.

Sarit S. Raja-Shah (Age 47)

Non-Executive Director (Appointed on 22.02.08 & reappointed on 22.02.15)

Mr Sarit Raja-Shah is an Executive Director of I&M Bank Limited and sits on the Board of other companies of I&M Group, including I&M Holdings Limited, the Group's holding entity.

Mr Raja-Shah holds a Master's Degree in Internal Audit & Management from the City University of London. He started his career with Biashara Bank of Kenya and joined I&M Bank Limited in 1993.

Membership on Board Committees:
Nomination & Remuneration Committee (Chairman until 31.12.15)

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15: None.

Arun Shankar Mathur (Age 62)

Non-Executive Director (Appointed on 22.02.08 & reappointed on 22.02.15)

Mr Arun Mathur is the Chief Executive Officer of I&M Bank Limited. He also sits on the Board of other companies of the Group.

Mr Mathur holds a B.Tech (Hons) degree. He started his banking career in 1976 with the State Bank of India and joined Grindlays Bank (India) in 1982. He then worked for several banks in Kenya until he joined I&M Bank Limited in 2000 and was promoted CEO in 2002.

Membership on Board Committees:
- Credit Committee (Chairman)
- Administrative & Staff Compensation Committee (Chairman)
- Risk Management Committee.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15: None.

Pratul Shah (Age 61)

Independent Director (Appointed on 22.02.08 & reappointed on 22.02.15)

Mr Pratul Shah is a Fellow of the Association of Chartered Certified Accountants. He is also a member of the Institute of Certified Public Accountants and Institute of Certified Public Secretaries of Kenya.

Mr Shah trained with PriceWaterhouseCoopers - Kenya and qualified in 1976, and was admitted to partnership in 1984. He is currently an independent consultant advising clients on strategy, corporate restructuring, change management, corporate finance and tax planning.

He also holds directorships in diverse companies in East Africa in the financial, manufacturing and services sectors.

Membership on Board Committees:
- Audit Committee (Chairman) • Conduct Review & Corporate Governance Committee
- Nomination & Remuneration Committee

Directorships held in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15: None.

Sandra Martyres (Age 63)

Independent Director (Appointed on 02.09.13)

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, IT, Operations) in an International Bank. She is currently an Advisor to Société Générale.

Ms Martyres holds an MA in Economics from the University of Mumbai.

Membership on Board Committees:
- Risk Management Committee (Chairperson) • Credit Committee • Audit Committee

Directorships held in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15: None.

Jerome De Chasteauneuf (Age 49)

Alternate (Non-executive) Director to Mr Jean-Pierre Dalais (Appointed on 22.02.08 & reappointed on 05.06.15)

Mr Jerome De Chasteauneuf is an Executive Director of CIEL Limited, the holding company of the CIEL Group. He sits on the Board of other companies of the Group, including CIEL Finance Limited.

Mr De Chasteauneuf is a Chartered Accountant of England and Wales, and holds a BSC (Hons) in Economics from the London School of Economics and Political Science. He joined CIEL in 1993 as Corporate Finance Advisor and became Head of Finance in 2000.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15:
- CIEL Limited • Alteo Limited • Sun Limited • Harel Mallac & Co. Ltd

Kim Foong (Roger) Leung Shin Cheung (Age 69)

Independent Director (Appointed on 22.02.08 & reappointed on 22.02.15; Resigned on 31.12.15)

Mr Roger Leung is an Associate of the Chartered Institute of Bankers (UK) and is also a Fellow of the Mauritius Institute of Directors. He retired from Barclays Bank in September 2005 as Regional Corporate Director. He has been trustee of the Barclays Employees' Pension Fund and a director of the Barclays Leasing Company (Mauritius) Limited. He presently works as consultant in business restructuring and performance optimisation.

Membership on Board Committees until 31.12.15:
- Conduct Review & Corporate Governance • Credit Committee
- Risk Management Committee • Nomination & Remuneration Committee

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31.12.15:
- Vivo Energy Mauritius Ltd • The Mauritius Development Investment Trust Co. Ltd

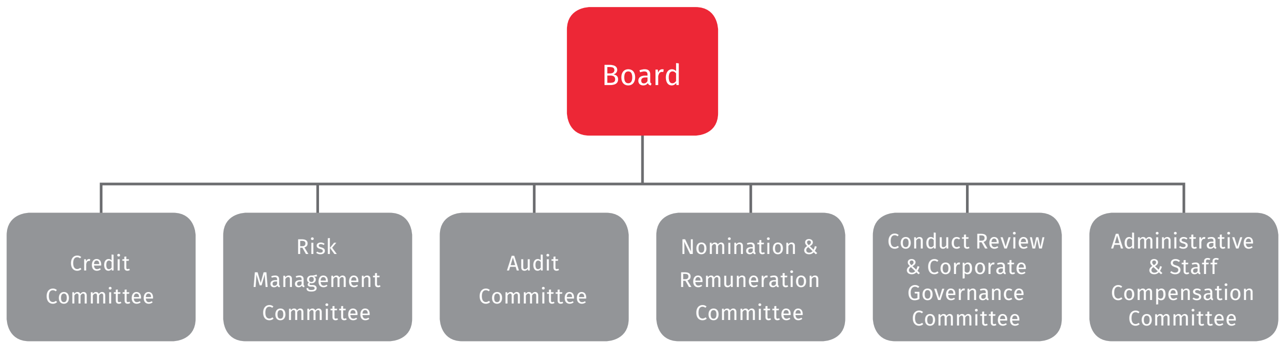
The table below gives the names of the common directors between the Bank and its Significant Shareholders:

Directors of Bank One	Significant Shareholders of Bank One
Sarit S. Raja Shah	I&M Holdings Limited; Minard Holdings Limited
Jean-Pierre Dalais	CIEL Finance Limited; CIEL Limited
Jerome De Chasteauneuf	CIEL Finance Limited; CIEL Limited
Marc-Emmanuel Vives	CIEL Finance Limited

Corporate Governance Framework

The Board of Bank One is entrusted with the necessary powers for directing and supervising the management of the business and affairs of the Bank. The Board fulfills some of its responsibilities directly, whilst others are discharged through sub-committees with day-to-day management and operation of the business being delegated to Senior Management.

The Board of Bank One has set up a governance framework and committee structure, as illustrated below, to assist in fulfilling its obligations in an efficient manner, whilst being aware that it remains responsible for the overall stewardship of the Bank. The Board and Board Committee structure is given below:



Board Charter & Terms of Reference of Board Committees

In line with the Code and the Guideline on Corporate Governance, the composition, frequency of meetings and the responsibilities of the Board are set out in a Board Charter. Similarly, responsibilities delegated to each Board Committee are embodied in respective Terms of Reference (TORs), which have been formally adopted by the Board and which are reviewed from time to time.

A summary of the Board Charter and TORs of the Board Committees is given below:

The Board of Directors

Frequency of Meetings: Quarterly

Main Responsibilities:

- Approves the objectives, strategies and business plans of the Bank;
- Determines appropriate policies and processes to ensure the integrity of the Bank's risk management practices and internal controls, communication policy, director selection, orientation and evaluation;
- Retains full and effective control over the Bank and be responsible for the appointment and monitoring of Management in its implementation of the approved plans and strategies;
- Ensures that effective internal controls systems are in place to safeguard the Bank's assets;
- Ensures compliance with laws and regulations, including risk management and corporate governance practices and disclosure requirements;
- Ensures effective communication with shareholders; and
- Always exercises leadership, enterprise, integrity and judgment in directing the Bank.

	Frequency	Main Responsibilities
Credit Committee	monthly, at least 10 times p.a	• Deliberate and consider loan applications beyond discretionary limits of the Management; • Review lending and credit decisions by Management; • Review the overall lending policy and credit risk of the Bank.
Risk Management Committee	Quarterly	• Reviews the Principal Risks, including credit, market, liquidity, operational, technological, legal, compliance and reputational risks; • Formulates and recommends to the Board in respect of risk management issues; • Receives periodic information on risk exposures and risk management activities from Senior Officers.
Audit Committee	Quarterly	• Reviews the financial statements before approval by the Board; • Ensures that appropriate accounting, internal control and financial disclosure procedures are in place; • Provides oversight of the Internal and External Auditors; • Receives audit reports and ensures that management is taking appropriate corrective actions in a timely manner.
Nomination & Remuneration Committee	Twice yearly	• Provides oversight of remuneration and compensation of Directors and Senior Management; • Establishes formal, clear and transparent selection criteria for prospective directors; • Directs the process of renewing and replacing Board Members; • Assesses the effectiveness of the Board.
Conduct Review & Corporate Governance Committee	Quarterly	• Reviews and approves credit exposure to related parties, ensuring that market terms and conditions are applied to them; • Formulates and recommends to the Board in respect of corporate governance matters; • Oversees the CSR activities and projects of the Bank.
Administrative & Staff Compensation Committee	Quarterly	• Ensures / promotes harmonious staff relations in the Bank; • Recommends Annual Salary Increases and Performance Bonus; • Oversees disciplinary actions against Staff; • Monitors capital expenditure and reviews post implementation of key projects; • Reviews the Bank's Authorised Signatories List & Authorisation Limits.

Disclosures on Operational Risk are included on page 73-79 of the Risk Management Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

Attendance to meetings

During the year under review, the Board and Board Committees met at least once every quarter, save for the Nomination & Remuneration Committee which met twice in line with its Terms of Reference. Directors and Committee Members also deliberated on urgent matters by way of resolutions in lieu of meetings.

Attendance for the year ended 31 December 2015 has been generally excellent, reflecting the high level of commitment of the Directors.

	Board of Directors	Board Committees					
	Board Meeting	Audit	Risk Management	Admin. & Staff Compensation	Credit	Conduct Review & Corporate Governance	Nomination & Remuneration
No. of meetings held during the year	5	5	4	4	13	4	2
David Proctor (Chairman)	5	5	3	4	N/A	4	N/A
Ravneet Chowdhury[1]	5	N/A	4	N/A	N/A	N/A	N/A
Jean-Pierre Dalais	5	N/A	N/A	N/A	N/A	N/A	2
Marc-Emmanuel Vives[2]	3	N/A	1	3	7	N/A	N/A
Sarit Raja-Shah	5	N/A	N/A	N/A	N/A	N/A	2
Arun S. Mathur	4	N/A	4	4	13	N/A	N/A
Pratul Shah	5	5	N/A	N/A	N/A	4	2
Sandra Martyres	5	5	4	N/A	12	N/A	N/A
Jerome De Chasteauneuf[3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Roger Leung	5	N/A	4	N/A	13	4	2

Notes:

1: Over and above attending Board Meetings and meetings of the Board Risk Management Committee as Member, Mr Chowdhury was also present at meetings of other Board Committees held during the year in his capacity as CEO. Similarly, the Deputy Chief Executive Officer was present at Board Meetings and meetings of the Board Committees held in 2015;

2: Mr. Vives joined the Board, as well as the Admin. and Credit Committees on 15.04.15. He was then appointed on the Risk Management Committee as from 02.09.15;

3: Mr Jerome De Chasteauneuf did not attend any Board Meeting held during the year under review in his capacity as alternate Director to Mr Jean-Pierre Dalais.

Conduct of meetings

Board meetings / Meetings of Board Committees were convened during the year by giving proper notice to the Directors / Members.

To ensure adequate coverage of key issues by the Board and Board Committees, a yearly work plan and calendar is formulated by the Chairman, together with the CEO and the Company Secretary, and is shared with all Board / Board Committee Members at the beginning of the year.

Meeting packs are circularised in advance to the Directors / Members to enable informed and focused discussions and decisions at meetings. The utilisation of an electronic board pack software has largely contributed in streamlining the process, whilst being at the same time a paperless and environment friendly initiative.

Minutes of the proceedings were recorded by the Company Secretary and circularised to all Directors / Members after clearance from the concerned chairman. They are tabled at the next meeting for approval, following which they are signed by Chairman and the Company Secretary prior to being entered in the Minutes Book.

To ensure that Directors are kept informed of discussions and deliberations at Board Committee level, minutes of meetings of Board Committees were tabled at Board Meetings.

The main deliberations of the Board during 2015 were as follows:

January 2015	Discussed and approved the strategic action plan
	Approved the Budget and KPIs for 2015
March 2015	Approved the audited financial statements and the Annual Report 2014
	Reviewed the performance of the Bank against budget & Estimates
	Discussed the Risk Management framework
	Discussed the Impairment and provisioning policy
	Discussed the strategies for Private Banking & Wealth Management business
	Follow up on the strategic action plan
	Discussed Management's performance & appraisal for 2014
	Reviewed the Board appraisal results and recommendations
	Received the minutes of proceedings of Board Committees
	Recommended the re-appointment of the External Auditors (in line with the Audit Committee)
June 2015	Ratified the 1st quarter financial statements
	Reviewed the performance of the Bank against budget & Estimates
	Discussed the capital management plan and the 3 year business plan
	Discussed the strategies for Corporate Banking and International Banking business
	Follow up on the strategic action plan
	Discussed the Management Committee and Board Committee structures
	Received the minutes of proceedings of Board Committees
September 2015	Ratified the 2nd quarter financial statements
	Reviewed the performance of the Bank against budget & Estimates
	Discussed the Bank's Business Continuity & Disaster Recovery Plans
	Discussed the strategies for the Consumer (Retail) Banking and Treasury business
	Follow up on the strategic action plan
	Discussed important HR matters
	Reviewed the Bank's Policies
	Received the minutes of proceedings of Board Committees & reports of respective chairpersons
December 2015	Ratified the 3rd quarter financial statements
	Reviewed the performance of the Bank against budget & Estimates
	Reviewed the collection & recovery framework
	Discussed the proposed Budget and KPIs for 2016
	Reviewed the communication plan and strategy
	Follow up on the strategic action plan
	Discussed the Executives' succession plan
	Discussed the Board rotation plan
	Discussed the Board's / Board Committee's work plan and calendar for 2016
	Received the minutes of proceedings of Board Committees

Strategy

Financial & Risk Management

Governance

Conflict 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 decisions of the Bank.

Disclosures are entered in the Interest Register as and when required, which is maintained by the Company Secretary. Directors and Senior Management disclose their interests on any matter being debated at a meeting and abstain from voting on the same.

Induction & Orientation program and Periodic refresher program for Directors

Induction & Orientation Programme

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.

The Board's Induction & Orientation programme 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 Chairman and the Senior Management, as well as visits of branches and critical departments of the Bank.

Continuous training & development

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 programme 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 Bank's business environment, and training programmes on governance matters as required by the Guideline on Corporate Governance.

During the year under review, Board Members and Executives attended various seminars and workshops, including on corporate governance matters.

Board Access to information & advice

All Directors have access to the advice and services of the Company Secretary, who is responsible for providing guidance to the Directors on 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 secure the attendance at meetings of third parties with relevant experience and expertise as and when required.

Evaluation of Board Performance

The Board is appraised on an annual basis by its Directors on a number of criteria, such as size and composition, conduct of meetings, role and responsibilities, contribution to key areas like strategy and risk management. The appraisal exercise also covers the Chairman's performance and a peer assessment, whereby each Director individually rates his colleague.

The appraisal exercise is run by the Company Secretary, who collects each Director's ratings and recommendations through a questionnaire, and compiles the information with a view to devise an action plan to address all areas requiring attention.

The Board Evaluation for the year 2014 was carried out in February 2015. A report, together with an action plan was tabled at the Board Meeting in March 2015, after discussion at the Nomination & Remuneration Committee level. The Chairman also met the Directors at one-to-one meetings to discuss their peer evaluation. Progress on the implementation of the action plan was monitored by the Company Secretary and reported at each Board Meeting held during the year.

The exercise for the year 2015 was initiated in February 2016. The results and findings will be discussed at the next meeting of the Nomination & Remuneration Committee and the Board meetings.

Directors' Interests in Shares

None of the Directors holds a direct interest in the Bank.

Statement of remuneration philosophy

As per the Directors' fee policy approved by the Shareholders, Non-Executive Directors were entitled to the following remuneration for the year under review:

	Fixed Annual Fee (Rs 000)	Attendance Fee per meeting (Rs 000)
Board Chairman	80	80
Directorship fee	60	60
Committee Chairman (except BCC & NRC)	40	40
Committee Member (except BCC & NRC)	24	24
NRC Chairman	40	40
NRC Member	24	24
BCC Chairman	48	16
BCC Member	36	12

The CEO is not remunerated for serving on the Board and Board Risk Management Committee.

Fees paid by the Bank to Board Members (excluding the CEO) during the financial year 2015 were as follows:

Directors	31.12.14 Rs 000	31.12.15 Rs 000
David Proctor	350	1,040
Jean-Pierre Dalais	486	432
Marc-Emmanuel Vives	-	672
Sarit Raja-Shah	460	480
Arun Mathur	776	876
Pratul Shah	782	792
Sandra Martyres	722	896
Roger Leung Shin Cheung	1,162	858

Directors' Service Contracts

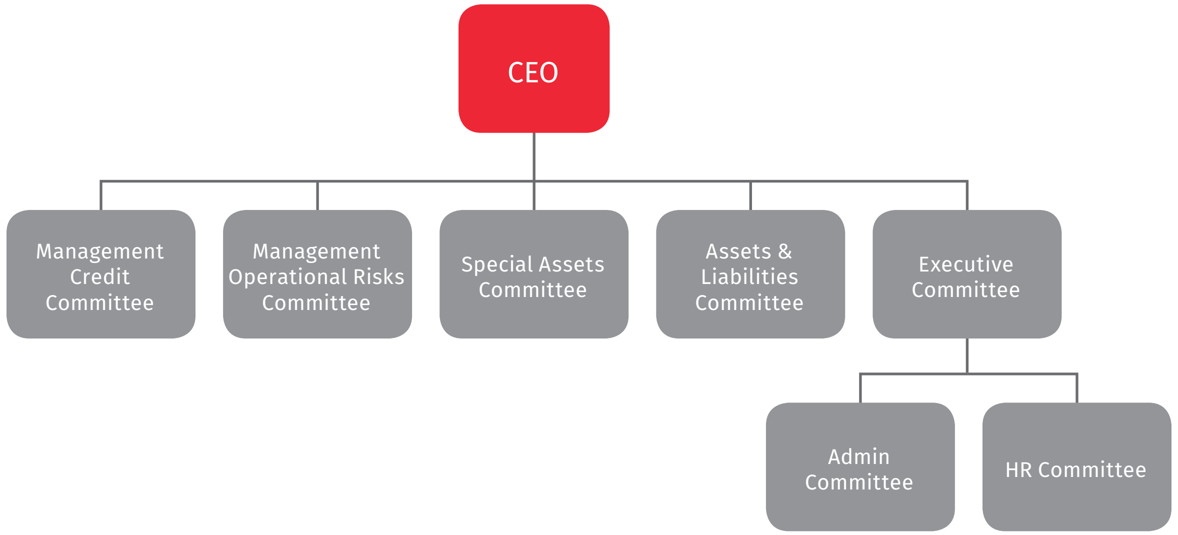
Mr Ravneet Chowdhury has a fixed-term employment contract of 3 years with the Bank, expiring in October 2016. It contains no material clause for compensation on termination of contract.

EXECUTIVE MANAGEMENT

The conduct of business is entrusted to the Executive team of the Bank, which operates within the business strategy, risk tolerance and appetite, and policies set by the Board, whilst adhering to the Bank's regulatory framework.

In the interest of better control, it is important that key management decisions are taken through management committees to prevent concentration of authority in a single individual and also to avoid Senior Officers being overly involved in business line decision-making, or assigned a business to manage without the necessary expertise and skills.

To ensure the above and to generally rationalise the decision-making process, the Management carried out last year a comprehensive review of its Management Committee structure, including the composition of the various committees, their primary roles and functions and their reporting lines. The revised structure is illustrated below;

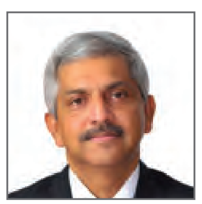


Members of the Executive Management & their Profile

Ravneet Chowdhury

Chief Executive Officer

Ravneet joined the Bank as CEO Designate on the 14 October 2013 and took over the position of Chief Executive Officer of the Bank as from the 01 January 2014. His profile is provided under Directors' Profiles.



Balachandran C.P.

Deputy Chief Executive Officer

Balachandran assumes the office of Deputy Chief Executive Officer since 11 February 2014. Balachandran holds a first class degree and professional certifications from IIBF (India), IFS (UK) and ICA (UK). He is a career banker with in depth exposure & extensive experience at the senior management level covering the entire banking operations - Treasury & International trade operations, Credit, Foreign Exchange, Operational Risk Management, Compliance, Administration, Finance, Human Resources, Information Technology, ALM, MIS, Regulatory reporting, Vigilance - spanning over 3 decades in four reputed international banks 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, Ranjeeve also holds an MBA with Finance from Herriot 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, Ranjeeve was promoted as Chief Financial Officer in August 2014.

Stephen Vlok

Chief Risk Officer

Stephen 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, Stephen has had twenty years' experience in risk management in the South African banking and investment industries, with his previous responsibilities being Deputy Head of Credit at Sanlam Capital Markets Proprietary Limited. Stephen joined the Bank in November 2014 as Chief Risk Officer.

Fareed Soobadar

Head of Corporate Banking

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 experiences gained at senior management level. He held several key positions in various organisations 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. Fareed was appointed Head of Corporate Banking in February 2015.

Suresh Nanda

Head of International Banking

Suresh 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. Suresh joined Bank One in April 2015.

Arun Kumar Mathur

Head of Private Banking & Wealth Management

Arun has an Economics (Hons) degree from Delhi University and an MBA from Institute of Management Technology, Ghaziabad, India.

Arun is a high Private Banking specialist with over 14 years of experience in wealth management. Overall he has more than 20 years of Consumer Finance experience with Citibank across Eastern, Southern, Western African, Indonesian and Indian markets. Arun was appointed Head of Private Banking and Wealth Management of Bank One Limited in July 2014.

Anne Marie Koo Ton Fah

Head of Consumer Banking

Anne Marie 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 Lutchman

Head of Treasury

Rishy 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 desk and acquired a comprehensive knowledge of the Mauritian and Malagasy market. Rishy held the post of Chief Dealer prior to leaving SBM.

Valerie Duval

Head of Credit Administration

Valerie 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 respectively, thereby acquiring a strong experience of 13 years 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

Executive Management's Interests in Shares

None of the Executive Management holds an interest in the Bank.

Related Party Transactions

The Bank is governed by the Bank of Mauritius' guideline on Related Party Transactions, January 2009 ("Related Party Transactions Guideline").

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 related otherwise, such as directors and senior officers who may also have some ownership interest in the Bank.

In line with the above 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 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 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 32 of the Financial Statements.

Other disclosures required under section 221 of the companies act 2001

Auditors' Fees and Fees for other services

Fees payable to PwC during the financial year 2015 were as follows:

Type	Description	Fees (Rs 000)
Audit work	Yearly and quarterly statutory audits; Internal Control Reviews	2,139
Non-audit work	Tax advisory services ; Review of procedure manuals (one-off assignment)	779

Management Agreements with Third Parties

The Bank has not entered into any management agreement with its Directors or any company owned / controlled by them.

Employee Share Ownership Plan

The Bank currently has no employee share ownership plan.

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 period under review.

This 04th March 2016

Kamini Vencadasmy, ACIS

COMPANY SECRETARY'S CERTIFICATE

In my capacity as Company Secretary, I hereby confirm that, to the best of my knowledge and belief, the Bank has filed with the Registrar of Companies, as at 31 December 2015, all such returns as are required under the Companies Act 2001 in terms of section 166(d).

