

Banque des Mascareignes Ltée

Consolidated and Separate Financial Statements

For the year ended 31 December 2016

Banque Des Mascareignes Ltée

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MANAGEMENT DISCUSSION AND ANALYSIS

I. Financial Highlights

	Group			Bank		
	2016	2015	2014	2016	2015	2014
Income Statement (Rs' million)						
Net Interest Income	482	445	464	466	424	450
Revenue	680	654	670	624	607	649
Profit before Tax	51	47	48	58	44	65
Profit for the year	50	47	64	58	45	82
Statement of Financial Position (Rs' million)						
Total Assets	22,299	22,594	20,998	22,141	22,359	20,820
Total Loans (Net)	12,231	16,299	16,253	12,142	16,169	16,172
Total Deposits	15,591	16,658	14,313	15,401	16,353	14,054
Shareholders' Fund	1,991	1,718	1,699	2,045	1,779	1,761
Risk Weighted Assets	14,041	16,816	17,098	13,603	16,466	16,071
Performance Ratios (%)						
Return on average assets	0.2	0.2	0.3	0.3	0.2	0.4
Return on average equity	2.8	2.8	3.9	3.0	2.6	4.8
Non-Interest income/Revenue	29.2	31.9	30.8	25.3	30.1	30.7
Loans to deposits ratio	78.4	97.8	113.6	78.8	98.9	115.1
Cost to income ratio	85.3	80.3	77.4	84.2	79.9	74.3
Asset Quality (%)						
Non-performing loan ratio	18.6	17.0	14.6	18.5	16.9	14.6
Provision Coverage ratio	57.7	44.5	57.5	58.0	44.7	57.5

MANAGEMENT DISCUSSION AND ANALYSIS

II. Financial Highlights (continued)

Performance against objectives for the Bank

Objectives for FY 2016	Performance in FY 2016	Objectives for FY 2017
Return on average equity (ROE)		
ROE is expected to increase to around 4% in 2016.	The Bank's return on average equity was 3.0% for 2016, against 2.6% for 2015.	ROE should stay around the same level.
Return on average assets (ROA)		
Return on average assets expected to increase marginally.	In line with expectations, return on average assets increased marginally to 0.3%.	ROA is forecast to remain at the current level.
Revenue		
Net interest income is anticipated to grow by 14% for the FY 2016.	Net interest income grew by 10%, which is lower than anticipated, on account of relatively lower interest rates and also, a fall in the deposits base.	Net interest income is expected to rise by 7% on the back of a sustained growth in loan book.
Other operating income should improve at least by 10%.	Other operating income was Rs 158 million, a reduction of 13% compared with 2015.	Other operating income is anticipated to increase by 10% as we expect a growth in net trading income and net fee and commission income.
Operating expenses		
In 2016, the operating expenses will partly bear the impact of depreciation and amortisation charges linked to the migration of the core banking system realised in the coming years. As a result, operating costs are anticipated to grow by about 11%.	Operating expenses rose by around 8%: the expected surge in depreciation and amortisation charges related to the migration of the core banking system has been partly offset by a close monitoring of other costs.	The Bank will continue to maintain a cost control policy. However, with the full year impact of IT investments being felt for the first time, operating expenses are forecasted to grow by 11%.
Cost to income ratio		
In spite of the rise in operating costs, the Bank's cost to income ratio is anticipated to improve slightly in FY 2016.	Considering the restrained evolution of revenue, the cost to income ratio edged up to 84.2% in financial year 2016.	Cost to income should slightly decrease to 83.6% in financial year 2017.
Loans and advances (net) growth		
The loan book is expected to grow by 19%.	The loans and advances decreased by 25% to attain Rs 12 billion, mostly attributable to a slowdown performance both at the segment B level and the Corporate banking business segment, and a successful exit strategy on NPL.	Objective for financial year 2017 is to grow average loan book by at least 23%, mostly on the back of a strong performance from all our business activities.
Deposits growth		
Deposits are expected to decrease by 7%.	Total deposits declined by 6% during the year under review to reach Rs 15.4 billion, resulting from a close monitoring of the excess of liquidity.	Average customer deposits to grow by about 20% during the year 2017.
Asset quality		
NPL and provision coverage ratio are expected to stay at satisfactory level.	NPL ratio increased to 18.5% in 2016, against 16.9% in 2015. Likewise, the provision coverage ratio went up to 58% in 2016 compared to 44.7% over last year.	The Bank will continue to apply its high standards of control in view to maintain these ratios at a satisfactory level.
Capital management		
The Bank's CAR is expected to be maintained above the regulatory requirement level of 10%	The Bank's capital adequacy ratio was at an appreciable level of 13.0% with Tier 1 ratio standing at 11.5%.	Capital adequacy ratio is expected to remain above the regulatory requirement of 10.625%.

MANAGEMENT DISCUSSION AND ANALYSIS**II. Review of the Operating Environment****International Economic Outlook**

Although the Global Financial crisis was seven years back, the world economy is still struggling to regain momentum. Most advanced economies encounter significant economic slack with a considerable divergence of performance across emerging markets and developing economies where growth remains below potential. Financial markets remain volatile and interest rates in advanced economies are expected to remain low.

Prior to the 23 June 2016 vote whereby the United Kingdom decided to leave the European Union, growth in the most advanced countries remained lacklustre, with slow growth potential and gradual closing of output gaps. The outcome of the UK vote implied increasing downside risk on the world economy (economic, political institutional uncertainties). The GBP currency has weakened by approximately 10%, despite some rebound; equity prices declined worldwide aftermath.

The economy of Sub-Sahara Africa (SSA) recorded its worst economic performance in 2016 with an expected growth fallen to 1.2% in 2016 from 3.2% in 2015. The combination of low commodity prices, weak external demand, severe weather conditions and security problems took a large toll on economic activity in the region last year.

Mauritian economy

Macroeconomic priorities have been the focus of domestic public's attention in the past. Mauritius continues to register positive growth amid international economic uncertainties. According the latest reports of Statistics Mauritius, economic growth is forecast to attain 3.8% for 2016 compared to 3.4% in 2015. The economy continues to suffer from weak private investment and relatively sluggish export performance.

Macroeconomic indicators

		2012	2013	2014	2015	2016
GDP growth at market prices	%	3.4	3.2	3.4	3.4 ^e	3.8 ^f
Headline inflation	%	3.9	4.0	3.2	1.3	1.0
Unemployment rate	%	8.0	8.0	7.8	7.9	7.4 ^f
Current account deficit (% of GDP)	%	7.3	6.3	5.6	5.0	4.8
Key Repo Rate	%	4.90	4.65	4.65	4.40	4.00

Source: Statistic Mauritius, BOM

e = Revised estimates

f = Forecast

CPI and inflation

According to the Mauritius Statistic report, the Consumer Price Index (CPI) increased from 106.9 in December 2015 to 109.4 in December 2016, representing an annual growth of 2.5 points. This was mainly due to the budgetary measures 2016/2017 to increase excise duties on cigarettes and alcoholic drinks, though partly offset by the drop in the prices of clothing and footwear, and lower interest on housing loans, as well as the price of cooking gas.

Conversely, the headline inflation has pursued its downward trend, with a headline inflation contained at 1.0% for the twelve months ended December 2016 compared to 1.3% in December 2015. The recent inflation trends largely reflected by a low international commodity prices, soft global economic activity and subdued domestic demand. However, bearing in mind the persisting delicate economic context in 2017, the inflation is expected to stay relatively low on average next year, at around 2%, on account of an expected average annual increase in CPI and a potential rise in administered prices.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Review of the Operating Environment (continued)

Unemployment

Given soft economic conditions and enduring labour market rigidities, net employment creation in the country remained in a challenging zone. Indeed, the nationwide unemployment climbed to 7.6% in the third quarter of 2016 from 7.4% in the third quarter 2015, with related trends continuing to warrant attention, namely that:

- Around 43% of the unemployment were aged below 25 years, which corresponds to an unemployment rate of 24.0%;
- The overall unemployment rate for the women remained at 11.4%, with the indicator contained at 31.3% for the youth aged 16-24 years; and
- The activity rate of the country's population remained at a rate of around 60%, with the corresponding ratio for men and women being at 74.9% and 44.8% respectively.

On overall, the unemployment rate for the year 2016 is projected to improve to 7.4%, lower than the rate of 7.9% for the year 2015 and declining further in 2017 to attain 7.3%, based on current trends and after factoring in the expected relative pickup in economic activity levels.

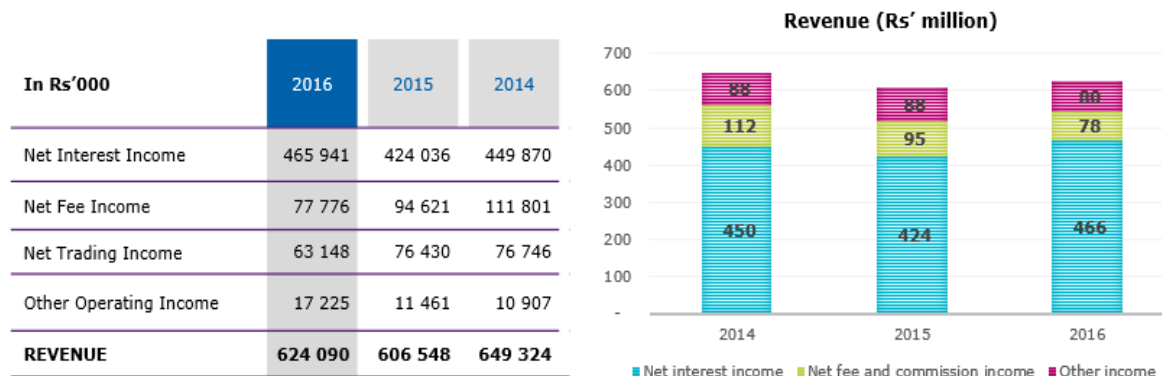
Banking sector

According to the Bank of Mauritius Monetary Policy and Financial Stability Report published on May 2016, the banking sector remained profitable and well capitalised, in spite of economic uncertainties in both local and international front. As indicated in the report, the overall capital adequacy lingered at 17.5% as at end of Juen 2016, showing a comfortable level. Regarding the Common Equity Tier 1 capital ratio of the banks, the ratio stood at 15.5%, reflecting the strengthening of capital buffers in line with implementation of Basel III. On the other hand, asset quality of banks worsen in 2015, with an overall NPL ratios maintaining its upward trend, emanating mainly in a deterioration of credit extended outside Mauritius. In view to mitigate any risks, banks have been required to have solid buffers against potential credit losses primarily by improving their coverage ratio of non-performing loans.

During the year 2016, the Bank of Mauritius reduced its key repo rate by 40 basis points to 4.00% in July 2016 to reflect growing risks to the domestic growth outlook in a context of limited inflationary pressures. Consequently, most banks decreased their savings and prime lending rate.

Revenue growth

In 2016, the Bank's revenue amounted to Rs 624 million and was up of 3% from the level in 2015, on account of a higher net interest income in 2016. In the same vein, the contribution of the net interest income to revenue increased significantly, from 70% to 75% for the year ended 31 December 2016.

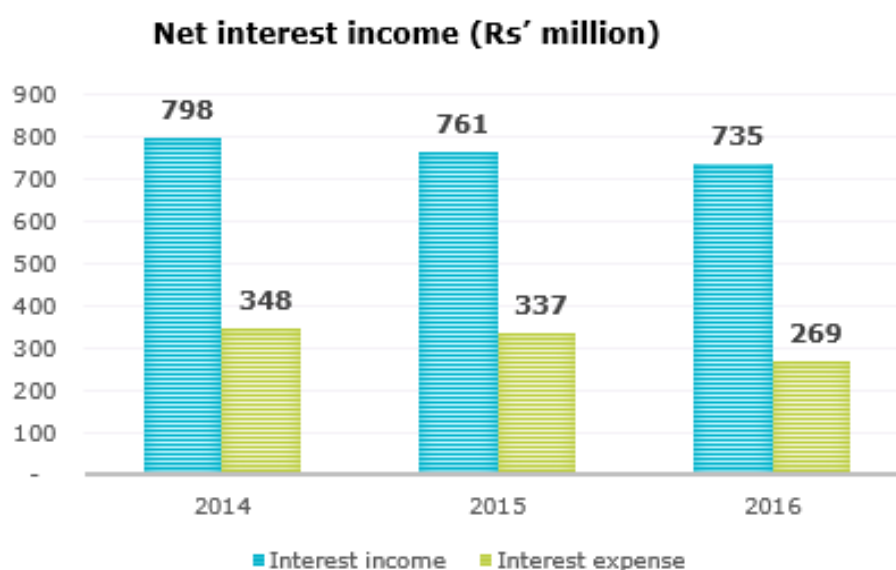


MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (continued)

Net interest income

With a slowdown evolution in the loans and advances book in the face of subdued market conditions and intense competition, the interest income decreased marginally by 3% to reach the level of Rs 735 million for the year under review, against Rs 761 million in 2015. On the other hand, interest expenses declined by 20% to Rs 269 million, owing to relatively lower interest rates on average and a reduction in the deposit book. As a result, net interest income rose by 10% to reach Rs 466 million for the financial year 2016. On overall, the ratio for net interest income to average assets was maintained at some 2.1%.



Non-interest income

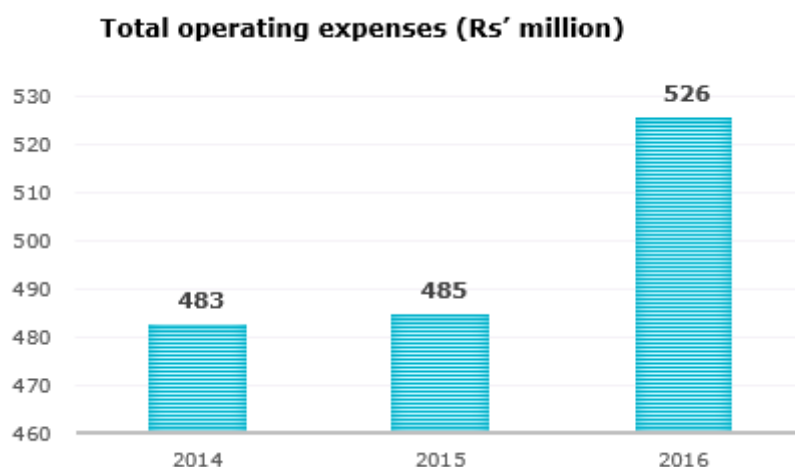
Non-interest income comprising fees, trading income and other revenues decreased by 13% to reach Rs 158 million in financial year 2016, and constituted 25% of the revenue of the Bank. Despite a low operating costs on cards, net fee & commission income declined by 18% to attain Rs 78 million during the period under review. This outcome were adversely affected by low trade finance activities and a fall in guarantees fees. Similarly, the other income went down mostly due to lower profit on exchange in 2016. Indeed, the net trading income has been undermined by generally unfavourable conditions and stiff competition in foreign exchange market.

MANAGEMENT DISCUSSION AND ANALYSIS

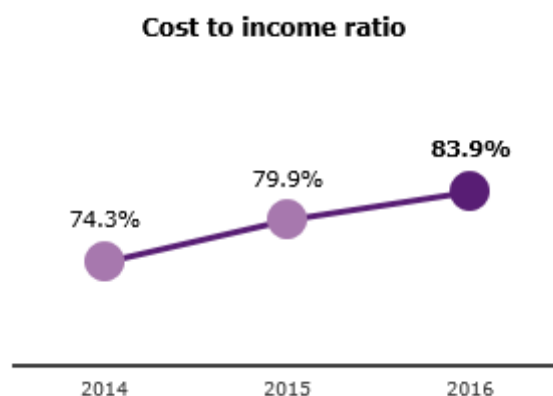
III. Financial Review (continued)

Cost control

The Bank continued to focus on reducing operating costs besides ensuring improvement in operations and productivity. Due to the implementation of the new core banking system in 2016, operating expenses grew by a reasonable rate of 8% to reach Rs 526 million for the period under review. On the other hand, the other expenses (including personnel and operating lease expenses) went up at moderate pace of 3% to reach Rs 474 million for the year ended 31 December 2016, reflective the effective cost management.



Considering the restrained evolution of revenue and the rise in operating expenses, the cost to income ratio of the bank worsened to attain 84.2% in 2016, against 79.9% in 2015.



Impairment charges

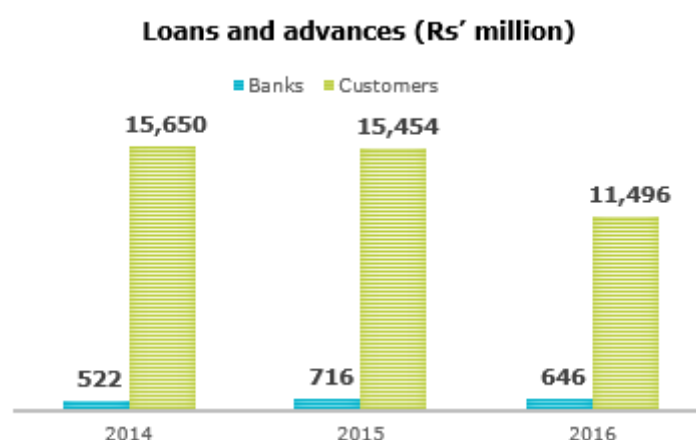
As a result of a substantial decline in the portfolio provision related to business volumes of the segment B, allowance for credit impairment, which includes movements in both specific and portfolio provisioning recorded a significant fall of 48% to stand at Rs 41 million as at 31 December 2016. Hence, this latter figure represents 0.3% of the loans portfolio for the year ending December 2016, against 0.4% in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (continued)

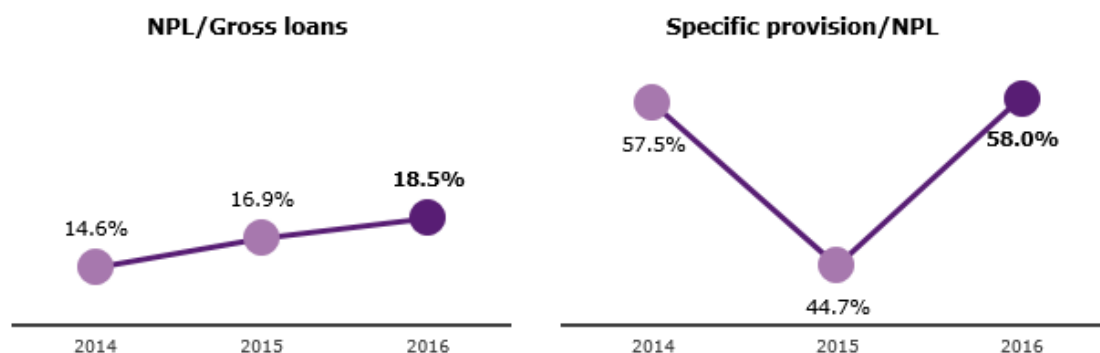
Loans and advances

Reflective the challenging economic conditions along with heightened competition prevailing in the market, the loans and advances portfolio of the Bank recorded a fall of 25% to stand at Rs 12.1 billion as at December 2016. On the domestic front, Segment A loans and advances decreased by around 14%, supported by a growth of around 10% within the retail segment partially offset by an underperformance of the corporate segment. For its part, credit to corporate segment declined significantly by 20% in line with the restrained private investment level and a successful exit strategy on NPL. As regards to loans and advances at segment B level, a drastic fall of 43% was registered, due to a prudent portfolio management in order to mitigate risk in accordance with the Group risk policy.



Asset quality

The Bank's non-performing loans stood at Rs 2.4 billion as at 31 December 2016, representing a fall of 19% compared to last financial year. Concerning, the ratio of non-performing assets to gross loans, the latter has risen to 18.5% in 2016, up from 16.9% last year on the back of a contraction in the loans and advances book. On the other hand, the cover ratio of NPLs currently stands at 58.0%, against 44.7% in 2015.