This 04th March 2016

Kamini Vencadasmy, ACIS

Company Secretary

CERTIFICATE OF COMPLIANCE
(SECTION 75(3) OF THE FINANCIAL REPORTING ACT)

Name of the Public Interest Entity (the "PIE"): Bank One Limited

Reporting Period: January 01, 2015 to December 31, 2015

We, the Directors of Bank One Limited, confirm to the best of our knowledge that, whilst having complied with most of its obligations and requirements under the Code of Corporate Governance, the PIE has not complied with sections 2.2.3, 2.8.2 and 3.9.1(b) of the Code. The reasons for non-compliance to these sections of the Code are detailed on page 20.

This 04th March 2016

Mr David Proctor
Chairman

Mr Ravneet Chowdhury
CEO / Director

the

expONEntial

feel good factor

CORPORATE SUSTAINABILITY REPORT

CORPORATE SOCIAL RESPONSIBILITY

Bank One is committed to contributing to economic development, while improving the quality of life of the local community and the society at large. Over and above complying with the legal framework, the Bank aims at making an economic, social and ecological contribution to building a sustainable society.

From our various interactions with NGOs and families living in deprived areas, the challenges to poverty alleviation programmes lie in the following up of target families until they have successfully and sustainably been pulled up above the poverty line. The Government of Mauritius has also recognised the ineffectiveness of a general and indirect approach in the fight against poverty, and promotes today a more direct approach in extending support to vulnerable families.

Bank One's CARE Programme is about taking a long-term commitment towards vulnerable families and communities for their short to long-term development through an integrated approach aimed at addressing the root causes of poverty.

BANK ONE
Community Action for Relief and Empowerment
CARE

Over and above the financial commitment, Bank One CARE brings a human dimension to CSR through the active and direct participation of the Bank's staff in the CSR actions. Besides creating awareness amongst the Bank's staff on the importance of mutual support and respect, interdependence and unity, collective work and responsibility in the fight against poverty and social exclusion, we firmly believe that by interacting with the vulnerable families, Bank One staff can gradually inspire them to lead an autonomous and improved life, which is in line with the concept of "parrainage" as promoted by the Government of Mauritius.

Bank One CARE is an initiative of the CSR Committee, which coordinates and implements the CSR activities of the Bank. The Committee is chaired by the Company Secretary and is constituted of 9 other staff members from all levels of the Bank.

We CARE for Vacoas

With the collaboration of Caritas Vacoas, Bank One CARE has set up a Community Development Programme at Vacoas, which is aimed at providing a comprehensive and long-term support to vulnerable families living in the vicinity with a view to lift in a meaningful way their living conditions and quality of life.

Founded in March 1966, Caritas Mauritius aims to rehabilitate the poor, the excluded and the oppressed through active support, counselling and training. They have a strong presence all over the island, and currently, 50,000 people benefit from their assistance. Caritas Mauritius initially identified 44 families living under the poverty line in the vicinity of Vacoas. They represent 176 persons, including 113 children. The Community Development Programme is constituted of a series of actions and projects, aimed at addressing the particular needs of the target families and community.

During the year under review, the following projects were financed by the Bank under the Community Development Programme of Vacoas:

Projects in 2015	Description
School Feeding Project for 70 children (on-going)	Food based aid programme that targets primary level students from poor families. The aim is to provide a balanced meal to the direct beneficiaries on school days and counselling / support to the indirect beneficiaries (parents).
Life skills management training for 40 participants (one-off)	Programme for the unemployed, which aims at preparing persons to manage and balance their personal, professional and family life.
Provision of school materials to 128 children (on-going)	Learning school materials & School Uniforms.
Creation of a solidarity shop (on-going)	The solidarity shop will exclusively benefit the vulnerable families, where they will have access to a varied range of products at very low prices, whilst not hurting their dignity.

We CARE for SOS Children's Villages of Bambous

The SOS Children's Villages (SCV) Mauritius is a leading child care NGO which provides long-term care to needy children. Their target group consists of children who have lost parental care and those who are at risk of abandonment or whose basic rights are not being fulfilled, and who have been referred by Court order.

The core of their work consists of providing residential care to abandoned children. The SCV of Bambous runs 9 family houses, each managed by substitute mothers, caring for 55 children.

During the year under review, Bank One CARE sponsored 1 family house.

Bank One employees planting an endemic tree (SOS Village – Bambous)

Ravneet, CEO of Bank One, meeting with the family benefiting from the support of the Bank for the installation of solar panels

School equipment donation to kids of Vacoas

Happy children after receiving their Christmas gift

Activity organised for Christmas

Christmas celebrated in Vacoas with David, Head of HR, dressed as Santa

BANK ONE, WE CARE

More Bank One Staff participated in the Bank's CSR initiatives in 2015. They have taken the programme at heart and invested their spare time and resources to make the lives of the underprivileged a little better. The Bank could also count on the support of its clients, suppliers and network.

Below are some of the activities which were organised by the Bank One staff during last year:

- Educational Outings for the children of Caritas Vacoas and SOS Children's Village of Bambous during school holidays
- Workshop on handicraft, patchwork and recycling of waste material at SOS Children's Village of Bambous
- Planting of endemic & fruit trees and creation of kitchen gardens at SOS Children's Village of Bambous
- Experience sharing with the participants of the Life skills Management Programme at Vacoas
- Flea market at Vacoas
- End of year celebrations and distribution of gifts for Xmas for the children of Caritas Vacoas and SOS Children's Village of Bambous

CSR Fund Allocation in 2015

The Bank's CSR Funds for 2015, based on its results for the year ended 2014, amounted to Rs1.5m, out of which an amount of Rs1.2m was allotted to the various projects detailed above and an amount of Rs300k will be utilised on future projects in 2016.

Bank One has taken a long-term commitment towards the vulnerable families of Vacoas and intends to pursue with the Community Development Programme in 2016, in collaboration with Caritas Vacoas.

Code of Ethics & Business Conduct

Bank One is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. Staff at all levels adhere to the corporate values and to the Code of Banking Practice, as well as to the Bank's Code of Ethics.

Staff Members are also able to raise concerns on any improper conduct or unethical behaviour without fear of reprisal through the Bank's Whistleblowing Policy.

Social & Environmental

The Bank has in place a Social & Environmental Management Policy, which broadly outlines the principles guiding the management of social and environmental issues within the context of its business objectives.

All project financing are reviewed and evaluated against the requirements stipulated in the policy; our benchmarks being relevant to local legislation and international best practice. Any project involving an excluded activity will not be considered. However, if the project passes the exclusionary test, its level of Social and Environmental risk will be assessed and mitigation measures identified, which will be put as conditions to the financing of the project.

The Bank also supports environmental initiatives throughout the organisation, for instance by encouraging the use of electronic forms of communication and paperless initiatives. The document management system (Zedoc) largely contributes to reducing the use of paper in our offices; similarly electronic bank statements to customers is also another paperless initiative which is well-established and accepted amongst our customers.

The Board has also digitalised its meeting packs through the introduction of a tablet application giving Board Members immediate access to meeting papers, whether for past or future meetings, reminders to complete meeting actions or take decisions. Over and above creating a paperless board environment, this has largely rationalised Board meeting preparation and proceedings.

More generally, workflows and processes are constantly being reviewed and reengineered across the Bank to improve both on productivity and energy efficiency.

Health & Safety

Bank One is committed to providing a healthy, safe and secure working environment, and has put in place policies and practices that comply with applicable laws and guidelines.

The Health & Safety Committee of the Bank ensures implementation of the Bank's policies and practices, as well as timely action to rectify any identified issue. The Committee is constituted of 8 members, with equal representation from Management and Staff. It is chaired by the Head of HR and the Bank's registered Health & Safety Officer acts as secretary to the Committee.

Main events and actions in 2015 were:

- Identification of a new modern archiving area, responding to the proper security norms and addressing capacity requirements;
- Yearly review of the Bank's safety policies and procedures;
- Renovation of floors in our head office to ensure a proper and safer work environment for our staff;
- Courses on Manual Handling, pertaining to transporting, lifting, carrying or moving a load, were provided to staff and conducted by the Health & Safety Officer;
- Fire drills were successfully completed for both Head Office and Nirmal House.

MANAGEMENT DISCUSSION AND ANALYSIS

HIGHLIGHTS

Bank One posted net profit after tax of Rs227m for the year ended December 2015 *(an increase of 94% over the previous year)*, representing a return on equity of 14.1%. Following the review and further tightening of the credit management processes, sizeable impairment charges were booked during the year that had a significant impact on the bottom line. Profit before impairment stood at Rs376m as compared to Rs289m in 2014 representing 30% growth.

2015 remained a challenging year for the Bank, on the domestic as well as the international front. Notwithstanding the weak economic conditions that prevailed in the home market and the sluggish global environment, the Bank managed to register a modest 12% growth in total assets which crossed Rs20bn.

Total deposits grew by 12% during the year under review in the midst of persisting excess liquidity in the local market. The Bank`s conscious move to reshape the balance sheet had the desired effect as reflected by an improvement in its low cost deposit base that had a positive influence on the interest expense.

Gross loans and advances expanded by 19%. The introduction of new guidelines by the Bank of Mauritius (BOM) in the second half of 2014 to regulate credit and the low GDP growth in 2015 continued to impact credit demand both in the domestic Consumer and Corporate segments. As a result, the credit growth primarily came from the offshore segment.

Revised credit processes that included more stringent classification and provisioning norms resulted in considerable increase in the impaired loan portfolio from Rs941m as at December 2014 to Rs1,184m for the year ended December 2015, representing a gross impaired ratio of 8.7%. Specific measures have been taken by the Bank to bring down the impairment level with added emphasis on recoveries and the results are expected as from 2016.

Actions taken by the Bank to reduce the cost of funds by concentrating more on low cost deposits brought in good results with an improvement in the net interest spread.

Non-interest income to total income ratio improved from 22% to 29% on account of strong performances from Treasury and E-Commerce.

The Bank maintained a capital adequacy ratio of 12.92% as at December 2015 against the regulatory limit of 10%. In line with the growth projections, actions are being taken to augment the capital base.

PERFORMANCE AGAINST OBJECTIVES

Objectives for Year 2015	Performance in Year 2015	Objectives for Year 2016
Return on Average Equity (ROAE) With the projected growth in assets, liabilities and profits, the objective is to achieve a ROAE of above 11.75%.	Achieved a ROAE of 14.1%	To realise a ROAE of above 15%
Return on Average Assets (ROAA) ROAA to improve to above 1% for 2015.	Achieved a ROAA of 1.17%	To improve to above 1.2%
Operating Income With the growth in business volumes and the stabilisation of e-commerce business, Operating Income to improve by 19%.	Improvement in Operating Income by 19%	Above 20% growth projected
Cost to Income Ratio To achieve a cost to income ratio of below 59% and gradually bringing it below 50% in the years to come.	Cost to income ratio of 56% for the year	To improve Cost to Income ratio to below 55% in 2016 to reach 50% by 2018
Deposits Growth Increase in Segment A deposits by a conservative 10%. To concentrate on Segment B deposits raising (mainly low cost) and show an improvement of above 16%.	Segment A and Segment B deposits improved by 21% and 3% respectively	Growth of above 25% and 40% in Segment A and Segment B respectively
Loans and Advances Growth Conservative growth of 16% in Segment A with special attention to Retail, SME and top tier corporates. Minimum projected growth of above 45% in Segment B assets with focus on East African countries and India.	Segment A gross advances remained flat while Segment B gross advances went up by 67%	Growth of above 20% and 50% in Segment A and Segment B
Asset Quality Gross impaired ratio of below 6.5% and net impaired ratio to be maintained at below 1.4%. Specific coverage ratio to improve to a minimum of 62%.	With the implementation of stricter credit policy, gross impaired ratio closed at 8.7% and net impaired ratio at 4.6% Specific coverage ratio stood at 50%	Gross impaired ratio to be improved to below 6%. Specific coverage ratio to reach 70%
Capital Adequacy Ratio (CAR) To achieve a CAR of above 11% with minimum CET 1 and Tier 1 ratio of above 8%.	CAR at 12.92% as at December 2015	CAR to be maintained above 12%

DISCUSSIONS BY LINE OF BUSINESS

Consumer Banking

The Consumer Banking (CB) target market relates mostly to individual retail as well as Small Businesses. Competition in the CB segment intensified over the past years and the sluggish economic conditions that prevailed in 2015 aggravated the situation.

In this highly liquid market, CB marginally improved its deposit base by 3.25%. The strategy to restructure the CB balance sheet continued and high yielding deposits were not renewed on maturity. The bank focused more on raising low cost funds and this strategy brought an improvement in the low cost deposit ratio. As at December 2015, CB deposits represented more than 30% of the bank total deposit book.

The prevailing excess liquidity, slow moving economy and macro prudential guidelines exacerbated the market competition and dampened credit demand affecting the consumer loans business. Furthermore, introduction of revised credit policy within the bank that advocated a highly prudential approach to credit also contributed to the reduction in the CB asset portfolio by 13%. CB contributes 22% to the total bank's gross loans.

The distribution channels are being reassessed for greater efficiency. In line with the long term CB strategy, new distribution channels are being explored with the help of technology to offer more convenience and options to our clients.

In support of the growth initiatives of the government, the Bank has continued to accompany the SME sector which now represents a substantial share of the CB assets. The bank intends to strengthen its efforts in penetrating further in this sector in 2016 and beyond.

Going forward, though the market remains very competitive, the Bank firmly believes that with proper planning and execution, aided by modern technology, more market share can be garnered in the CB segment.

Corporate Banking

The Corporate Banking Division (CBD) principally caters to medium and large domestic corporate clients. Despite the dull economic conditions, the Division delivered a good performance. In 2015, some changes were made in CBD and a senior banker was brought in to lead a young talented team to achieve a substantial growth both in assets and liabilities.

CBD was able to increase its deposit base by more than 50% compared to the previous year with specific focus on raising short duration float funds at low cost.

CBD grew its assets book by 13.48%. The strategy to penetrate and deepen the relationship with top tier domestic companies progressed as planned and the Bank has a well-diversified loan portfolio. CBD contributes to nearly 30% of the total performing loan book.

With the introduction of the revised credit policy, additional accounts were classified that adversely impacted the impairment ratios as well as the division`s profitability during the year.

Deeper market penetration, further consolidation of relationship with existing clients and improvement of market share will continue to be the core areas of attention for CBD in 2016. Enhancing the credit quality and strengthening the governance of clients' on boarding process will remain a priority.

International Banking

2015 has been a challenging year throughout the globe. The economic slowdown internationally coupled with the strengthening of USD against all the emerging market currencies increased the risk of lending in the external markets including Africa.

Bank One offshore business grew its asset book substantially against this challenging backdrop to focus on reputed banks and corporates. A key strategy was also to reduce the geographic risk through active diversification of the portfolio. The asset quality was further improved by carefully exiting some medium and high risk relationships.

With its wide network of treaties and low fiscal regime, Mauritius continues to act as a bridge for investments in Africa and India and maintains membership in a number of African preferred trade networks (e.g. SADC and COMESA). Mauritius, besides ranking first amongst Africa's Sub-Saharan economies and 28th worldwide on ease of doing business also tops the African continent on key international benchmarks namely the Heritage Foundation Index of Economic Freedom, the Forbes Survey of Best Countries for business, the Democracy Index, the Mo Ibrahim Index of African Governance and the Environmental Performance Index. The country is also one of the early adopters of the Common Reporting Standard, which further improves the status of Mauritius as a financial centre to attract more business.

International Banking Division (IBD) strengthened its team through recruitment of experienced professionals including a new Head during the year to boost business growth. This has allowed the Division to increase focus on business process reengineering to improve client delivery.

IBD sources its deposits mainly through its global business clients as well as by leveraging on its partnership with group entities. During the year the Bank deepened its relationship with existing customers/management companies and focused on expanding its relationship in other countries to widen its deposit base.

The Division continued to be the key business contributor of the bank with a share of 41% of the performing loan book. The asset book grew by more than 65% while the deposit base increased by 3%. The Bank did not concentrate much on deposit raising as it was already flushed with liquidity.

Given the current economic scenario and rising geopolitical risks, 2016 will remain a challenging year for the Bank. Competition is bound to intensify in Africa. During 2015, a number of Asian and Middle Eastern banks have increased their focus on Africa. Despite the above challenges, IBD is expected to continue its growth momentum which will be achieved through closer ties with global banks to improve business mix, further exploiting group synergies, widening product mix, tailoring products to meet client requirements and expanding geographical reach.

Private Banking and Wealth Management

The Private Banking and Wealth Management business (PB) is a major component of the Bank's overall strategy for offshore as well as domestic business development. As part of the build-up, the Wealth Management platform was strengthened in the areas of custody, advisory and service.

On the custody front, the Bank forged a tie-up with a highly reputed global custodian to extend custodial service to clients. Advisory service offerings were further strengthened by joining hands with investment providers across multiple asset classes like bonds, shares, mutual funds and derivatives.

The PB team is being continuously upskilled and trained. Furthermore, the processes are being reengineered with the objective of providing swift and efficient service to the customers without compromising on compliance and risk.

Looking ahead, the Bank is working on offering customised products so as to provide a suite of diverse offerings to the existing and potential high-net-worth clients (both domestic and international). The Bank continues to focus on specific geographical locations and leverage on the physical presence of I&M and CIEL Groups in various East African countries.

Treasury Business

The year under review witnessed some huge volatility in the foreign exchange and interest rate markets.

Foreign Exchange

On the foreign exchange side, the Mauritius Exchange Rate Index (MERI1 and MERI2) from the Bank of Mauritius showed a depreciation of 7% of the local currency against its main trading partners after remaining almost stable throughout 2014. The Central Bank was quite active on the local market intervening several times to readjust the level of the Mauritian rupee (MUR) against major currencies to reflect international market conditions. The US Dollar was the biggest mover in the local market with a record high registered in November 2015 where 1 USD fetched nearly Rs37.00. On a point-to-point basis as compared to last year the rupee depreciated by 2% against the EUR, 8.4% against the GBP and 13.8% against the USD.

Business volumes were subdued on the back of falling commodity prices that had an adverse impact on the merchant turnover.

Nevertheless, Treasury managed to improve its income by taking advantage of the market volatility that prevailed both in local and international markets using the right strategies.

Interest Rate

Interest rates were impacted by the persisting excess liquidity in Mauritius averaging around Rs11bn with a peak of Rs16.5bn in April 2015. Government securities became the sought after option for banks as one of the key avenues to earn interest in an otherwise dull market. This pushed the yields substantially down. The Central Bank acted promptly to remedy the situation through specific market intervention in the foreign exchange market and also by issuing Bank of Mauritius (BOM) securities to curtail the liquidity surplus. These measures improved the yields though, not sufficient enough to attract investors to the secondary market. The fixed income desk took advantage of these interest rate movements to build revenues.

On the money market side, Treasury was constantly exploring better opportunities through new correspondents and new geographies. Proper balance sheet management coupled with proactive actions enabled Treasury to achieve over 50% surge in its interest income via placements.

Year Ahead

The Government has undertaken a spate of measures to speed up economic growth for 2016 and beyond with a view to rekindle the growth story. These steps are expected to provide an added impetus to development. Treasury aims to cash in on this opportunity by capturing more business and improving its service offerings.

The Treasury team will be diversifying from traditional business offering plain vanilla products to more structured products with focus on low risks in order to provide clients with multiple hedging options.

E-Commerce

2015 has been a great year of achievement for E-commerce business.

With the right strategy and acquisition of significant client bases, the e-commerce business volume grew by more than 150% in 2015 as compared to 2014. The number of transactions processed crossed a million in 2015.

The growth in business had a positive impact on profitability contributing nearly 25% of the Bank`s non-interest income. The risk profiles of the merchants were subjected to constant review that helped the business to develop well and also address the attendant risks in parallel.

Bank One won the coveted Visa award for the "Best E-commerce Acquirer in Mauritius for Risk Management" for the period 2014/2015.

The e-commerce business is expected to grow further in 2016 and contribute significantly towards the overall profitability of the Bank. The focus in 2016 will be on business development, strategy implementation, process innovation, capacity building and enhancement of customer experience with added emphasis on the risk side of the business.

DISCUSSIONS BY LINE OF BUSINESS (CONT'D)

Cards

During 2015, cards business remained stable, with the prime focus on controls and monitoring.

Bank One was the first bank in Mauritius to introduce chip-based cards across all cards flavours way back in 2009 to address the risks relating to frauds. In addition, Bank One was also the first bank in the African region to launch the Infinite card, the most prestigious card from the Visa stable.

The prepaid card continued to be widely popular amongst clients especially for online shopping and at the point-of-sale which registered a 26% growth.

As part of the rebranding process, cards with new designs will be launched shortly and the existing ones would include new features. In collaboration with Visa International a card promotional campaign will be initiated to encourage Bank One card usage.

Promoting Human Resource Development

The strategy of Bank One in respect of its human capital is based on the endorsement of its core values and best practice policies to create and maintain a motivated, multi-tasking and competent workforce, besides enhancing the team`s wellbeing. In this spirit, with a view to inculcate a performance driven culture for greater organisational effectiveness and efficiency, Bank One has restructured its bonus policy to differentiate performance bonus payout to team members in relation to their role, responsibilities, performance and its direct impact on the accomplishments of the Bank keeping in mind their overall value to the organisation in terms of output and as potential future leaders. In addition to that, the Bank has groomed its team members in setting SMART objectives to ensure that they have a clear understanding of what is expected from them as this process will ensure fairness and objectivity in evaluating the team members at the end of the financial year.

Bank One is an equal opportunity employer. Employment opportunities are openly advertised internally and externally with recruitment procedures being transparent and unbiased.

The Bank has embarked upon a transformation exercise within the HR function to move from a transactional function to a transformational role in driving a number of key initiatives which take into account the needs of the employer as well as the interest of its team members.

To ensure continuity and long-term competitiveness for growth, the Bank, carried out a succession planning exercise for key positions in the organisation and identified potential/emerging successors in those critical roles.

In addition, the Bank launched a Voluntary Retirement Scheme (VRS) which was well received.

As regards to work-life balance, the Bank has introduced the flexi-time concept in some departments and intend to extend it to other departments where it is found practically implementable.

Service Quality

Creating an experience for the customer that leaves a lasting and refreshing impression is a long-term challenge. To meet that objective, the Bank remains focused and strives earnestly at continuously improving the standards of service.

The Customer Helpdesk is the focal point for receiving feedback and complaints in the Bank. It provides timely assistance to clients who need specific support. The Bank actively endeavours to address customer concerns within the prescribed time-frame as committed and communicated to the client and also makes good use of customer feedback as a part of its quality improvement initiative to develop new standards in order to refine the quality of service delivery to measure up to customer expectations.

The senior management ensures close oversight over customer service quality and supports actions to address the concerns raised. Quarterly updates in this regard are also furnished to the Bank of Mauritius.

In 2015, the Bank introduced a BPR (Business Process Re-engineering) document, as a proactive measure, that is circulated with the monthly feedback/complaints report to branches/departments. They are required to explain and list out the specific actions that will be undertaken to improve the service standards and refine procedures. Prompt guidance is provided where needed. This aims at reinforcing the branch/department's commitment to extend quality service.

To obtain customers' viewpoints and to gauge their perception of the service, the Bank conducts annual surveys on Customer Satisfaction, Service Quality and Brand Awareness. The results of the surveys are used to develop Customer Satisfaction Index, Service Quality Index and Net Promoter Score. These are compared with the previous years to determine where efforts need to be augmented to uplift the quality of service. The results are shared with the respective teams for appropriate action.

Training remains one of the vital priorities for Quality Service. The training workshops act as a platform to raise awareness, share experience/knowledge and discuss new ideas that can help improve service. It also helps to build team members' confidence to shoulder responsibilities, since to perform efficiently, they need to be fully made aware of the Bank's expectations. Team members were also exposed to the pattern of complaints and survey results on service standards. On that basis, grooming sessions were conducted for the front desk staff to sensitise them on the prescribed standards of service.

FINANCIAL INFORMATION

Statement of Profit or Loss

	Year Ended Dec-13 Rs 000	Year Ended Dec-14 Rs 000	Year Ended Dec-15 Rs 000
Net interest income	486,008	564,744	**608,293**
Net fee and commission income	118,454	103,926	**167,042**
Net trading income	(70,210)	48,998	**72,258**
Other operating income	2,313	3,739	**9,401**
Operating Income	**536,565**	**721,407**	**856,994**
Non-Interest Expense	(367,192)	(432,497)	**(480,697)**
Profit before impairment	**169,373**	**288,910**	**376,297**
Allowance for credit Impairment	(88,800)	(153,444)	**(165,158)**
Impairment loss on intangible assets	-	(15,147)	**-**
Profit before Tax	**80,573**	**120,319**	**211,139**
Income Tax (Expense)/Credit	(26,895)	(3,199)	**15,790**
Profit for the year	**53,678**	**117,120**	**226,929**

Net Interest Income

	Year Ended Dec-13 Rs 000	Year Ended Dec-14 Rs 000	Year Ended Dec-15 Rs 000
Interest Income			
Loans and Advances to customers and banks	840,022	752,807	**727,598**
Investment Securities	96,076	83,429	**52,292**
Placements	35,956	78,631	**122,866**
	972,054	914,867	**902,756**
Interest Expense			
Deposits from customers	444,151	307,338	**254,569**
Borrowings from banks	4,813	6,361	**4,616**
Other	37,082	36,424	**35,278**
	486,046	350,123	**294,463**
Average Interest Earning Assets	14,497,992	14,640,177	**16,522,531**
Average Interest Bearing Liabilities	12,509,713	10,624,611	**10,774,191**
Interest Income/Average Interest Earning Assets	6.70%	6.25%	**5.46%**
Interest Expense/Average Interest Earning Liabilities	3.89%	3.30%	**2.73%**
Net Margin	2.81%	2.95%	**2.73%**
Core Revenue	536,565	721,407	**856,994**

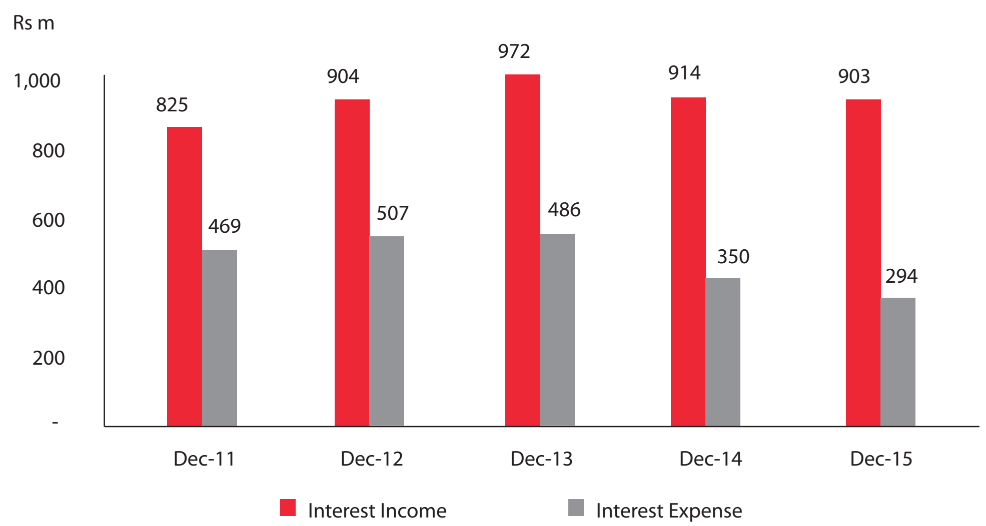
FINANCIAL INFORMATION (CONT'D)

The downward revision of the Bank`s prime lending rate twice during this year, brought down the interest income on Loans and Advances to customers and banks compared to 2014. The return on rupee performing advances consequently went down from an average of 8.10% in 2014 to 7.65% in 2015. With the increasing competition on the offshore front, the FCY return on performing advances was lower by 10 bps compared to 2014.

Maturities of investments in high yielding Bank of Mauritius papers also had a major impact on the interest income. Effective deployment of excess liquidity in FCY for short tenor at attractive yields helped to cushion this shortfall to a large extent.

Despite the increase in deposits portfolio, total interest expense on deposits from customers came down by 16% on account of improved low cost deposit ratio and downward revision of the rupee savings rate on two occasions in 2015. The rupee cost of funds improved from 3.80% in 2014 to 3.45% in 2015. The strategy to raise non-interest bearing deposits helped to improve the FCY cost of funds by 25 basis points.

interest income & interest expense



Non-Interest Income

	Year Ended Dec-13 Rs 000	Year Ended Dec-14 Rs 000	Year Ended Dec-15 Rs 000
Net Fees and Commission	118,454	103,926	**167,042**
Net Trading Income	(70,210)	48,998	**72,258**
Other Operating Income	2,313	3,739	**9,401**
	50,557	156,663	**248,701**

The non-interest income grew strongly by 59% in 2015.

Treasury and E-Commerce revenues contributed significantly to the total non-interest income. The strong growth in the net fees and commission was also ably supported by activities related to the offshore operations.

The Bank will continue to explore new income streams in 2016 with special focus on low risk products.

Non-Interest Expense and Cost Management

	Year Ended Dec-13 Rs 000	Year Ended Dec-14 Rs 000	Year Ended Dec-15 Rs 000
Personnel Expenses	224,487	254,286	**311,032**
Depreciation and Amortisation	36,202	37,850	**35,189**
Other Expenses	106,503	140,361	**134,476**
	367,192	432,497	**480,697**

	Dec-13	Dec-14	Dec-15
Cost to Income ratio	68%	60%	**56%**

Non-Interest expenses increased by 11% compared to the previous year. HR related expenses went up due to recruitments at senior Management level and the costs incurred to successfully conclude an early retirement scheme for certain category of staff. Most of the eligible staff under this scheme opted for the early retirement and the related costs inflated the non-interest expense. The Bank`s head office is currently undergoing comprehensive refurbishment and the impact of this cost will be seen in 2016 figures. Other expenses were lower in 2015 compared to the previous year, which included certain one-off legal expenses.

The Bank was on target to improve the cost to income ratio from 61% in 2014 to 56% during this reporting year and the ratio is expected to improve further in the coming years.

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 December 2015.

Sectors	2013	2014	2015		
Lending	Total Rs 000	Total Rs 000	Segment A Rs 000	Segment B Rs 000	Total Rs 000
Agriculture & Fishing	276,547	487,770	392,369	166,403	558,772
Manufacturing	702,824	483,526	348,893	427,997	776,890
Tourism	1,203,866	1,064,404	992,542	9,102	1,001,644
Transport	400,042	442,507	199,763	226,144	425,907
Construction *	3,827,259	3,623,871	3,052,329	713,267	3,765,596
Financial and Business Services	276,428	399,990	377,584	367,010	744,594
Traders	1,794,476	1,784,327	1,609,139	986,352	2,595,491
Global Business License Holders	1,509,980	1,249,881	-	1,517,069	1,517,069
Personal	1,241,028	1,161,004	892,075	64,364	956,439

(Table continues on next page)

FINANCIAL INFORMATION (CONT'D)

Sectors	2013	2014	2015		
Lending	Total Rs 000	Total Rs 000	Segment A Rs 000	Segment B Rs 000	Total Rs 000
Professional	89,282	50,334	28,257	-	28,257
Other	647,959	377,316	254,135	444,874	699,009
	11,969,691	**11,124,930**	**8,147,086**	**4,922,582**	**13,069,668**
Lending to Banks	150,500	317,000	-	539,685	539,685
Total Credit Exposure	**12,120,191**	**11,441,930**	**8,147,086**	**5,462,267**	**13,609,353**
Trading	182,632	415,164	816,043	27,295	843,338
Investment	1,306,591	879,260	1,289,825	393,257	1,683,082
Off balance sheet	1,361,314	885,158	1,080,479	357,972	1,438,451

**Above 50% 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-13 Rs 000	Dec-14 Rs 000	Dec-15 Rs 000
Impaired Advances	820,045	941,199	**1,184,050**
Allowance for Impairment Losses on individually assessed loans	295,756	464,513	**593,919**
Impaired Advances / Total Advances	6.77%	8.23%	**8.70%**
Net Impaired / Net Advances	4.48%	4.39%	**4.59%**
Provision Coverage Ratio	36.10%	49.35%	**50.16%**

A breakdown of gross loans, impaired loans and provisions by industry sector split between segment A and B as at 31 December 2015 is given below.

	Gross amount of loans		Impairment		Allowances for Impairment as a % of Impaired Loans	
Sectors	Segment A Rs 000	Segment B Rs 000	Segment A Rs 000	Segment B Rs 000	Segment A Rs 000	Segment B Rs 000
Agriculture and Fishing	392,369	166,403	23,700	-	74%	-
Manufacturing	348,893	427,997	32,213	-	68%	-
Tourism	992,542	9,102	78,371	-	11%	-
Transport	199,763	226,144	7,576	-	49%	-
Construction	3,052,329	713,267	522,974	24,809	56%	25%
Financial and Business Services	377,584	367,010	323	-	100%	-
Traders	1,609,139	986,352	191,681	9,569	49%	3%
Personal	892,075	64,364	132,137	4	67%	100%
Professional	28,257	-	-	-	-	-
Global business license Holders	-	1,517,069	-	85,238	-	7%
Others	254,135	444,874	75,455	-	73%	-
Total	**8,147,086**	**4,922,582**	**1,064,430**	**119,620**	-	-
Loans to Bank	**-**	**539,685**	**-**	**-**	-	-
Grand Total	**8,147,086**	**5,462,267**	**1,064,430**	**119,620**	-	-

A major share of impaired loans are from Construction, Traders and Personal sectors for Segment A while the impaired loans for Segment B are mainly for a couple of Global business license holders.

Portfolio and General Provisions

In line with the Bank of Mauritius guideline on Credit Impairment, the Bank held portfolio provisions of Rs146 m on its performing loan book as at December 2015.

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

Other details regarding credit quality are given in note 16 (g) 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 2015, 32 accounts have been restructured aggregating Rs571m (outstanding balance: Rs561m as at Dec 2015).

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.

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Scope

This report focuses on the risk management strategy, risk functions and risk outcomes of the Bank.

Responsibility of the Board

The Bank's Board of Directors (The Board) has the ultimate responsibility for the oversight of risks within the Bank.

The Board has delegated certain supervision risk functions to the following Board Sub Committees:

- Board Risk Management Committee
- Board Credit Committee
- Board Conduct Review and Corporate Governance Committee
- Board Audit Committee

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 employs a three level defence model:

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

Risk Management Process

Bank One's approach to Risk Management has remained unchanged during the course of the year; however policies and procedures have continued to be strengthened. Bank One has engaged in a multi-dimensional methodology to ensure continuous risk management improvement across the Bank. This improvement process is focussed at three levels being the Individual, Team and the greater Organisation. For the individual level, greater emphasis is placed on training, empowerment and accountability. The team focus reflects the adoption of the culture in which the team members buy into the culture and adopt same through effective support from the organisation. Monitoring and dynamic assessments are made to ensure that the culture remains relevant and adds value to the organisation. At the organisation level, revised and improved job descriptions are in place to ensure appropriate measurement. This leads ultimately that the appropriate recognition mechanisms are in place to reinforce the empowerment and accountability of the individual and team members.

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 are proactively and effectively managed.

To achieve this, the various independent risk functions seek to identify, quantify, monitor, control and mitigate the risks prudently. 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, Strategic Risk and Reputational Risk are assessed and monitored on a qualitative basis.

The Bank's Management meets on a monthly basis via various Management Committees to make a comprehensive assessment of the Bank's risks arising from its core activities. However Market Risk is monitored on a daily basis by the Market Risk Department and reported promptly to Senior Management. Similarly, operational risk events beyond a predefined threshold are also escalated straightaway to the Senior Management.

The Bank utilises the Internal Capital Adequacy Assessment Process (ICAAP) to assess its optimal capital requirement in relation to all material risks and in conjunction with its future strategy and goals. 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's risk activities are controlled within the regulatory frameworks established by the Bank of Mauritius (BOM) and internally through the Board's policies and guidelines.

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. The various Management Committees manage and provide guidance on the ongoing measurement and monitoring of the 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 front line functions.

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

- Compliance;
- Credit Risk Management;
- Market Risk; and
- Operational Risk

The FRU's major responsibilities include:

- Ownership of the various risk policies including annual reviews;
- Determining the measurement standards of financial risks and ensuring that data integrity is protected;
- Ongoing monitoring and reporting risk positions to the appropriate Management Committees and ultimately to the Board via the respective Board Sub Committees;
- Identifying operational risk factors and developing monitoring and tracking capabilities to ensure the effective management and mitigation of these risk factors;
- Proactive, daily management of the foreign exchange and interest rate risks that are subject to market price volatility.

Credit Risk

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due.

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 Management Process

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

- Setting concentration risk limits and counterparty limits;
- Credit approval and monitoring; and
- Determining portfolio impairment provisions.

The following processes and tools were implemented during 2015 to assist in the proactive management of credit risk:

1. Revised Credit Policy implemented in October 2015;
2. Application formats standardised and customised to ensure correct credit information is provided;
3. Improved focus on risk training for front office and risk units;
4. Recovery techniques and tools training provided to Branch Managers;
5. Establishment of an ongoing monitoring of credit and early warning function within the Credit Risk Department;
6. Past due analysis and assistance provided to Business Heads on the status of their portfolios within 10 days of the prior month end;
7. Adoption of an internal company rating model;
8. The process to develop and automate product specific Retail scorecards has begun; and
9. A new MIS tool to provide more meaningful analysis is in process of implementation.

The Bank adopts the Basel Standardized Approach for the calculation of regulatory capital taking into consideration the macro-prudential policy measures introduced by the Bank of Mauritius effective since July 2014.

Credit Risk Measurement

Loans and Advances

The measurement of credit risk on loans and advances to customers and financial institutions is done after considering the following aspects:

a) Current counterparty exposures;

b) The probability of default; and

c) The loss given default.

The Bank's assessment of the credit quality of corporate and international banking clients uses an internally developed rating model that has been revised during 2015 to expand the risk rating scales from six to twenty. This provides more granular information and also corresponds to standardised external rating agency rating scales for ease of comparison.

The credit quality of personal clients is assessed using established criteria supplemented with external market data from the Mauritius Credit Information Bureau. An automated system of retail scorecards for each product is currently under development.

The Risk Management Framework (Cont'd)

Credit Risk Mitigation

Credit risk mitigation is achieved through the use of collateral and guarantees. Credit risk mitigation policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements for the management of legal recovery and timely enforcement. The annual review process assists to upgrade policies, procedures and systems through continuous innovation and improvement.

The Bank employs a range of policies and practices to mitigate credit risk. The most widely used of these is accepting tangible collateral to secure loans and advances. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business such as premises, stock and debtors;
- Pledge of financial instruments such as debt securities, equities and bank deposits; and
- Common collateral for international business –Standby Letters of Credit / Bank Guarantees.

For derivative transactions, the Bank employs the internationally recognised and enforceable International Swaps and Derivatives Association agreements, with a credit support annexure, where collateral support is deemed necessary.

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 Bank of Mauritius guidelines on standardised approach to credit risk.

The Bank monitors the maturity terms of credit commitments closely as longer duration commitments exhibit greater degrees of credit risk than shorter term commitments.

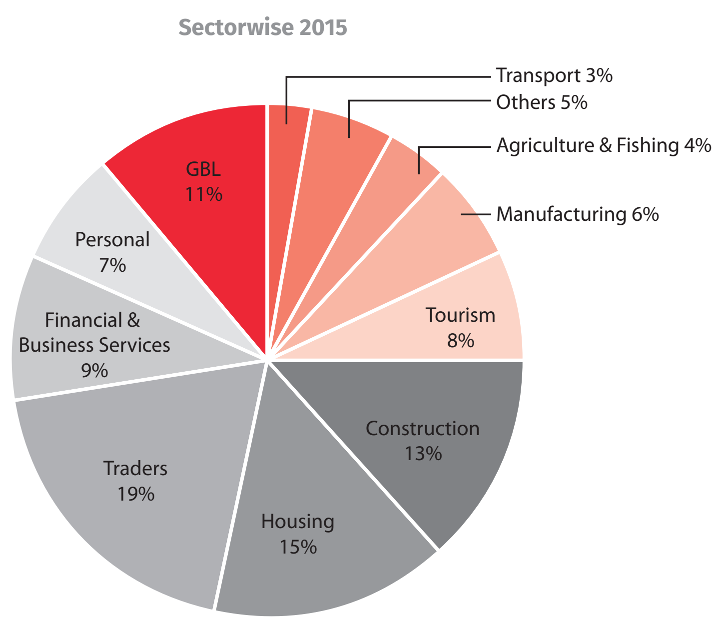
	Year Ended Dec-15 Rs 000	Year Ended Dec-14 Rs 000	Year Ended Dec-13 Rs 000
Bank guarantees and other contingent liabilities	**564,448**	512,207	587,616
Undrawn Credit Related Commitments	**874,003**	372,951	773,698

Bank Placements and 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.

Sectorwise Distribution

The sector wise distribution is disclosed in the chart below:



As shown in the chart above, the risk is well diversified with no major concentration in any one sector. There was no major changes from the prior year apart from a shift in Housing from 19% down to 15% and a corresponding increase in Traders from 15% to 19%.

Residual contractual maturity of the portfolio is provided in note 15 (b) and note 16(c) of the Financial Statements.

CONCENTRATION RISK

Concentration risk is the risk of loss to the Bank arising from an excessive concentration of exposure. 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 Bank of Mauritius guideline on credit concentration risk revised in August 2015.

The top six Groups and Single Borrower exposures as at 31 December 2015 were:

Group	Exposure Rs000	% Capital Base
1	512,667	25.95%
2	439,994	22.27%
3	346,616	17.55%
4	321,443	16.27%
5	316,439	16.02%
6	303,489	15.36%

Borrower	Exposure Rs000	% Capital Base
1	398,092	20.15%
2	359,710	18.21%
3	359,710	18.21%
4	317,050	16.05%
5	298,296	15.10%
6	252,785	12.80%

Exposures comply with the limits set by the BOM (maximum 40% of Capital Base for a single group and 25% for a single borrower).

HHI and Concentration Risk Level

The Bank uses the Herfindahl-Hirschman Index (HHI) to assess the concentration of its depositors and borrowers. It is calculated by squaring the relative portfolio contribution of each borrower or depositor.

The following table relates the HHI with the level of risk:

HH Index	Risk Level
<1000	Low Risk
1000 - 1800	Moderate Risk
>1800	High Risk

As at 31 December 2015, the portfolios for top 10 Individuals, Groups, Industries and top 10 Depositors were all in the "Moderate Risk" category.

Related Party Transactions

The BOM Guideline on Related Party Transactions sets out the manner in which these transactions are identified, monitored and reported on a quarterly basis. The Bank complies with all requirements under the said guideline.

The Bank has a Related Party Transaction Policy which is approved on an annual basis by the Conduct Review & Corporate Governance Committee (CRCGC) and the Board. The CRCGC 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 Rs482m (2014: Rs522m) which represents 31.16% of Tier I Capital (2014: 44%) and 3.75% of loans and advances (2014: 4.6%). 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 Bank of Mauritius Guidelines for Category 1 related party exposure should not exceed 60% of Tier 1 Capital. Bank One has complied with all Regulatory Guidelines during the year under review.

The aggregate related party exposure (Off-balance sheet) of the Bank amounted to Rs21m which represents 1.36% of the Tier 1 Capital figures and 0.16% of loans and advances (2014: Nil).

The ultimate controlling parties of Bank One are CIEL Finance Limited and I&M Holdings Limited.

None of the loans advanced to related parties were classified as non-performing as at 31 December 2015.

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

Related Party	Exposure Rs000	% of Tier 1 Capital
1	143,884	9.30%
2	119,949	7.75%
3	119,771	7.74%
4	41,589	2.69%
5	30,575	1.98%
6	10,791	0.70%

The Risk Management Framework (Cont'd)

CREDIT QUALITY

Impairment and Provisioning Policies

Impairment provisions are recognised for financial reporting purposes under International Accounting Standard (IAS 39) and BOM guidelines based on objective evidence of impairment.

The Bank's impairment policy requires all loans and advances past due above three months to be impaired. This is applied at client level, i.e. if one account of a client is more than three months past due, all the client's accounts are classified irrespective of their past due status.

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

Credit quality definitions subscribed to by the Bank are:

- Performing loans are neither past due nor specifically impaired. These loans are current and fully compliant with all contractual terms and conditions. Within performing loans there is a subset category of loans defined as early arrears.

  Early arrears but not specifically impaired loans include those loans where the counterparty is in contractual arrears less than 90 days past due, but it is reasonably expected that these will be cleared albeit with some delay.

  The Bank established an ongoing monitoring of credit and early warning function within Credit Risk. This unit is tasked with the monitoring of all financial covenants on an ongoing basis to identify trends that could point to potential distress of a counterparty into the future. The Bank has also adopted an early warning approach where when certain events are triggered the Bank has predetermined actions and consequences to ensure acceptable asset quality metrics are maintained.
- Non-performing assets are those loans for which:

  a) The Bank has objective evidence of default, such as a breach of a material loan covenant, or

  b) Instalments are due and unpaid for greater than 90 days.

Collection and Recovery Process

Collection and Recovery functions are separated from the Front Office functions for more independence and focussed attention. 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 will be pursued with urgency for the timely recovery of all non-performing assets.

The Bank recruited a Head of Collections and Recovery during early 2015 and the Collections and Recovery function was re-engineered to optimise the Bank's recovery efforts. The results of these actions have been most effective as both the volume of accounts and monies recovered has reflected exponential growth:

- Volume of accounts worked by Recovery increased by 431%;
- Value of monies recovered increased by 167%.

Business Line Recovery Performance also reflected encouraging results:

- Non-performing credit card recoveries improved the most.
- Private Banking recoveries increased by 740%.
- Corporate Banking recoveries increased by 322%.
- Retail Banking recoveries increased by 55%.
- International Banking recoveries increased by 17%.

Recoveries should remain strong in 2016 as a firm foundation has been laid for further improvements in the recovery process and procedures.

Early Arrears

	As at 31 December 2015		
Loans and Advances Past Due but not Impaired	**Individual (Retail Customers) Retail & Mortgages Rs 000**	**Corporate Entities Loans & Overdraft Rs 000**	**Total Loans and Advances to Customers 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

The policy of the Bank is to classify all accounts which are 90 days past due. Warranted accounts which are less than 90 days in arrears are classified and impairment loss booked.

As at 31 December 2015, there were some specific accounts with more than 90 days arrears which were not classified. These accounts were not classified as these are performing accounts and consist, mainly of overdrafts for which renewals were perfected after year end.

The focus for 2015 was to ensure that the Bank's asset quality was improved across the portfolios. The Corporate exposures have been brought to a controllable level within market norms. The Retail Portfolio now accounts for 50% of the total Early Arrears Portfolio (2014: 35%). This is largely due to a 52% increase in one month early arrears from 2014 due to slight delays in repayments over the year end. Close follow-up is being done by the Business Unit to ensure that the accounts revert back to regular paying accounts as soon as possible. Proactive and effective support is also provided by the various risk departments.

Appropriate management attention and processes are in place to ensure that Early Arrears are managed proactively and prudently.

The early arrears positions as at December 2014 and 2013 are given on the next page for ease of comparison.