Investment securities

As at 31 December 2016, investment securities of the Bank stood at Rs 1.7 billion, depicting a year on year growth of 21%. The ratio investment securities to total deposits in MUR stood at 27% in 2016, indicating a comfortable situation in case of liquidity crisis. Of note, the Bank continue to adopt a policy whereby any excess of funds in MUR is invested in Government and Bank of Mauritius treasury bills and bonds.

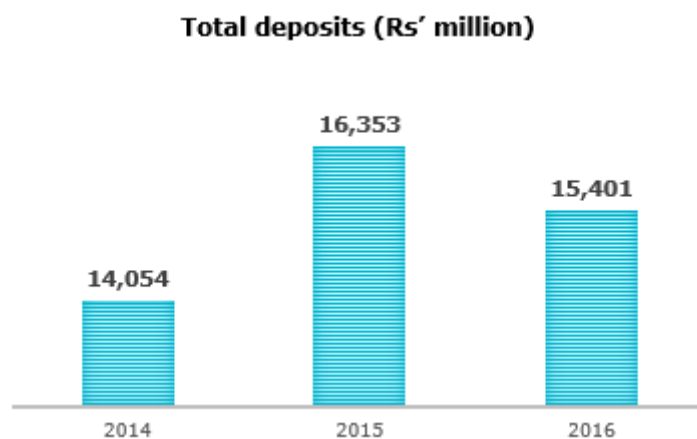
MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (continued)

Sources of funding

Deposits

The total deposits of the Bank posted a decline of 6% to attain Rs 15.4 billion as at 31 December 2016, on account of a relatively low interest rate environment and an efficient management of liquidity.



Borrowings

The Bank's borrowed funds consist of interbank and intra group borrowings which are mainly in foreign currencies. As at 31 December 2016, borrowings recorded a substantial growth of 23% to reach Rs 4.1 billion.

On the other hand, the Bank is continuously aiming towards funding growth in a sustainable and responsible manner, thus lessening its reliance on interbank borrowing to finance its foreign currency loans. Per se, the Bank is deploying adequate resources to develop its foreign currency deposits base to fund its foreign currency loans & advances.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report

Introduction

The role of the risk management function is to identify, assess and manage the risks to which the Bank is exposed, with a view to improving the risk-return profile of its activities while upholding an environment conducive to attracting and promoting business opportunities. The aim is to enhance stakeholders' confidence with respect to the Bank's management of current and potential sources of risks through adequate internal control mechanisms, up-to-date and comprehensive risk policies, adherence to legal and regulatory requirements and reliable decision making support.

The Bank's and Group's approach to managing risk is set out in the risk and compliance framework and policies, approved by the Risk Management committee. The framework has two components:

- governance committees; and
- governance documents.

Governance committees are in place at both board and management level. They have clearly defined mandates and delegated authorities which are reviewed regularly. Board subcommittees responsible for the oversight of various aspects of risk are the Audit Committee, the Risk Management Committee and the Corporate Governance Committee. The management committees responsible for the oversight of risk are the Credit Committee, Watchlist Committee, Non-Performing Loans Review & Provisioning Committee, Arrears Committee, Risk Management Committee, Internal Control Committee, Assets and Liabilities Committee, Compliance Committee and Organisation & Information System Committee.

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

The Group uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks. The first line of defence is made up of the management of business lines as the originators of risk. The second line of defence functions provide independent oversight of risks by the Risk Management Division. They support management in ensuring that their specific risks are effectively managed as close to the source as possible. The risk management functions, report to the Group Chief Risk Officer. Internal audit is the third line of defence and reports to and operates under a mandate from the Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective assurance. It has the authority to independently determine the scope and extent of work to be performed.

Risk Governance Structure

The Board of Directors is ultimately responsible for defining business strategies. They are ultimately the reliability and integrity of the risk management process. The Board oversees the risk management activities of the Bank directly and indirectly, via sub committees which have been delegated responsibility for closer scrutiny of risk management process. The composition and functions of these committees are described in the Corporate Governance Report.

Risk Management Framework

The risk management framework defines the roles and responsibilities as well as the reporting lines for its different business units. Alongside ensuring adherence to regulatory norms, the structure aims at safeguarding the Group's and Bank's assets and promoting the deployment of its strategic orientations in an effective manner. The delegation of authority, control processes and operational procedures are accordingly documented and disseminated to staff at different levels.

- The Group and the Bank operate within a clearly defined risk policy and risk control framework to achieve financial strength and sustainable growth.
- The Group's and Bank's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for their actions and their incentives are aligned with the overall business objectives.
- Dedicated specialised units within Risk Management, as well as internal auditors, monitor the Bank's risk-taking activities.
- Risk transparency, knowledge sharing and responsiveness to change are integral to the risk control process.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

Risk Management Structure

The risk management organisational structure consists of a top down approach whereby the risk appetite of the Group and the Bank is set by the Board of Directors in line with its business strategy, taking into account the business strategies, objectives and plans. The Board, assisted by its committees has oversight responsibilities in relation to risk management, adherence to internal policies and compliance with the prudential, regulatory and legal requirements. The roles of the Board and its committees are described in detail in the Corporate Governance Report.

The management committees are chaired by the Chief Executive Officer and comprise of the Director Risk and Compliance and other executive management as members. The enterprise-wide risk profile and portfolio appetite are discussed at the respective management committees. The Director Risk and Compliance reports to the Chief Executive with direct access to the Chairman, the Audit Committee and the Risk Management Committee.

The Board Committees with oversight on Risk Management are:

- Audit Committee;
- Risk Management Committee;
- Conduct Review Committee; and
- Remuneration & Nomination Committee.

The Management Committees with oversight on Risk Management are:

- Credit Committee;
- Watchlist Committee;
- Non-Performing Loan review and Provisioning Committee;
- Arrears Committee;
- Risk Management Committee;
- Internal Control Committee;
- Assets and Liabilities Committee;
- Treasury Committee;
- Compliance Committee;
- Business Development Committee (in respect of New Products); and
- Organisation & Information System Committee.

Enterprise-wide Risk Policy

The Bank is directly regulated by the Bank of Mauritius and falls under the consolidated supervision of the European Central Bank through its French Parents, BPCE IOM and BPCE. BM Madagascar, the Bank's subsidiary, falls under the consolidated supervision of the Bank of Mauritius. In line with international banking practice and regulatory requirements, whenever there are different requirements under the different regulators, the stricter requirement must be complied with.

The Bank's Risk Policy, as approved by the Risk Management Committee, follows the above mentioned principle. It incorporates all the requirements of the BPCE IOM's Risk Policy as well as requirements of the Bank of Mauritius legislations and guidelines. The Risk Policy covers, inter alia:

- The Risk Management Framework and Structure, detailing the main functions of Risk Department;
- The Credit Risk Policy, detailing:
 - The Credit initiation, evaluation and approval process;
 - The delegated authorities in terms of credit approval;
 - The limit of exposures by types of facilities, by sector, by country, by rating, by counterparty, and by currency; and
 - The main guidelines in respect of credit impairment monitoring, management and recovery.
- The Governance Structure and Terms of Reference for the various risk management committees;
- The Operational Risk Policy; and
- The Market Risk Policy (Liquidity and Interest Rate Risk).

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

A. Credit Risk

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk and concentration risk. Amongst the risks faced by the Group and the Bank, credit risk generates the largest regulatory capital requirement. The approved regulatory approach for Credit Risk is the Standardised Approach.

The Board has ultimate control and oversight of the credit risk policies, which are subject to review on an annual basis. The policies are designed to provide effective internal control within the Bank.

Any developments in the customers' financial situation are closely monitored by the Bank, thus enabling it to assess whether the basis for granting the credit facility has changed. Credit facilities are generally granted on the basis of an understanding of customers' individual financial circumstances, cash flows, assessments of market conditions and security procedures. The facilities should match the customers' creditworthiness, capital position and assets to a reasonable degree and customers should be able to substantiate their repayment ability. In order to reduce credit risk, the Bank generally requires collateral that corresponds to the risk for the product segment.

Credit Risk Management

The enterprise-wide credit risk policy, approved and reviewed by the Risk Management Committee, sets forth the principles by which the Bank conducts its credit risk management activities. The credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsive decision-making and customer services.

The process for each division is tailored to the risk profile and service requirements of its customers and product portfolio. Key parameters, associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance. The credit appraisal and measurement process, leading to approval/rejection, is segregated from loan origination in order to maintain the independence and integrity of credit decision making and to continue to effectively build-up quality assets.

Credit Risk Management Process

The effective management of credit risk requires the establishment of an appropriate credit risk process.

Credit Origination

Credit origination is undertaken by the Front Office / Relationship Manager. Credit Origination involves:

- An operational evaluation of Credit request, to include details on the deal and rationale for financing, details on client's background, client base and products base and markets, details of the key business risks and a review MCIB and search report.

Credit Evaluation

The Credit Evaluation division is independent of the Front Office functions. Credit Evaluation involves:

- Risk Rating of the underlying prospective borrower. The Bank has implemented the BPCE IOM's Grading Model, the Outil de Notation International [ONI] for the risk grading of corporate clients. With respect to retail clients, an internally developed scorecard is used.
- Evaluation of the credit request taking into consideration the quantitative and qualitative information on the counterparty and analysing the inherent risks. The evaluation exercise also look at the resulting risks, after mitigating factors, for example security taking.
- Assessing the Risk/Return relationship, through the use of an internally developed « ROE model ».
- Reviewing and analysing compliance with limits as set by the Bank and / or regulators.

MANAGEMENT DISCUSSION AND ANALYSIS**IV. Risk Management Report (Continued)****A. Credit Risk (continued)*****Credit Approval***

Credit approval authority is delegated within a structure that is tiered according to the counterparty rating, exposure and credit risk type. The local credit committee has comprehensive mandates and delegated authorities, as delegated by the Board and set out in our Risk Policy. Requests outside the delegation of the local Credit Committee are submitted for approval to the Parent Company's Credit Committee.

Credit Risk Control and Monitoring

The role of the Risk Division, independent from the Credit Risk Evaluation, is as follows:

- To monitor credit risk (review of warning signals, impairment, unauthorised overdraft, financial difficulties, watchlist monitoring);
- To monitor compliance with risk policy and the regulatory guidelines;
- To monitor compliance with limits approved as well as with the terms and conditions of approval; and
- To monitor on-going compliance, after the disbursement of funds.

It is noted that periodic reviews are scheduled for the continuous assessment of all counterparties. This is complemented by the reviews undertaken at the Watch List Committee, for higher risk counterparties.

Impairment and Provisioning

Loans and advances are analysed and categorised based on credit quality using the following definitions.

- Performing loans - Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions.
- Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.
- Non-performing loans - Non-performing loans are those loans for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more. Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.
- Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows.

All non-performing loans are individually assessed for impairment and impairment provisions are recognised in line with International Accounting Standards and Bank of Mauritius guidelines.

The Governance Committee relating to impairment and provisioning is the Non-Performing Loan review and Provisioning Committee. The committee reviews all "loans with arrears" and evaluates and approves:

- The strategy for recovery; and
- The fair value of the loan and hence the required level of specific provisions.

Key indicators (Group)	2016	2015	2014
Gross loans and advances (Rs billion)	13.5	16.9	17.2
Non-performing loans ratio	18.6%	16.9%	14.6%
Provision coverage ratio	57.7%	44.5%	57.5%

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

A. Credit Risk (continued)

Credit Risk Concentration

The Group and the Bank maintain a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and countries.

The Bank of Mauritius Guidelines on Credit Concentration (revised August 2015) restricts the granting of credit facilities to non-financial institutions and other related parties, to:

- a maximum exposure (in MUR) to any single customer of 25% and to related Group of companies to 40% of the Bank's capital base.
- a maximum exposure (in foreign currency) to any single customer of 50% and to related Group of companies to 75% of the Bank's capital base.

In aggregate, any individual exposure of 15% above the Bank's capital base shall not exceed 800% of its capital base.

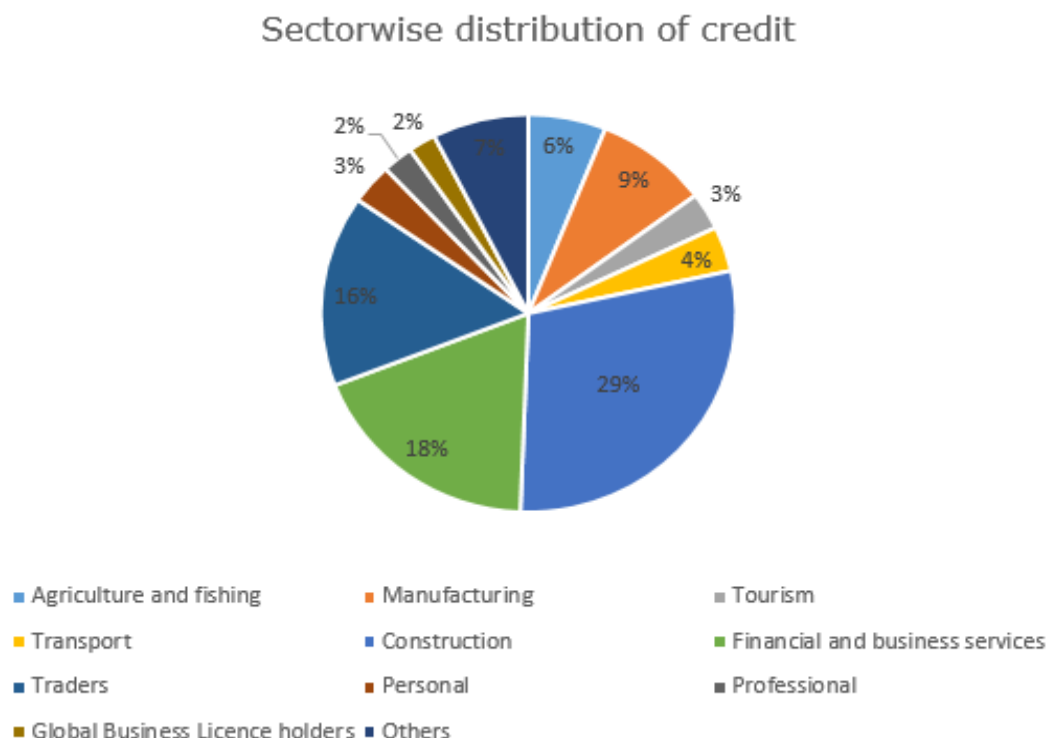
Large Credit Exposure

The Bank has always kept its large exposures within the regulatory limits.

As at 31 December 2016, the concentration ratio of large exposures above 15% before applicable set off was 460%, well within the regulatory limit of 800%. After set off, the aggregate exposure under large exposure was 427%.

Sectorwise Distribution of Risks

The sectorwise distribution of credit of the Bank is as per shown below:



MANAGEMENT DISCUSSION AND ANALYSIS

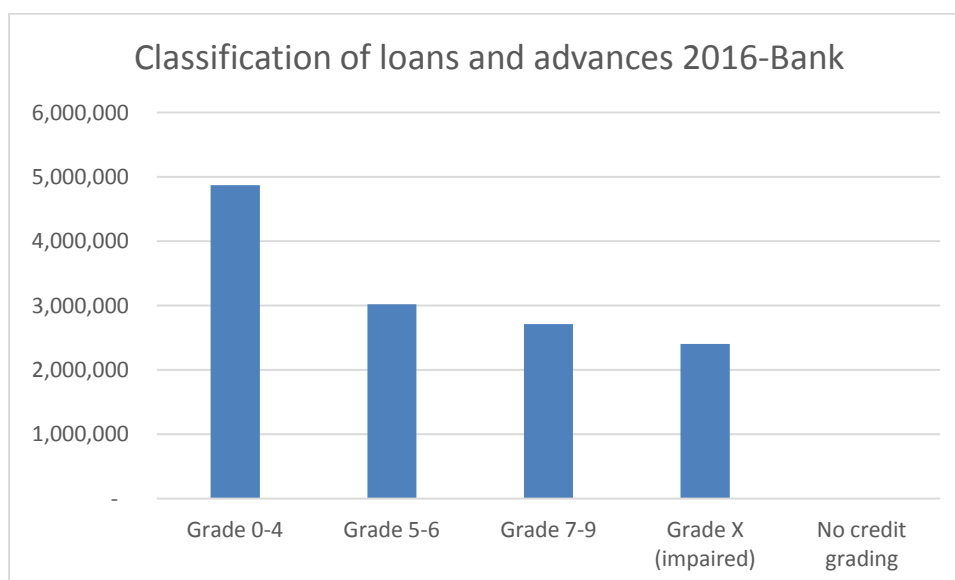
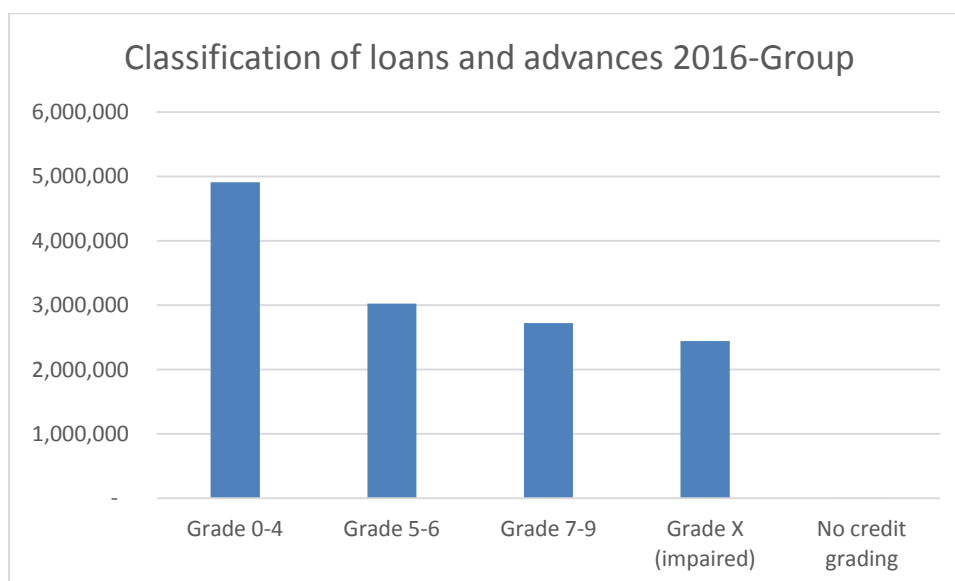
IV. Risk Management Report (Continued)

A. Credit Risk (continued)

Credit Quality

The Group's and Bank's Risk Management framework include the risk grading of all credit counterparties.

- For the Corporate customers (Domestic and International customers), the Bank uses the BPCE's rating model ONI (Outil de Notation International). The model uses qualitative as well as quantitative information to rate counterparties, with a rating scale of 0 to 9. The lowest risk is rated 0 and highest risk 9. All impaired counterparties are rated X.



Credit Risk Mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit Risk policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

Irrespective of Credit Risk mitigants used, all decisions are based upon the customer or counterparty's credit profile, cash flow performance and ability to repay.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

A. Credit Risk (continued)

Credit Risk Mitigation (continued)

The main types of collateral taken are:

- mortgage bonds over residential, commercial and industrial properties;
- cession of book debts;
- charge over plant and equipment and other assets; and
- guarantees and pledge over financial instruments such as debt securities, equities and bank deposits.

Credit Risk – Focus 2017

The Group and the Bank will continue to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated economic conditions and risk appetite. Focus will continue to be placed on standardising credit risk methodologies and processes across the Group, and on enhancing stress-testing practices. BM will enhance its controls over the correct guarantees roll over (ie. Building insurance) and will develop in house rating models.

B. Country Risk

Country risk, also referred to as cross-border transfer risk, is the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfil its obligations to the Group due to political or economic conditions in the host country. There are no regulatory capital requirements for country risk. Country risk is, however, incorporated into regulatory capital for credit in the standardised approaches through the country risk ratings / credit grades.