	As at 31 December 2014		
Loans and Advances Past Due but not Impaired	**Individual (Retail Customers) Retail & Mortgages Rs 000**	**Corporate Entities Loans & Overdraft Rs 000**	**Total Loans and Advances to Customers Rs 000**
Past due up to 1 month	135,065	70,724	205,789
Past due more than 1 month and up to 3 months	168,779	491,194	659,973
Past due more than 3 months and up to 6 months	76,612	93,650	170,262
Past due more than 6 months	43,338	123,253	166,591
Total	423,794	778,821	1,202,615

	As at 31 December 2013		
Loans and Advances Past Due but not Impaired	**Individual (Retail Customers) Retail & Mortgages Rs 000**	**Corporate Entities Loans & Overdraft Rs 000**	**Total Loans and Advances to Customers Rs 000**
Past due up to 1 month	217,831	95,569	313,400
Past due more than 1 month and up to 3 months	297,504	291,147	588,651
Past due more than 3 months and up to 6 months	91,845	89,778	181,623
Past due more than 6 months	44,759	96,739	141,498
Total	651,939	573,233	1,225,172

The Risk Management Framework (Cont'd)

Properties in Possession (PIPs)

As at December 2015 the Bank held three PIPs in its books with an assessed total value of Rs1.6m included in the `Other Assets` figure (note 21 of the financial statements). These were repossessed in prior years. No new property was added to this list in 2015. As at December 2015, 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.

MARKET RISK

Market risk refers to the risk of losses in the Bank's book due to changes in equity prices, interest rates, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market.

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monitored through the Board Risk Management Committee via ALCO. The risk limits comprise a combination of sensitivity analysis and historical simulation approach. All open positions are subject to daily mark-to-market valuations.

The Market Risk Unit identifies measures, monitors and controls the risk exposures against approved limits and guidelines. Specific actions are instituted to ensure the market risks of the overall outstanding portfolio are managed within the Bank's appetite. Any exceptions are reviewed and sanctioned by the appropriate level of Management and/or Board.

Market risk arising from the Trading Book

Market risk is associated with trading positions in foreign exchange, debt securities, and derivatives.

The Bank does not run an active trading book for securities and derivatives. For any FX open positions held within the limits, the Bank uses the historical simulation approach to estimate the daily maximum loss expected on the position held. This is calculated based on the last 200 days exchange rates at a 99% confidence level. This is monitored against prudent risk limits set by the Board.

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 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 Board Risk Management Committee.

(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 foreign exchange limits and reported to the BOM on a daily basis.

During 2015, the Bank operated well within the regulatory limits regarding Net Open Positions.

The Market Risk Unit ensures that limits are respected. Senior Management is promptly notified of any underlying breach in limits and whether prior approvals were obtained from the relevant authority for such access or not. A monthly report is submitted to ALCO and a quarterly report is submitted to the Board Risk Management Committee.

Accordingly as at 31 December 2015, the limits against the actual potential loss are given in the table hereunder:

Limit vs Actual Position December 2015

	USD	EUR	GBP
Limit	Rs 2M	Rs 1M	Rs 1M
potential loss	Rs (379k)	Rs (22k)	Rs (16k)

(ii) Interest rate risk

Interest rate risk is the potential loss from unexpected changes in interest rates which can impact the Bank's profitability and market value of equity. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. 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 Unit. These are reported monthly to ALCO and quarterly to Board Risk Management Committee.

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.

The Bank is currently reviewing its market risk framework in accordance with the international best practices and revised processes would be implemented shortly with the view to enhance the risk management capabilities.

Interest rate sensitivity analysis

A detailed analysis of the Interest Rate Sensitivity Analysis as at 31 December 2015 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 Earnings at Risk Analysis as at 31 December 2015

Interest Movement 2015	Impact on Earnings on account of interest basis (Rs m)
+25 bps	+1.03
-25 bps	-1.03
+50 bps	+2.07
-50bps	-2.07
+75 bps	+3.10
-75 bps	-3.10
+100 bps	+4.14
-100 bps	-4.14
+200 bps	+8.28
-200 bps	-8.28

If interest rates increase by 200bps, the Bank would have a positive impact on its Net Interest Income of Rs8.28m and the converse also holds true.

The Bank is well positioned to absorb potential interest shocks. Should interest rates decrease by 200 bps, Net Interest Income drop would represent a marginal 0.42% of capital base, well within the outlier limit of -10%, recommended under Basel III and approved by the Board. The Bank is 90% (2014: 93%) immunised from any change in the Rupee interest rate.

USD Earnings at Risk Analysis as at 31 December 2015

Interest Movement	Impact on Earnings on account of interest basis (USD m)
+25 bps	0.03
-25 bps	-0.03
+50 bps	0.06
-50 bps	-0.06
+75 bps	0.08
-75 bps	-0.08
+100 bps	0.11
-100 bps	-0.11
+200 bps	0.23
-200 bps	-0.23

The US Federal Reserve increased their interest rates in December 2015 after a protracted period of quantitative easing. However, the expectation is that further increases will be reasonable and considered. Should the Fed increase US interest rates by 200bps, the Bank would have a positive impact on its Net Interest Income of USD 0.23m.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank fails to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfil commitments to lend. It is the risk that the Bank will be unable to continue operating as a going concern due to a lack of funding.

Liquidity risk management process

The Bank manages its liquidity on a prudent basis as well as ensuring that the statutory minimum cash reserve requirements are maintained throughout the year. No statutory limits have been breached during the year.

Treasury is responsible for the daily management of liquidity and provides daily reporting to Senior Management. The monitoring and reporting takes the form of cash flow measurements and projections for the next day, week and month respectively.

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 deposits from customers 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.

Stress tests are also carried out to ensure adequate liquidity is available under stressed conditions.

The table in note 2(g) of the Financial Statements analyses the Bank's assets and liabilities into relevant maturity groupings.

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. Sources of funding such as swapping foreign currencies to MUR, repo of securities, reciprocal lines are evaluated to address such situations.

As at 31 December 2015, Bank liquidity was manageable even in stressful conditions with clearly identified actions plans for extreme stress events.

The Risk Management Framework (Cont'd)

Long Term Lending Ratio

The Bank has set up an internal limit to monitor long term lending in foreign currencies for the proper liquidity management of foreign currencies. The ratio is a percentage of all the foreign currency loans maturing above a period of two years, excluding loans against deposits, over the Bank's total foreign currency deposits, excluding deposits under lien. The Board Risk Management Committee has approved a maximum limit of 35%, which is reviewed on a quarterly basis. No breach of the limit has occurred during 2015.

The long-term lending ratio is calculated on a monthly basis by the Market Risk Unit and reported to the ALCO so that Management can take adequate measures to keep the long-term lending ratio within the limit.

OPERATIONAL RISK

The management of operational risk within Bank One is aligned to the enterprise-wide risk management (EWRM) 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.

As per Basel Committee, operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or external factors. This definition also includes legal risk.

The Bank firmly believes that effective and sound management of operational risk is predominant to the achievement of its business strategy. There is ongoing evaluation of existing frameworks, policies, methodologies, processes, systems and infrastructure to ensure that operational risk management practices are in line with regulatory developments and emerging best practices.

The year 2015 was characterised by a number of initiatives aimed at improving and driving efficiency in operational risk management processes. The Bank has thoroughly reviewed its Operational Risk Policy and Procedures to create a more robust Operational Risk Management Framework to ensure that operational risks within the Bank are clearly identified, assessed and monitored in a structured, systematic and consistent manner. The Operational Risk Management department has been further consolidated with more experienced and qualified staff to cope with increased complex issues and events.

Reinforcement of resilience to the risk of severe disruptions caused by internal failures or external events has been a key focus area for the Bank. In that perspective, the Bank has reviewed in depth its Business Continuity and Crisis Management Plan to cope with new and emerging challenges. The Bank is fully equipped with a modern Disaster Recovery (DR) site per best practices standards. All applications are available at the DR site and the data gets replicated on a real time basis and can be activated should the primary operation centre not be accessible. Connectivity with the disaster recovery sites of outsourced services are also established where required to ensure business continuity in all possible scenarios. To ascertain the efficacy of the Bank's Continuity Plan, a detailed test was carried out in November 2015 and was proven successful at all levels.

Operational Risk department compiles, consolidates and submits a monthly report to the Management Operational Risk Committee and to the Board Risk Management Committee on a quarterly basis to assess the level of risks the Bank is exposed to and remedial measures being executed for mitigation.

Monitoring and Measuring Operational Risk.

The Bank has aligned its processes with international best practices and the statutory requirements. A variety of tools are employed and embedded in the assessment, measurement and monitoring of operational risk.

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 (A). The risk weighted assets for operational risk is calculated as 10 times (A) above.

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.

Looking ahead, the Bank will continue to improve its operational risk management capabilities and also implement new risk measurement tools for risk assessment and monitoring. Moreover, one of the prime objectives of the coming year would be to create greater risk appreciation and awareness through training programs for all the staff in the Bank to promote and cultivate a consistent risk culture.

COUNTRY RISK

Country risk refers to the possibility or risk that a foreign borrower may be unable or unwilling to fulfil his foreign obligations due to country-specific conditions, which may be underlying economic, political, social, natural or other events.

The objective is to provide a framework for effective identification, assessment and measurement of country risk and for provisions thereof. This is particularly relevant as International Banking increases its contribution to the gross loans and advances of the Bank.

Country Risk Management Framework

The Bank has a Country Risk Policy containing the guidelines, systems and processes to effectively identify, assess, monitor and control its country risk exposures.

The Country Risk Management Policy 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 the Board Risk Management Committee. The measurement of the country risk is undertaken through the monitoring and reporting of developments affecting the risk profile of approved countries. Prior to undertaking any type of international exposure, potential risks are identified and evaluated.

Assessment of Country Risk

In assessing the risk of a country, the Bank considers both quantitative and qualitative factors of the country. In developing quantitative assessments of the risk of a country, the Bank takes into account the size and maturity profile of the country's external borrowing as well as the country's macroeconomic variables (including forecasts), fiscal, monetary, exchange rate and financial sector policies and relevant statistics.

Factors typically used in qualitative assessments of country risk include the quality of the policy-making function, social and political stability, and the legal and regulatory environment of the country. Wherever possible, on the ground information is obtained from group or associate companies operating in such jurisdictions.

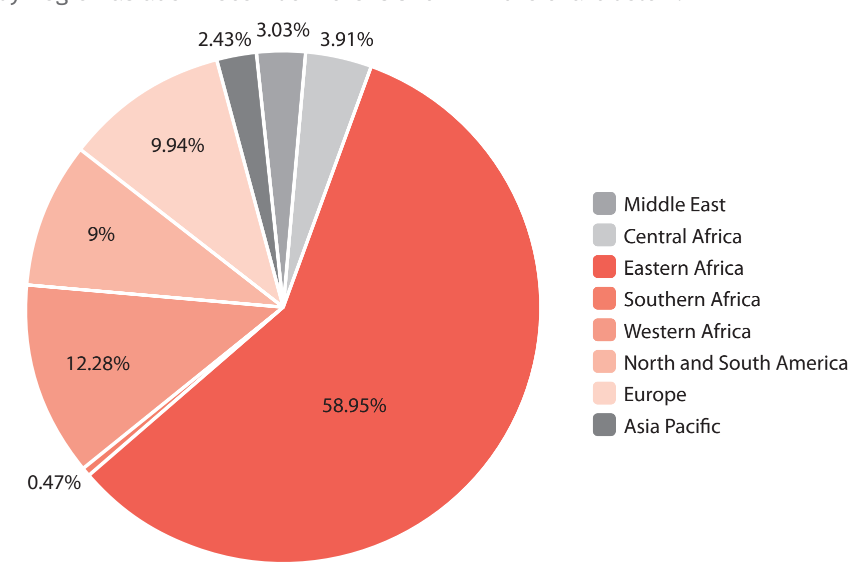
Country exposure limits

The Bank uses ratings by External Credit Assessment Institutions (ECAI) (Standard & Poor's, Moody's and Fitch). The model inputs are updated on a quarterly basis to reflect economic and political changes in countries. Research from BMI Research is utilised as an additional research source.

Geopolitical risks have increased in recent times and prudence is demanded. Particular attention is paid to potential contagion risk in the regions that the Bank is exposed to.

Country exposure limits are reviewed and approved by the Board Risk Management Committee on a quarterly basis. Interim reviews are also conducted and submitted to the Board Risk Management Committee 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 2015 is shown in the chart below:



Eastern Africa accounts for 59% of the Country Risk exposure. This is reducing on a year-on-year basis (2014: 61,4%). Exposure increases are reflected in Central and Western Africa regions from the prior year (Central Africa – 0% and Western Africa – 4,6%). The exposures to Europe, North and South America and Asia Pacific relate largely to Nostro balances held.

The Risk Management Framework (Cont'd)

COMPLIANCE RISK

Compliance risk is the current and potential risk to earnings or capital arising from violations of, or nonconformity with, the laws, rules, regulations, prescribed practices, internal policies and, procedures or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain bank products or activities of the Bank's clients may lack sufficient clarity or are not subjected to adequate scrutiny. This risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk is sometimes also referred to as integrity risk because a Bank's reputation is closely connected with its adherence to principles of integrity and fair dealing.

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly and ensuring the suitability of products and services offered to customers.

The compliance function which is independent assesses and ensures that all the Bank's activities comply with the relevant laws, regulations, rules and internal policies and procedures. Compliance reviews are conducted across departments and appropriate recommendations are made. Any type of non-compliance risk identified is promptly escalated to the Senior Management and Board of Directors through the Board Risk Management Committee.

Philosophy

The Board approves and periodically reviews, through Board Risk Management Committee, the compliance framework and strategies within the Bank and assumes overall accountability for compliance performance. The Bank's compliance risks are centrally managed by an independent compliance function established in line with international best practices. The Compliance team consists of well-trained and experienced Officers dedicated to the task of compliance function.

The scope of coverage of the Compliance function include:

- Regulatory Compliance;
- Anti-Money Laundering and Combating the Financing of Terrorism;
- Know Your Customer (KYC) and Know Your Customer's Business (KYB) principles.

Compliance Risk Indicators

Compliance risk is measured in respect of the potential adverse impact of the finding and the probability that the adverse event will occur. The factors which are taken into consideration for the determination of the probability are the source of the threat, capability of the source, the nature of the vulnerability and the effectiveness of the current controls.

Approach

The Bank is subject to extensive supervisory and regulatory governance by the Bank of Mauritius. The approach to compliance risk in Bank One is as follows:

1. Establish appropriate framework covering proper management oversight, system controls and other related matters.
2. Establish written guidance to staff on suitable implementation of policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice procedures / guidelines.
3. Periodical review of changes in law and regulations in order to ensure that the Bank addresses the risk arising from such changes.
4. Monitor compliance with existing rules and regulations while mitigating the effects of any unintentional non-compliance.
5. Ensure to conduct periodical compliance training to educate all staff with respect to compliance with the applicable laws, rules and standards, especially on Money Laundering aspects.
6. Productive dialogue with regulators in order to ensure effective two-way communication.
7. Assist Management in promoting a culture of compliance, integrity, including actions to raise staff awareness on fraud prevention and Anti-Money Laundering and Combating the Financing of Terrorism.

Overall, the aim of the Compliance is to ensure fair treatment of customers and identify potential breaches of the Bank's standards of ethics and behaviour. In regard to the Bank's Anti-Money Laundering and Combating Financing of Terrorism obligations, the Compliance function is duty-bound to ensure that the Bank has put in place adequate processes and, that these processes are being appropriately implemented and that adequate training is given to staff.

A new AML Solution was implemented recently that helps the bank to monitor and review customer activities more effectively. This tool would also assist to refine the KYC profiling of customers through enhanced due diligence, customer identification, screening and customer risk scoring. It also ensures screening of all incoming and outgoing swift messages against the sanction lists, high risk countries and prohibited goods.

BUSINESS RISK

Business risk is the risk of loss due to operating revenues not covering operating costs. Business risk includes strategic risk, which is defined as the risk that the Bank's future business plans and strategies may be inadequate to prevent financial loss or protect the Bank's competitive position and shareholder returns.

The Bank's business strategy covering a five year plan has been defined and documented. This has been 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.

REPUTATION RISK

Reputation risk is based on market, public and stakeholder's perception of the management and the financial stability of the Bank. Reputational risk is difficult to measure and quantify.

Reputation risk is the risk of damage to the Bank's brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. Sustained reputational damage could have a material financial impact on the Bank.

The Bank continues to dynamically assess and monitor reputational risk on a qualitative basis through a reputation risk heat map.

The Corporate Governance Report depicts the Bank's compliance status with regards to corporate governance. Overall Reputation Risk was maintained at a satisfactory level in 2015.

Internal Audit Function

The Internal Audit function provides independent, objective assurance and consulting services aimed at adding value and improving the Bank's operations, governance, risk management and internal controls.

The Internal Audit department is governed by an Internal Audit charter which is approved by the Board Audit Committee. The Board Audit Committee approves Internal Audit's annual plan and evaluates the effectiveness of the department. The Bank's Internal Auditor Manager reports functionally to the Board Audit Committee and administratively to the CEO. The Internal Auditor Manager, regularly meets the Chairman of the Audit Committee, in absence of the Bank's Management.

Risk Capital Management

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

Process for Capital Management

The ongoing assessment and monitoring of Capital Adequacy is embedded in the Capital Management Planning Process.

An assessment of the future capital requirements of the Bank is carried out through a comprehensive projection of future businesses that takes into account the strategic intent of the Bank, its profitability and the prospects of growth.

Following the annual budgeting process a Capital Plan is prepared and submitted to the Board. This Capital planning is reviewed monthly at Management level and Quarterly at Board level.

Furthermore, a three year business plan is also prepared and discussed intensively at the Board level.

Capital Adequacy Assessment

As per Basel III guidelines, the Bank is required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% (additional 0.625% as capital conservation buffer as from January 2017 and increasing to 1.25% in 2018).

The Bank has computed its CAR as on 31 December 2015 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.

During the year, additional capital of Rs125m was injected in the form of ordinary shares by the existing shareholders.

As at December 2015, the Bank`s CAR stood at 12.92% *(against a regulatory requirement of 10%),* out of which the Common Equity Tier I (CET I) CAR was 10.12% *(against minimum regulatory requirement of 5.5%).*

Risk Capital Management (Cont'd)

Capital Adequacy Assessment

	Dec-15 Rs 000 Basel III	Dec-14 Rs 000 Basel III	Dec-13 Rs 000 Basel III
Core Capital			
Paid up Capital	**856,456**	731,456	731,456
Statutory Reserve	**145,083**	111,044	93,476
Retained Earnings	**707,284**	471,510	444,655
Deductions			
Goodwill	**-**	-	(15,147)
Intangibles	**(37,424)**	(37,728)	(47,210)
Deferred Tax	**(95,399)**	(59,641)	(25,982)
Investments in capital of other banks	**(29,187)**	(27,970)	(11,847)
Total Tier 1 Capital	**1,546,813**	**1,188,671**	**1,169,401**
Supplementary Capital			
Reserves arising from revaluation of Assets	**35,503**	35,503	34,059
Portfolio Provision	**146,000**	120,000	123,000
General Banking Reserve	**31,094**	43,164	-
Subordinated debt	**212,909**	286,570	358,386
Less investments in capital of other banks	**-**	-	(11,847)
Fair Value Gains	**2,978**	6,081	1,446
Total Tier 2 Capital	**428,484**	**491,318**	**505,044**
Total Capital Base	**1,975,297**	**1,679,989**	**1,674,445**

Risk Weighted Assets for

Credit Risk	**14,167,509**	12,089,742	12,018,225
Market Risk	**59,629**	10,690	13,004
Operational Risk	**1,057,484**	952,714	879,262
Total Risk Weighted Assets	**15,284,622**	13,053,146	12,910,491
Tier 1 Capital Ratio	**10.12%**	9.11%	9.06%
Capital Adequacy Ratio	**12.92%**	12.87%	12.97%

Risk Weighted On Balance Sheet Items

	Rs 000	Risk Weight %	Dec-15 Risk Weighted Rs 000	Dec-14 Risk Weighted Rs 000	Dec-13 Risk Weighted Rs 000
Cash in Hand & with Central Bank	1,054,005	0%	-	-	-
Balance and Placements with Banks	3,763,897	20-100%	2,020,769	2,504,358	1,304,533
Balance in Process of Collection	24,435	20%	4,887	5,761	9,597
Treasury Bills and GOM Bills	1,717,174	0%	-	-	-
Other Investment	337,500	20-100%	337,500	366,916	436,964
Fixed and Other Assets	405,532	100%	405,532	396,031	445,783
Loans and Advances	12,977,774	0 - 100%	11,074,451	8,584,205	9,392,555
	20,280,317		**13,843,139**	**11,857,271**	**11,589,432**

Risk Weighted Off Balance Sheet Items

	Rs 000	Credit Conversion Factor (%)	Risk Weight %	Dec-15 Risk Weighted Rs 000	Dec 14 Risk Weighted Rs 000	Dec 13 Risk Weighted Rs 000
Acceptances and Bill of Exchange	278,836	100%	100%	278,836	183,216	187,604
Placement of forward deposits	-	100%	100%	0	0	150,500
Guarantees, bonds etc	64,900	50%	100%	32,450	36,859	85,921
Letter of credit	49,982	20%	100%	9,996	7,947	4,768
Foreign Exchange Contracts	1,279,475	1% to 7.5%	20-100%	3,088	4,449	-
				324,370	**232,471**	**428,793**

Risk-Weighted Assets for Market risk

	Dec-15	Dec-14	Dec-13
Foreign Exchange risk	59,629	10,690	13,004
Equivalent Risk-Weighted Assets	**59,629**	**10,690**	**13,004**

Risk Capital Management (Cont'd)

Risk -Weighted Assets for Operational Risk

	Dec-15 Rs 000	Dec-14 Rs 000	Dec-13 Rs 000
Average Gross Income for last 3 years	**704,989**	635,143	586,175
Capital charge	**105,748**	95,271	87,926
Equivalent Risk-Weighted Assets	**1,057,484**	**952,714**	**879,263**

Risk Weighted Exposures

	Dec-15 Rs 000	Dec-14 Rs 000	Dec-13 Rs 000
Risk Weighted On Balance Sheet Assets	**13,843,139**	11,857,271	11,589,432
Risk Weighted Off Balance Sheet Exposures	**324,370**	232,471	428,793
Risk Weighted on Market Risk	**59,629**	10,690	13,004
Risk Weighted on Operational Risk	**1,057,484**	952,714	879,262
Total Risk Weighted Assets	**15,284,622**	**13,053,146**	**12,910,491**

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 Balance with Foreign Banks, Lending to foreign entities and Banks and other foreign investments.

[1] ECAI includes Moodys, Standard & Poors and Fitch.

Future Capital Requirements

During the annual budgeting process, extensive discussions are carried out on the future business growth and any additional capital requirements to support the growth.

Out of the various options available to increase the capital base, the preferred options of the Board remain additional injections by existing shareholders thus improving Tier 1 or additional subordinated debts in the form of Tier 2 in line with the guideline on Eligible Capital.

Capital Management is conducted in a very dynamic way at Bank One Limited and any future requirement is very well anticipated and communicated to the Board and shareholders.

Internal Capital Adequacy Assessment and Supervisory Review Process (ICAAP)

The ICAAP requires banks to identify and assess risks, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward looking basis, i.e., internal capital supply to exceed internal capital demand.

In terms of Principles of Proportionality given in the Bank of Mauritius guidelines, banks are expected to migrate to and adopt progressively sophisticated ICAAP approaches in designing their ICAAP, from simple to moderately complex to complex, based on their activities and risk management practices. Looking to the range and complexity of our activities, we have adopted the simple approach.

The Bank's capital management framework includes a comprehensive ICAAP conducted annually or earlier if required, and which determines the adequate level of capitalisation for Bank One to meet regulatory norms and current and future business needs, including under stress scenarios.

The ICAAP encompasses capital planning for a certain time horizon, identification and measurement of material risks and the relationship between risk and capital under normal and stressed scenarios. Capital Adequacy and risk management is aligned and the bank's capital management framework is complemented by its risk management framework which includes a comprehensive assessment of all material risks.

The Bank formulates its internal capital level targets based on the ICAAP and endeavors to maintain its capital adequacy level in accordance with the targeted levels at all times.