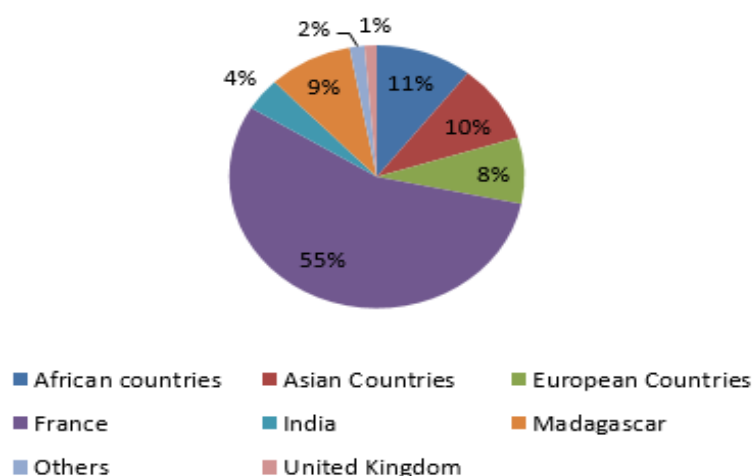
All countries to which the Group and the Bank are exposed are reviewed at least annually. BPCE IOM's internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the Group's network of operations, country visits and external information sources. These ratings are also a key input into the Group's credit rating models, with credit loan conditions and covenants linked to country risk events.

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

- political and commercial risk insurance;
- co-financing with multilateral institutions;
- co-financing with prime banks or investors; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

The distribution of exposure by country other than Mauritius is provided in the following pie chart.

The distribution of exposure by country other than Mauritius



MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

B. Country Risk (continued)

Country Risk - Focus areas for 2017

Country risk appetite and the mitigation of country specific risks will be proactively managed in response to the challenging global economic and political risk environment. During year 2017, the Indian and Chinese risk will be especially monitored (by monitoring our syndications portfolio including calls and meetings with Natixis specialists).

C. Market Risk

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

The Group's key market risks are:

- foreign currency risk;
- Interest Rate in the Trading Book; and
- Interest Rate on the Banking Book.

The governance committees overseeing market risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee. The Board is ultimately responsible for setting risk appetite in respect of market risk, in compliance with the prudential guidelines set by the Bank of Mauritius. Operating within this framework, the Asset & Liability Management Committee and Treasury Committee review and take decisions with regards to the overall mix of assets and liabilities within the balance sheet. The committees set and review liability allocation objectives and targets to sustain both the diversification and growth of the Bank's balance sheet and income statement from a funding, market and profitability perspective, while taking into account the changing economic and competitive landscapes. The Asset & Liability Management Committee, which meets on a quarterly basis under the chairmanship of the Chief Executive Officer, is attended by the Director Risk and Compliance, Chief Financial Officer and the business unit heads. Furthermore, under the Risk Division, the Market Risk acts as the primary risk control and risk-monitoring function related to market risk activities, including counterparty credit and operational risk arising from market risk activities.

The framework of policies, principles and main functional responsibilities in relation to the management of market risk at the Bank is established as per the Risk Policy, as approved by the Board reviewed periodically.

Market risk is controlled primarily through a series of limits, whether set internally by management in the context of the market environment and business strategy and/or set by regulators. In setting limits, the Bank takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Bank maintains different levels of limits:

- Dealers' limits - Dealers operate within limits approved and are tightly monitored by Back Office. Sign-off from delegated signatories ahead of a deal that triggers their dealing limits are required.
- Counterparty limits - Exposure is determined according to the nature of the contract and its maturity.
- Product limits - Dealers can only transact in products that have been approved. Product limits are tightly monitored at the Treasury Back Office and Risk Division.
- Forex Exposure limits - FX exposure is monitored daily and a report is sent to the Bank of Mauritius every day.

There are no regulatory capital requirements for interest rate risk in the Banking Book or on structural foreign exchange exposures. However, the translation effect on the structural foreign exchange exposure may give rise to capital impairments.

Foreign Currency Risk

The Group's primary exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign currency, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

C. Market Risk (continued)

Foreign Currency Risk (continued)

The currency risk is managed according to existing regulations and guidelines of the regulators. It takes into account naturally offsetting risk positions and manages the residual risk through limit setting. The Group does ordinarily hold open exposures of any significance with respect to the banking book. As per the Bank of Mauritius Guideline on Foreign Currency Exposure, overall currency exposure may not exceed 15% of Tier 1 Capital and single currency limit is set at 10% of Tier 1 Capital. As per the BPCE Group's policy, overall currency exposure may not exceed USD 3 million, which is equivalent to circa 7.5% of the Bank's Tier 1 capital.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

While the Group does not actively take foreign exchange risk in its core deposit taking and lending operations, it services clients' activity in products across foreign exchange and structured FX products and acting as a dealer for corporate and institutional clients does require the management of 'open positions' from foreign exchange transactions with these counterparties. These positions are monitored daily relative to prudential trading limits that have been delegated to dealers by the Board on intra-day and overnight open exposures.

The Bank's net open, either overbought/oversold, position against the Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 31 December 2016, which is in compliance with the Bank of Mauritius requirements.

The sensitivity analysis shows that a 1% unilateral change in the exchange rate of the major currencies would result in an impact of Rs 8.4 million and Rs 8.5 million for the Group's and the Bank's profit respectively.

Interest Rate Risk

Trading book interest rate risk is represented by financial instruments held on the trading book, arising out of normal global markets' trading activity. For the Bank, this relates to the Treasury Bills / Bonds and Government Bills / Notes held in the Trading Book. In 2014, the Bank surrendered its Primary Dealer's license and as a result all financial instruments in 2015 were classified under the Banking Book.

Banking book interest rate risk are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. For the Bank, this risk is further divided into the following sub risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- Yield curve risk: shifts in the yield curve that have adverse effects on the Group's income or underlying economic value.
- Basis risk: price not moving in line with the changing market price, e.g. impact of a portfolio of current account at 0% interest rate on the net interest income further to reduction in the Bank's deposit rates.

Banking book-interest rate risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income). The Bank's approach to managing banking book-interest rate risk is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. The Bank monitors banking book interest rate risk operating under the oversight of Asset & Liabilities Management Committee.

Interest rate risk limits are set in relation to changes in forecast banking book earnings. All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. The interest rate view is formulated, following meetings of the monetary policy committees, or notable market developments.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

C. Market Risk (continued)

Market Risk - Focus areas for 2017

The Bank will focus on monitoring and managing the market risk and associated hedges in the context of current market volatility and monetary policy expectations.

D. Liquidity Risk

Liquidity risk is the risk that the Group cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due.

The nature of banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This type of event may arise where counterparties, who provide the Group / Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Group and the Bank manages liquidity in accordance with applicable regulations and within its risk appetite. The liquidity risk management governance framework supports the measurement and management of liquidity across the Group / Bank to ensure that payment obligations can be met, under both normal and stressed conditions. Liquidity risk management ensures that the Group and the Bank have the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The governance committees overseeing liquidity risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee. There are no regulatory capital requirements for liquidity risk.

The Group's liquidity risk management framework differentiates between:

- Tactical (shorter-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by Treasury Committee.
- Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

Structural liquidity mismatch

Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Group's defined liquidity risk thresholds. Expected aggregate cash outflows are subtracted from expected aggregate cash inflows. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced.

Whilst following a consistent approach to liquidity risk management in respect of the foreign currency component of the balance sheet, specific indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates.

Funding strategy

Funding markets are evaluated on an ongoing basis to ensure appropriate Group funding strategies are executed depending on the market, competitive and regulatory environment. The Group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing loan across the BPCE Group.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

D. Liquidity Risk (continued)

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

A component of the funding strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch limits and guidelines.

Contingency funding plans

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

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Group's funding profiles and liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Group's ability to maintain sufficient liquidity under adverse conditions.

Liquidity buffer

Portfolios of highly marketable liquid securities over and above prudential and regulatory requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within defined limits on the basis of diversification and liquidity.

Liquidity Risk - Focus areas for 2017

Specific focus areas include ensuring the Group is adequately positioned for the Basel III liquidity phase-in requirements. To minimize the importance of a single client to fund its foreign currencies operations.

E. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk subtypes are managed and overseen by specialist functions. These subtypes include:

- legal risk;
- compliance risk;
- environmental and social risk;
- business continuity management (BCM);
- technology risk management;
- information risk management;
- financial crime control; and
- occupational health and safety.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The Group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The operational risk management function is independent from business line management and is part of the second line of defence. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business's adoption of the framework, oversight and reporting, as well as for challenging the risk profile. The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions. This is effected through the "Incident Reporting Mechanism" and the "Business Process Analysis". These teams work alongside their business areas and facilitate the adoption of the operational risk governance framework.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

E. Operational Risk (continued)

As part of the second line of defence they also monitor and challenge the business units' and enabling functions' management of their operational risk profile.

Incident Reporting - The operational risk function has set up an incident reporting process which contributes to reinforce visibility and understanding of the Group's overall operational risk profile. This process plays a catalytic role in embedding operational risk management practices in the day-to-day business activities. The operational risk incident reporting serves to report, track and escalate operational risk issues within the Group and supports decision making and timely resolution. All staff members are expected to report any operational risks, incidents, losses or near misses that they have knowledge of.

The operational risk function verifies that the incident and loss data reports are comprehensively documented for recording and analysis of the root cause of losses and incidents. Depending on the results of the analysis, corrective or preventive measures are taken to reduce the exposure to the inherent operational risk and hence improve controls. All significant incidents are reported periodically to the Risk Management Committee. Operational risk reports include mitigation strategies and improvement actions put in place to avoid recurrence of such operational loss events.

Business Process Analysis - Through Operational Risk Management, and the use of the tool PARO, the Group assesses and manages its exposures to operational risk, including severity events with a low probability of occurrence, for example fraud. These exposures are measured in a chart, updated regularly. The operational risk map highlights the key risk indicators and the frequency of major incidents which may result in loss or not.

The operational risk management is entrusted to the Risk Department, which should provide a general measurement, monitoring, control and reporting of the Group's risk, particularly those inherent operational risks as recommended for the Internal Capital Adequacy Assessment Process (ICAAP). In these missions, the Department is assisted as necessary by the person responsible for the security of information systems (RSSI).

The "Cartographie des Risques Opérationnels", whose elements are updated regularly, is established by the Risk Department, with the collaboration of organizational units (back-office and network). It is validated and monitored by an Ad Hoc Committee. Objectives and scope of the "Cartographie des Risques Opérationnels" are:

- Identify risk events and processes specific to Banque des Mascareignes Ltée;
- Evaluate the risks;
- Describe the risk control systems and evaluate them in order to assess the net risks (residual);
- Develop the risk management arrangement, particularly for major risks, through action plans;
- Propose a definition of roles and responsibilities of different actors involved in the management device; and
- Validate these definitions and their implementation.

The Group buys insurance to mitigate operational risk. This cover is reviewed on an annual basis. The primary insurance policies in place are the Group crime, professional indemnity, and Group directors' and officers' liability insurance policies.

The primary governance committees overseeing operational risk, including the various subtypes, are:

- Risk Management Committee (Board Committee);
- Audit Committee (Board Committee);
- Compliance Committee;
- Internal Control Committee;
- Organisational and Information System Committee; and
- Risk Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

E. Operational Risk (continued)

The Group applies the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

The Capital Charge for the Bank has been computed as follows:

- Annual gross income: Rs 626 million
- Average gross income over 3 years: Rs 627 million
- Capital charge for operational risk: Rs 94 million

Operational risk subtypes

Legal risk - Legal risk is defined as the exposure to the adverse consequences of judgements or private settlements, including punitive damages resulting from inaccurately drafted contracts, their execution, the absence of written agreements or inadequate agreements. This includes exceeding authority as contained in the contract. The Group has processes and controls in place to manage its legal risks. Failure to manage these risks effectively could result in legal proceedings impacting the Group adversely, both financially and reputational.

Compliance risk - This is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its business activities. This includes the exposure to new laws as well as changes in interpretations of existing laws by appropriate authorities.

The compliance function operates independently of business in terms of its mandate, which is approved annually by the Board and is drawn primarily from the Banking Act. The Group's approach to managing compliance risk is proactive and premised on internationally accepted principles of compliance risk management. Compliance risk management is a core risk management activity, overseen by the Director Risk and Compliance. The Director Risk and Compliance has unrestricted access to the chief executives and to the chairman of the Audit Committee, thereby ensuring the function's independence.

Legislation pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer due diligence, record keeping, staff training and the obligation to detect, prevent and report suspected money laundering and terrorist financing. The Group subscribes to the principles of the Financial Action Task Force, an intergovernmental body that develops and promotes policies to combat money laundering and terrorist financing.

The Group actively manages the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions or with clients that are subject to embargoes or sanctions imposed by competent authorities.

Environmental and social risk - Environmental risk is described as a measure of the potential threats to the environment. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of such degradation. Environmental risk includes risks related to or resulting from climate change, human activities or from natural processes that are disturbed by changes in natural cycles. Social risk is described as risks to people, their livelihoods, health and welfare, socioeconomic development, social cohesion and the ability to adapt to changing circumstances.

Environmental and social risk assessment and management deals with two aspects:

- Risks over which the Group does not have control but which have potential to impact on our operations and those of the Group's clients.
- Risks over which the Group has direct control. These include our immediate direct impact, such as our waste management and the use of energy and water; as well as our broader impact, including risks that occur as a result of our lending or financial services activities.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

E. Operational Risk (continued)

Business continuity management and resilience – Business Continuity Management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of the Group and its stakeholders. The Group BCM framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. The Group's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

Technology risk management - Technology risk encompasses both IT risk and IT change risk. IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Group. It consists of IT-related events and conditions that could potentially impact the business. IT change risk refers to risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability. The Group relies heavily on technology to support complex business processes and handle large volumes of critical information. As a result, a technology failure can have a crippling impact on the Group's brand and reputation. The operational risk IT risk function oversees compliance with the IT risk and IT change risk governance standard.

Information risk management - Information risk encompasses all the challenges that result from the need to control and protect the Group's information. These risks can culminate from accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information. The Group has adopted a risk-based approach to managing information risks. The IOR management function oversees the information security management system, policies and practices across the Group. The execution of these policies and practices is driven through information security officers, within the Risk Division.

Financial crime control - The Group defines financial crime control as the prevention, detection and response to all financial crime to mitigate economic loss, reputational risk and regulatory sanction. Financial crime includes fraud, bribery and corruption and misconduct by staff, customers, suppliers, business partners and stakeholders. The financial crime risk control function forms part of the Compliance function, which reports to the Director Risk and Compliance. As is the case with the other functions within operational risk, financial crime risk management maintains close working relationships with other risk functions, specifically compliance, legal risk and credit risk, and with other Group functions such as information technology, human resources, and finance.

Occupational health and safety - Any risks to the health and safety of employees resulting from hazards in the workplace or potential exposure to occupational illness are managed by the occupational health and safety officer. Training of health and safety officers and employee awareness is an ongoing endeavour.

Managing such risk is becoming an important feature of sound risk management practice in modern financial markets. Through different tools defined by the Group and the appointment of operational risk correspondents, the Group ensures that operational risks are properly identified, assessed, monitored, managed and reported in a structured and consistent manner. Moreover to mitigate operational risk, the Group promotes an organisational structure that emphasises on recruitment of people with high level of ethics and integrity.

The Group has opted to adopt the Basic Indicator Approach for capital charge to operational risk. Periodic review takes place to ensure effective management of operational risk. This includes review of incidents, measures taken and updating of procedures as and when required. All operational risks identified are discussed and reported on a quarterly basis in the Risk Management Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

E. Operational Risk (continued)

Operational Risk – Focus 2017

In addition to the specialist operational subtypes above, the Group also has areas of special focus based on the organisation's evolving needs. These focus areas are still:

- Supporting increased innovation and the use of new technology in the banking industry to provide solutions to customers.
- Compliance with increased scope of monitoring and reporting required by regulators.
- Ensuring robust control over balance sheet substantiation and other key financial controls.
- The 2017 compliance focus areas will be driven by supervisory expectations, international best practice and legislative developments impacting the financial services sector. Training and awareness initiatives will continue to be undertaken to ensure that staff members are aware of their regulatory responsibilities relating to relevant legislation.

In addition to managing the risks arising in the ordinary course of business, the Group has identified the key potential operational risk threats for 2017, which will be addressed within the risk management framework, namely financial crime, cyber security, technology risks, internal controls and regulatory risks.

F. Capital Management

The risk management function is designed to ensure that regulatory requirements are met at all times and that the Group and its subsidiary are capitalised in line with the Group's target ratios, as approved by the board. Key responsibilities are:

- Risk-adjusted performance measurement, and managing the ICAAP and capital planning process, including stress testing.
- Measurement and analysis of regulatory and economic capital, internal and external reporting and implementation of new regulatory requirements.
- Providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.

At the regulatory level, the minimum capital adequacy ratio set by Bank of Mauritius for banks presently stands at 10% of risk weighted assets, with newly-unveiled Basel III rules which come in force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks. Overall, the Group and the Bank are committed to complying with the stipulated thresholds, including capital limits and buffers that will be phased-in in forthcoming years as per the transitional arrangements defined by the Central Bank.

Basel III

Basel III is a new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision in December 2010. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. It proposes many newer capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking sector. The capital standards and new capital buffers will require banks to hold more capital and higher quality of capital than under current Basel II rules. The new leverage and liquidity ratios introduce a non-risk based measure to supplement the risk based minimum capital requirements and measures to ensure that adequate funding is maintained in case of crisis. As per the recommendations, banks are expected to be compliant by 1st January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS**IV. Risk Management Report (Continued)****F Capital Management (continued)****Basel III (continued)**

As part of its action for Basel III implementation, the Bank of Mauritius has issued the following Guidelines:

- Guideline on Scope of Application of Basel III and Eligible Capital (Superseding the 2008 Guidelines on Eligible Capital & Basel II), effective 1st July 2014. The main purpose of the guideline is to set out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework and to formulate the definition of regulatory capital, regulatory adjustments, transitional arrangements, disclosure requirements and capital conservation buffer.
- Guideline for dealing with Domestic Systemically Important Banks, effective 30 June 2014. The main purpose of the guideline is to put in place a reference system for assessing the systemic importance of banks and ensure that the systemically important banks have the capacity to absorb losses through higher capital. Of note, after its assessment, the Bank of Mauritius has identified 5 banks as Domestic Systemically Important Banks. Banque des Mascareignes Ltée has not been identified as a Domestic Systemically Important Bank.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

Objectives of Basel III

Basel III aims to improve the quality of capital, increase capital levels and remove inconsistencies in the definition of capital across jurisdictions. The main objectives are:

Increased quality, quantity and consistency of capital	- Increased focus on CET I. - Increased capital levels.
Increased risk coverage	- Credit valuation adjustment (CVA) for over-the-counter (OTC) derivatives, being the capital charge for potential mark-to-market losses associated with deterioration in counterparty creditworthiness. - Asset value correlation being the increased capital charge on exposures to financial institutions. - Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	- Bank of Mauritius has implemented a 2.5% capital buffer by 2020 to decrease pro-cyclicality. - Build up capital during favourable economic conditions that can be drawn on during times of stress.
Pillar 2a and domestic systemically important bank (D-SIB) buffer	- Additional buffer to be held against systemic risk requirements.
Countercyclical buffer	- Capital buffer deployed by national jurisdictions when system wide risk builds up. - Ensures capital adequacy takes macro-financial environment into account.
Leverage ratio	- Constrain build-up of leverage in the banking sector. The ratio is calculated as tier I qualifying capital/on and off-balance sheet exposures, as defined by the BCBS, and to measure against the nationally SARB prescribed minimum ratio.

MANAGEMENT DISCUSSION AND ANALYSIS.

IV. Risk Management Report (Continued)

F. Capital Management (continued)

Implementation of new capital requirements under Basel III

The below reflects the minimum capital requirements and phase-in periods applicable to banks in Mauritius.

	2015	2016	2017	2018	2019	2020
	(All dates are as of 1 January)					
Minimum CET 1 CAR	6.00%	6.50%	6.50%	6.50%	6.50%	6.50%
Capital Conservation Buffer			0.625%	1.25%	1.875%	2.50%
Minimum CET 1 CAR plus Capital Conservation Buffer	6.00%	6.50%	7.125%	7.75%	8.375%	9.00%
Phase in of deductions from CET 1	50.00%	50.00%	60%	80%	100%	100%
Minimum Tier 1 CAR	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Total CAR	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total CAR Plus Capital Conservation Buffer	10.00%	10.00%	10.625%	11.25%	11.875%	12.50%
Capital instruments that no longer qualify as AT1 capital or Tier 2 capital	Phased out over 10 year horizon beginning 1 July 2014					

Capital Structure

Regulatory capital adequacy is measured through three risk-based ratios:

- CET I: ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.
- Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements.
- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

As at 31 December 2016, the Bank's and Group's capital instruments comprised of only

- Ordinary Shares issued;
- Subordinated Debt availed by the Bank from its holding company (BPCE International).

MANAGEMENT DISCUSSION AND ANALYSIS
IV. Risk Management Report (Continued)
F. Capital Management (continued)

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below. The Bank's and Group's capital structure and capital adequacy ratio are as follows (the components of Capital may be reconciled with the Financial Statements as per notes below):

BASEL III	GROUP		BANK	
	2016	2015	2016	2015
	Rs M	Rs M	Rs M	Rs M
Tier 1 Capital				
Paid up or assigned capital (note 31)	1,944	1,749	1,944	1,749
Statutory reserve	83	83	83	83
Other disclosed free reserves, including undistributed balance in income statement	(145)	(223)	(63)	(121)
Current year's retained profits				
Minority interests	8	12	-	-
Deduct:				
Goodwill (note 23)	(76)	(76)	-	-
Investment in Subsidiary (note 21)	-	-	(95)	(95)
Other Intangible assets (note 23)	(134)	(75)	(134)	(74)
Deferred Tax (note 16)	(176)	(180)	(176)	(178)
CET 1 Capital	1,504	1,290	1,559	1,364
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	1,504	1,290	1,559	1,364
Tier 2 Capital				
Portfolio Provision (note 19)	144	166	143	165
Subordinated debts (note 28)	157	245	157	245
Deduct:				
Investment in Subsidiary (note 21)	-	-	(95)	(95)
Total Tier 2 Capital	301	411	205	315
Total Capital Base	1,805	1,701	1,764	1,679
Risk weighted assets for:				
On-balance sheet assets	11,634	13,986	11,267	13,683
Off-balance sheet exposures	1,396	1,852	1,386	1,848
Operational risk	1,003	963	940	920
Aggregate net open foreign exchange position	8	15	8	15
Total assets held in Trading book	-	-	-	-
TOTAL RISK WEIGHTED ASSETS	14,041	16,816	13,601	16,466
CET 1 Ratio (%)	10.71%	7.67%	11.48%	8.28%
Tier 1 Ratio (%)	10.71%	7.67%	11.48%	8.28%
Total Capital Adequacy Ratio (%)	12.86%	10.12%	12.99%	10.20%

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

F. Capital Management (continued)

Limits and minima applicable

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III, the following limits and minima are applicable, as from 01 January 2016:

- A minimum Core Equity Tier 1 ratio of 6.5%;
- A minimum Tier 1 ratio of 8%; and
- A minimum Capital Adequacy Ratio of 10%.

As at 31 December 2016, the Group and the Bank has complied with all the limits and minimum requirements of the Bank of Mauritius guidelines. The Group and the Bank is well positioned to meet the phase in requirements as per the guidelines.

Risk Weighted Assets for Credit Risk

Risk Weighted On-Balance Sheet Assets	Risk Weight	GROUP		BANK	
		Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
	%	Rs M			
Cash items	0 - 20	151	1	129	-
Claims on Sovereigns	0 - 150	1,836	134	1,746	-
Claims on Central banks	0	1,395	119	1,343	42
Claims on Multilateral development banks	0 - 150	161	81	161	81
Claims on banks	20 - 150	8,059	879	8,056	875
Claims on non-central government public sector entities	0 - 150	-	-	-	-
Claims on corporates	20 - 150	5,538	5,354	5,482	5,271
Claims included in the regulatory retail portfolio	75	188	141	188	141
Claims secured by residential property	35-100	2,979	3,064	2,979	3,064
Claims secured by commercial real estate	100	220	220	220	220
Past due claims	50-150	838	1,119	808	1,079
Other assets	100	522	522	494	494
Total Risk Weighted On-Balance Sheet Assets		21,887	11,634	21,606	11,267

Risk Weighted Off-Balance Sheet Assets	Credit Conversion Factor	Risk Weight	Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
Transaction-related contingent items	50	0-100	816	408	810	405
Trade-related contingencies	20	0-100	477	95	477	95
Other commitments	20	0-100	3,285	885	3,266	878
Foreign exchange contracts	2	100	413	8	413	8
Total Risk Weighted Off-Balance Sheet Assets			4,991	1,396	4,966	1,386

Total Risk Weighted On & Off Balance Sheet Assets	26,878	13,030	26,572	12,653
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MANAGEMENT DISCUSSION AND ANALYSIS

IV. Risk Management Report (Continued)

F. Capital Management (continued)

Supervisory Review Process - Internal Capital Adequacy Assessment Process (ICAAP)

The Group and the Bank are guided by its Internal Capital Adequacy Assessment Process (ICAAP) in determining its capital planning and formulating its risk appetite process. Overall, the purpose of the ICAAP document is to provide an informative description of the methodology and procedures that the Group and the Bank uses to assess and mitigate its risks and to make sure that adequate capital is kept to support its risks beyond the core minimum requirements. It delineates the process through which the Bank assesses the extent to which it holds sufficient capital in order to duly support its business activities.

Specifically, through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets, under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise while financial year risk appetite limits are set by the Board.

Exposures are monitored on a quarterly basis against those limits and reported to the Risk Management Committee. Actually, the ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius Guideline on Supervisory Review Process in April 2010. The document, which is approved by the Board, is reviewed periodically to ensure that the Bank remains well capitalised after considering all material risks. Stress testing is a risk management exercise that forms an integral part of the ICAAP. As part of the Bank's ICAAP, forecasts are made, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational, market risks) and Pillar II risk types (i.e. concentration of risk, liquidity risk, interest rate risk, strategic risks and so on). These assessments are conducted with a view to understanding the sensitivity of the key assumptions of the capital plan to the realisation of plausible stress scenarios and in order to evaluate how the Bank can continue to maintain adequate capital under such scenarios. The overriding aim of the stress testing framework is to ensure that risk management exercises are firmly embedded in the organisation's overall governance culture.

As a subsidiary of Groupe BPCE and benefitting from the implicit and explicit the support of its sole shareholder, BPCE IOM, Banque des Mascareignes Ltée leverages on various tools to raise its capital, as and when needed. Capital may be raised through the issue of Ordinary Shares, Preference Share or Subordinated Debt, in multiple currencies. In addition, the Bank uses various instruments issued by its shareholder to mitigate its Credit Risk, namely through Bank Guarantees, Unfunded Risk Participation and others.

V. Compliance Report

The Compliance Function assesses and ensures that all the Bank's activities comply with the relevant laws, regulations and internal Group's policies and procedures. Compliance reviews are conducted across departments on a regular basis based on which appropriate recommendations are made. Instances of non-compliance and associated risks identified are is duly reported to Senior Management, the Internal Control Committee, the Compliance Committee, Audit Committee and Risk Management Committee of the Board and the Board of Directors. The Compliance Function also supports the activities within the Bank by providing its expertise and advice on in compliance-related matters. On a quarterly basis, a summary of the main points as reported to the quarterly Compliance Committee, is also presented to the Risk Management Committee and the Audit Committee of the Board.

The Governance Committees relating to Compliance related matter are the Internal Control Committee, the Compliance Committee, Audit Committee and Risk Management Committee of the Board and the Board of Directors. The Compliance Function has a matrix reporting line to BPCE IOM Group Compliance.

A Sanction Screening system is in place to enable real time screening of all details contained in incoming and outgoing swift messages. This screening tool and the approved work flow for treatment of flows help to reduce the Bank's risk of being exposed in facilitating payments for sanctioned individuals and organisations blacklisted under the US, EU, OFAC and UNSC lists.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Compliance Report (Continued)

To manage the money laundering risk which the Bank could be exposed to, the Compliance function, through the Money Laundering Reporting Officer tracks and reviews suspicious transactions. Moreover, it is empowered to independently report to the Financial Intelligence Unit ('FIU') any suspicious transactions.

An automated Transaction Monitoring system (NORKOM) is actually in place for the detection of higher risk transactions to guard against money laundering and combat financing of terrorism (CFT) risks.

The Anti-Money Laundering ('AML') framework adopted by the Bank is supported by an automated profiling system (VOR) to enable the KYC profiling of customers through enhanced due diligence, customer identification, screening and customer risk scoring. It also enhances the monitoring and review of customers and their activities and allows the Bank to manage financial crime and regulatory risk more effectively.

The AML Training Programme of the Bank is set up as per below:

- Immediate training for all new recruits;
- AML / CFT e-learning modules;
- At least one annual refresher face to face training is conducted for all staff by the Compliance / Anti Money laundering function;
- Senior Management provides "on the job" AML awareness training to their respective staff; and
- Regular updates / Advisories from the Heads of Risk and Compliance/ Head of Compliance / Anti Money Laundering Reporting Officer.

With the internal procedures and controls in place, the Bank is also continually developing screening methods to detect attempted frauds and prevent losses for all parties involved. As per the instructions issued to senior management and front liners, all attempted frauds are also duly reported to Compliance and Internal Audit teams for onward information to the Bank of Mauritius.

Compliance activity is covered through an Annual Compliance plan, approved by the Compliance Committee and Risk Management Committee, which comprises a schedule and frequency of field reviews of all the areas of regulatory risks. Other activities of the Compliance function are:

- conducting independent investigations for suspicious cases and ensuring that appropriate actions and decisions are taken as well as assisting investigative authorities in conducting investigations;
- conduction specific controls including tellers' transactions following findings made necessitating rapid actions;
- implementation of FATCA (Foreign Account Tax Compliance Act) and coming CRS (Common Reporting Standard);
- by preparing Action Plan document, modifying Account Opening Forms and providing training to Front Liners as well as back office staff;
- assisting and supporting the Bank of Mauritius, Financial Services Commission and external auditors during their audit;
- providing support on new projects of the Bank;
- preparing and circulating to staff of the Bank, action points and summary of changes in existing Legislations and Guidelines and new Legislations and Guidelines. On a quarterly basis, the regulatory changes are also reported to the Control Committee, Compliance Committee, Risk Management Committee and Board Audit Committee;
- assisting other departments in setting up and preparing Policies and Procedures;
- actively participating in Compliance meetings held at the Bank of Mauritius, Mauritius Bankers Association level, FIU's level, and other industry's forum; and
- compliance workshops are organised for Senior Management and Relationship Managers to discuss compliance issues and update them about recent regulatory developments.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Compliance Report (Continued)

Compliance - Focus areas for 2017

The 2017 compliance focus areas will be driven by the 2016 findings and recommendations made to mitigate risks throughout the organisation; supervisory expectations, international best practice and legislative developments impacting the financial services sector.

Enhanced focus has been made on the review of processes and procedures to ensure that they are taking in consideration all the amendments made by regulatory bodies as well as BPCE Group Compliance as well as reviewing documentations to secure adequate and reliable due diligence documents that substantiate the level of business activity of customers.

A key focus will also be on the implementation of the latest Group AML procedures and the revised Guidance Notes on AML/CFT issued by the Bank of Mauritius in January 2017.

VI. Internal audit function and internal control

The Bank has adopted a three-layer control system:

- Line Management – 1st level of Control;
- Compliance review – 2nd level of Control; and
- Internal Audit – 3rd level of Control.

In addition to the above, the Group and the Bank are subject to regular specialised and general Inspection Audit from BPCE Group Internal Audit teams; the latest done in 2015.

Line management remains primarily responsible for establishing appropriate control over their operations, independent periodic assessment of the risks associated, the setting up of appropriate procedures and active walking-of-the job to identify lapses and bring in remedying measures. The Group and the Bank is committed to operate as per best industry practices as far as controls are concerned and to enforce day-to-day application. At the beginning of each financial year, all Executives and staff are assigned a number of appropriate control-related measurable performance indicators which have an equivalent weightage as normal commercial targets.

To safeguard the total independence of Internal Audit, the latter reports directly to the Audit Committee with a dotted line reporting to the CEO for day-to-day matters and the Bank has subscribed to the principle that Internal Audit has unfettered access to all the Bank's records and information. The responsibility for the appointment and dismissal of the Head of Internal Audit remains with the Audit Committee.

Internal Audit implements an annual inventory of all lines of business and operations followed by a risk assessment and risk scoring of each of these entities. Based on this risk assessment, an annual audit plan is drawn up and submitted to the Audit Committee for approval. The calendar of execution of the audits is known only to the CEO and Audit Committee. The Audit Plan is reviewed at each quarterly meeting of the Audit Committee.

The coverage of the Bank's internal audit also includes the Madagascar subsidiary.

The final audit reports provide clearly identifiable examples in support of findings, highlight the risk associated with each finding, and provide concrete remedying recommendations, which together with an implementation date are agreed with line management prior to the issue of the reports. Every finding is allocated a rating depending upon the level of the associated risk. It is to be noted that internal audit will systematically allocate a higher risk rating where findings may be contrary to law or relate to deficient observance of regulatory guidelines. The reports are presented to the Audit Committee and BPCE Group Internal Audit.

Periodically, all departments are required to certify that all previous audit recommendations have been implemented and not allowed to lapse. In addition, Internal Audit carries out checks to ensure such implementation. A report in this respect is presented to the Audit Committee.

CORPORATE GOVERNANCE REPORT

Good corporate governance remains integral to the way the Bank operates. The Bank is committed to operating in a correct, principled and commercially astute manner and staying accountable to its stakeholders. The Bank holds the view that transparency and accountability is essential for the bank to thrive and succeed in the short, medium and long term.

Governance framework

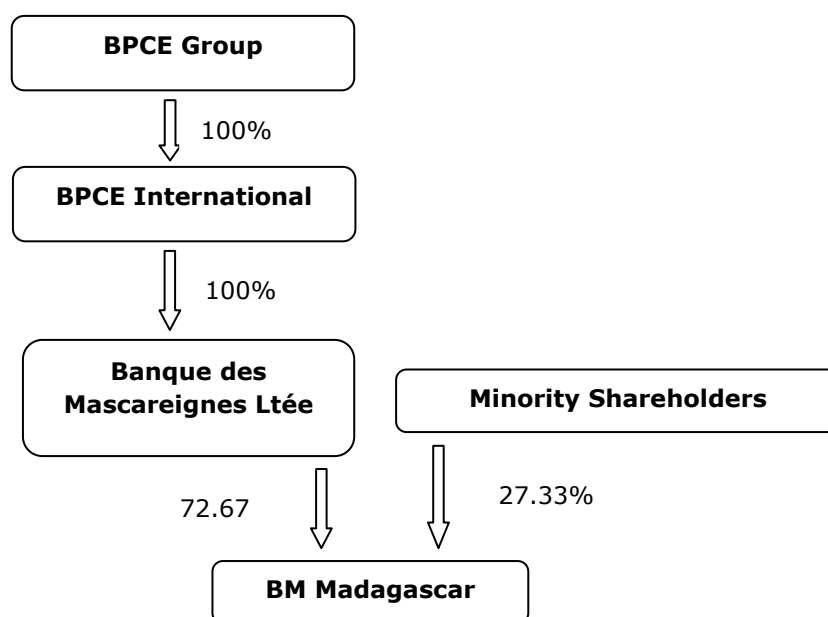
The Bank operates within a clearly defined governance framework. Through this framework, the board balances its role of providing risk oversight and strategic counsel while ensuring adherence to regulatory requirements and risk tolerance. The governance framework provides for delegation of authority while enabling the board to retain effective control. The board delegates authority to relevant board committees and the Chief Executive Officer with clearly defined mandates and authorities, while preserving its accountability.

Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the board reviews regularly. Mandates for each committee set out its role, responsibilities, scope of authority, composition and terms of reference. The committees report to the board through their respective chairmen and minutes of all committee meetings are submitted to the board.

The board delegates authority to the Chief Executive to manage the business and affairs of the Bank. This delegated authority is set out in writing, together with the matters reserved for board decision. The Senior Management Committee and Executive Management Committee assist the Chief Executive in the day-to-day management of the affairs of the Bank, subject to statutory parameters and matters reserved for the board.

Governance structure

The shareholding and Group structure is as follows:



The Governance Framework is as follows:

- Board of Directors
- Board Committees, namely:
 - Audit Committee
 - Risk Management Committee
 - Conduct Review Committee
 - Corporate Governance Committee
 - Remuneration and Nomination Committee

CORPORATE GOVERNANCE REPORT

Governance structure (Continued)

The Governance Framework is as follows: (Continued)

- Management Committees, namely
 - Senior Management Committee (Comité de Direction Générale)
 - Executive Management Committee (Comité Exécutif)
 - Business Development Committee
 - Finance Committee
 - Tariff Committee
 - Assets & Liabilities Management Committee
 - Treasury Committee
 - Credit Committee
 - Non-Performing Loans review and Provisioning Committee
 - Arrears Committee
 - Watchlist Committee
 - Compliance Committee
 - Internal Control Committee (Comité de Cohérence et Conformité)
 - Risk Management Committee
 - Organisation and Information Systems Committee

Board of Directors

The role of the board:

The board provides effective leadership based on an ethical foundation. It strives to balance the interests of the Bank and those of its various stakeholders. It is the highest decision-making body in the Bank and is responsible for the Group's strategic direction. It ensures that strategy is aligned with the Group's values and monitors strategy implementation and performance targets in relation to the agreed risk profile. It is collectively responsible for the long-term success of the Group and is accountable to shareholders for financial and operational performance.

In line with banking regulations, the board decides on the Group's corporate governance and risk management objectives for the year ahead. The relevant governance and risk management committees monitor performance against governance and risk objectives, respectively, and reports are submitted to the board. A self-assessment of board members and board committees was carried out in 2016 to assess their performance .

The board's terms of reference are set out in a written charter, the 'Charte de Bonne Gouvernance d'Entreprise et Règles de Bonne Conduite'. The mandate is reviewed at least annually and complies with the provisions of the Guideline on Corporate Governance, The Companies Act The Banking Act and the Bank's constitution. It sets out the guidelines with regards to:

- composition of the board;
- term of office;
- reporting responsibilities;
- rules of engagement; and
- matters reserved for board decision.

The board's key terms of reference are set out below:

- provide effective leadership based on an ethical foundation;
- approve the strategy and ensure that the Group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders;
- review the corporate governance and risk and capital management processes and ensure that there is an effective risk management process and internal control system;
- delegate relevant authority to the Chief Executive Officer and the Deputy Chief Executive Officer and monitor their performance;

CORPORATE GOVERNANCE REPORT

Board of Directors (continued)

- determine the terms of reference and procedures of all board committees, review the board's and committees' performance annually, and review their reports and minutes;
- ensure that the Audit Committee is effective and independent;
- ensure that an adequate budget and planning process exists, measure performance against budgets and plans, and approve annual budgets;
- consider and approve the annual financial statements and the annual report, results, dividend announcements and notice to shareholders; and
- approve significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances.