Methodology and Assumptions

The Capital Model used in the ICAAP is based upon the Capital to Risk (Weighted) Asset Ratio (CAR) calculations for the Pillar 1 Risks, i.e. Credit, Market and Operational Risk, with additional capital requirements assessed under Pillar 2 for the Risks not covered under Pillar 1 and identified as material to the business of the Bank.

Methodology and Assessments for Material Risks

Type of Risk	Methodology for Assessment
Operational Risk	Risk and 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

Stress Testing

Stress tests represent an important tool for exploring potential vulnerabilities to exceptional but plausible events. Bank One has designed its own stress tests based on three levels of severity which is consistent to its capabilities, product offerings and risk profiles.

Based on the stress testing framework, which is approved by the board, Bank One conducts stress tests on its various portfolios and assesses the impact on its capital level and the adequacy of capital buffers for current and future periods. Bank One periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions.

The business and capital plans and the stress testing results of the bank are integrated into the ICAAP document.


ONE
for reflection
striving today to create a wave that will help
our children to sail with the wind in their back

statement of management's responsibility for financial reporting

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, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review 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 program of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

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

This 4th March 2016

David Proctor
Chairman of the Board of Directors

Pratul Hemraj Dharamshi Shah
Director and Chairman of Audit Committee

Ravneet Chowdhury
Director and Chief Executive Officer

independent auditor's report to the shareholders of Bank One Limited

Report on the Financial Statements

We have audited the financial statements of Bank One Limited (the "Bank") on pages 74 to 137 which comprise the statement of financial position at 31 December 2015 and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 74 to 137 give a true and fair view of the financial position of the Bank at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

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 of the Bank;

(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.

Banking Act 2004

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

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

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

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report on pages 20 to 34 and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report on pages 20 to 34 is consistent with the requirements of the Code.

PricewaterhouseCoopers
04 March 2016

Gilles Beesoo, licensed by FRC

Statement of profit or loss for the year ended 31 December 2015

	Notes	Dec-15	Dec-14	Dec-13
		Rs 000	Rs 000	Rs 000
Interest income		**902,756**	914,867	972,054
Interest expense		**(294,463)**	(350,123)	(486,046)
Net interest income	3	**608,293**	564,744	486,008
Fee and commission income		**318,988**	180,253	186,862
Fee and commission expense		**(151,946)**	(76,327)	(68,408)
Net fee and commission income	4	**167,042**	103,926	118,454
Net gain/(loss) on dealing in foreign currencies and derivatives	5	**72,258**	48,998	(70,210)
Other operating income	6	**9,401**	3,739	2,313
		81,659	52,737	(67,897)
Operating income		**856,994**	721,407	536,565
Personnel expenses	9	**(311,032)**	(254,286)	(224,487)
Depreciation and amortisation	18 & 19	**(35,189)**	(37,850)	(36,202)
Other expenses	10	**(134,476)**	(140,361)	(106,503)
Total expenses		**(480,697)**	(432,497)	(367,192)
Profit before impairment		**376,297**	**288,910**	**169,373**
Net impairment loss on financial assets	7	**(165,158)**	(153,444)	(88,800)
Impairment loss on intangible assets	8	**-**	(15,147)	-
Total impairment loss		**(165,158)**	(168,591)	(88,800)
Profit before income tax		**211,139**	120,319	80,573
Income tax credit/(expense)	11	**15,790**	(3,199)	(26,895)
Profit for the year		**226,929**	117,120	53,678
Basic earnings per share (Rs)	12	**30.37**	16.01	8.50

Statement of comprehensive income for the year ended 31 December 2015

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Profit for the year	**226,929**	117,120	53,678
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit or loss: Remeasurement of defined benefit obligation net of tax (note 27)	**(2,063)**	(6,433)	(15,345)
Revaluation on building net of tax	**-**	3,208	-
Items that may be reclassified subsequently to profit or loss: Net fair value (loss)/gain on available for sale investment securities net of tax	**(6,893)**	10,297	-
Other Comprehensive Income for the year	**(8,956)**	7,072	(15,345)
Total Comprehensive Income for the year	**217,973**	124,192	38,333

The notes on pages **78 to 137** form an integral part of these financial statements.

Statement of Financial Position as at 31 December 2015

	Notes	Dec-15	Dec-14	Dec-13
		Rs 000	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	13	**3,670,672**	4,724,580	3,267,226
Derivative assets held for risk management	14	**207**	982	1,787
Loans and advances to banks	15	**534,289**	313,830	148,577
Loans and advances to customers	16	**12,335,145**	10,543,587	11,552,858
Investment Securities	17	**2,526,420**	1,294,424	1,489,223
Property and equipment	18	**322,653**	328,056	310,561
Intangible assets	19	**37,424**	37,728	62,356
Deferred tax assets	20	**95,399**	59,641	25,982
Other assets	21	**774,326**	750,487	839,346
Total assets		**20,296,535**	18,053,315	17,697,916
LIABILITIES				
Deposits from customers	22	**17,321,879**	15,470,040	15,162,715
Derivative liabilities held for risk management	14	**5,622**	13,477	5,040
Subordinated liabilities	23	**410,635**	426,732	428,386
Other borrowed funds	24	**474,379**	372,642	480,747
Current tax liabilities	25	**1,880**	20,504	20,017
Other liabilities	26	**266,486**	277,239	252,522
Total liabilities		**18,480,881**	16,580,634	16,349,427
EQUITY				
Stated capital	28	**856,456**	731,456	731,456
Retained earnings		**707,284**	471,510	464,051
Other reserves		**251,914**	269,715	152,982
Total Equity		**1,815,654**	1,472,681	1,348,489
Total equity and liabilities		**20,296,535**	18,053,315	17,697,916

These financial statements were approved and authorised for issue by the Board of Directors on 4th March 2016

David Proctor	Ravneet Chowdhury	Pratul Hemraj Dharamshi Shah
Chairman of the Board of Directors	Chief Executive Officer	Director and Chairman of Audit Committee

The notes on pages 78 to 137 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2015

	Note	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 2013		**551,456**	**75,687**	**85,424**	**-**	**3,215**	**(4,051)**	**418,425**	**1,130,156**
Profit for the year		-	-	-	-	-	-	53,678	53,678
Other comprehensive income for the year		-	-	-	-	-	(15,345)	-	(15,345)
Total comprehensive income		-	-	-	-	-	(15,345)	53,678	38,333
Issue of shares		180,000	-	-	-	-	-	-	180,000
Transfer to statutory reserve		-	-	8,052	-	-	-	(8,052)	-
Total transactions with owners		180,000	-	8,052	-	-	-	(8,052)	180,000
Balance as at 31 December 2013		**731,456**	**75,687**	**93,476**	**-**	**3,215**	**(19,396)**	**464,051**	**1,348,489**
Balance as at 1 January 2014		731,456	75,687	93,476	-	3,215	(19,396)	464,051	**1,348,489**
Profit for the year		-	-	-	-	-	-	117,120	**117,120**
Other comprehensive income for the year		-	3,208	-	-	10,297	(6,433)	-	**7,072**
Total comprehensive income		-	3,208	-	-	10,297	(6,433)	117,120	**124,192**
Transfer to general banking reserve		-	-	-	92,093	-	-	(92,093)	**-**
Transfer to statutory reserve		-	-	17,568	-	-	-	(17,568)	**-**
Total transactions with owners		-	-	17,568	92,093	-	-	(109,661)	**-**
Balance as at 31 December 2014		731,456	78,895	111,044	92,093	13,512	(25,829)	471,510	**1,472,681**
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)**
Total comprehensive income		-	-	-	-	(6,893)	(2,063)	226,929	217,973
Issue of shares	28	125,000	-	-	-	-	-	-	**125,000**
Transfer to general banking reserve		-	-	-	(42,884)	-	-	42,884	-
Transfer to statutory reserve		-	-	34,039	-	-	-	(34,039)	-
Total transactions with owners		125,000	-	34,039	(42,884)	-	-	8,845	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**

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 of portfolio provisions in line with the Bank of Mauritius macroprudential guidelines and provisions for country risk. Additional provisions made on certain accounts in General Banking Reserves in 2013 and 2014,have been reversed to retained earnings in line with the Bank's revised policy.

The notes on pages 78 to 137 form an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2015

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Cash flows from operating activities			
Profit before income tax	**211,139**	120,319	80,573
Net change on provision for credit impairment	**165,158**	153,444	88,800
Impairment of intangible asset (note 19)	**-**	15,147	-
Depreciation (note 18)	**22,124**	21,630	21,554
Amortisation (note 19)	**13,065**	16,220	14,648
Loss/(gain) on disposal of property and equipment	**4,222**	(531)	-
Change in provisions and pensions obligations	**(2,910)**	(18,444)	(37,707)
Gain on sale of securities	**(7,656)**	(12)	-
Others	**15,422**	(61)	10,528
Net interest income	**(608,293)**	(564,744)	(486,008)
	(187,729)	(257,032)	(307,612)
Changes in operating assets and liabilities			
Movement in Derivatives	**(7,080)**	9,242	13,200
(Increase)/decrease in loans and advances			
-to banks	**(222,680)**	(166,500)	(150,500)
-to customers	**(1,938,808)**	857,075	307,850
(Increase)/decrease in other assets	**596**	28,893	297,280
Increase/(decrease) in deposits from customers	**1,855,421**	307,325	(2,035,506)
(Decrease)/increase in other liabilities	**(14,453)**	102,635	(43,879)
Interest received	**887,070**	921,295	981,359
Interest paid	**(298,045)**	(392,109)	(517,134)
Income tax paid	**(33,820)**	(25,643)	(11,007)
Net cash from/(used in) operating activities	**40,472**	1,385,181	(1,465,949)
Cash flows used in investing activities			
Purchase of investment securities	**(2,509,174)**	(712,186)	(565,211)
Proceeds from sale of investment securities	**1,769,312**	930,100	649,000
Purchase of property and equipment (note 18)	**(21,239)**	(44,512)	(3,806)
Proceeds from sale of property and equipment	**295**	1,261	-
Purchase of intangible assets (note 19)	**(12,761)**	(6,739)	(21,633)
Net cash (used in)/from investing activities	**(773,567)**	167,924	58,350
Cash flows from financing activities			
Proceeds from shares issued (note 28)	**125,000**	-	180,000
(Redemption) /Proceeds from subordinated liabilities	**(37,209)**	(16,653)	100,000
Repayment of other borrowed funds	**(187,412)**	(79,370)	(228,167)
Proceeds from other borrowed funds	**-**	272	307,204
Net cash (used in)/from financing activities	**(99,621)**	(95,751)	359,037
Cash and cash equivalents at the beginning of the year (note 13)	**4,724,580**	3,267,226	4,315,788
Net cash from/ (used in) operating activities	**40,472**	1,385,181	(1,465,949)
Net cash (used in)/ from investing activities	**(773,567)**	167,924	58,350
Net cash from/ (used in) financing activities	**(99,621)**	(95,751)	359,037
Net (decrease)/ increase in cash and cash equivalents	**(832,716)**	1,457,354	(1,048,562)
Cash and cash equivalents at end of year (note 13)	**3,891,864**	4,724,580	3,267,226

The notes on pages 78 to 137 form an integral part of these financial statements.

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

Telephone: (230) 202 9200

Fax: (230) 210 4712

Website: www.bankone.mu

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 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) available-for-sale financial assets
2) certain classes of property and equipment
3) Defined pensions benefits plan
4) Derivatives 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 2015

No new standards, amendments and interpretations to standards that became effective for annual periods beginning 1 January 2015 have a material impact on the Bank's financial statements.

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 2015, 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', addresses the classification, measurement and recognition of financial assets and financial liabilities. 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.

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. The Directors are yet to assess the impact of these changes on the Bank`s financial statements.

IFRS 15 Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The changes will not have a material impact on the Bank Financial Statements.

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 directors are currently assessing the impact of IFRS 16 on their financial statements.

(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.

(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 and points paid or 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 gains / (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 due in clearing and 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 or 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 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 which 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 cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized 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 classified in the financial statements as trading or investment securities and the counterparty liability is included in 'borrowings from 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.

(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 reorganization;

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

(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 differences 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 the above 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 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 recognized 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 a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized 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.

(m) Recognition and de-recognition of financial assets

Regular purchases and sales of financial assets are recognized on trade date, the date on which the Bank commits to purchase or sell the asset. Financial assets are derecognized 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 recognized 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.

(o) Classes of financial assets

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
				Corporate customers
				International customers
				Government
	Derivatives liabilities held for risk management			
	Borrowings	Other borrowed funds		Local and foreign banks
	Subordinated liabilities			
Off balance sheet financial Instruments	Loans commitments			Retail
				Corporate
				International
				Private
	Guarantees, acceptances and other financial facilities		Acceptances	Retail
			Guarantees	Corporate
			Letter of credit	International
				Private

(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 and 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.

(q) Intangible assets

(i) Computer software

Acquired computer software licenses 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 research 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.

(ii) Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any.

(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 equal their proceeds (fair value of consideration received) net of transaction costs incurred.

(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.

(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 of 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.

(v) Income Tax

Tax expense for the period includes current and deferred tax. Tax is recognized 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 as per Income Tax Act 1995 Section 50L.

(ii) Deferred income tax

Deferred tax is recognised 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 and equipment, amortisation of intangible assets, provision for impairment losses on loans and advances and provision 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) Share 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 financial performance 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.

(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) 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.

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.

(ab) 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 the 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.

Had there been a decline in the recoverable amount of impaired loans by 2%, the Bank would have recognised additional impairment charges of Rs19m in its 2015 financial statements.

(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.

Had there been a decline/increase in fair value of all the investments by 5%, the Bank would have recognised a movement of -/+ Rs 1.4m as fair value (loss)/gain in its 2015 financial statements.

(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 decrease by Rs4m, 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 changes 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 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 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 13m and a 1% increase in discount rate would lead to a decrease of Rs9m 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 are found on pg 55-57 of the Risk Management Report.

Analysis of loans and advances

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Neither past due nor impaired	**11,516,131**	9,298,116	10,074,974
Past due but not impaired	**909,172**	1,202,615	1,225,172
Impaired	**1,184,050**	941,199	820,045
Gross	**13,609,353**	11,441,930	12,120,191
Less allowance for credit impairment	**(739,919)**	(584,513)	(418,756)
Net	**12,869,434**	10,857,417	11,701,435
Loans and advances renegotiated	**561,096**	234,417	434,134
Fair value of collaterals	**561,096**	233,382	434,134

Maximum exposure to credit risk before collateral and other credit risk enhancements.
Credit risk exposures relating to on balance sheet assets are as follows:

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Balances with banks in Mauritius, banks abroad and inter bank loans	**3,428,577**	4,424,412	2,944,675
Derivative assets held for risk management	**207**	982	1,787
Government of Mauritius/Bank of Mauritius Bills	**1,717,175**	652,716	968,527
Other Investments	**809,245**	641,708	520,696
Loans and advances to customers & banks	**12,869,434**	10,857,417	11,701,435
Others	**764,495**	737,581	828,459
Credit risk exposures relating to off balance sheet assets are as follows:	**19,589,133**	17,314,816	16,965,579
Financial guarantees	**564,448**	512,207	587,616
Loans commitments and other credit related liabilities	**874,003**	372,951	773,698
Total	**21,027,584**	18,199,974	18,326,893

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 Societe
- Leasing of Machinery/Equipment/ Vehicle with the Bank as a Lessor
- Pledge of deposits from other Financial Institutions/Licensed Deposit Taker

(b) Credit risk (cont'd)

Concentration of risk of financial assets with credit risk exposure by Geographical Sectors

	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	809,245	388,692	419,556	-	997
Other assets	764,495	762,516	-	1,979	-
Total assets	**19,589,133**	**11,614,027**	**6,000,961**	**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	564,197	357,131	207,066	-	-
Off balance sheet country region percentage	100%	63%	37%	0%	0%

	Dec-14	Mauritius	Africa	Europe	Others
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	4,424,412	108,287	2,952,521	296,413	1,067,191
Derivative assets held for risk management	982	139	113	730	-
Loans and advances to banks	313,830	-	313,830	-	-
Loans and advances to customers	10,543,587	8,590,912	1,034,077	222,483	696,115
Government of Mauritius/Bank of Mauritius Bills	652,716	652,716	-	-	-
Other Investments	641,708	369,002	26,945	105,722	140,039
Other assets	737,581	737,581	-	-	-
Total assets	**17,314,816**	**10,458,637**	**4,327,486**	**625,348**	**1,903,345**
On balance sheet country region percentage	100%	60%	25%	4%	11%
Credit Risk Exposure relating to off-balance sheet items as follows:					
Financial guarantees and other credit related liabilities	512,207	348,398	83,330	11,949	68,530
Off balance sheet country region percentage	100%	69%	16%	2%	13%

	Dec-13	Mauritius	Africa	Europe	Others
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	2,944,675	445,667	986,359	232,157	1,280,492
Derivative assets held for risk management	1,787	366	-	1,421	-
Loans and advances to banks	148,577	-	148,577	-	-
Loans and advances to customers	11,552,858	9,054,324	1,153,218	210,193	1,135,123
Government of Mauritius/Bank of Mauritius Bills	968,527	968,527	-	-	-
Other Investments	520,696	362,089	-	120,079	38,528
Other assets	828,459	828,459	-	-	-
Total assets	**16,965,579**	**11,659,432**	**2,288,154**	**563,850**	**2,454,143**
On balance sheet country region percentage	100%	70%	13%	3%	14%
Credit Risk Exposure relating to off-balance sheet items as follows:					
Financial guarantees and other credit related liabilities	587,616	430,278	80,199	11,965	65,174
Off balance sheet country region percentage	100%	73%	14%	2%	11%

The Table below represents an analysis of trading assets and investments securities at 31 December 2015 and comparatives for December 2014 and 2013. Since the Bank does not have any internal rating tool, the ratings (where applicable) are based on assessment effected by Standard & Poors agency at end of each financial year.

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Cash and cash equivalents			
AAA TO AA	**-**	-	1,413,031
AA- To A	**775,308**	1,290,212	-
BBB+ To BB	**2,069,081**	1,607,902	1,085,977
UNRATED	**584,188**	1,526,298	445,667
TOTAL	**3,428,577**	**4,424,412**	**2,944,675**
Derivatives Assets			
AA-	**204**	730	1,420
BBB+	**-**	113	-
BBB-	**-**	-	-
UNRATED	**3**	139	367
TOTAL	**207**	**982**	**1,787**
Government of Mauritius/Bank of Mauritius Bills			
UNRATED	**1,717,175**	652,716	968,527
Investments and securities			
A To A+	**-**	105,722	120,079
BBB-	**-**	140,039	38,526
UNRATED	**809,245**	395,947	362,091
TOTAL	**2,526,420**	**1,294,424**	**1,489,223**
Loans and advances to banks			
BB-	**-**	313,830	148,577
B+	**356,177**	-	-
UNRATED	**178,112**	-	-
TOTAL	**534,289**	**313,830**	**148,577**
Loans and advances to customers			
AAA To AA	**828,804**	616,883	535,306
BBB- To B	**2,605,332**	860,475	1,540,567
UNRATED	**8,901,006**	9,066,229	9,476,985
TOTAL	**12,335,145**	**10,543,587**	**11,552,858**
Other Assets			
UNRATED	**764,495**	737,581	828,459
TOTAL	**19,589,133**	**17,314,816**	**16,965,579**
Off balance sheet ratings			
AAA TO AA	**360**	68,094	64,775
BBB- TO B+	**4,544**	130	17,914
UNRATED	**1,433,547**	816,934	1,278,625
TOTAL	**1,438,451**	**885,158**	**1,361,314**

(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 operate 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 are included on pg 65-69 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-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Tier 1 Capital	**1,546,813**	1,188,671	1,169,401
Tier 2 Capital	**428,484**	491,319	505,044
Total Capital Base	**1,975,297**	1,679,990	1,674,445
Total Risk Weighted Assets	**15,284,621**	13,053,146	12,910,490
Capital Adequacy Ratio	**12.92%**	12.87%	12.97%

The minimum statutory capital adequacy ratio is fixed at 10%.

(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 Bank 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. Implemention of the policies and business strategies are delegated to Management and the Risk Management unit.

Other disclosures on Market Risk are found on pg 60-62 of the Risk Mangement 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 2015. Included in the table are the Bank`s financial instruments at carrying amounts, categorised by currency.

Other disclosures on currency risk are found on pg 60 of the Risk Management Report.

Concentration of assets, liabilities and off-balance sheet items

	USD	EURO	GBP	OTHERS	TOTAL
At 31 December 2015	Rs 000	Rs 000	Rs 000	Rs 000	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**
Subordinated liabilities	164,094	-	-	-	**164,094**
Other borrowed funds	179,855	194,325	-	199	**374,379**
Other liabilities	36,561	1,330	8,116	-	**46,007**
Total liabilities	**7,253,592**	**1,372,134**	**1,300,256**	**169,792**	**10,095,774**
Net on balance sheet position	**1,239,426**	**(458,014)**	**(653,615)**	**(54,873)**	**72,924**
Credit commitments undrawn	**84,386**	**-**	**-**	**-**	**84,386**

(e) Currency risk (cont'd)

	USD	EURO	GBP	OTHERS	TOTAL
At 31 December 2014	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	4,052,577	210,429	38,642	40,962	**4,342,610**
Derivative assets held for risk management	135	1	599	244	**979**
Loans and advances to banks	313,830	-	-	-	**313,830**
Loans and advances to customers	2,892,575	952,832	235,763	-	**4,081,170**
Investment Securities	174,490	890	99,293	-	**274,673**
Other assets	30,295	22,578	5,357	-	**58,230**
Total assets	**7,463,902**	**1,186,730**	**379,654**	**41,206**	**9,071,492**
LIABILITIES					
Deposits	5,654,156	1,059,881	1,559,617	115,323	**8,388,977**
Derivative liabilities held for risk management	5,595	4	57	-	**5,656**
Subordinated liabilities	177,381	-	-	-	**177,381**
Other borrowed funds	-	372,370	-	272	**372,642**
Other liabilities	28,874	1,781	579	333	**31,567**
Total liabilities	**5,866,006**	**1,434,036**	**1,560,253**	**115,928**	**8,976,223**
Net on balance sheet position	**1,597,896**	**(247,306)**	**(1,180,599)**	**(74,722)**	**95,269**
Currency forwards and swaps					
Contractual/nominal amount	**1,644,432**	**5,656**	**24,917**	**1,254**	**1,676,259**
Credit commitments undrawn	**95,738**	**12,355**	**237**	**-**	**108,330**

	USD	EURO	GBP	OTHERS	TOTAL
At 31 December 2013	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	1,641,241	535,182	195,545	164,465	**2,536,433**
Derivative assets held for risk management	1,222	249	271	6	**1,748**
Loans and advances to banks	150,500	-	-	-	**150,500**
Loans and advances to customers	3,101,452	1,317,584	274,350	-	**4,693,386**
Investment Securities	158,937	959	-	-	**159,896**
Other assets	23,287	11,372	3,417	6	**38,082**
Total assets	**5,076,639**	**1,865,346**	**473,583**	**164,477**	**7,580,045**
LIABILITIES					
Deposits	4,931,782	749,935	1,101,663	162,791	**6,946,171**
Derivative liabilities held for risk management	-	2,391	328	2,321	**5,040**
Subordinated liabilities	179,289	-	-	-	**179,289**
Other borrowed funds	-	480,747	-	-	**480,747**
Other liabilities	54,451	2,348	4,700	226	**61,725**
Total liabilities	**5,165,522**	**1,235,421**	**1,106,691**	**165,338**	**7,672,972**
Net on balance sheet position	**(88,883)**	**629,925**	**(633,108)**	**(861)**	**(92,927)**
Currency forwards and swaps					
Contractual/nominal amount	**126,924**	**269,136**	**484,884**	**49,967**	**930,911**
Credit commitments undrawn	**421,400**	**-**	**4,959**	**-**	**426,359**

(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 interest 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 reduce 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 pg 60-61 of the Risk Management Report.

Interest Sensitivity of Assets and Liabilities - Repricing Analysis

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	Non interest Bearing	Total
At 31 December 2015	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	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**
Subordinated liabilities	161,093	249,542	-	-	-	-	-	**410,635**
Other borrowed funds	279,854	-	34,060	-	82,641	77,625	199	**474,379**
Other liabilities	-	-	-	-	-	-	266,486	**266,486**
Total liabilities	**1,958,195**	**7,069,293**	**274,448**	**1,587,948**	**539,596**	**111,974**	**6,937,547**	**18,479,001**
Interest rate sensitivity gap	**2,371,797**	**(484,934)**	**685,939**	**54,527**	**1,791,575**	**1,906,007**	**(4,972,684)**	**1,352,227**

(f) Interest rate risk (cont'd)

Interest Sensitivity of Assets and Liabilities- Repricing Analysis (cont'd)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	Non interest Bearing	Total
At 31 December 2014	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	4,157,625	158,500	-	-	-	-	408,455	**4,724,580**
Derivative assets held for risk management	-	-	-	-	-	-	982	**982**
Loans and advances to banks	-	-	156,915	-	156,915	-	-	**313,830**
Loans and advances to customers	566,346	6,234,261	228,766	591,863	892,352	1,670,144	359,855	**10,543,587**
Investment securities	206,971	304,929	139,220	27,413	526,876	61,045	27,970	**1,294,424**
Other assets	-	-	-	-	-	-	737,581	**737,581**
Total assets	**4,930,942**	**6,697,690**	**524,901**	**619,276**	**1,576,143**	**1,731,189**	**1,534,843**	**17,614,984**
LIABILITIES								
Deposits	1,080,455	6,253,397	782,610	1,223,605	544,704	7,404	5,577,865	**15,470,040**
Derivative liabilities held for risk management	-	-	-	-	-	-	13,477	**13,477**
Subordinated liabilities	-	249,351	-	-	-	177,381	-	**426,732**
Other borrowed funds	272	14,262	53,153	-	138,215	166,740	-	**372,642**
Other liabilities	-	-	-	-	-	-	277,239	**277,239**
Total liabilities	**1,080,727**	**6,517,010**	**835,763**	**1,223,605**	**682,919**	**351,525**	**5,868,581**	**16,560,130**
Interest rate sensitivity gap	**3,850,215**	**180,680**	**(310,862)**	**(604,329)**	**893,224**	**1,379,664**	**(4,333,738)**	**1,054,854**

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	Non interest Bearing	Total
At 31 December 2013	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	1,883,648	400,198	-	150,500	-	-	832,880	**3,267,226**
Derivative assets held for risk management	-	-	-	-	-	-	1,787	**1,787**
Loans and advances to banks	-	-	-	-	148,577	-	-	**148,577**
Loans and advances to customers	608,543	6,360,510	422,850	448,170	1,861,218	1,448,355	403,212	**11,552,858**
Investment securities	-	248,936	29,721	489,225	296,523	401,123	23,695	**1,489,223**
Other assets	-	-	-	-	-	-	828,459	**828,459**
Total assets	**2,492,191**	**7,009,644**	**452,571**	**1,087,895**	**2,306,318**	**1,849,478**	**2,090,033**	**17,288,130**
LIABILITIES								
Deposits	695,524	7,456,273	768,697	1,098,692	519,855	48,179	4,575,495	**15,162,715**
Derivative liabilities held for risk management	-	-	-	-	-	-	5,040	**5,040**
Subordinated liabilities	-	249,097	-	-	-	179,289	-	**428,386**
Other borrowed funds	-	7,681	48,344	3,944	170,497	250,281	-	**480,747**
Other liabilities	-	-	-	-	-	-	252,522	**252,522**
Total liabilities	**695,524**	**7,713,051**	**817,041**	**1,102,636**	**690,352**	**477,749**	**4,833,057**	**16,329,410**
Interest rate sensitivity gap	**1,796,667**	**(703,407)**	**(364,470)**	**(14,741)**	**1,615,966**	**1,371,729**	**(2,743,024)**	**958,720**

(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 risk management are included on pg 61 of the Risk Management Report.

Maturities of Assets & Liabilities:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	Non Maturity Items	Total
At 31 December 2015	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	3,658,660	-	-	-	-	-	-	**3,658,660**
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	**5,028,322**	**1,329,853**	**1,245,899**	**3,275,474**	**4,191,977**	**6,061,610**	**793,682**	**21,926,817**
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**
Subordinated liabilities	44,682	3,540	55,165	59,586	82,197	249,171	-	**494,341**
Other borrowed funds	283,034	34,061	4,440	-	117,021	65,500	-	**504,056**
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	**(8,589,746)**	**458,250**	**815,102**	**1,275,915**	**3,164,818**	**5,513,823**	**527,196**	**3,165,358**

(g) Liquidity risk (cont'd)

Maturities of Assets & Liabilities:

At 31 December 2014	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	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	4,566,080	158,500	-	-	-	-	-	**4,724,580**
Derivative assets held for risk management	952	13	18	-	-	-	-	**983**
Loans and advances to banks	-	-	159,379	-	171,984	-	-	**331,363**
Loans and advances to customers	1,441,633	796,109	438,267	636,555	1,570,603	6,115,769	-	**10,998,936**
Investment Securities	207,636	341,057	147,926	27,897	561,146	74,677	27,970	**1,388,309**
Other assets	-	-	-	-	-	-	728,580	**728,580**
Total Assets	**6,216,301**	**1,295,679**	**745,590**	**664,452**	**2,303,733**	**6,190,446**	**756,550**	**18,172,751**
LIABILITIES								
Deposits	11,976,820	670,941	933,193	1,486,099	369,699	54,360	-	**15,491,112**
Derivative liabilities held for risk management	1,950	6,139	5,388	-	-	-	-	**13,477**
Subordinated liabilities	-	-	-	-	150,033	276,700	-	**426,733**
Other borrowed funds	272	14,262	53,153	185	138,215	186,785	-	**392,872**
Other liabilities	-	-	-	-	-	-	277,239	**277,239**
Total Liabilities	**11,979,042**	**691,342**	**991,734**	**1,486,284**	**657,947**	**517,845**	**277,239**	**16,601,433**
Net liquidity gap	**(5,762,741)**	**604,337**	**(246,144)**	**(821,832)**	**1,645,786**	**5,672,601**	**479,311**	**1,571,318**

At 31 December 2013	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	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	2,716,528	400,198	-	150,500	-	-	-	**3,267,226**
Derivative assets held for risk management	360	1,386	41	-	-	-	-	**1,787**
Loans and advances to banks	-	-	-	-	148,577	-	-	**148,577**
Loans and advances to customers	2,361,071	300,312	383,553	386,009	1,833,243	6,804,005	-	**12,068,193**
Investment Securities	-	248,936	29,721	489,225	294,600	403,046	23,695	**1,489,223**
Other assets	-	-	-	-	-	-	810,054	**810,054**
Total Assets	**5,077,959**	**950,832**	**413,315**	**1,025,734**	**2,276,420**	**7,207,051**	**833,749**	**17,785,060**
LIABILITIES								
Deposits	10,578,681	1,100,849	1,313,067	1,404,385	632,069	168,792	-	**15,197,843**
Derivative liabilities held for risk management	2,511	2,452	77	-	-	-	-	**5,040**
Subordinated liabilities	-	-	-	16,299	164,744	247,343	-	**428,386**
Other borrowed funds	-	7,681	48,344	3,944	139,774	281,004	-	**480,747**
Other liabilities	-	-	-	-	-	-	252,522	**252,522**
Total Liabilities	**10,581,192**	**1,110,982**	**1,361,488**	**1,424,628**	**936,587**	**697,139**	**252,522**	**16,364,538**
Net liquidity gap	**(5,503,233)**	**(160,150)**	**(948,173)**	**(398,894)**	**1,339,833**	**6,509,912**	**581,227**	**1,420,522**

Derivative Cash Flows

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	Non interest Bearing	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
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**
As at 31 December 2014								
Inflows	1,594,147	197,748	84,124	-	-	-	-	1,876,019
Outflows	1,563,346	203,891	90,083	-	-	-	-	1,857,320
As at 31 December 2013								
Inflows	831,762	173,111	66,451	41,485	-	-	-	1,112,809
Outflows	833,501	174,057	67,087	41,478	-	-	-	1,116,123

(a) 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		
	2015 Rs 000	2014 Rs 000	2013 Rs 000	2015 Rs 000	2014 Rs 000	2013 Rs 000
Financial assets						
Cash and cash equivalents	**3,670,672**	4,724,580	3,267,226	**3,670,672**	4,724,580	3,267,226
Loans and advances	**12,869,434**	10,857,417	11,701,435	**12,746,264**	11,312,765	12,216,771
Investment & Securities	**1,683,082**	879,260	1,306,591	**1,664,150**	855,082	1,273,688
Other Assets	**764,495**	728,581	810,054	**764,495**	728,581	810,054
Financial liabilities						
Deposits	**17,321,879**	15,470,040	15,162,715	**17,291,055**	15,491,112	15,197,843
Subordinated liabilities	**410,635**	426,732	428,386	**410,635**	426,732	428,386
Other borrowed funds	**474,379**	372,642	480,747	**474,379**	372,642	480,747
Other liabilities	**266,486**	277,239	252,522	**266,486**	277,239	252,522
Off-balance sheet						
Loan commitments Financial instruments	**874,003**	372,951	773,698	**874,003**	372,951	773,698

(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 carrying amount equals their fair value.

(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 and other financial liabilities are shown at their fair values.

(b) 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 the asset or liability 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 2015, the Bank holds equity investments with significant unobservable components falling under the level 3 fair value hierarchy. The technique used under level 3 is based on Net Assets Value. Derivatives held for risk management falling under category level 2, uses Quoted prices from Reuters platform. Level 3 fair values of land and building have been derived using the services of a chartered valuer. The basis of valuation is based on market value. However, 2015 carrying values reflect the fair value based on management estimates.

Sensitivity analysis have been done on assets not measured at fair value and the results are shown in the Critical Accounting Estimates and Judgements on page 89. The hierarchy requires the use of observable market data where applicable.

	Level 1	Level 2	Level 3	TOTAL
At 31 December 2015	Rs 000	Rs 000	Rs 000	Rs 000
Equity Investments				
Derivative assets held for risk management	-	207	-	207
Investment securities	-	814,151	-	814,151
Property and Equipment	-	-	236,159	236,159
Non-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**

(b) Fair value hierarchy (cont'd)

	Level 1	Level 2	Level 3	TOTAL
At 31 December 2014	Rs 000	Rs 000	Rs 000	Rs 000
Equity Investments				
Derivative assets held for risk management	-	982	-	982
Investment securities	-	387,194	-	387,194
Property and Equipment	-	-	239,999	239,999
Non-equity Investments				
Investment securities	-	-	27,970	27,970
Total assets	**-**	**388,176**	**267,969**	**656,145**
Derivative liabilities held for risk management	-	13,477	-	13,477
Total liabilities	**-**	**13,477**	**-**	**13,477**

	Level 1	Level 2	Level 3	TOTAL
At 31 December 2013	Rs 000	Rs 000	Rs 000	Rs 000
Equity Investments				
Derivative assets held for risk management	-	1,787	-	1,787
Investment securities	-	158,937	-	158,937
Property and Equipment	-	-	249,826	249,826
Non-equity Investments				
Investment securities	-	-	23,695	23,695
Total assets	**-**	**160,724**	**273,521**	**434,245**
Derivative liabilities held for risk management	-	5,040	-	5,040
Total liabilities	**-**	**5,040**	**-**	**5,040**

(c) Financial instruments by category

	Loans & Receivables	At Fair Value through profit or loss	Held to Maturity	Available for sale	TOTAL
At 31 December 2015	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets					
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**

	At fair value through profit or loss	At amortised cost	TOTAL
	Rs 000	Rs 000	Rs 000
Financial liabilities			
Deposits from customers	-	17,321,879	17,321,879
Derivative liabilities held for risk management	5,622	-	5,622
Subordinated liabilities	-	410,635	410,635
Other borrowed funds	-	474,379	474,379
Other liabilities	-	266,486	266,486
	5,622	**18,473,379**	**18,479,001**

	Loans & Receivables	At Fair Value through profit or loss	Held to Maturity	Available for sale	TOTAL
At 31 December 2014	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets					
Cash and cash equivalents	4,724,580	-	-	-	4,724,580
Derivative assets held for risk management	-	982	-	-	982
Loan and advances to banks	313,830	-	-	-	313,830
Loan and advances to customers	10,543,587	-	-	-	10,543,587
Investment securities	-	-	879,260	415,164	1,294,424
Other assets	737,581	-	-	-	737,581
	16,319,578	**982**	**879,260**	**415,164**	**17,614,984**

(c) Financial instruments by category (cont'd)

	At fair value through profit or loss	At amortised cost	TOTAL
	Rs 000	Rs 000	Rs 000
Financial liabilities			
Deposits from customers	-	15,470,040	15,470,040
Derivative liabilities held for risk management	13,477	-	13,477
Subordinated liabilities	-	426,732	426,732
Other borrowed funds	-	372,642	372,642
Other liabilities	-	277,239	277,239
	13,477	**16,546,653**	**16,560,130**

	Loans & Receivables	At Fair Value through profit or loss	Held to Maturity	Available for sale	TOTAL
At 31 December 2013	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets					
Cash and cash equivalents	3,267,226	-	–	-	3,267,226
Derivative assets held for risk management	-	1,787	–	-	1,787
Loan and advances to banks	148,577	-	–	-	148,577
Loan and advances to customers	11,552,858	-	–	-	11,552,858
Investment securities	-	-	1,306,591	182,632	1,489,223
Other assets	828,459	-	–	-	828,459
	15,797,120	**1,787**	**1,306,591**	**182,632**	**17,288,130**

	At fair value through profit or loss	At amortised cost	TOTAL
	Rs 000	Rs 000	Rs 000
Financial liabilities			
Deposits from customers	-	15,162,715	15,162,715
Derivative liabilities held for risk management	5,040	-	5,040
Subordinated liabilities	-	428,386	428,386
Other borrowed funds	-	480,747	480,747
Other liabilities	-	252,522	252,522
	5,040	**16,324,370**	**16,329,410**

3. NET INTEREST INCOME

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Interest income			
Loans and advances to banks	**33,708**	7,549	5,122
Loans and advances to customers	**693,890**	745,258	834,900
Investment securities	**52,292**	83,429	96,076
Placements with other banks	**122,866**	78,631	35,956
Total interest income	**902,756**	914,867	972,054
Interest expense			
Deposits from customers	**(254,569)**	(307,338)	(444,151)
Borrowings from banks	**(4,616)**	(6,361)	(4,813)
Subordinated liabilities	**(35,278)**	(36,424)	(37,082)
Total interest expense	**(294,463)**	(350,123)	(486,046)
Net interest income	**608,293**	564,744	486,008
(a) Segment A			
Interest income			
Loans and advances to customers	**508,911**	594,968	665,520
Investment securities	**51,674**	69,280	83,570
Placements with other banks	**1,091**	109	32
Total interest income	**561,676**	664,357	749,122
Interest expense			
Deposits from customers	**(227,972)**	(272,058)	(374,308)
Borrowings from banks	**(3,903)**	(6,044)	(4,619)
Subordinated liabilities	**(22,650)**	(22,969)	(23,008)
Total interest expense	**(254,525)**	(301,071)	(401,935)
Net interest income	**307,151**	363,286	347,187
(b) Segment B			
Interest income			
Loans and advances to banks	**33,708**	7,549	5,122
Loans and advances to customers	**184,979**	150,290	169,380
Investment securities	**618**	14,149	12,506
Placements with other banks	**121,775**	78,522	35,924
Total interest income	**341,080**	250,510	222,932
Interest expense			
Deposits from customers	**(26,597)**	(35,280)	(69,843)
Borrowings from banks	**(713)**	(317)	(194)
Subordinated liabilities	**(12,628)**	(13,455)	(14,074)
Total interest expense	**(39,938)**	(49,052)	(84,111)
Net interest income	**301,142**	201,458	138,821

4. NET FEE AND COMMISSION INCOME

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Fee and commission income			
Retail banking customer fees	**39,085**	39,257	40,666
Corporate banking credit related fees	**10,517**	12,276	15,901
International banking customer fees	**58,441**	50,810	49,565
Guarantees	**5,604**	3,616	6,148
Credit cards and e-commerce related fees	**185,240**	70,606	67,852
Other	**20,101**	3,688	6,730
Total fee and commission income	**318,988**	180,253	186,862
Fee and commission expense			
Interbank transaction fees	**(4,006)**	(760)	(4,026)
Credit cards and e-commerce related fees	**(122,102)**	(50,785)	(37,172)
Other	**(25,838)**	(24,782)	(27,210)
Total fee and commission expense	**(151,946)**	(76,327)	(68,408)
Net fee and commission income	**167,042**	103,926	118,454
(a) Segment A			
Fee and commission income			
Retail banking customer fees	**39,085**	39,257	40,666
Corporate banking credit related fees	**10,517**	12,276	15,901
Guarantees	**3,165**	2,633	5,107
Credit cards and e-commerce related fees	**9,710**	11,222	12,227
Other	**6,563**	956	891
Total fee and commission income	**69,040**	66,344	74,792
Fee and commission expense			
Interbank transaction fees	**(717)**	(760)	(1,227)
Credit cards and e-commerce related fees	**(6,545)**	(7,850)	(9,626)
Other	**(24,798)**	(23,897)	(26,794)
Total fee and commission expense	**(32,060)**	(32,507)	(37,647)
Net fee and commission income	**36,980**	33,837	37,145
(B) Segment B			
Fee and commission income			
International banking customer fees	**58,441**	50,810	49,565
Guarantees	**2,439**	983	1,041
Credit cards and e-commerce related fees	**175,530**	59,384	55,625
Other	**13,538**	2,732	5,839
Total fee and commission income	**249,948**	113,909	112,070
Fee and commission expense			
Interbank transaction fees	**(3,289)**	-	(2,799)
Credit cards and e-commerce related fees	**(115,557)**	(42,935)	(27,546)
Other	**(1,040)**	(885)	(416)
Total fee and commission expense	**(119,886)**	(43,820)	(30,761)
Net fee and commission income	**130,062**	70,089	81,309

5. NET GAIN/(LOSS) ON DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Profit/(loss) arising from dealing in foreign currencies	**77,672**	61,493	(66,957)
Net (loss) from derivatives	**(5,414)**	(12,495)	(3,253)
	72,258	48,998	(70,210)
(a) Segment A			
Profit arising from dealing in foreign currencies	**45,061**	23,755	16,544
Net (loss) from derivatives	**(471)**	(9,055)	(3,093)
	44,590	14,700	13,451
(b) Segment B			
Profit/(loss) arising from dealing in foreign currencies	**32,611**	37,738	(83,501)
Net (loss) from derivatives	**(4,943)**	(3,440)	(160)
	27,668	34,298	(83,661)

6. OTHER OPERATING INCOME

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Gain on sale of available for sale securities	**11,530**	-	-
Gain on sale of land through compulsory acquisition	**-**	443	-
Other	**(2,129)**	3,296	2,313
	9,401	3,739	2,313
(a) Segment A			
Gain on sale of available for sale securities	**3,874**	-	-
Gain on sale of land through compulsory acquisition	**-**	443	-
Other	**(2,129)**	543	78
	1,745	986	78
(b) Segment B			
Gain on sale of available for sale securities	**7,656**	-	-
Other	**-**	2,753	2,235
	7,656	2,753	2,235

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Provision for bad and doubtful debts	**(262,542)**	(268,911)	(106,239)
Bad debts written off for which no provisions were made	**(17)**	(283)	(290)
Provisions released during the year	**97,316**	115,615	15,404
Recoveries of advances written off	**85**	135	2,325
Net impairment loss on financial assets	**(165,158)**	(153,444)	(88,800)
(a) Segment A			
Provision for bad and doubtful debts	**(236,000)**	(268,911)	(58,615)
Bad debts written off for which no provisions were made	**(17)**	(283)	(290)
Provisions released during the year	**97,316**	60,241	15,404
Recoveries of advances written off	**85**	135	2,325
Net impairment loss on financial assets	**(138,616)**	(208,818)	(41,176)
(b) Segment B			
Provision for bad and doubtful debts	**(26,542)**	-	(47,624)
Provisions released during the year	-	55,374	-
Net impairment loss on financial assets	**(26,542)**	55,374	(47,624)

8. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Impairment loss on intangible assets	-	(15,147)	-

Goodwill initially recognised on the purchase of Edge Forex Ltd-Business in treasury dealings in 2008.

9. PERSONNEL EXPENSES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Wages and salaries	**(165,627)**	(147,714)	(151,542)
Compulsory social security obligations	**(7,335)**	(6,598)	(6,242)
Pension costs (note 27)	**(1,770)**	(6,121)	(5,897)
Deferred contribution plan	**(12,691)**	(10,723)	(10,820)
Other personnel expenses	(123,609)	(83,130)	(49,986)
	(311,032)	(254,286)	(224,487)
(a) Segment A			
Wages and salaries	**(122,217)**	(114,585)	(115,605)
Compulsory social security obligations	**(5,427)**	(5,155)	(4,875)
Pension costs (note 27)	**(1,770)**	(5,840)	(5,347)
Deferred contribution plan	**(9,436)**	(8,260)	(8,067)
Other personnel expenses	**(92,388)**	(66,369)	(36,871)
	(231,238)	(200,209)	(170,765)
(b) Segment B			
Wages and salaries	**(43,410)**	(33,129)	(35,937)
Compulsory social security obligations	**(1,908)**	(1,443)	(1,367)
Pension costs (note 27)	-	(281)	(550)
Deferred contribution plan	**(3,255)**	(2,463)	(2,753)
Other personnel expenses	**(31,221)**	(16,761)	(13,115)
	(79,794)	(54,077)	(53,722)

10. OTHER EXPENSES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Software licensing & other information technology cost	**(38,605)**	(35,540)	(31,931)
Premises related expenses	**(59,466)**	(56,896)	(56,149)
Legal and professional expenses	**(8,500)**	(24,433)	(7,493)
Others	**(27,905)**	(23,492)	(10,930)
	(134,476)	(140,361)	(106,503)
(a) Segment A			
Software licensing & other information technology cost	**(34,813)**	(30,071)	(26,736)
Premises related expenses	**(52,733)**	(50,985)	(49,764)
Legal and professional expenses	**(5,418)**	(16,017)	(5,847)
Others	**(13,772)**	(19,070)	(6,926)
	(106,736)	(116,143)	(89,273)
(b) Segment B			
Software licensing & other information technology cost	**(3,792)**	(5,469)	(5,195)
Premises related expenses	**(6,733)**	(5,911)	(6,385)
Legal and professional expenses	**(3,082)**	(8,416)	(1,646)
Others	**(14,133)**	(4,422)	(4,004)
	(27,740)	(24,218)	(17,230)

11. INCOME TAX EXPENSE

	Dec-15	Dec-14	Dec-13
RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS	Rs 000	Rs 000	Rs 000
(a) Current tax expense			
Current period	**15,196**	29,814	22,191
Over provision in prior years	**-**	(2,304)	(1,187)
	15,196	27,510	21,004
(b) Deferred tax expense			
Originated and reversal of temporary differences (Note 20)	**(30,986)**	(24,311)	5,891
	(15,790)	3,199	26,895
(c) Reconciliation of effective tax rate			
Profit before income tax	**211,139**	120,319	80,573
Income tax at a rate of 3% & 27%	**(22,294)**	(16,131)	9,707
(2014 & 2013: 3% & 17%)			
Non-deductible expenses	**1,681**	5,595	429
Income not subject to tax	**(9,179)**	(1)	-
Special levy on banks	**3,179**	10,084	9,542
Corporate social responsibility fund	**1,503**	1,506	1,495
Other permanent differences-write offs of loans	**9,580**	-	-
Differential in rates	**11,081**	-	-
Other Differences	**-**	4,450	6,909
Underprovision of deferred tax in prior years	**(11,341)**	(2,304)	(1,187)
Total income tax in income statement	**(15,790)**	3,199	26,895
(a) Segment A			
Current tax expense			
Current period	**1,503**	20,331	19,709
Over provision in prior years	**-**	(2,304)	(1,187)
	1,503	18,027	18,522
Deferred tax credit			
Originated and reversal of temporary differences	**(29,861)**	(24,311)	6,212
(b) Segment B			
Current tax expense			
Current period	**13,693**	9,483	2,482
Deferred tax (credit)/expense			
Originated and reversal of temporary differences	**(1,125)**	-	(321)

The Bank has used an effective tax rate of 27% under segment A activities in 2015 (2013 and 2014 - 17%), but is entitled to a foreign tax credit of 80% from segment B activities resulting to an effective tax rate of 3%.