Board meetings allow sufficient time for consideration of all items. Care is taken to ensure that the board attends to matters critical to the Group's success, with sufficient attention to compliance and administrative matters.

The Group has a unitary board structure with executive and non-executive directors. The board functions effectively and efficiently and is considered to be of an appropriate size for the Group, taking into account, among other considerations, the need to have sufficient directors to structure board committees appropriately, the regulatory requirements as well as the need to adequately address the board's succession plans. Non-executive directors bring diverse perspectives to board deliberations, and constructive challenging of the views of executive directors and management is encouraged.

The Board members are:

- Non-Executive Directors
Philippe Garsuault (Chairperson)
Alain Merlot
Bernard Fremont
- Independent and Non-Executive Directors
Yvan De La Porte Du Theil
- Executive Directors
Philippe Wattecamps
Matthieu Dabout resigned on 20th August 2016
Cedric Glorieux appointed as at 19th August 2016

The Company Secretary acts as secretary of the Board of Directors.

The roles of the Chairman and Chief Executive Officer continue to be substantively different and separated. The Chairman is a non-executive director responsible for leading the board, ensuring its effective functioning and setting its agenda, in consultation with the Company Secretary and the Chief Executive Officer. The board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The Company Secretary maintains a register of directors' interests.

There is ongoing engagement between executive management and the board. In addition to the executive directors, senior management attend board meetings. External auditors are invited to attend Audit Committee. Directors have unrestricted access to management information, as well as the resources to carry out their duties and responsibilities.

The Audit Committee

In line with the Banking Act 2004 and international best practice, the Audit Committee's principal responsibilities are to:

- review the interim and annual financial statements, summarised financial information, dividend declaration and all financial information and recommend them to the board for approval;
- evaluate the adequacy and effectiveness of the accounting policies and all proposed changes in accounting policies and practices;
- review the basis for determination as a going concern;

CORPORATE GOVERNANCE REPORT

The Audit Committee (continued)

- review the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls;
- review the impact of new financial systems, tax and litigation matters on financial reporting;
- review and approve the Group external audit plan;
- assess the independence and effectiveness of the external auditors on an annual basis;
- oversee the appointment of external auditors, their terms of engagement and fees;
- review significant differences of opinion between external auditors and management;
- review the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensure that management takes appropriate action to satisfactorily resolve issues;
- review, approve and monitor the internal audit plan and charter;
- consider and review the internal auditors' significant findings and management's response;
- evaluate annually the role, independence and effectiveness of the internal audit function in the overall context of the Group's risk management system;
- monitor the maintenance of proper and adequate accounting records and the overall financial and operational environment;
- review reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks;
- review, approve and monitor the compliance plan; and
- monitor compliance with the Companies Act, Banking Act and all other applicable legislations and guidelines.

The Audit Committee is comprised of non-executive directors of the Bank. The Chairman of the Board is not a member of the Audit Committee. The Head of Internal Audit, the External Auditor, the Head of Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Audit Committee.

Members of the Audit Committee are:

- Alain Merlot (Chairperson);
- Bernard Fremont; and
- Yvan de la Porte du Theil

The audit committee meets at least four times in a year.

Risk Management Committee

In line with the requirements of the guidelines of the Bank of Mauritius and the international best practice, the main responsibilities of the Risk Management Committee are to:

- determine the Group's risk appetite;
- monitor the current and future risk profile to ensure that the Group is managed within risk appetite;
- consider and approve the macroeconomic scenarios used for stress testing, and evaluate the results of stress testing;
- approve all risk governance standards, frameworks and relevant policies;
- monitor all risk types;
- approve risk disclosure in published reports;
- review and recommend the ICAAP and internal capital target ratio ranges to the board for approval and monitor the utilisation of capital to make sure that the Bank has, at any time, a capital adequacy ratio corresponding to at least the regulatory minimum requirements;
- review the impact on capital of significant transactions entered into by the Group;
- review and approve the strategy, policies and practices relating to the management of the Bank's liquidity;
- monitor the implementation thereof by putting in place appropriate reporting structures;
- approve the Risk Policy, which sets out the credit granting process and limits; and
- monitor large and impaired credits as well as the overall level of provisioning, that is, overseeing Credit and Risk exposures.

CORPORATE GOVERNANCE REPORT

Risk Management Committee (continued)

The Risk Management Committee is comprised of 3 non-executive directors of the Bank and the Chief Executive Officer. The Chairman of the Board is not a member of the Committee. The Head of Internal Audit, the Head of Risk and Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Risk Management Committee. The Risk Management Committee reports to the Board, through its Chairman.

Members of the Risk Management Committee are:

- Alain Merlot (Chairperson);
- Bernard Fremont;
- Yvan de la Porte du Theil; and
- Philippe Wattecamps.

The Risk Management Committee meets on a quarterly basis.

Conduct Review Committee

In line with the Guidelines of the Bank of Mauritius, the Conduct Review Committee's main responsibilities are to:

- establish the policies and procedures to comply with the requirements of the Guideline on Related Party Transactions;
- review the Bank's transactions with related parties in line with the Conduct Review Policy, ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius;
- review and approve all credit facility with related parties; and
- ensure that transactions which could materially affect the financial stability of the Bank are identified at source and review all related party transactions when said dealings are above 2% of Tier 1 Capital.

The Conduct Review Committee (CRC) consists of three non-executive members, namely:

- Alain Merlot (Chairperson);
- Bernard Fremont; and
- Yvan de la Porte du Theil.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Conduct Review Committee reports to the Board, through its Chairman.

The conduct Review Committee meets at least four times in a year.

Corporate Governance Committee

In line with the Guidelines of the Bank of Mauritius, the Corporate Governance Committee's responsibilities are to:

- deal with all Corporate Governance issues and make recommendation to the Board accordingly;
- ensure that the Bank complies with the Code of Corporate Governance and Corporate Governance Guidelines issued by the Bank of Mauritius;
- ensure that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice; and
- ensure effective communication between stakeholders.

The Corporate Governance Committee consists of three non-executive members, namely:

- Yvan de la Porte du Theil (Chairperson);
- Bernard Fremont; and
- Alain Merlot.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Corporate Governance Committee reports to the Board, through its Chairman.

The Corporate Governance Committee meets at least once a year.

CORPORATE GOVERNANCE REPORT

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive directors. The Committee is responsible for making recommendations to the Board on the appointment of directors and senior executives. The Committee also oversees remuneration and compensation of directors; senior management and other key personnel with a view to attract, retain and motivate them. It reviews periodically compensation levels of the Bank's employees vis-a-vis other banks and the industry in general. The Committee ensures that compensation is consistent with the current market conditions as well as with the Bank's strategy and objectives.

The responsibilities of the Nomination and Remuneration Committee include:

- ascertaining whether the potential directors, chief executive and senior officers are fit and proper persons, have the required skills and expertise, and are free from material conflicts of interest, and ensuring that an induction programme is provided to new directors;
- reviewing the Board structure, size and composition (including balance between independent/non-executive/executive) and the composition of Board Committees;
- reviewing, for submission to the Board, remunerations for directors and executives/senior officers as well as proposals of promotion to the General Management; and
- reviewing the succession plan of senior executives and the list of talents.

The members of the Nomination and Remuneration Committee are:

- Philippe Garsuault (Chairperson);
- Alain Merlot; and
- Yvan de la Porte du Theil.

The Nomination and Remuneration Committee meets at least once a year.

Management Committees

- **The Senior Management Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Executive Director - Business Development, the [Executive Vice President- CIB \(Corporate and International Banking\)](#) and the 'Secrétaire Général'. The Senior Management Committee meets on a weekly basis and considers all matters relating to the Bank's strategy as well as day to day running of the Bank.
- **The Executive Management Committee** under the chairmanship of the Chief Executive Officer comprises of members of the Senior Management Committee and all Heads of Departments, including the Head of Internal Audit. The committee meets on a monthly basis and is responsible for the day-to-day management of the Bank, including risk issues, business development, compliance and IT related issues.
- **The Business Development Committee** is composed of the Executive Director - Business Development, the Head of Treasury, the Head of Information Systems, the Head of Corporate, the Head of Marketing and Business Development, the Head of International Banking, the Head of Retail and the Head of Operations. The committee meets on a monthly basis and is chaired by the Executive Director - Business Development. The main purpose of the Business Development Committee is the review of segmental, commercial and financial results against targets and to decide on marketing strategies.
- **The Assets and Liabilities Management Committee** is chaired by the Chief Executive Officer and includes the Deputy Chief Executive Officer, the Chief Financial Officer, the Director of Risks, and the Head of Treasury. The Committee is overseen by the ALM team of the parent company, BPCE-International. The committee has the authority and responsibility for managing the Bank's assets and liabilities, and the measurement of all market risks associated, based on a static and dynamic simulation of the Bank's balance sheet. Moreover, it ensures that the overall asset/liability and market risk mix are managed effectively and are within Group guidelines. The Committee meets on a quarterly basis.
- **Finance Committee** is chaired by the Chief Executive Officer and includes, the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Treasury and Head of Business Units. The Committee:
 - reviews performance against budgets and approves operational strategies to the Bank's and Group's medium to long term plan; and
 - reviews market intelligence reports and competitor reviews.

CORPORATE GOVERNANCE REPORT

Management Committees (continued)

The committee meets on a monthly basis.

- **Tariff Committee** is chaired by the Chief Executive Officer and includes, the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Treasury and Head of Business Units. The Committee approves changes in pricing, tariffs and charges as well as marketing campaigns.

The Committee meets on a monthly basis.

- **The Credit Committee**, chaired by the Chief Executive Officer or the Deputy Chief Executive Officer, meets at least twice weekly and comprises of the Chief Financial Officer, the Executive Director - Business Development, the [Executive Vice President- CIB \(Corporate and International Banking\)](#), the Heads of business segment and the Director of Risks. Heads of Business units and the credit underwriting team attend the meeting. The committee reviews and recommends and / or approves credit requests within its delegated authority. All requests outside its delegated authority are forwarded for a decision to BPCE International and / or BPCE Credit Committees.
- **The Non-Performing Loan review and provisioning on Bad & Doubtful debts committee** reviews the status on all non-performing loans and approves the level of specific provisions to be provided for each impaired credit. It also assesses and agrees on the recovery strategy of impaired credits. The Committee meets on a monthly basis and is chaired by the Chief Executive Officer. The committee comprises of the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Recovery and members of the Risk Control and Monitoring unit.
- **The Arrears Committee** (Comité des dépassements et impayés) meets on a monthly basis and is an integral part of the risk monitoring system. This committee monitors excesses (unauthorized overdrawn accounts and/or overdrafts with expired limits) and loan arrears. Through monitoring of these credit risks, potential non-performing loans are identified and action plans agreed for implementation. The Committee is chaired by the Chief Executive Officer and the other members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, members of the Risk Control and Monitoring department and the Heads of Business segment.
- **The Watch list Committee** is chaired by the Chief Executive Officer. The responsibilities of the committee is to monitor all exposures, as defined by the Watchlist Policy. This policy adopts a risk based approach to the monitoring of exposures. The Committee meets on a quarterly basis and reports to BPCE International Watchlist Committee. The members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, members of the Risk Control and Monitoring unit, the Head of Internal Audit, and the Head of Business segments attend the meetings.
- **The Compliance Committee** is chaired by the Chief Executive Officer and comprises the Chief Financial Officer, the Executive Director - Business Development, [the Executive Vice President- CIB \(Corporate and International Banking\)](#) the Head of Compliance, the Director of Risks, the Head of internal Audit, the Money Laundering Reporting Officer (MLRO) and all Heads of Departments. The Compliance Committee drives the compliance policy of the Bank and monitors its implementation. The main role of Compliance Committee is to ensure consistency and efficiency of most internal controls within the Bank. The Compliance Committee takes decisions and provides guidance for the solving of major problems relating to internal controls so as to ensure better coordination, effectiveness and efficiency in the activities of the Bank, thereby mitigating intrinsic risks arising from the banking activities. The committee meets on a monthly basis.
- **The Internal Control committee** is chaired by the Chief Executive Officer and comprises of the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the [Executive Vice President- CIB \(Corporate and International Banking\)](#) the Head of Compliance, the Director of Risks, the Head of internal Audit, the Director of Information System and Organisation, the Head of Quality & Projects, the Head of Risks, the Head of Accounting Review and other members who have responsibility for the efficiency and effectiveness of controls in their respective fields. The committee looks at all aspects relating to internal control and non-compliance issues identified in the internal controls system of the Bank so that adequate remedial actions can be taken in a timely manner. The committee meets on a quarterly basis.

CORPORATE GOVERNANCE REPORT

Management Committees (continued)

- **The Risk Management Committee** is chaired by the Chief Executive Officer and the other members are the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, and the Director of Risks. The manager of the Risk Control and Monitoring department, the manager of Underwriting and other management team attend the committee. The primary function of the Risk Management Committee is to monitor the risks of the bank against approved risk appetite, limits and regulatory guidance. The committee meets on a quarterly basis.
- **The Organisation and Information System Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Executive Director - Business Development, the Director of Risks, the Head of Business Development, the Director of Information System and Organisation, the Head of Compliance, the Head of Information System Security and Heads of Departments. The Committee is chaired by the Director of Information System and Organisation. The purpose of the Committee is to have a follow up of projects relating mainly to IT. The committee meets on a monthly basis.
- **The Treasury Committee**, comprising of the Senior Management, meets on a weekly basis, to review the structural liquidity positions (MUR and Foreign Currency). It also provides guidance on deposit rates as well as daily business strategies to improve the Net Interest Income as well as Foreign Exchange Income.

Board of Directors – Composition and Profile of Directors

Board of Directors

Non-Executive Directors

- Philippe Garsuault (Chairperson)
- Alain Merlot
- Bernard Fremont

Independent and Non-Executive Directors

- Yvan De La Porte Du Theil

Executive Directors

- Philippe Wattecamps
- Matthieu Dabout – resigned on 20th August 2016
- Cédric Glorieux –appointed on 19th August 2016

Committees of the Board

Audit Committee

- Alain Merlot (Chairperson)
- Bernard Fremont
- Yvan de la Porte du Theil

Conduct Review Committee

- Alain Merlot (Chairperson)
- Bernard Fremont
- Yvan de la Porte du Theil

Risk Management Committee

- Alain Merlot (Chairperson)
- Bernard Fremont
- Yvan de la Porte du Theil
- Philippe Wattecamps

Corporate Governance Committee

- Yvan de la Porte du Theil (Chairperson)
- Alain Merlot
- Bernard Fremont

CORPORATE GOVERNANCE REPORT

Board of Directors – Composition and Profile of Directors (continued)

Nomination and Remuneration Committee

- Philippe Garsuault (Chairperson)
- Alain Merlot
- Yvan de la Porte du Theil

General Management

Senior Management Committee (Comité de Direction Générale)

- | | |
|---|---|
| - Wattecamps Philippe | Chief Executive Officer |
| - Dabout Matthieu* | Deputy Chief Executive Officer |
| - Glorieux Cédric** | Deputy Chief Executive Officer |
| - D'Angelin Gery Helly | Executive Director- Business Development |
| - Ramlagun Neelmanee | Secrétaire Générale |
| - Ramkelawon Sangeetha*** | Executive Vice President- CIB (Corporate and International Banking) |

Executive Committee

- | | |
|---|---|
| - Benkhaled Hocine**** | Head of Retail Banking |
| - Bernard Franck | Director – Risk and Compliance |
| - Caullee Doodassen | Head of Retail Banking |
| - Chan How Marie Noelle***** | Head of Global Business Banking |
| - Constant Virginie | Head of Human Resources |
| - Dabout Matthieu* | Deputy Chief Executive Officer |
| - Daby Shakil***** | Head of Corporate Banking |
| - Dandjee Nadia | Chief Financial Officer |
| - Domingue Green Stephanie***** | Head of Corporate Banking |
| - Glorieux Cédric** | Deputy Chief Executive Officer |
| - Helly D'Angelin Gery | Executive Director – Business Development |
| - Houbert Valérie***** | Head of Compliance and Internal control |
| - Jahajeeah Avinash | Head of International Banking |
| - Lalanne Bertrand | Director – Information system and Organisation |
| - Letimier Ingrid | Head of Marketing and Business Development |
| - Modeley Patrice | Head of Operations |
| - Ramkelawon Sangeetha*** | Executive Vice President- CIB (Corporate and International Banking) |
| - Ramlagun Neelmanee | Secrétaire Générale |
| - Ramnarayan Sachidanand | Head of Internal Audit (till end of May 2016) |
| - Thomas Alain | Head of Treasury |
| - Wattecamps Philippe | Chief Executive Officer |
| - Wong Sik Tsang Laura | Head of Internal Audit |
| - | |

* left on 31st August 2016

** joined on 1st June 2016

*** joined on 20th June 2016

**** left on 31st January 2016

***** left on 21st April 2016

***** joined on 8th September 2016

***** left on 2nd March 2016

***** joined on 20th June 2016

CORPORATE GOVERNANCE REPORT

Board of Directors – Composition and Profile of Directors (continued)

Directors' profile

The Board consists of 6 members who are experienced professionals with expertise in a variety of fields.

Garsuault Philippe (Chairperson)

Garsuault Philippe, appointed to the Board of the Bank on the 21st of February 2012, is the Chief Executive Officer of BPCE International. He is also the:

- Chairperson and Member of the Board of directors of Banque de Nouvelle Calédonie, Banque des Antilles Françaises, Banque de Saint Pierre et Miquelon, Banque de la Réunion, Banque Tuniso Koweïtienne, Banque de Tahiti, Pramex International Corp, Pramex International S.r.l and BPCE Maroc;
- Vice-Chairman and Member of the Board of directors of Banque Malgache de L'Océan Indien;
- Vice-Chairman and Permanent representative of BPCE International in the Board of directors of Fransabank (France);
- Member of the Board of directors of Banca Carige, Natixis Algerie, Banque Internationale du Cameroun pour l'Épargne et le Crédit and Banque Commerciale Internationale;
- Member of the Supervisory Board of Banque BCP SA and Volksbank Romania SA; and
- Management Director of Natixis Pramexrus SARL.

Merlot Alain

Merlot Alain, appointed to the Board of the Bank on the 30th of March 2012, is the Deputy Chief Executive Officer of BPCE International. He is also:

- Member of the Board of Directors of Banque de la Reunion, Banque Malgache de l'Océan Indien, Ingepar and Océorane; and
- Permanent representative of BPCE International in the Board of Directors of: Banque Nationale de Développement Agricole, Technology Shared Services Africa, Technology Shared Services Pacifique, Technology Shared Services Méditerranée and Technology Shared Services Outre-mer.

Dabout Matthieu – Left on 31/08/2016

Dabout Matthieu, appointed on the 23rd of March 2012 is the Deputy Chief Executive Officer and member of the Board of Directors of Banque des Mascareignes Ltée. He is also Member of the Board of directors of BM Madagascar.

De La Porte Du Theil Yvan

De La Porte Du Theil Yvan, appointed to the Board of the Bank on the 18th of March 2010 is a member of the Board of Directors of BPCE International, Coface Banque Tuniso-Koweïtienne (BTK) and Fransabank (France) and is the Chairman of the Supervisory Board of MA Banque.

Fremont Bernard

Fremont Bernard, appointed to the Board of the Bank, on the 23rd of July 2012, is the Chief Executive Officer of Banque Tuniso-Koweïtienne. He is also:

- Member of the Board of Directors of Banque Malgache de l'Océan Indien; and
- Permanent representative of Banque de la Réunion in the Board of Directors of: Technology Shared Services Outre-mer and Société Anonyme D'Habitations à loyer modéré de la Réunion.

Glorieux Cédric - Deputy Chief Executive Officer

Cédric holds a master with specialization in Finance from ESSEC Business School and holds 11 years of experience in the Banking Sector. Cedric held various positions at BPCE Group, namely, in the field of audit, business development and Finance at Banque Populaire – Paris and Rennes. He was the Executive Director – Business Development at Banque Populaire de L'Ouest, Rennes before joining Banque des Mascareignes Ltée in 2016 as Deputy Chief Executive Officer.

CORPORATE GOVERNANCE REPORT

Profile of the Management Team (continued)

Wattecamps Philippe - Chief Executive Officer

Wattecamps Philippe, appointed to the Board of the Bank in October 2014, is the Chief Executive Officer of the Bank. He is also Director of BM Madagascar, Banque des Antilles Francaises, Pramex International Banca and Carige.

Philippe holds a Masters in Law from Rennes University. Philippe has been working for 27 years in the banking sector. Before joining Banque des Mascareignes, Philippe held the post of Deputy Chief Executive Officer at BPCE International. He also worked at Banque Tuniso-Koweitienne as Deputy Chief Executive Officer and at Banque Populaire de l'Ouest, where he was in charge of Business Development and Credit Underwriting.

Dabout Matthieu - Deputy Chief Executive Officer

Matthieu holds a diploma of EDHEC Business School. Matthieu has been working for 14 years in the retail banking sector. He has worked as an internal auditor and project manager for Groupe CIC in France. He joined Groupe BPCE in 2005 as Deputy Head of Internal Audit for overseas and international subsidiaries. He was posted as Head of Internal Audit for CIH in Morocco in 2010 before joining Banque des Mascareignes Ltée in 2012 as Deputy Chief Executive Officer and Executive Director.

Glorieux Cédric - Deputy Chief Executive Officer

Cédric holds a master with specialization in Finance from ESSEC Business School and holds 11 years of experience in the Banking Sector. Cedric held various positions at BPCE Group, namely, in the field of audit, business development and Finance at Banque Populaire – Paris and Rennes. He was the Executive Director – Business Development at Banque Populaire de L'Ouest, Rennes before joining Banque des Mascareignes Ltée in 2016 as Deputy Chief Executive Officer.

Benkhaled Hocine– Head of Retail Banking

Hocine holds a « Maîtrise en Economie Internationale » from the University of Pantheon-Sorbonne, Paris. Hocine joined the BPCE Group in 1990. He held several positions in the retail banking sector. He joined the international banking sector of the Group in 2008. He was responsible for various retail projects in Algeria, Tunisia and Mauritius. He finally joined Banque des Mascareignes in November 2010.

Bernard Frank– Director, Risk and Compliance

Franck holds a Master degree (DESS) from Paris Dauphine University in Banking and Financial Institutions Management. Franck worked for the BPCE Group, where he held different positions in the field of audit and risks. He also held various positions in audit, risk and compliance, for more than 15 years, in various companies, namely Euronext, Euroclear and HSBC Private Bank. Franck also worked for the French Conseil des Marchés Financiers.

Caullee Doodassen – Head of Retail Banking

Doodassen holds a Master degree with specialisation in Marketing. He has 17 years of experience in the banking sector and he started his career at South East Asia Bank Limited where he worked for 8 years as Front Liner and Branch Manager before joining Barclays Bank PLC as Relationship Manager – Premier Banking. From 2008 to 2012, he worked for Banque des Mascareignes Ltée as Branch Manager and Head of Direct Sales Team and spent two years at Bramer Banking Corporation as Area Manager/ Leader. Doodassen was back in the team of Banque des Mascareignes Ltée in 2012 as 'Animateur Commercial' and in 2016, was promoted as Head of Retail Banking.

Chan How Marie Noelle– Head of Global Business Banking

Marie Noelle holds a Master in Investment Banking from the City University of London. Marie Noelle has 15 years of experience in the banking industry, mainly in the Global Business Banking at Barclays Bank and Standard Bank. Previously, Marie Noelle has also worked for audit/consultancy firms in the corporate finance division.

Constant Virginie– Head of Human Resources

Virginie has 20 years of experience in the banking sector. She started her career at HSBC Mauritius and after 9 years in the operations, she moved to Standard Chartered Bank (Mauritius) Limited as Business Development Manager and Head of Corporate Affairs. After 1 year, she joined Banque des Mascareignes Ltée where she held different positions before being promoted as Head of Human Resources in September 2015.

CORPORATE GOVERNANCE REPORT

Profile of the Management Team (continued)

Daby Shakil - Head of Corporate Banking

Shakil holds a Bsc (Hons) Double Major Law and Management from Middlesex University London, UK. He is undergoing an MSC in International Finance and Banking Law with the University of Liverpool. He worked at AOL Time Warner (UK) as Finance Manager for a year and then came back to Mauritius to join HSBC Mauritius as Bank Officer in 2006. He was promoted as Relationship Manager in 2007 and then as Associate Global Banking in 2011 before joining Banque des Mascareignes Ltée in 2016 as Head of Corporate Banking.

Dandjee Nadia - Chief Financial Officer

Nadia holds a specialisation in Accounting Audit and Consulting at HEC, School of Management. She started her career at Paridoc, France in 1993 in the Finance department and then moved to Deloitte Touche Tohmatsu as Senior Assistant Audit in 1995. She then occupied different management positions at BNP Parisbas in the Finance and IT departments. She joined Harel Mallac Group in 2010 as Operations Manager. She last held the position of Product and Business Development Manager at Harel Mallac Group before joining Banque des Mascareignes Ltée in 2012 as "Responsable – Organisation et Maitrise d'Ouvrage. In 2016, she was promoted as Chief Financial Officer at Banque des Mascareignes Ltée.

Helly D'Angelin Gery- Executive Director - Business Development

Gery holds a Master degree in Finance & Business Administration and is a graduate of 'Institut d'Etudes Politiques'. He started his career as Credit Risk Analyst at Cariplo Banque Paris and then moved to NATIXIS (previously Credit National) where he worked for 20 years in different sectors. Gery joined the management team of Banque des Mascareignes Ltée in 2015.

Dominique – Green Stéphanie – Head of Corporate Banking

Stéphanie is a member of ACCA. She started her career at De Chazal Du Mée in 1996 and moved to Mauritius Commercial Bank in 2008 as Account Executive – Project Finance. She joined State Bank of Mauritius Ltd as Head of Corporate Finance in 2009 and then moved to Currimjee Jeewanjee & Co Ltd in 2011 as Financial Controller. She joined Banque des Mascareignes Ltée in 2015 as Head of Corporate Banking.

Houbert Valérie - Head of compliance and Internal control

Valérie holds a master in Commercial Law and a master II in International Comparative Law and Globalisation and reckons 10 years of experience in the Banking sector. She started her career as Legal and Compliance officer at Standard Chartered Bank (Mauritius) Limited in 2006 and occupied a company Secretarial role for 2 years. She was then promoted as Head of Legal, Compliance and Assurance/ CMLRO/MLRO for 3 years. Valérie was the Head of WB Legal/ Legal Counsel and CMLRO at Standard Chartered Bank (Mauritius) Limited before joining Banque des Mascareignes Ltée in 2016 as Head of compliance and Internal control.

Jahajeeah Avinash - Head of International Banking

Avinash is an Actuarial & Management Sciences graduate of the University of Manitoba, Canada. Avinash has been involved in the field of pension and benefit consulting for 6 years at Mercer (part of the Marsh & McLennan Group) in Calgary and at AON in Montreal, before joining Banque des Mascareignes' International Banking department in February 2005.

Lalanne Bertrand – Director, Information System and Organisation

Bertrand holds a 'Docteur/Ingénieur en Informatique' from the University of Valenciennes. Bertrand has over 30 years of experience in the Information Systems with a specialisation in the finance sector. He has held various positions such as Project Manager, Head of Information Systems and Head of Organisation for more than 24 years. Bertrand joined Groupe BPCE in 2007 and Banque des Mascareignes Ltée in 2013.

Letimier Ingrid – Head of Marketing and Business Development

Ingrid holds a Bachelor Degree with a Double Major in Marketing and in Management. Ingrid has over 15 years' experience in Marketing, Communication and Advertising with a specialisation in the financial sector, through experience acquired at CIM Finance, Mauritius Union Assurance, and Bank One. She first joined Banque des Mascareignes in 2003 as Marketing Manager and in 2007 was appointed Head of Retail and Marketing. She joined Banque des Mascareignes again in February 2013 as Head of Marketing and Business Development.

CORPORATE GOVERNANCE REPORT

Profile of the Management Team (continued)

Modeley Patrice – Head of Operations

Patrice holds a degree in International finance delivered by Chambre de Commerce International of Paris, with specialisation in Trade Finance. Patrice has more than 20 years of experience in the Banking sector of which he has spent almost 10 years as Head of Operations in BNPI, AfrAsia Bank and Banque des Mascareignes.

Ramkelawon Sangeetha – Executive Vice President- CIB (Corporate and International Banking)

Sangeetha holds a degree in Management Studies- International Finance with 13 years of experience in the Banking sector. She started her career as Banking Operations Officer/ Portfolio Manager at International Proximity in year 2000. She then moved to Deutsche Bank (Mauritius) Limited in 2003 as Deputy Head of Banking and was promoted as Assistant Vice President – Head of Institutional and Intermediary Business in 2006. She held the position of Vice President – Head of Banking – Global Transaction Banking before joining Banque des Mascareignes Ltée in 2016 as Executive Vice President- CIB (Corporate and International Banking).

Ramlagun Neelmanee (Varuna) – Secrétaire Générale

Varuna holds a Masters in Management from the University of Surrey. Varuna started her career in the HR field at Air Mauritius Ltd where she worked for 8 years. She then moved to Accenture and Mauritius Union Assurance Ltd subsequently. She has lead the merger between Mauritius Union Assurance Co. Ltd. and La Prudence Mauricienne Ltée on the Human Resources aspect. She joined Banque des Mascareignes Ltée in August 2012 as Head of Human Resources and was promoted as 'Secrétaire Générale' in April 2015.

Ramnarayen Sachidanand – Head of Internal Audit

Sachidanand started his career in an external audit firm where he worked for eight years before joining a local bank as credit analyst, later in the control and monitoring team and finally in the audit team. After eight years in the banking sector, Sachidanand joined Banque des Mascareignes Ltée in July 2008 as Head of Internal Audit.

Thomas Alain – Head of Treasury

Alain has over 30 years of experience in the banking and finance sector of which over 20 years as Head of Treasury. He has worked for 23 years at Banque Nationale de Paris Intercontinentale in several departments, namely: finance, foreign exchange and treasury departments. Alain joined the management team of Banque des Mascareignes Ltée in 2008.

Wong Laura– Head of Internal Audit

Laura holds a "Maîtrise en Sciences Economiques" from the University of Pantheon-Sorbonne, Paris Intercontinentale. Laura has 14 years of experience in the banking sector, having worked for "Banque Nationale de Paris". Laura joined Banque des Mascareignes in 2011 and is heading the Internal Audit department since June 2016..

Board and Committee Attendance

		Board Committee					
		Board of Directors	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Number of meetings held during 2015		4	4	4	4	1	2
Executive	Philippe Wattercamps	4	n/a	n/a	n/a	n/a	n/a
	Matthieu Dabout	3	n/a	n/a	n/a	n/a	n/a
Non Executive	Philippe Garsuault	3	n/a	n/a	n/a	n/a	1
	Alain Merlot	4	4	4	4	1	2
	Bernard Fremont	4	4	4	4	1	n/a
Independent	Yvan De La Porte Du Theil	4	4	4	4	1	2

CORPORATE GOVERNANCE REPORT**Role and responsibilities of the Chief Executive Officer**

The Chief Executive Officer, with the active involvement and overview of the board, is responsible for the strategic direction of the Bank and must, therefore, take the initiative of setting the vision and long and short-term goals. He must ensure that an appropriate strategic planning process is in place and takes the lead in coming up with a proposed strategic plan, including the objectives to be achieved. The board will examine the plan and provide an objective assessment thereof.

In addition, the conduct of business is entrusted to the Chief Executive Officer, who has the responsibility to operate within the risk appetites and policies set by the Board while adhering to regulatory requirements. To this end, various committees involving the Bank's senior officers are in place to support the Chief Executive Officer to deliberate on key issues for informed decision making.

Remuneration of Directors

The non-executive directors (external to the Group) receive a fee for each board meeting or other board committees. The remuneration packages of executive directors are determined based on a number of factors including qualifications, skills, market conditions and responsibility shouldered and is approved by the Remuneration and Nomination Committee.

Remuneration paid to the Directors is as follows:

Rs 000	2016	2015	2014
<i>Executive Directors</i>			
Philippe Wattecamps	16,260	14,399	4,665
Matthieu Dabout	8,366	12,228	9,625
Cédric Glorieux	4,209		
<i>Non-Executive Directors</i>			
Philippe Garsuault	-	-	-
Alain Merlot	-	-	-
Yvan De La Porte du Theil	312	313	313
Bernard Fremont	-	-	-

Material clauses of the Bank's constitution

Some of the main clauses of the Bank's constitution are as follows:

- The duration of the Company is unlimited.
- The Company is a private company limited by shares.
- Pre-emptive rights – Future issue of shares that rank to voting or distribution rights, or both, shall be offered to the holder of shares already issued in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.
- Distributions – The Board may authorise a distribution of dividend by the Bank.
- The Bank may to the extent provided by the provisions of Section 62 of the Companies Act 2001 by special resolution reduce its stated capital to such amount as it thinks fit.
- The minimum number of directors is five and the maximum number of directors is twelve.

Integrated Sustainability Reporting**Statement of Recruitment and Remuneration Philosophy**

The Group's and Bank's recruitment and remuneration philosophy for Management and staff is based on meritocracy and ensures that:

- full protection is provided, at the lower end of the income ladder, against cost of living increases;
- fairness and equity are promoted throughout the organisation; and
- opportunities are given to all employees to benefit from the financial results and development of the Bank.

Indeed, all staff members of the Bank receive an annual bonus based on the performance of the Company as well as their own rated contribution thereto. Generally, the finalisation of remuneration packages is anchored on a range of factors including qualifications, skills scarcity, past performance, potential, market norms, responsibilities shouldered and experience. With a view to attaining appropriate remuneration levels, the Bank is guided by the following considerations:

- general market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive;

CORPORATE GOVERNANCE REPORT

Integrated Sustainability Reporting

Statement of Recruitment and Remuneration Philosophy (continued)

- superior team and Group performance is stimulated and rewarded with strong incentives; and
- remuneration practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals' contribution to the Bank's performance.

The Group and the Bank do not have any Employee Share Scheme nor any Share Options Plans.

Ethics and organisational integrity

The board aims to provide effective and ethical leadership, and ensures that its conduct and that of management is aligned to the Group's values and to the Banking code of ethics. The Group's value and code of ethics are designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles and values.

In ensuring that the Group operates ethically, the board uses the inclusive stakeholder model of governance that considers and promotes the interests of all the Group's stakeholders.

Shareholders' agreement

There is currently no shareholders' agreement between the Bank and its shareholders.

There is a shareholders' agreement between the Bank and its subsidiary, BM Madagascar. The shareholders' agreement describes the terms and conditions of the set-up of the subsidiary as well as future capital injections, governance structures and required technical support from the Bank.

Significant contracts

There is currently no significant contract between third parties with the Bank and its subsidiary.

Management agreements

There is currently no management agreement between third parties with the Bank and its subsidiaries.

Environment

The Bank fully subscribes to and actively supports a Clean Environment Policy. To the extent possible, unnecessary printing is avoided and information and instructions are conveyed through electronic channels.

Health and safety

The Bank is fully committed towards the Health and Safety of its employees and aspires to create a culture whereby the management of risk and prevention of harm is part of everyday business. The Bank recognises that managing Health and Safety risk is a core management activity and an important component of its values.

Social issues

The Bank has fulfilled its Corporate Social Responsibility, by supporting various initiatives during the year. Banque des Mascareignes Ltée believes in the importance of investing in the community especially in the young generations.

Donation

Banque des Mascareignes Ltée supported various associations in their projects during the year review with donations amounting to Rs500,000.-.

Political contributions

No political contribution was made during the year under review.

Going concern

There is no reason to believe that the Bank will not be a going concern in the year ahead.

Dividend policy

The bank has no formal dividend policy. The Board has discretion to consider and declare a dividend pay-out based on capital availability as per the Bank of Mauritius Capital Adequacy Guidelines.

Banque Des Mascareignes Ltée

CORPORATE GOVERNANCE REPORT

External auditors' fees payable

Rs 000	2016	2015	2014
Audit fees payable to auditors	2,350	2,825	2,730

Related party transactions policies and practices

The Bank of Mauritius Guideline on Related Party Transactions, as revised in June 2015, is articulated around three main elements, namely:

- the role of the Board of Directors of a financial institution, its Conduct Review Committee and that of its Senior Management in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions;
- the definition of the different types of related party transactions and the setting out of regulatory limits on credit exposures to related parties; and
- the definition of basic rules for monitoring and regulatory reporting of related party transactions and their disclosure in the Annual Report.

As a general rule, related parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. All transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- loans, finance leases and service agreements;
- giving a guarantee on behalf of a related party;
- making an investment in any securities of a related party;
- deposits and placements; and
- professional service contracts.

The Guideline defines 3 categories of related party transactions for the purpose of regulatory reporting and limits, namely:

- Category 1 - Directors, their close family members and any entity where any of them holds more than a 10% interest; Shareholders owning more than 10% of the financial institution's capital; Directors of any controlling shareholder; and Entities (excluding subsidiaries) where the financial institution holds more than a 10% interest.
- Category 2 - Senior Management, their close family members and any entity where any of them holds more than 10% interest; Senior Management of any controlling shareholder; and Subsidiaries of the financial institution.
- Category 3 - Senior Management, provided their exposures are within the terms and conditions of their employment contract.

Categories 3 above, as well as exposures representing less than 2% of the institution's Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at

- 60% of Tier 1 capital for category 1 and
- 150% thereof for the total of categories 1 and 2.

The Bank adheres to the Guideline on Related Party Transactions. In line with this guideline, the Board of Directors has established a Conduct Review Committee, which meets on a quarterly basis to review all related party transactions, approve Category 1, 2 and 3 related party transactions and monitor compliance with the Guideline. All related party transactions are reported to the

Conduct Review Committee. The related party reporting to the Bank of Mauritius is made on a quarterly basis.

Note 36 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 31 December 2016.

Conduct Review Committee. The related party reporting to the Bank of Mauritius is made on a quarterly basis.

Note 36 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 31 December 2016.

STATEMENT OF COMPLIANCE

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

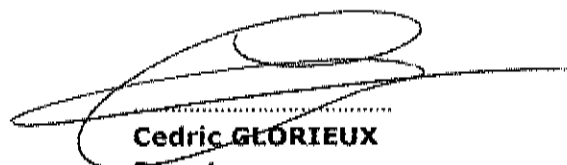
Name of Public Interest Entity: Banque des Mascareignes Ltée

Reporting Period: 31 December 2016

We, the Directors of Banque des Mascareignes Ltée, confirm that to the best of our knowledge:

- the PIE has complied with all sections of the Code, with the exception of
 - section 3.9.1, which requires the PIE to have at least 2 independent directors; and
 - section 3.9.4, which requires the Chairman of the Audit Committee of the Bank to be an independent director.

The reason for non-compliance is that the PIE, as a wholly owned subsidiary of Group BPCE, is allowed by the Regulator, Bank of Mauritius, to have non-executive directors instead of independent directors. The PIE is in compliance with the Banking Act and the Bank of Mauritius guidelines.



Cedric GLORIEUX
Director



Philippe WATTECAMPS
Director

STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Bank's financial statements have been prepared by the directors, who are responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued 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, which is comprised of non-executive directors, oversees the 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 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, KPMG, have full and free access to the management and its committees to discuss the audit and matters arising therefrom, such as, their observations and fairness of financial reporting and the adequacy of internal controls.