12. BASIC EARNINGS PER SHARE

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Profit for the year	**226,929**	117,120	53,678
Weighted average number of ordinary shares	**7,472,094**	7,314,560	6,313,464
Earnings per share - Basic (Rs.)	**30.37**	16.01	8.50

13. CASH AND CASH EQUIVALENTS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Cash in hand	**220,661**	279,457	288,005
Foreign currency notes and coins	**21,434**	20,711	34,546
Unrestricted balances with central banks (Note i)	**40,912**	108,286	191,835
Money market placements (Note ii)	**2,323,181**	2,939,463	1,167,327
Other bank placements/investment	-	-	150,500
Balances with banks abroad	**1,064,484**	1,376,663	1,431,180
Balance with other financial institutions	**-**	-	3,833
	3,670,672	4,724,580	3,267,226
Current	**3,670,672**	4,724,580	3,267,226
(a) Segment A			
Cash in hand	**220,661**	279,457	288,005
Foreign currency notes and coins	**21,434**	20,711	34,546
Unrestricted balances with central banks (Note i)	**40,912**	108,286	191,835
	283,007	408,454	514,386
(b) Segment B			
Money market placements (Note ii)	**2,323,181**	*2,939,463*	*1,167,327*
Other bank placements/investment	**-**	-	150,500
Balance with banks abroad	**1,064,484**	1,376,663	1,431,180
Balance with other financial institutions	**-**	-	3,833
	3,387,665	4,316,126	2,752,840

i) Balances with central banks over and above the minimum Cash Reserve Requirement (CRR) as disclosed in Note 21.

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-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Cash and balances with banks	**3,670,672**	4,724,580	3,267,226
Securities maturing within 3 months	**476,811**	-	-
Borrowings from banks	**(280,054)**	-	-
Balance due in clearing	**24,435**	-	**-**
	3,891,864	4,724,580	3,267,226

14. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

	Nominal	Assets Fair Value	Liabilities Fair Value
As at 31 December 2015	Rs 000	Rs 000	Rs 000
Currency forwards	**34,031**	7	190
Currency Swaps	**1,274,234**	200	5,432
	1,308,265	207	5,622
(a) Segment A	**63,332**	3	474
(b) Segment B	**1,244,933**	204	5,148
Current	**1,308,265**	**207**	**5,622**

	Nominal	Assets Fair Value	Liabilities Fair Value
As at 31 December 2014	Rs 000	Rs 000	Rs 000
Currency forwards	**187,714**	139	7,673
Currency Swaps	**1,669,606**	843	5,804
	1,857,320	982	13,477
(a) Segment A	**186,472**	139	9,194
(b) Segment B	**1,670,848**	843	4,283
Current	**1,857,320**	**982**	**13,477**

	Nominal	Assets Fair Value	Liabilities Fair Value
As at 31 December 2013	Rs 000	Rs 000	Rs 000
Currency forwards	**330,450**	1,578	2,783
Currency Swaps	**786,113**	209	2,257
	1,116,563	1,787	5,040
(a) Segment A	**333,175**	366	3,460
(b) Segment B	**783,388**	1,421	1,580
Current	**1,116,563**	**1,787**	**5,040**

15. LOANS AND ADVANCES TO BANKS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Outside Mauritius	**539,685**	317,000	150,500
	539,685	317,000	150,500
Less: allowance for credit impairment	**(5,396)**	(3,170)	(1,923)
	534,289	313,830	148,577
Current	**534,289**	156,915	-
Non Current	**-**	156,915	148,577
(a) Segment B			
Outside Mauritius	**539,685**	317,000	150,500
	539,685	317,000	150,500
Less: allowance for credit impairment	**(5,396)**	(3,170)	(1,923)
	534,289	**313,830**	**148,577**
(b) Remaining term to maturity			
Over 3 months and up to 6 months	**-**	158,500	-
Over 6 months and up to 12 months	**539,685**	-	-
Over 1 year and up to 5 years	**-**	158,500	150,500
	539,685	317,000	150,500

	Specific allowances for impairment	Portfolio allowances for impairment	Total
(c) Allowance for credit impairment	Rs 000	Rs 000	Rs 000
Balance as at 1 January 2013	**-**	**-**	**-**
Provision during the year	-	1,923	1,923
Balance as at 31 December 2013	**-**	1,923	1,923
Provision during the year	-	1,247	1,247
Balance as at 31 December 2014	**-**	**3,170**	**3,170**
Provision during the year	-	2,226	2,226
Balance as at 31 December 2015	**-**	**5,396**	**5,396**

16. LOANS AND ADVANCES TO CUSTOMERS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Retail customers			
- Credit cards	**50,713**	73,822	79,015
- Mortgages	**2,012,715**	2,223,689	2,319,313
- Other retail loans	**2,142,154**	2,490,275	2,761,710
Corporate customers	**6,024,941**	5,100,119	5,473,022
Entities outside Mauritius	**2,839,145**	1,237,025	1,336,631
	13,069,668	11,124,930	11,969,691
Less: allowance for credit impairment	**(734,523)**	(581,343)	(416,833)
	12,335,145	10,543,587	11,552,858
Current	**4,344,296**	3,273,724	3,393,132
Non current	**7,990,849**	7,269,863	8,159,726
Net finance lease receivables included in loans and advances to customers above are as follows:	**183,867**	**216,767**	**251,431**

16. LOANS AND ADVANCES TO CUSTOMERS

	Dec-15	Dec-14	Dec-13
(a) Segment A	Rs 000	Rs 000	Rs 000
Retail customers			
- Credit cards	**50,713**	73,822	79,015
- Mortgages	**1,920,833**	2,125,929	2,209,476
- Other retail loans	**1,887,330**	2,142,356	2,428,992
Corporate customers	**4,288,210**	3,835,798	3,946,052
	8,147,086	8,177,905	8,663,535
Less allowance for credit impairment	**(680,031)**	(555,747)	(338,055)
	7,467,055	7,622,158	8,325,480
(b) Segment B			
Retail customers			
- Mortgages	**91,882**	97,760	109,837
- Other retail loans	**254,824**	347,919	332,718
Corporate customers	**1,736,731**	1,264,321	1,526,970
Entities outside Mauritius	**2,839,145**	1,237,025	1,336,631
	4,922,582	2,947,025	3,306,156
Less allowance for credit impairment	**(54,492)**	(25,596)	(78,778)
	4,868,090	2,921,429	3,227,378
(c) Remaining term to maturity			
Up to 3 months	**2,577,276**	2,237,731	2,661,359
Over 3 months and up to 6 months	**520,806**	438,211	383,483
Over 6 months and up to 12 months	**1,298,221**	635,775	385,541
Over 1 year and up to 5 years	**5,086,151**	4,212,964	4,182,936
Over 5 years	**3,587,214**	3,600,249	4,356,372
	13,069,668	11,124,930	11,969,691
(d) Credit concentration of risk by industry sectors			
Agriculture and fishing	**558,772**	487,770	276,547
Manufacturing	**776,890**	483,526	702,824
of which Export Processing Zone License holders	**18,327**	19,178	29,238
Tourism	**1,001,644**	1,064,404	1,203,866
Transport	**425,907**	442,507	400,042
Construction	**3,765,596**	3,623,871	3,827,259
of which Residential Mortgages	**2,034,612**	2,223,689	2,347,352
Other constructions	**1,730,984**	1,400,182	1,479,907
Financial and business services	**744,594**	399,990	276,428
Traders	**2,595,491**	1,784,327	1,794,476
Personal	**956,439**	1,161,004	1,241,028
of which credit cards	**66,426**	73,822	79,310
Professional	**28,257**	50,334	89,282
Global business license holders	**1,517,069**	1,249,881	1,509,980
Others	**699,009**	377,316	647,959
	13,069,668	11,124,930	11,969,691

	Dec-15	Dec-14	Dec-13
(d) Credit concentration of risk by industry sectors (cont'd)	Rs 000	Rs 000	Rs 000
Segment A			
Agriculture and Fishing	**392,369**	319,972	50,865
Manufacturing	**348,893**	404,442	597,293
of which Export Processing Zone License holders	**15,788**	16,785	29,238
Tourism	**992,542**	895,545	1,014,177
Transport	**199,763**	223,772	265,290
Construction	**3,052,329**	3,221,688	3,334,935
of which Residential Mortgages	**1,942,730**	2,125,929	2,216,985
Other constructions	**1,109,599**	1,095,759	1,117,950
Financial and business services	**377,584**	239,109	175,908
Traders	**1,609,139**	1,520,718	1,697,330
Personal	**892,075**	1,068,173	1,165,438
of which credit cards	**66,426**	73,822	79,310
Professional	**28,257**	50,334	89,282
Others	**254,135**	234,152	273,017
	8,147,086	8,177,905	8,663,535
Segment B			
Agriculture and Fishing	**166,403**	167,798	225,682
Manufacturing	**427,997**	79,084	105,531
of which Export Processing Zone License holders	**2,539**	2,393	-
Tourism	**9,102**	168,859	189,689
Transport	**226,144**	218,735	134,752
Construction	**713,267**	402,183	492,324
of which Residential Mortgages	**91,882**	97,760	130,367
Other constructions	**621,385**	304,423	361,957
Financial and business services	**367,010**	160,881	100,520
Traders	**986,352**	263,609	97,146
Personal	**64,364**	92,831	75,590
Global business license holders	**1,517,069**	1,249,881	1,509,980
Others	**444,874**	143,164	374,942
	4,922,582	2,947,025	3,306,156

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.

	Dec-15	Dec-14	Dec-13
Off balance sheet by industry sector	Rs 000	Rs 000	Rs 000
Agriculture and Fishing	**2,571**	4,583	7,546
Manufacturing	**171,943**	27,550	67,757
Tourism	**70,109**	49,313	41,954
Transport	**2,480**	7,023	5,096
Construction	**195,856**	189,444	389,682
Financial & Business Services	**203,736**	7,579	7,726
Traders	**281,406**	49,543	250,786
Personal	**245,525**	101,624	200,283
Global business license holders	**74,643**	352,792	51,150
Others	**190,182**	95,707	339,334
	1,438,451	885,158	1,361,314

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

(e) Allowance for credit impairment

	Specific allowances for impairment	Portfolio allowances for impairment	Total
	Rs 000	Rs 000	Rs 000
Balance as at 1 January 2013	**169,786**	**130,842**	**300,628**
Provision for credit impairment for the year	165,007	-	165,007
Loans written off out of allowance	(7,230)	-	(7,230)
Provisions released	(31,807)	(9,765)	(41,572)
Balance as at 31 December 2013	**295,756**	**121,077**	**416,833**
Provision for credit impairment for the year	298,713	-	298,713
Loans written off out of allowance	(5,111)	-	(5,111)
Provisions released	(124,845)	(4,247)	(129,092)
Balance as at 31 December 2014	**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**

(f) 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-15 Total	Dec-14 Total	Dec-13 Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Gross investment in finance leases	4,194	312,035	156,441	**472,670**	497,580	482,378
Unearned finance income	**(3,549)**	**(217,896)**	**(65,500)**	**(286,945)**	(278,623)	(228,408)
Present value of minimum lease payments	**645**	**94,139**	**90,941**	**185,725**	218,957	253,970
Allowance for impairment				**(1,858)**	(2,190)	(2,539)
				183,867	216,767	251,431

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 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 advances. 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.

(g) Allowance for credit impairment by industry sectors

	Dec -15					Dec -14	Dec -13
	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
Agriculture and fishing	558,772	23,700	17,541	7,947	25,488	21,788	16,053
Manufacturing	776,890	32,213	22,042	8,043	30,085	13,479	11,386
of which Export Processing Zone license holders	18,327	-	-	243	243	270	480
Tourism	1,001,644	78,371	8,286	11,255	19,541	16,664	21,878
Transport	425,907	7,576	3,741	4,871	8,612	6,541	4,829
Construction	3,765,596	547,783	299,227	39,781	339,008	226,747	101,646
of which Residential Mortgages	2,034,612	131,379	61,232	25,652	86,884	66,209	52,106
Other constructions	1,730,984	416,404	237,995	14,129	252,124	160,538	49,540
Financial and business services	744,594	323	323	9,792	10,115	5,851	3,649
Traders	2,595,491	201,250	93,277	28,459	121,736	118,344	70,558
Personal	956,439	132,141	88,413	9,770	98,183	127,324	85,047
of which credit cards	66,426	15,669	18,843	700	19,543	21,188	6,811
Professional	28,257	-	-	388	388	663	1,013
Global business license holders	1,517,069	85,238	6,308	13,587	19,895	11,999	61,384
Others	699,009	75,455	54,761	6,711	61,472	31,943	39,390
	13,069,668	1,184,050	593,919	140,604	734,523	581,343	416,833

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

(g) Allowance for credit impairment by industry sectors (Cont'd)

	Dec -15					Dec -14	Dec -13
	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
Segment A	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture and Fishing	**392,369**	**23,700**	**17,541**	**7,474**	**25,015**	21,275	14,682
Manufacturing	**348,893**	**32,213**	**22,042**	**4,286**	**26,328**	13,167	10,818
of which Export Processing Zone license holders	**15,788**	**-**	**-**	**218**	**218**	246	480
Tourism	**992,542**	**78,371**	**8,286**	**11,255**	**19,541**	15,056	19,551
Transport	**199,763**	**7,576**	**3,741**	**2,616**	**6,357**	4,354	3,107
Construction	**3,052,329**	**522,974**	**292,945**	**34,783**	**327,728**	222,559	96,345
of which Residential Mortgages	**1,942,730**	**112,409**	**57,599**	**25,268**	**82,867**	63,461	49,816
Other constructions	**1,109,599**	**410,565**	**235,346**	**9,515**	**244,861**	159,098	46,529
Financial and Business Services	**377,584**	**323**	**323**	**6,848**	**7,171**	5,004	3,277
Traders	**1,609,139**	**191,681**	**92,997**	**19,109**	**112,106**	116,118	69,790
Personal	**892,075**	**132,137**	**88,406**	**9,641**	**98,047**	126,919	84,726
of which credit cards	**66,426**	**15,669**	**18,843**	**700**	**19,543**	21,188	6,811
Professional	**28,257**	**-**	**-**	**388**	**388**	663	1,013
Others	**254,135**	**75,455**	**54,761**	**2,589**	**57,350**	30,632	34,746
	8,147,086	**1,064,430**	**581,042**	**98,989**	**680,031**	555,747	338,055
Segment B							
Agriculture and Fishing	**166,403**	**-**	**-**	**473**	**473**	513	1,371
Manufacturing	**427,997**	**-**	**-**	**3,757**	**3,757**	312	568
of which Export Processing Zone license holders	**2,539**	**-**	**-**	**25**	**25**	24	-
Tourism	**9,102**	**-**	**-**	**-**	**-**	1,608	2,327
Transport	**226,144**	**-**	**-**	**2,255**	**2,255**	2,187	1,722
Construction	**713,267**	**24,809**	**6,282**	**4,998**	**11,280**	4,188	5,301
of which Residential Mortgages	**91,882**	**18,970**	**3,633**	**384**	**4,017**	2,748	2,290
Other constructions	**621,385**	**5,839**	**2,649**	**4,614**	**7,263**	1,440	3,011
Financial and Business Services	**367,010**	**-**	**-**	**2,944**	**2,944**	847	372
Traders	**986,352**	**9,569**	**280**	**9,350**	**9,630**	2,226	768
Personal	**64,364**	**4**	**7**	**129**	**136**	405	321
Global business license holders	**1,517,069**	**85,238**	**6,308**	**13,587**	**19,895**	11,999	61,384
Others	**444,874**	**-**	**-**	**4,122**	**4,122**	1,311	4,644
	4,922,582	**119,620**	**12,877**	**41,615**	**54,492**	25,596	78,778

17. INVESTMENT SECURITIES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Available-for-sale investment securities	**843,338**	415,164	182,632
Held to maturity investment securities	**1,683,082**	879,260	1,306,591
	2,526,420	1,294,424	1,489,223
Current	**949,423**	*291,341*	*726,306*
Non Current	**1,576,997**	*1,003,083*	*762,917*
Available-for-sale investment securities			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	**26,298**	25,251	20,907
Bank/Government of Mauritius securities and other corporate bonds	**814,151**	387,194	158,937
Equity	**2,889**	2,719	2,788
	843,338	415,164	182,632
(a) Segment A			
Bank/Government of Mauritius securities	**814,151**	240,115	-
Others	**1,892**	1,829	1,829
	816,043	241,944	1,829
(b) Segment B			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	**26,298**	25,251	20,907
Corporate Bonds	**-**	147,079	158,937
Others	**997**	890	959
	27,295	173,220	180,803

The Bank holds 4,597,210 shares, representing 5.59% shareholding of Oriental Commercial Bank Ltd, incorporated and operating in Kenya. The available for sale investment securities are classified as level 3 on the fair value hierarchy and are valued on a Net Asset Value basis.

Held to maturity investment securities	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Government of Mauritius bonds	**221,892**	221,567	467,064
Government of Mauritius Bills	**124,789**	11,848	268,203
Bank of Mauritius Bills	**-**	127,748	-
Treasury Bills / Notes issued by Government of Mauritius	**556,343**	51,438	233,260
Corporate Bonds/Other Bank Placements	**780,058**	466,659	338,064
	1,683,082	879,260	1,306,591
(a) Segment A			
Government of Mauritius bonds	**221,892**	221,567	467,064
Government of Mauritius Bills	**124,789**	11,848	268,203
Bank of Mauritius Bills	**-**	127,748	-
Treasury Bills / Notes issued by Government of Mauritius	**556,343**	51,438	233,260
Corporate Bonds	**386,801**	339,954	338,064
	1,289,825	752,555	1,306,591
(b) Segment B			
Corporate Bonds/Other Bank Placements	**393,257**	126,705	-
	393,257	126,705	-

17. INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity - 2015	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	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**

Remaining term to maturity - 2014	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Government of Mauritius bonds	-	-	-	221,567	-	221,567
Government of Mauritius Bills	11,848	-	-	-	-	11,848
Bank of Mauritius Bills	112,861	14,887	-	-	-	127,748
Treasury Bills / Notes issued by Government of Mauritius	-	25,040	-	26,398	-	51,438
Corporate Bonds/Other Bank Placements	-	99,293	27,412	339,954	-	466,659
	124,709	**139,220**	**27,412**	**587,919**	**-**	**879,260**

Remaining term to maturity - 2013	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Government of Mauritius bonds	-	-	249,242	217,822	-	467,064
Government of Mauritius Bills	110,994	29,723	127,486	-	-	268,203
Treasury Bills / Notes issued by Government of Mauritius	137,941	-	70,356	24,963	-	233,260
Corporate Bonds/Other Bank Placements	564	-	-	325,000	12,500	338,064
	249,499	**29,723**	**447,084**	**567,785**	**12,500**	**1,306,591**

18. PROPERTY AND EQUIPMENT

	Land and buildings	Computer and other equipment	Other fixed assets	Work in Progress	Total
Cost or Valuation	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1 January 2013	293,285	157,844	126,258	-	577,387
Acquisitions	-	1,199	2,607	-	3,806
Scrapped	-	(7,918)	(600)	-	(8,518)
Balance as at 31 December 2013	293,285	151,125	128,265	-	572,675
Acquisitions	-	22,670	19,434	2,408	44,512
Write off/Disposal	-	(1,638)	(5,006)	-	(6,644)
Revaluation loss	(4,821)	-	-	-	(4,821)
Balance as at 31 December 2014	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**
Accumulated depreciation					
Balance as at 1 January 2013	38,453	138,825	71,200	-	248,478
Depreciation for the year	5,006	7,468	9,080	-	21,554
Scrapped	-	(7,918)	-	-	(7,918)
Balance as at 31 December 2013	43,459	138,375	80,280	-	262,114
Depreciation for the year	5,006	7,701	8,923	-	21,630
Scrapped	-	(1,673)	(130)	-	(1,803)
Disposal adjustment	-	-	(4,275)	-	(4,275)
Balance as at 31 December 2014	48,465	144,403	84,798	-	277,666
Depreciation for the year	3,840	7,910	10,374	-	22,124
Disposal	-	-	(1,525)	-	(1,525)
Write off	-	(1,357)	(4,894)	-	(6,251)
Balance as at 31 December 2015	**52,305**	**150,956**	**88,753**	**-**	**292,014**
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 2014	239,999	27,754	57,895	2,408	328,056
Net book value as at 31 December 2013	249,826	12,750	47,985	-	310,561
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	**20,228**	**50,105**	**16,160**	**322,653**
Net book value as at 31 December 2014 by segments					
Segment A	239,999	27,661	57,878	2,408	327,946
Segment B	-	93	17	-	110
	239,999	**27,754**	**57,895**	**2,408**	**328,056**
Net book value as at 31 December 2013 by segments					
Segment A	249,826	12,617	47,936	-	310,379
Segment B	-	133	49	-	182
	249,826	**12,750**	**47,985**	**-**	**310,561**

The Company's land and building were last revalued at Rs 240m in 2014 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.

18. PROPERTY AND EQUIPMENT (CONT'D)

	2015	2014	2013
	Rs 000	Rs 000	Rs 000
Land & Building excluding revaluation	**146,571**	150,591	154,611

19. INTANGIBLE ASSETS

	Technical Expertise	Computer Software	Work in Progress	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1 January 2013	15,147	109,895	-	**125,042**
Additions	-	21,633	-	**21,633**
Balance as at 31 December 2013	15,147	131,528	-	**146,675**
Additions	-	6,739	-	**6,739**
Impairment loss (note 8)	(15,147)	-	-	**(15,147)**
Balance as at 31 December 2014	-	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**
Amortisation				
Balance as at 1 January 2013	-	69,671	-	**69,671**
Charge for the year	-	14,648	-	**14,648**
Balance as at 31 December 2013	-	84,319	-	**84,319**
Charge for the year	-	16,220	-	**16,220**
Balance as at 31 December 2014	-	100,539	-	**100,539**
Charge for the year		13,065	-	**13,065**
Balance as at 31 December 2015	**-**	**113,604**	**-**	**113,604**
Net book value as at 31 December 2015	**-**	**33,067**	**4,357**	**37,424**
Net book value as at 31 December 2014	-	37,728	-	**37,728**
Net book value as at 31 December 2013	15,147	47,209	-	**62,356**
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**
Net book value as at 31 December 2014 by segments				
Segment A	-	36,330	-	**36,330**
Segment B	-	1,398	-	**1,398**
	-	37,728	-	**37,728**
Net book value as at 31 December 2013 by segments				
Segment A	15,147	46,170	-	**61,317**
Segment B	-	1,039	-	**1,039**
	15,147	47,209	-	**62,356**

20. DEFERRED TAX ASSETS

The movement on the deferred income tax account is as follows:-

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
At start of year	59,641	25,982	31,873
Statement of profit or loss charge (note 11)	30,986	24,311	(5,891)
Amount recognised directly in Other Comprehensive Income:			
Deferred income tax on fair value adjustments	377		
Deferred income tax on actuarial losses on retirement benefits obligations	4,395	1,319	-
Deferred tax on revaluation of building	-	8,029	-
At end of year	**95,399**	59,641	25,982
Deferred tax assets			
Allowances for loan losses	91,200	62,808	38,543
Available for sale-securities	428	52	-
Revaluation on building	8,029	8,029	-
Retirement Benefit Obligation	3,960	4,795	3,134
Deferred tax through OCI	5,714	1,319	-
	109,331	77,003	41,677
Deferred tax liabilities			
Accelerated capital allowances	2,220	5,650	3,695
Revaluation reserve	11,712	11,712	12,000
	13,932	17,362	15,695
	95,399	59,641	25,982
Non current	**95,399**	59,641	25,982

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 17% (2014 and 2013-17%) for segment A and an effective tax rate of 3%(2014 and 2013-3%) for segment B resulting from 80% tax relief for segment B activities.