Philippe GARSUAULT
Chairperson



Sylvain FAURE
Chairperson, Audit
Committee



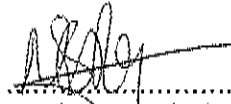
Philippe WATTECAMPS
Chief Executive Officer



Banque des Mascareignes

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of Banque Des Mascareignes Ltée (the "Company"), I hereby confirm that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2016, all such returns as are required of the Company under the Companies Act 2001.



Nashreen ROJOA

Date: 30th March 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BANQUE DES MASCAREIGNES LTÉE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying separate and consolidated financial statements of Banque des Mascareignes Ltée (the "Bank") which comprise the statements of financial position at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes as set out on pages 61 to 133.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of Banque des Mascareignes Ltée at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with the requirements of the Mauritius Companies Act and the Financial Reporting Act.

Basis for Opinion

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

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

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

Responsibilities of Directors and those charged with Governance for the Financial Statements

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

In preparing the separate and consolidated financial statements, directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with, or interests in, the Bank other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

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

Banking Act

In our opinion, the separate and consolidated 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 and the regulations and guidelines of the Bank of Mauritius.

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

Financial Reporting Act

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the requirements of the Code.

In our opinion, the disclosures in the corporate governance report are consistent with the requirements of the Code.

Other matters

The financial statements of the Bank for the year ended 31 December 2015 were audited by another auditor, whose report dated 30 March 2016, expressed an unqualified opinion on those financial statements.

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



Mazars
Port Louis, Mauritius

Date: 10 MAR 2017



Udaysingh Taukoordass, FCA
Licensed by FRC

Banque Des Mascareignes Ltée

Consolidated and separate statements of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Note	2016 Rs 000	Group 2015 Rs 000	2014 Rs 000	2016 Rs 000	Bank 2015 Rs 000	2014 Rs 000
Interest income		757,510	790,022	816,955	735,288	761,486	797,604
Interest expense		(275,500)	(344,782)	(353,286)	(269,347)	(337,450)	(347,734)
Net interest income	8	482,010	445,240	463,669	465,941	424,036	449,870
Fee and commission income		139,295	146,170	153,479	116,753	120,788	136,441
Fee and commission expense		(40,600)	(28,088)	(33,825)	(38,978)	(26,167)	(24,640)
Net fee and commission income	9	98,695	118,082	119,654	77,775	94,621	111,801
Net trading income	10	70,597	88,817	85,648	63,148	76,430	76,746
Net income from other financial instruments at fair value through profit or loss	11	(27,941)	(49)	(8)	(27,941)	(49)	(8)
Other revenue	12	56,976	1,708	967	45,166	11,510	10,915
		198,327	208,558	206,261	158,148	182,512	199,454
Revenue		680,337	653,798	669,930	624,089	606,548	649,324
Personnel expenses	13	(277,180)	(271,983)	(267,644)	(270,636)	(265,200)	(261,972)
Operating lease expenses	14	(48,243)	(50,402)	(45,315)	(43,500)	(45,599)	(40,269)
Depreciation and amortization		(55,744)	(26,490)	(32,880)	(51,124)	(21,812)	(25,820)
Other expenses	15	(199,357)	(175,949)	(172,947)	(160,285)	(152,044)	(154,538)
		(580,524)	(524,824)	(518,786)	(525,545)	(484,655)	(482,599)
Operating profit		99,813	128,974	151,144	98,544	121,893	166,725
Net impairment loss on financial assets	19(c)	(48,565)	(81,901)	(103,495)	(40,551)	(77,426)	(101,316)
Profit before tax		51,248	47,073	47,649	57,993	44,467	65,409
Income tax (expense) / credit	16(i)	(1,040)	(91)	16,460	(70)	1,009	16,607
Profit		50,208	46,982	64,109	57,923	45,476	82,016
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign currency translation differences for foreign operations		(17,599)	(5,097)	34,371	204	(1,670)	1,961
Net change in fair value of available for sale financial assets		12,391	(21,015)	18,145	12,391	(21,015)	18,145
Actuarial (Losses) / Gain		-	(4,341)	1,689	-	(4,341)	1,689
Other comprehensive income		(5,208)	(30,453)	54,205	12,595	(27,026)	21,795
Total comprehensive income		45,000	(16,529)	118,314	70,518	18,450	103,811
Profit attributable to :							
Equity holders		54,764	49,853	69,053			
Non-controlling interests		(4,556)	(2,871)	(4,944)			
Profit		50,208	46,982	64,109			
Total comprehensive income attributable to:							
Equity holders		49,556	19,400	123,258			
Non-controlling interest		(4,556)	(2,871)	(4,944)			
Total comprehensive income		45,000	16,529	118,314			

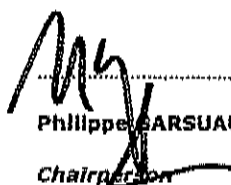
The notes on pages 61 to 133 form an integral part of these consolidated and separate financial statements.

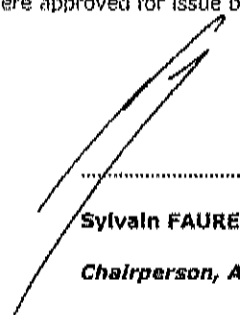
Banque Des Mascareignes Ltée

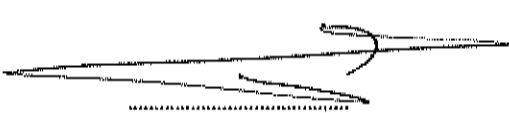
Consolidated and separate statements of financial position As at 31 December 2016

		2016	2015	Group 2014	2016	2015	Bank 2014
	Note	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS							
Cash and cash equivalents	17	6,856,475	3,466,895	1,578,864	6,790,496	3,345,550	1,440,115
Loans and advances to banks	18	645,760	715,800	522,184	645,760	715,800	522,184
Loans and advances to customers	19	11,584,788	15,582,847	15,730,769	11,496,362	15,453,646	15,649,896
Investment securities	20	1,835,894	1,491,030	2,021,590	1,746,350	1,438,119	1,974,772
Investment in subsidiary	21	-	-	-	189,706	190,201	191,896
Property and equipment	22	69,882	46,132	43,703	63,579	44,546	39,253
Goodwill and Intangible assets	23	210,063	151,136	85,170	132,900	73,902	7,445
Deferred tax assets	16 (II)	175,807	179,916	172,843	175,080	178,264	170,243
Other assets	24	920,561	959,985	843,107	900,549	918,656	824,461
Total assets		22,299,200	22,593,741	20,998,230	22,140,782	22,358,684	20,820,265
LIABILITIES							
Deposits from banks	25	1,209	-	474,525	1,209	-	474,525
Deposits from customers	26	15,589,446	16,658,055	13,838,847	15,399,339	16,353,446	13,579,948
Borrowed funds	27	4,117,034	3,339,829	4,015,730	4,117,034	3,339,829	4,015,730
Subordinated liabilities	28	274,283	528,737	509,408	274,283	528,737	509,408
Provisions	29	49,869	18,423	37,228	47,040	17,452	34,384
Current tax liabilities	16 (III)	1,273	274	10,207	1,049	-	10,013
Other liabilities	30	274,642	330,565	413,533	256,106	340,017	435,504
Total liabilities		20,307,756	20,875,883	19,299,478	20,096,060	20,579,481	19,059,512
Equity							
Share capital	31	1,944,015	1,749,016	1,749,016	1,944,015	1,749,016	1,749,016
Retained earnings		(145,250)	(223,399)	(268,911)	(63,374)	(121,299)	(162,434)
Reserves		172,369	177,577	203,689	164,081	151,486	174,171
Total equity attributable to the equity holders of the Bank		1,971,134	1,703,194	1,683,794	2,044,722	1,779,203	1,760,753
Non-controlling interests		20,310	14,664	14,958	-	-	-
Total equity		1,991,444	1,717,858	1,698,752	2,044,722	1,779,203	1,760,753
Total liabilities and equity		22,299,200	22,593,741	20,998,230	22,140,782	22,358,684	20,820,265

These financial statements were approved for issue by the Board of Directors on the 10th March 2016.


Philippe BARSUAULT
Chairperson


Sylvain FAURE
Chairperson, Audit Committee


Philippe WATTECAMPS
Chief Executive Officer

The notes on pages 58 to 125 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Consolidated statement of changes in equity

For the year ended 31 December 2016

Group	Attributable to equity holders of the Bank								
	Share capital Rs 000	Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000	Retained earnings Rs 000	Total Rs 000	Non-controlling interest Rs 000	Total equity Rs 000
Balance at 01 January 2014	1,749,016	83,372	28,709	13,784	25,308	(339,653)	1,560,536	16,272	1,576,808
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	69,053	69,053	(4,944)	64,109
Other comprehensive income for the year	-	-	-	18,145	34,371	1,689	54,205		54,205
Total comprehensive income / (loss) for the year	-	-	-	18,145	34,371	70,742	123,258	(4,944)	118,314
Transactions with owners of the Bank									
Issue of shares	-	-	-	-	-	-	-	3,630	3,630
Total contributions									
Balance at 31 December 2014	1,749,016	83,372	28,709	31,929	59,679	(268,911)	1,683,794	14,958	1,698,752
Balance at 01 January 2015	1,749,016	83,372	28,709	31,929	59,679	(268,911)	1,683,794	14,958	1,698,572
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	49,853	49,853	(2,871)	46,982
Other comprehensive income for the year	-	-	-	(21,015)	(5,097)	(4,341)	(30,453)	-	(30,453)
Total comprehensive income / (loss) for the year				(21,015)	(5,097)	45,512	19,400	(2,871)	16,529
Transactions with owners of the Bank									
Issue of shares	-	-	-	-	-	-	-	2,577	2,577
Balance at 31 December 2015	1,749,016	83,372	28,709	10,914	54,582	(223,399)	1,703,194	14,664	1,717,858

The notes on pages 61 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Consolidated statement of changes in equity

For the year ended 31 December 2016 (continued)

For the year ended 31 December 2016 (continued)									
Group	Attributable to equity holders of the Bank								
	Share capital Rs 000	Reserves				Retained earnings Rs 000	Total Rs 000	Non-controlling interest Rs 000	Total equity Rs 000
		Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000				
Balance at 01 January 2016	1,749,016	83,372	28,709	10,914	54,582	(223,399)	1,703,194	14,664	1,717,858
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	50,208	50,208	(4,556)	45,652
Other comprehensive income for the year	-	-	-	12,391	(17,599)	27,941	22,733	-	22,733
Total comprehensive income / (loss) for the year	-	-	-	12,391	(17,599)	78,149	72,941	(4,556)	68,386
Transactions with owners of the Bank									
Issue of shares	194,999	-	-	-	-	-	194,999	10,202	205,201
Balance at 31 December 2016	1,944,015	83,372	28,709	23,305	36,983	(145,250)	1,971,134	20,310	1,991,444

The notes on pages 61 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Statement of changes in equity

For the year ended 31 December 2016

Bank

	Share capital	Reserves				Retained earnings	Total
	Rs 000	Statutory reserve Rs 000	General banking reserve Rs 000	Fair value reserve Rs 000	Foreign currency translation reserve Rs 000	Rs 000	Rs 000
Balance at 01 January 2014	1,749,016	83,372	28,709	13,784	28,200	(246,139)	1,656,942
Total comprehensive income							
Profit for the year	-	-	-	-	-	82,016	82,016
Other comprehensive loss for the year	-	-	-	18,145	1,961	1,689	21,795
Total comprehensive income/(loss) for the year	-	-	-	18,145	1,961	83,705	103,811
Transactions with owners of the Bank							
Issue of shares							
Total contributions and distributions							
Balance at 31 December 2014	1,749,016	83,372	28,709	31,929	30,161	(162,434)	1,760,753
Balance at 01 January 2015	1,749,016	83,372	28,709	31,929	30,161	(162,434)	1,760,753
Total comprehensive income							
Profit for the year	-	-	-	(21,015)	(1,670)	45,476	45,476
Other comprehensive loss for the year	-	-	-	(21,015)	(1,670)	(4,341)	(27,026)
Total comprehensive income for the year				(21,015)	(1,670)	41,135	18,450
Transactions with owners of the Bank							
Issue of shares	-	-	-	-	-	-	-
Total contributions and distributions	-	-	-	-	-	-	-
At 31 December 2015	1,749,016	83,372	28,709	10,914	28,491	(121,299)	1,779,203
Balance at 01 January 2016	1,749,016	83,372	28,709	10,914	28,491	(121,299)	1,779,203
Total comprehensive income							
Profit for the year	-	-	-	-	-	57,925	57,925
Other comprehensive income for the year	-	-	-	12,391	204	-	12,595
Total comprehensive income for the year	-	-	-	12,391	204	57,925	70,520
Transactions with owners of the Bank							
Issue of shares	194,999	-	-	-	-	-	194,999
Total contributions and distributions	194,999	-	-	-	-	-	194,999
At 31 December 2016	1,944,015	83,372	28,709	23,305	28,695	(63,374)	2,044,722

The notes on pages 61 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Consolidated and separate statements of cash flows For the year ended 31 December 2016

		Group			Bank		
	Note	2016 Rs 000	2015 Rs 000	2014 Rs 000	2016 Rs 000	2015 Rs 000	2014 Rs 000
Cash flows from operating activities							
Profit / (loss) before tax		51,248	47,073	47,649	57,993	44,467	65,409
<i>Adjustments for:</i>							
- Depreciation and amortisation		55,744	26,490	32,880	51,124	21,812	25,820
- Net impairment loss on financial assets		48,565	81,901	103,495	40,551	77,426	101,316
- Net income from financial instruments at fair value through profit and loss		-	49	8	-	(49)	8
- Profit on sale of equipment		-	(615)	-	-	(615)	-
		155,557	154,800	184,032	149,668	143,041	192,553
<i>Changes in:</i>							
- Loans and advances to banks		70,040	(193,616)	(240,030)	70,041	(193,616)	(96,314)
- Loans and advances to customers		3,998,090	29,502	(2,266,463)	3,864,593	82,047	(2,260,245)
- Other assets		39,424	(116,878)	(147,300)	18,108	(88,631)	(180,429)
- Deposits from banks		(1,512,051)	1,038,735	(655,576)	(1,512,051)	1,038,735	(655,576)
- Deposits from customers		(1,068,608)	2,819,208	3,200,520	(954,107)	2,773,498	3,207,109
- Other liabilities and provisions		(24,477)	(101,773)	37,441	64,536	(112,419)	89,003
		1,657,975	3,629,978	112,624	1,700,788	3,642,655	296,101
Income taxes paid		(999)	(19,715)	(737)	-	(19,531)	(737)
Net cash (used in)/ from operating activities		1,656,976	3,610,263	111,887	1,700,788	3,623,124	295,364
Cash flows from investing activities							
- Acquisition of investment securities		(2,324,322)	(1,272,743)	(1,499,740)	(1,766,900)	(1,002,165)	(1,199,027)
- Proceeds from sale of investment securities		2,001,734	1,744,619	1,497,952	1,477,000	1,510,100	975,880
- Acquisition of shares in subsidiary		-	-	-	-	-	(19,549)
- Acquisition of property and equipment		(52,634)	(23,319)	(25,369)	(44,541)	(23,016)	(23,915)
- Proceeds from sale of property and equipment		1,571	615	-	1,572	615	-
- Acquisition of intangible assets		(86,016)	(71,898)	(7,672)	(84,567)	(70,569)	(7,589)
Net cash used in investing activities		(459,667)	377,274	(34,829)	(417,436)	414,965	(274,200)
Cash flows from financing activities							
- Proceeds from issue of subordinated liabilities		-	-	154,400	-	-	154,400
- Repayment of subordinated liabilities		(247,663)	(19,853)	(269,393)	(247,663)	(19,853)	(269,393)
- Repayment of borrowed funds		2,290,465	(2,189,161)	(177,230)	2,290,465	(2,189,161)	(134,072)
- Proceeds from issue of shares		194,999	-	-	194,999	-	-
- Dividends paid		-	-	-	-	-	-
Net cash (used in)/from financing activities		2,237,801	(2,209,014)	(292,223)	2,237,801	(2,209,014)	(249,065)
Net decrease in cash and cash equivalents							
		3,435,111	1,778,523	(215,165)	3,521,153	1,829,075	(227,901)
Cash and cash equivalents at 01 January		3,466,895	1,578,864	1,781,282	3,345,550	1,440,115	1,660,937
Effect of exchange rate fluctuations on cash and cash equivalents held		(45,530)	109,508	12,747	(76,207)	76,360	7,079
Cash and cash equivalents at 31 December	17	6,856,475	3,466,895	1,578,864	6,790,496	3,345,550	1,440,115

The notes on pages 61 to 133 form an integral part of these consolidated and separate financial statements.

Banque Des Mascareignes Ltée

Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

1. Reporting entity

Banque des Mascareignes Ltée (the 'Bank') is a private company incorporated on the 27th June 2003 and domiciled in Mauritius. The Bank holds a banking licence issued by the Bank of Mauritius on the 8th January 2004. The Bank's registered office is at 9th Floor, Maeva Towers, Corner Silicon Avenue and Bank Street, CyberCity, Ebène, Mauritius.

These consolidated and separate financial statements comprise the Bank and its subsidiary (collectively the 'Group'). The main activities of the Group and the Bank consist of providing a whole range of banking and financial services.

2. Basis of accounting

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the requirements of the Mauritius Companies Act and instructions, Guidelines and Guidance notes issued by the Bank of Mauritius.

They were authorised for issue by the Bank's board of directors on the

3. Functional and presentation currency

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

4. Use of judgements and estimates

In the process of applying the Group's and the Bank's accounting policies, management has exercised its judgement and made assumptions and estimates in determining the amounts recognised in the financial statements. Actual results may differ from these estimates.

(a) Judgements

Information about judgements made in applying accounting policies which have the most significant effect on the amounts recognised in the financial statements:

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in note 7(a)(iii) indicate that the Group controls an investee Company.

Specifically, the Group controls an investee if and only if the Group has:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

(b) Assumptions and estimation uncertainties

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

Critical accounting estimates and assumptions

The Group and the Bank make estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values.

The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Further details in respect of the fair valuation of financial instruments are included in Note 36(f) to the financial statements.

- *Employee benefits*

The present value of the retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Other key assumptions for retirement benefits obligations are based in part on current market conditions.

Additional information is disclosed in Note 13.

The value of the retirement benefits obligations is based on the report submitted by an independent actuarial firm on an annual basis.

- *Deferred tax*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized and/or recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Additional information is disclosed in Note 16.

- *Goodwill*

No impairment losses on goodwill were recognized during 2016 (2015: nil) as the recoverable amount for the Investment in subsidiary is covered by a Letter of Comfort from BPCE International et Outre-Mer.

Additional information is disclosed in Note 23 (b).

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

- *Allowances for Impairment on loans and advances*

The Group and the Bank reviews individually all loans and advances with past dues at each reporting date to assess whether an allowance for impairment should be recorded in the statements of profit or loss and other comprehensive income.

In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all "neither past due nor impaired" loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines.

The allowance for impairment on loans and advances is disclosed in more detail in Note 19.

5. Basis of measurement

The consolidated and separate financial statements have been prepared on a historical cost basis, except for available-for-sale investments and financial instruments at fair value through profit or loss, all of which have been measured at fair value.

6. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

6. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

In the Bank's separate financial statements, investment in subsidiary is measured accounted as financial asset at fair value through profit or loss and are designated upon initial recognition on the basis that they are managed and measured on a fair value basis. Fair value adjustments are recognized as an expense or income in the statement of profit or loss. On disposal of the investment, the difference between the net disposal proceeds and the fair value at date of disposal is charged or credited to the statement of profit or loss.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in OCI.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Mauritian Rupee at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Mauritian Rupee at spot exchange rates at the dates of the transactions.

6. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations (continued)

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

(d) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised foreign exchange differences.

(f) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes.

6. Significant accounting policies (continued)

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(h) Expenses

Expenses are accounted for in the statement of profit or loss and other comprehensive income on an accrual basis.