21. OTHER ASSETS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Mandatory balances with central bank*	**724,929**	657,241	676,194
Balance due in clearing	**24,435**	28,804	36,192
Non-banking assets acquired in satisfaction of debts	**1,660**	1,660	1,660
Others and accrued interest receivable	**23,302**	62,782	125,300
	774,326	750,487	839,346
Current	**44,849**	75,407	155,024
Non Current	**729,477**	675,080	684,322

* Balances to be maintained with Central Bank as Cash Reserve requirement.

	Dec-15	Dec-14	Dec-13
(a) Segment A			
Mandatory balances with central bank	**724,929**	657,241	676,194
Balance due in clearing	**24,435**	28,804	36,192
Non-banking assets acquired in satisfaction of debts	**1,660**	1,660	1,660
Others and accrued interest receivable	**21,278**	53,938	89,432
	772,302	741,643	803,478
(b) Segment B			
Others and accrued interest receivable	**2,024**	8,844	35,868
	2,024	8,844	35,868

22. DEPOSITS FROM CUSTOMERS

(a) Deposits comprise of the following:

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Retail customers	**6,089,279**	6,084,397	6,470,393
Corporate	**2,108,142**	1,373,926	2,062,836
International	**9,026,463**	8,011,490	6,594,267
Government	**97,995**	227	35,219
	17,321,879	15,470,040	15,162,715
Current	**16,398,781**	15,053,117	14,382,588
Non Current	**923,098**	416,923	780,127

22. DEPOSITS FROM CUSTOMERS (CONT'D)

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

			Time deposits with remaining term to maturity				
	Current accounts	Savings accounts	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	Totals
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
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**
At 31 December 2014							
Retail customers	393,314	4,514,670	266,781	226,789	310,956	371,887	6,084,397
Corporate customers	442,394	245,737	333,915	170,000	164,500	17,380	1,373,926
International customers	4,882,832	785,361	781,059	531,414	1,003,168	27,656	8,011,490
Government	-	227	-	-	-	-	227
Total	**5,718,540**	**5,545,995**	**1,381,755**	**928,203**	**1,478,624**	**416,923**	**15,470,040**
At 31 December 2013							
Retail customers	426,817	4,482,667	324,841	247,223	363,483	625,362	6,470,393
Corporate customers	317,456	319,016	679,914	565,125	107,325	74,000	2,062,836
International customers	3,963,043	557,389	571,388	496,117	925,565	80,765	6,594,267
Government	-	31,219	4,000	-	-	-	35,219
Total	**4,707,316**	**5,390,291**	**1,580,143**	**1,308,465**	**1,396,373**	**780,127**	**15,162,715**

(c) Deposits by Segments

At 31 December 2015							
(a) Segment A	**1,202,260**	**4,991,586**	**289,343**	**151,022**	**861,280**	**799,925**	**8,295,416**
(b) Segment B	**5,747,672**	**1,098,020**	**931,651**	**206,340**	**919,607**	**123,173**	**9,026,463**
At 31 December 2014							
(a) Segment A	835,708	4,760,634	600,696	396,789	475,456	389,267	7,458,550
(b) Segment B	4,882,832	785,361	781,059	531,414	1,003,168	27,656	8,011,490
At 31 December 2013							
(a) Segment A	744,273	4,832,902	1,008,755	812,348	470,808	699,362	8,568,448
(b) Segment B	3,963,043	557,389	571,388	496,117	925,565	80,765	6,594,267

23. SUBORDINATED LIABILITIES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Remaining term to maturity :			
Within 1 year	**143,900**	39,670	16,299
Over 1 year and up to 2 years	**89,010**	134,131	32,598
Over 2 years and up to 3 years	**39,010**	84,296	132,146
Over 3 years and up to 4 years	**39,094**	34,297	82,598
Over 4 years and up to 5 years	**-**	34,395	32,598
Over 5 years	**99,621**	99,943	132,147
	410,635	426,732	428,386
Current	**143,900**	39,670	16,299
Non current	**266,735**	387,062	412,087
(a) Segment A			
Within 1 year	**99,920**	32	-
Over 1 year and up to 2 years	**50,000**	99,784	-
Over 2 years and up to 3 years	**-**	50,000	99,548
Over 3 years and up to 4 years	**-**	-	50,000
Over 5 years	**99,621**	99,943	99,549
	249,541	249,759	249,097
(b) Segment B			
Within 1 year	**43,980**	39,638	16,299
Over 1 year and up to 2 years	**39,010**	34,347	32,598
Over 2 years and up to 3 years	**39,010**	34,296	32,598
Over 3 years and up to 4 years	**39,094**	34,297	32,598
Over 4 years and up to 5 years	**-**	34,395	32,598
Over 5 years	**-**	-	32,598
	161,094	176,973	179,289

Interest rates on the subordinated debts range between 7.55% and 8.93%.
(between 7.55% and 9.525% in 2014 and between 7.55% and 9.525% in 2013).

24. OTHER BORROWED FUNDS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Borrowings from Bank of Mauritius*	**194,325**	372,370	480,747
Short term Borrowings from local bank	**100,000**	-	-
Short term Borrowings from banks abroad	**180,054**	272	-
	474,379	372,642	480,747
Current	**314,114**	67,687	59,969
Non current	**160,265**	304,955	420,778
(a) Segment A			
Borrowings from Bank of Mauritius	**194,325**	372,370	480,747
Short term Borrowings from local bank	**100,000**	-	-
	294,325	372,370	480,747

*Borrowings from Bank of Mauritius relates to the special foreign currency line of credit availed to lend to export operators. Interest rates on the borrowings from Bank of Mauritius is on average 1.1%.

	Dec-15	Dec-14	Dec-13
(b) Segment B			
Short term Borrowings from banks abroad	**180,054**	272	-
	180,054	272	-

Remaining term to maturity: 2015	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	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**

Remaining term to maturity: 2014	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Borrowings from Bank of Mauritius	67,415	47,714	61,976	61,976	133,289	-	372,370
	67,415	47,714	61,976	61,976	133,289	-	372,370

Remaining term to maturity: 2013	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Borrowings from Bank of Mauritius	59,969	80,497	59,277	70,695	66,751	143,558	480,747
	59,969	80,497	59,277	70,695	66,751	143,558	480,747

25. CURRENT TAX LIABILITIES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Special levy on banks	**-**	10,084	9,542
Corporate social responsibility fund	**1,842**	1,506	1,495
Income tax	**38**	8,914	8,980
	1,880	20,504	20,017
Current	**1,880**	20,504	20,017

26. OTHER LIABILITIES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Liability for defined pension plan (note 27)	**13,755**	10,207	20,899
Bills payable	**5,851**	19,315	14,751
Other payables	**246,400**	218,550	216,872
Allowances for off balance sheet exposures	**480**	29,167	-
	266,486	277,239	252,522
Current	**204,150**	237,865	231,623
Non current	**62,336**	39,374	20,899
(a) Segment A			
Liability for defined pension plan (note 27)	**13,755**	10,207	20,899
Bills payable	**5,851**	19,315	14,751
Other payables	**178,618**	183,395	173,172
Allowances for off balance sheet exposures	**480**	29,167	-
	198,704	242,084	208,822
(b) Segment B			
Other payables	**67,782**	35,155	43,700
	67,782	35,155	43,700

27. PENSION OBLIGATIONS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Pension obligations under defined benefit plan			
Amounts recognised in the statement of financial position (Note 26)	**13,755**	10,207	20,899
Amounts charged to profit or loss statement (note 9)	**1,770**	6,121	5,897
Amount credited to other comprehensive income net of deferred tax	**(2,063)**	(6,433)	(15,345)

(a) Defined pension benefits

(i) The Bank makes contributions to a defined benefit plan that provides pension for employees upon retirement and is wholly funded. 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 2015 by Swan Life Ltd:

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

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Present value of funded obligations	**124,896**	114,850	99,452
Fair value of plan assets	**(111,141)**	(104,643)	(78,553)
Liability in the statement of financial position	**13,755**	10,207	20,899

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

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
At 1 January	**10,207**	20,899	43,261
Amount recognised in profit and loss	**1,770**	6,121	5,897
Amount recognised in other comprehensive income (gross)	**6,458**	7,752	15,345
Contributions by the employer	**(4,680)**	(24,565)	(43,604)
At 31 December	**13,755**	10,207	20,899
Non current	**13,755**	10,207	20,899

(iv) The movement in the defined benefit obligations for the year is as follows:

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
At 1 January	**114,850**	99,452	79,684
Current service cost	**4,565**	4,146	3,230
Interest cost	**8,214**	7,204	6,701
Effects of curtailments/settlements	**(3,894)**	-	-
Experience losses/(gains) on the liabilities	**4,033**	5,408	1,730
Changes in assumptions underlying the present value of the scheme	**1,266**	-	12,329
Benefits paid	**(4,138)**	(1,360)	(4,222)
At 31 December	**124,896**	114,850	99,452

27. PENSION OBLIGATIONS (CONT'D)

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

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
At 1 January	**104,643**	78,553	36,423
Return on plan assets	**7,371**	6,692	4,641
Employer's contribution	**4,680**	24,565	43,604
Scheme expenses	**228**	(983)	(171)
Cost of insuring risk benefits	**(484)**	(480)	(436)
Actuarial loss	**(1,159)**	(2,344)	(1,286)
Benefits paid	**(4,138)**	(1,360)	(4,222)
At 31 December	**111,141**	104,643	78,553

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

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Current service cost	**4,565**	4,146	3,230
Scheme expenses	**(228)**	983	171
Cost of insuring risk benefits	**484**	480	436
Effects of curtailments/settlements	**(3,894)**	-	-
Net interest cost	**843**	512	2,060
Total included in employee benefit expense	**1,770**	6,121	5,897
Actual return on plan assets	**6,213**	4,347	3,356

(vii) The amounts recognised in other comprehensive income are as follows:

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Losses on pension scheme assets	**1,159**	2,344	1,286
Experience losses on the liabilities	**4,033**	5,408	1,730
Changes in assumptions underlying the present value of the scheme	**1,266**	-	12,329
	6,458	7,752	15,345

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) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	Dec-15	Dec-14	Dec-13
	%	%	%
Discount rate	**7.0**	7.0	7.0
Expected return on plan assets	**7.0**	7.0	7.0
Future salary growth rate	**5.0**	5.0	5.0

The assets of the plan are invested in Swan Life Ltd deposit administration fund. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above correspond to a notional allocation of the underlying investments based on the long-term strategy of the pension fund.

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) Sensitivity analysis on defined benefit obligations to changes in the weighted principal assumptions is:

	Dec-15 Inc / (Dec)	Dec-14 Inc / (Dec)	Dec-13 Inc / (Dec)
	Rs 000	Rs 000	Rs 000
Discount rate (1% movement)	**(9,349)**	(9,221)	(8,531)
Future salary growth rate (1% movement)	**12,832**	9,869	9,289

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occuring 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.

(x) The defined benefit pension plan exposes the bank to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

(xi) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xii) The Bank expects to pay Rs10m in contributions to its post-employment benefit plans for the year ending 31 December 2016.

(xiii) The weighted average duration of the defined benefit obligation is 8 years at the end of the reporting period.

(b) Defined Contribution Plan

The Bank expects to contribute 10% of the expected salary to its post-employment defined contribution plans for the year ending 31 December 2016.

28. SHARE CAPITAL

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Shares at no par value			
Stated capital	**856,456**	731,456	731,456
At start of year	**731,456**	*731,456*	*551,456*
Issue of shares	**125,000**	-	*180,000*
At end of year	**856,456**	731,456	731,456
No. of ordinary shares in issue (no par value)	**8,564,560**	7,314,560	7,314,560

29. CONTINGENT LIABILITIES

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Acceptances on account of customers	**23,315**	44,666	38,302
Guarantees on account of customers	**487,617**	417,885	513,693
Letters of credit and other obligations on account of customers	**53,516**	49,656	35,621
Other contingent items	**42,315**	68,353	63,510
	606,763	580,560	651,126
(a) Segment A			
Acceptances on account of customers	**14,133**	27,362	14,800
Guarantees on account of customers	**241,734**	245,300	353,625
Letters of credit and other obligations on account of customers	**20,669**	21,023	9,784
Other contingent items	**11,325**	64,379	58,414
	287,861	358,064	436,623

29. CONTINGENT LIABILITIES (CONT'D)

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
(b) Segment B			
Acceptances on account of customers	**9,182**	17,304	23,502
Guarantees on account of customers	**245,883**	172,585	160,068
Letters of credit and other obligations on account of customers	**32,847**	28,633	25,837
Other contingent items	**30,990**	3,974	5,096
	318,902	222,496	214,503

30. COMMITMENTS

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
(a) Undrawn credit facilities	**874,003**	372,951	773,698
Segment A	**803,943**	260,798	557,777
Segment B	**70,060**	112,153	215,921

(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, escallation clauses and renewal rights.

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

	Dec-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
Not later than one year	**13,963**	15,817	15,526
Later than one year and not later than five years	**21,818**	29,815	32,123
Later than five years	**1,133**	1,202	1,369
	36,914	46,834	49,018

(c) Securities pledged

The Bank has earmarked the following :

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-15	Dec-14	Dec-13
	Rs 000	Rs 000	Rs 000
GOM bonds	**120,000**	220,000	399,778
Treasury notes/bills	**270,000**	30,800	95,319
	390,000	250,800	495,097

31. CONTINGENT ASSET

The Bank is entitled to net proceeds on recovery of certain assets by the Liquidator of Delphis Bank Limited (in liquidation). These matters are subject to legal court cases and likely to be determined within the next twenty four months.

32. RELATED PARTIES

	Nature of relationship	Dec-15	2014	2013
		Rs 000	Rs 000	Rs 000
Loans and advances	Related companies	**447,113**	489,177	311,366
	Directors	**912**	-	-
	Key management personnel	**34,369**	17,647	13,288
Deposits	Related companies	**103,407**	95,420	103,692
	Directors	**18,042**	-	-
	Key management personnel	**39,103**	14,855	10,349
Interest income	Related companies	**10,998**	18,339	15,019
	Directors	**67**	-	-
	Key management personnel	**1,548**	817	870
Interest expense	Related companies	**362**	753	1,162
	Directors	**176**	-	-
	Key management personnel	**770**	253	601
Fees and Expenses	Directors	**7,753**	8,408	7,616

Related companies relate to enterprises in which shareholders, key directors/key management personnel have significant interest as defined in the guideline issued by BOM.

Credit commitments for Directors/Senior management personnel equals to Rs 6,405,000 and Rs 14,892,000 relate to derivatives contracts with related companies.

Other disclosures are found on pg 57 of the Risk Management Report.

(a) Key Management personnel compensation

	Dec-15	2014	2013
	Rs 000	Rs 000	Rs 000
Remuneration and other benefits relating to key management personnel, including directors were as follows:			
Salaries and short-term employee benefits	**70,764**	50,974	58,842
Post employment benefits	**4,622**	3,628	3,883
Termination benefits	**-**	-	1,584

33. SEGMENTAL STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Dec-15			Dec-14			Dec-13		
	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
Assets									
Cash and cash equivalents	**3,670,672**	**283,007**	**3,387,665**	4,724,580	408,454	4,316,126	3,267,226	514,386	2,752,840
Derivative assets held for risk management	**207**	**3**	**204**	982	139	843	1,787	366	1,421
Loan and advances to banks	**534,289**	**-**	**534,289**	313,830	-	313,830	148,577	-	148,577
Loan and advances to customers	**12,335,145**	**7,467,055**	**4,868,090**	10,543,587	7,622,158	2,921,429	11,552,858	8,325,480	3,227,378
Investment securities	**2,526,420**	**2,105,868**	**420,552**	1,294,424	994,499	299,925	1,489,223	1,308,420	180,803
Property and equipment	**322,653**	**320,866**	**1,787**	328,056	318,504	9,552	310,561	304,124	6,437
Intangible asset	**37,424**	**33,390**	**4,034**	37,728	36,330	1,398	62,356	61,317	1,039
Deferred tax asset	**95,399**	**94,274**	**1,125**	59,641	59,641	-	25,982	24,527	1,455
Other assets	**774,326**	**772,302**	**2,024**	750,487	741,643	8,844	839,346	803,478	35,868
Total assets	**20,296,535**	**11,076,765**	**9,219,770**	18,053,315	10,181,368	7,871,947	17,697,916	11,342,098	6,355,818

	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
Liabilities									
Deposits from customers	**17,321,879**	**8,295,416**	**9,026,463**	15,470,040	7,458,550	8,011,490	15,162,715	8,568,448	6,594,267
Derivative liabilities held for risk management	**5,622**	**474**	**5,148**	13,477	9,194	4,283	5,040	3,460	1,580
Subordinated liabilities	**410,635**	**249,541**	**161,094**	426,732	249,759	176,973	428,386	249,097	179,289
Other borrowed funds	**474,379**	**294,325**	**180,054**	372,642	372,370	272	480,747	480,747	-
Current tax liabilities	**1,880**	**1,880**	**-**	20,504	13,669	6,835	20,017	20,017	-
Other liabilities	**266,486**	**198,704**	**67,782**	277,239	242,084	35,155	252,522	208,822	43,700
	18,480,881	**9,040,340**	**9,440,541**	16,580,634	8,345,626	8,235,008	16,349,427	9,530,591	6,818,836
Shareholders' Equity									
Stated Capital	**856,456**	**856,456**	**-**	731,456	731,456	-	731,456	731,456	-
Retained earnings	**707,284**	**(271,514)**	**978,798**	471,510	(226,547)	698,057	464,051	(10,270)	453,781
Other reserves	**251,914**	**193,848**	**58,066**	269,715	242,703	27,012	152,982	149,767	3,215
	1,815,654	**778,790**	**1,036,864**	1,472,681	747,612	725,069	1,348,489	891,493	456,996
Total equity and liabilities	**20,296,535**	**9,819,130**	**10,477,405**	18,053,315	9,093,238	8,960,077	17,697,916	10,422,084	7,275,832

34. SEGMENTAL STATEMENT OF PROFIT OR LOSS

Statement of profit or loss	Year ended Dec-15			Year ended Dec-14			Year ended Dec-13		
	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
Interest income	**902,756**	**561,676**	**341,080**	914,867	664,357	250,510	972,054	749,122	222,932
Interest expense	**(294,463)**	**(254,525)**	**(39,938)**	(350,123)	(301,071)	(49,052)	(486,046)	(401,935)	(84,111)
Net interest income	**608,293**	**307,151**	**301,142**	564,744	363,286	201,458	486,008	347,187	138,821
Fee and commission income	**318,988**	**69,040**	**249,948**	180,253	66,344	113,909	186,862	74,792	112,070
Fee and commission expense	**(151,946)**	**(32,060)**	**(119,886)**	(76,327)	(32,507)	(43,820)	(68,408)	(37,647)	(30,761)
Net fee and commission income	**167,042**	**36,980**	**130,062**	103,926	33,837	70,089	118,454	37,145	81,309
Net gain/(loss) on dealing in foreign currencies and derivatives	**72,258**	**44,590**	**27,668**	48,998	14,700	34,298	(70,210)	13,451	(83,661)
Other operating income	**9,401**	**1,745**	**7,656**	3,739	986	2,753	2,313	78	2,235
	81,659	**46,335**	**35,324**	52,737	15,686	37,051	(67,897)	13,529	(81,426)
Operating income	**856,994**	**390,466**	**466,528**	721,407	412,809	308,598	536,565	397,861	138,704
Non Interest Expenses									
Personnel expenses	**(311,032)**	**(231,238)**	**(79,794)**	(254,286)	(200,209)	(54,077)	(224,487)	(170,765)	(53,722)
Depreciation & amortisation	**(35,189)**	**(33,416)**	**(1,773)**	(37,850)	(37,000)	(850)	(36,202)	(35,324)	(878)
Other Expenses	**(134,476)**	**(106,736)**	**(27,740)**	(140,361)	(116,143)	(24,218)	(106,503)	(89,273)	(17,230)
	(480,697)	**(371,390)**	**(109,307)**	(432,497)	(353,352)	(79,145)	(367,192)	(295,362)	(71,830)
Profit before Impairment	**376,297**	**19,076**	**357,221**	288,910	59,457	229,453	169,373	102,499	66,874
Net impairment loss on financial assets	**(165,158)**	**(138,616)**	**(26,542)**	(153,444)	(208,818)	55,374	(88,800)	(41,176)	(47,624)
impairment loss on goodwill	**-**			(15,147)	(15,147)	-	-	-	-
	(165,158)	**(138,616)**	**(26,542)**	(168,591)	(223,965)	55,374	(88,800)	(41,176)	(47,624)
Profit before tax	**211,139**	**(119,540)**	**330,679**	120,319	(164,508)	284,827	80,573	61,323	19,250
Income tax credit/(expense)	**15,790**	**28,357**	**(12,567)**	(3,199)	6,284	(9,483)	(26,895)	(24,734)	(2,161)
Profit/(loss) after tax	**226,929**	**(91,183)**	**318,112**	117,120	(158,224)	275,344	53,678	36,589	17,089

Branch Network

Branch	Address	Telephone	Fax
Head Office	16, Sir William Newton Street, Port Louis	(230) 202 9200	(230) 212 6647
Triolet	Royal Road, Triolet	(230) 261 3194	(230) 261 5529
Goodlands	Royal Road, Goodlands	(230) 283 6491	(230) 283 6238
Grand Baie	Grand Baie La Croisette	(230) 269 4059 (230) 269 4058	(230) 269 6080
Rivière du Rempart	Royal Road, Rivière du Rempart	(230) 412 6323	(230) 412 6240
Flacq	Charles de Gaulle Street, Flacq	(230) 413 4931 (230) 413 4933	(230) 413 4934
Rose Hill	Royal Road, Rose-Hill	(230) 466 0789	(230) 466 5690
Cascavelle	Cascavelle Shopping Village, Cascavelle	(230) 452 9920	(230) 452 9921
Quatre Bornes	Royal Road, Quatre Bornes	(230) 454 0299 (230) 464 4023	(230) 454 8672
Vacoas	John Kennedy Avenue, Vacoas	(230) 686 4801 (230) 686 4480	(230) 686 5755
Curepipe	Opposite Poncini, Next to Monoprix	(230) 675 2300 (230) 675 3130	(230) 675 0888
Rose Belle	Royal Road, Rose-Belle	(230) 627 0561 (230) 627 0210	(230) 627 6541
Mahébourg	Royal Road, Mahébourg	(230) 631 1247 (230) 631 1471	(230) 631 1328
L'Escalier	Royal Road, L'Escalier	(230) 636 0134 (230) 636 8180	(230) 636 7755
Chemin Grenier	Royal Road, Chemin Grenier	(230) 622 8200 (230) 622 6537	(230) 622 6564

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