(i) Leases

(i) Lease payments – lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Lease assets – lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(j) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent it has become probable that future taxable profits will be available against which they can be used.

6. Significant accounting policies (continued)

(j) Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(k) Financial assets and financial liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, borrowed funds and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

The Group classifies its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; and
- at fair value through profit or loss, and within this category as:
 - held for trading; or
 - designated at fair value through profit or loss.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Group of similar transactions such as in the Group's trading activity.

(v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

- the disappearance of an active market for a security; or
- observable data relating to a Group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by Grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

The impairment loss before an expected restructuring is measured as follows :

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference

6. Significant accounting policies (continued)

(k) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Group writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Group Risk determines that there is no realistic prospect of recovery.

(viii) Designation at fair value through profit or loss

The Group has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances.

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 33 provides details of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(l) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Loans and advances

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans and receivables by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers.

(n) Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available-for-sale.

6. Significant accounting policies (continued)

(n) Investment securities (continued)

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss

The Group designates some investment securities at fair value, with fair value changes recognised immediately in profit or loss.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available for- sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(o) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

6. Significant accounting policies (continued)

(o) Property and equipment (continued)

- (i) Recognition and measurement (continued)
Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.
- (ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.
- (iii) Depreciation
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

• Improvement to leasehold property	3 to 10 years
• Computer equipment	3 to 5 years
• Office equipment	3 to 5 years
• Furniture, fixtures and fittings	3 to 10 years
• Motor vehicles	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(p) Goodwill and Intangible assets

- (i) Goodwill
Goodwill that arises on the acquisition of subsidiaries is presented separately on the Statement of Financial Position. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.
- (ii) Software
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

6. Significant accounting policies (continued)

(p) Goodwill and Intangible assets (continued)

(ii) Software (continued)

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

(r) Deposits, borrowed fund and subordinated liabilities

Deposits, borrowed funds and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, borrowed funds and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(ii) Bank levies

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

(t) Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

6. Significant accounting policies (continued)

(t) Financial guarantees and loan commitments (continued)

"Loan commitments" are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are recognized as off balance sheet liabilities and commitments respectively.

(u) Employee benefits

(i) Defined Benefit Plan

Contributions are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6. Significant accounting policies (continued)

(v) Share Capital and Reserves

The Group classifies instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

(w) Segment Reporting

Segment results that are reported to the Group's CEO include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses and tax assets and liabilities.

The group has reclassified comparatives amounts due to a wrong presentation of "borrowed funds" as deposits from banks.

The effects of the reclassification is nil on prior year total liabilities and therefore no restatement of comparatives have been made.

(x) Reclassification

The Group has reclassified comparatives amounts due to a want presentation of "borrowed funds" as deposits from Banks.

The effects of the reclassification is nil on prior year total liabilities and therefore no restatement of comparatives have been made.

7. Standards, Amendments to published Standards and Interpretations effective in the reporting period.

There were no new standards or interpretations effective for the first time for the periods beginning on or after 1 January 2016 that has a significant effect on the Group's financial statements. IFRS 14 Regulatory Deferral Accounts is the only new standards effective from January 2016. None of the amendments to standard that are effective from that date had a significant effect on the Group's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective.

(a) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on Financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

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8. Net interest income

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income						
Cash and cash equivalents	794	8,540	4,723	794	6,007	2,734
Loans and advances to banks	44,913	9,986	23,402	44,913	9,986	22,034
Loans and advances to customers	641,179	691,215	709,520	623,242	669,739	697,638
Investment securities	69,549	75,460	76,420	65,264	70,933	72,308
Other	1,075	4,821	2,890	1,075	4,821	2,890
Total interest income	757,710	790,022	816,955	735,288	761,486	797,604
Interest expense						
Deposits from banks	(16,138)	(1,727)	(3,854)	(16,138)	(1,727)	(3,854)
Deposits from customers	(248,303)	(326,126)	(308,226)	(242,150)	(318,809)	(302,799)
Borrowed funds	(381)	(7,382)	(19,620)	(381)	(7,367)	(19,495)
Investment securities	(988)			(988)		
Subordinated liabilities	(9,690)	(9,547)	(21,586)	(9,690)	(9,547)	(21,586)
Total interest expense	(275,500)	(344,782)	(353,286)	(269,347)	(337,450)	(347,734)
Net interest income	482,010	445,240	463,669	465,941	424,036	449,870
Interest income relating to impaired financial assets	9,230	15,728	14,725	9,230	15,728	14,725

Segment A

	Bank		
	2016	2015	2014
	Rs 000	Rs 000	Rs 000
Interest income			
Cash and cash equivalents	-	479	467
Loans and advances to banks	-	-	-
Loans and advances to customers	379,139	479,282	511,619
Investment securities	65,264	70,932	72,308
Other	860	2,862	1,620
Total interest income	445,263	553,555	586,014
Interest expense			
Deposits from banks	(163)	-	-
Deposits from customers	(139,855)	(243,176)	(248,056)
Borrowed funds	-	(99)	(14,527)
Investment securities	(988)	-	-
Total interest expense	(141,006)	(243,275)	(262,583)
Net interest income	304,257	310,280	323,431

Segment B

Interest income			
Cash and cash equivalents	794	5,528	2,267
Loans and advances to banks	44,914	9,987	22,034
Loans and advances to customers	244,102	190,457	186,019
Other	215	1,959	1,270
Total interest income	290,025	207,931	211,590
Interest expense			
Deposits from banks	(15,975)	(438)	(3,854)
Deposits from customers	(102,295)	(76,921)	(54,743)
Borrowed funds	(381)	(7,269)	(4,968)
Subordinated liabilities	(9,690)	(9,547)	(21,586)
Total interest expense	(128,341)	(94,175)	(85,151)
Net interest income	161,684	113,756	126,439

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9. Net fee and commission income

	2016 Rs 000	2015 Rs 000	Group 2014 Rs 000	2016 Rs 000	Bank 2015 Rs 000	2014 Rs 000
Fee and commission income						
Customer and credit related fees	139,295	146,170	153,479	116,752	120,788	136,441
Fee and commission expense						
Interbank transaction fees	(2,058)	(5,606)	(3,147)	(2,058)	(4,357)	(3,135)
Other	(38,542)	(22,482)	(30,678)	(36,919)	(21,810)	(21,505)
Total fee and commission expense	(40,600)	(28,088)	(33,825)	(38,978)	(26,167)	(24,640)
Net fee and commission income	98,695	118,082	119,654	77,775	94,621	111,801

Segment A

	2016 Rs 000	Bank 2015 Rs 000	2014 Rs 000
Fee and commission income			
Customer and credit related fees	65,382	68,173	68,235
Fee and commission expense			
Interbank transaction fees	(1,050)	(2,359)	(1,623)
Other	(18,829)	(11,096)	(9,740)
Total fee and commission expense	(19,879)	(13,455)	(11,363)
Net fee and commission income	45,503	54,718	56,872

Segment B

Fee and commission income			
Customer and credit related fees	51,371	52,615	68,206
Fee and commission expense			
Interbank transaction fees	(1,008)	(1,999)	(1,512)
Other	(18,090)	(10,713)	(11,765)
Total fee and commission expense	(19,098)	(12,712)	(13,277)
Net fee and commission income	32,273	39,903	54,929

10. Net trading income

	2016 Rs 000	Group 2015 Rs 000	2014 Rs 000	2016 Rs 000	Bank 2015 Rs 000	2014 Rs 000
Foreign Exchange	70,597	88,817	85,648	63,148	76,430	76,746
Segment A						
Foreign Exchange	51,946	70,389	48,961			
Segment B						
Foreign Exchange	11,202	6,041	27,785			

11. Net income from financial instruments at fair value through profit or loss

	2016 Rs 000	Group 2015 Rs 000	2014 Rs 000	2016 Rs 000	Bank 2015 Rs 000	2014 Rs 000
Investment securities						
Investment in subsidiary (Seg B)	(27,941)	-	-	(27,941)	-	-
Government bonds/Treasury Bills (Segment A)	-	(49)	(8)	-	(49)	(8)
	(27,941)	(49)	(8)	(27,941)	(49)	(8)

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12. Other revenue

	2016	Group		2016	Bank	
	Rs 000	2015	2014	Rs 000	2015	2014
		Rs 000	Rs 000		Rs 000	Rs 000
Other Revenue	56,976	1,708	967	45,166	11,510	10,915
Segment A						
Other Revenue				3,062	1,100	891
Segment B						
Other Revenue				42,104	10,410	10,024

13. Personnel expenses

	2016	Group		2016	Bank	
	Rs 000	2015	2014	Rs 000	2015	2014
		Rs 000	Rs 000		Rs 000	Rs 000
Wages and salaries	235,862	230,040	223,746	230,549	224,627	218,677
Compulsory social security contributions	6,379	6,857	6,319	5,683	6,160	5,723
Contributions pension plan	23,416	21,850	19,886	23,416	21,850	19,886
Increase in liability for pension plans	-	-	3,678	-	-	3,678
Other	11,523	13,236	14,015	10,988	12,563	14,008
	277,180	271,983	267,644	270,636	265,200	261,972

Employee Benefit Liabilities

	2016	Group and Bank	
	Rs 000	2015	2014
		Rs 000	Rs 000
Reconciliation of present value of defined benefit obligation			
Balance at 1 January	19,063	9,878	9,107
Included in profit or loss			
Current service cost	1,637	4,213	2,499
Past service cost		-	-
Interest expense	2,647	1,926	1,179
	4,284	6,139	3,678
Included in OCI			
Remeasurements loss (gain):			
- Actuarial loss (gain) arising from:			
- Demographic assumption	-	-	(901)
- experience adjustment	(2,918)	4,341	(788)
	(2,918)	4,341	(1,689)
Other			
Change in estimates	-	-	(389)
Benefit paid	(283)	(1,295)	(829)
	(283)	(1,295)	(1,218)
Balance at 31 December	20,146	19,063	9,878

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Notes to and forming part of the consolidated and separate financial statements For the year ended 31 December 2016

13. Personnel expenses (continued)

Principal actuarial assumptions at the end of the year

	Group and Bank		
	2016	2015	2014
Discount rate	7.50%	7.50%	7.50%
Rate of salary increases	6.00%	6.00%	6.00%
Retirement Age	65	65	65

Sensitivity analysis on defined benefit obligation at end of period

	2016	2015	2014
	Rs 000	Rs 000	Rs 000
Increase due to 1% increase in discount rate	18,836	16,165	8,278
Decrease due to a 1% decrease in discount rate	21,858	22,685	11,904

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cash flows

The funding policy requires that the Bank makes provision for all the required contributions, as determined by an Actuarial report.

Expected employer contribution for the next year Rs 3.7 million

Weighted average duration of the defined benefit obligation 17.2 years

Note: Employee benefits obligations have been provided for based on the report from Orpere, an insurance consultant and broker operating in France.

Fund Investment

The contributions under the Bank's Pension Scheme are invested through Unit Linked Fund as per details below:

- 8% in Local Equity;
- 35% in Local Fixed Income;
- 11% in Foreign Equity;
- 8% in Cash & Cash Equivalents.

These defined benefit plans, through the Fund Investment expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

14. Operating leases expenses

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Operating lease	48,243	50,402	45,315	43,500	45,599	40,269

The Group and the Bank lease a number of branches and office premises under operating leases. The leases typically run for periods of 3 to 5 years, with the lease of the Corporate office being for 10 years. There are no restrictions placed upon the lessee by entering the leases.

At 31 December, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Less than one year	39,189	41,590	37,807	39,151	38,646	34,061
Between one and five years	142,894	133,059	118,708	142,772	125,143	106,810
More than five years	42,937	90,934	112,523	42,932	90,934	112,027
	225,020	265,583	269,038	224,855	254,723	252,898

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Notes to and forming part of the consolidated and separate financial statements For the year ended 31 December 2016

15. Other expenses

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Software licensing and other IT costs	70,615	29,476	22,648	60,365	26,263	22,148
Professional fees	3,109	3,594	3,091	2,784	3,249	2,730
Other	125,633	142,879	147,208	97,136	122,532	129,660
	199,357	175,949	172,947	160,285	152,044	154,538

16. Income taxes

(i) Tax expense

(a) Amounts recognised in profit or loss

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Current tax expense	699	(3,578)	(876)	927	3,304	(1,064)
Deferred tax movement	(1,739)	3,487	(15,584)	(997)	(4,313)	(15,543)
Total income tax expense/(credit)	(1,040)	(91)	(16,460)	(70)	1,009	(16,607)

Segment A

Current tax expense	-	-	(4,524)
Deferred tax movement	4,143	(4,157)	(15,394)
Income tax (credit) / tax expense	4,143	(4,157)	(19,918)

Segment B

Current tax expense	927	3,304	3,460
Deferred tax movement	(5,140)	(156)	(149)
Income tax (credit) / expense	(4,213)	3,148	3,311

Total income (credit) / tax expense	(70)	(1,009)	(16,607)
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(b) Reconciliation of income taxes

	Group			Bank		
	2016	2015	2014	2016	2015	2014
Profit before tax	51,249	47,073	47,649	57,993	44,467	65,409
Tax at statutory tax rate	7,729	6,944	9,959	8,699	6,670	9,811
Foreign tax credit	(10,036)	(9,155)	(13,542)	(10,036)	(9,155)	(13,542)
Non-deductible expenses	86	588	136	86	588	137
Corporate social responsibility	(9)	(570)	1,121	(9)	(570)	1,121
Special levy on banks	(470)	869	6,838	(470)	869	6,838
Changes in estimates relating to prior years	1,049	2,158	(20,972)	1,049	2,158	(20,972)
Other	611	(743)	-	611	(1,569)	-
Total income tax (expense) / credit	(1,040)	91	(16,460)	(70)	(1,009)	(16,607)

Segment A

Loss before tax	(25,368)	(31,823)	(47,447)
Tax at statutory tax rate	(3,528)	(4,773)	(7,117)
Non-deductible expenses	11	500	131
Corporate social responsibility	(9)	(570)	1,121
Special levy on banks	(470)		5,606
Changes in estimates relating to prior years	(151)	2,255	(19,659)
Other		(1,569)	-
Total income tax expense	(4,147)	(4,157)	(19,918)

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Notes to and forming part of the consolidated and separate financial statements For the year ended 31 December 2016

16. Income taxes (continued)

(i) Tax expense (continued)

(b) Reconciliation of income taxes (continued)

		Bank	
	2016	2015	2014
	Rs 000	Rs 000	Rs 000
Segment B			
Profit before tax	83,361	76,290	112,856
Tax at statutory tax rate	12,545	11,444	16,928
Foreign tax credit	(10,036)	(9,155)	(13,542)
Non-deductible expenses	75	88	6
Special levy on banks	-	869	1,232
Prior year adjustment	1,200	(98)	(1,313)
Other	293		-
Total income tax expense	4,077	3,148	3,311

Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income Segment A ('Residents') of the preceding financial year to Government-approved CSR projects.

Special levy

Special levy on banks was legislated by the Government of Mauritius in 2007, as amended by the Finance Act 2009. Every bank shall in every year be liable to pay to the Mauritius tax authorities, a special levy calculated at 3.4% of its book profit and 1% of its operating income, with regards to segment B whereas for segment A the special levy is 10% of chargeable income derived during the previous year. Operating income means the sum of net interest income and other income before deducting non-interest expense.

(17) Movement in Deferred tax balances

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	179,916	172,843	161,312	178,264	170,243	158,502
(Charged)/Credited to equity	(2,370)	3,708	(4,053)	(4,181)	3,708	(3,802)
Charged to profit or loss	(1,739)	3,487	15,584	997	4,313	15,543
At 31 December	175,807	179,916	172,843	175,080	178,264	170,243
Deferred tax assets:						
Allowance for loan losses	142,908	143,048	172,217	142,908	140,448	169,367
Other	47,400	37,132	3,834	46,673	38,080	4,084
	190,308	180,180	176,051	189,581	178,528	173,451
Deferred tax liabilities:						
Accelerated capital allowances	(9,067)	(230)	-	(9,067)	(230)	-
Fair value gains	(34)	(34)	(3,208)	(34)	(34)	(3,208)
Other	(5,400)			(5,400)		
	(14,501)	(264)	(3,208)	(14,501)	(264)	(3,208)
Net deferred tax assets	175,807	179,916	172,843	175,080	178,264	170,243

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Notes to and forming part of the consolidated and separate financial statements

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16. Income taxes (continued)

(ii) Movement in Deferred tax balances (continued)

Bank

	Segment A	Segment B	Total
	Rs 000	Rs 000	Rs 000
2016			
Balance at 01 January	160,919	17,345	178,264
Property, Equipment and Software	(8,649)	(188)	(8,837)
Allowance for loan losses	2,031	428	2,459
Fair value gains	10,610	(2,016)	8,594
Other adjustments	151	(5,551)	(5,400)
Balance at 31 December	165,062	10,018	175,080
2015			
Balance at 01 January	153,053	17,190	170,243
Property, Equipment and Software	(223)	(7)	(230)
Allowance for loan losses	(29,059)	141	(28,918)
Fair value gains	34,856		34,856
Other adjustments	2,292	21	2,313
Balance at 31 December	160,919	17,345	178,264
2014			
Balance at 01 January	141,459	17,043	158,502
Property, Equipment and Software	3,311	112	3,423
Allowance for loan losses	14,635	112	14,747
Fair value gains	(3,208)	-	(3,208)
Other adjustments	(3,144)	(77)	(3,221)
Balance at 31 December	153,053	17,190	170,243

(iii) Current tax liabilities

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Current tax liabilities	1,273	274	10,207	1,049	-	10,013
Segment A						
Current tax liabilities				-	-	3,754
Segment B						
Current tax liabilities				1,049	-	6,259

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17. Cash and cash equivalents

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash in hand	126,794	161,738	152,688	104,941	118,273	112,267
Foreign currency notes and coins	19,498	26,612	16,792	19,498	25,845	16,606
Unrestricted balances with central banks	719,319	533,558	1,013,412	667,798	455,900	914,462
Money market placements	5,512,821	2,210,591	231,056	5,512,821	2,210,591	231,056
Balances with banks abroad	478,043	534,396	164,916	485,438	534,941	165,724
	6,856,475	3,466,895	1,578,864	6,790,496	3,345,550	1,440,115

Segment A

Cash in hand	104,941	118,273	112,267
Foreign currency notes and coins	19,498	25,845	16,606
Unrestricted balances with central banks	667,798	455,900	914,462
Money market placements	-	-	200,000
	792,237	600,018	1,243,335

Segment B

Money market placements	5,512,821	2,210,591	31,056
Balances with banks abroad	485,438	534,941	165,724
	5,998,259	2,745,532	196,780
Total Cash and cash equivalents	6,790,496	3,344,550	1,440,015

18. Loans and advances to banks

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loans and advances to banks						
- in Mauritius (Segment A)	17,800	28,121	-	17,800	28,121	-
- outside Mauritius (Segment B)	627,960	687,679	522,184	627,960	687,679	522,184
	645,760	715,800	522,184	645,760	715,800	522,184
<u>Remaining term to maturity</u>						
Up to 3 months	370,012	5	-	370,012	5	-
Over 3 months and up to 6 months	28,544	39,967	115,470	28,544	39,967	115,470
Over 6 months and up to 12 months	30,024	40,218	216,904	30,024	40,218	216,904
Over 1 year and up to 5 years	217,180	262,110	189,810	217,180	262,110	189,810
Over 5 years	-	373,500	-	-	373,500	-
	645,760	715,800	522,184	645,760	715,800	522,184

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Notes to and forming part of the consolidated and separate financial statements
For the year ended 31 December 2016

19. Loans and advances to customers (a) Remaining term to maturity

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Retail customers						
Mortgages	3,088,924	2,792,655	2,152,153	3,088,501	2,792,059	2,149,498
Other retail loans	755,978	731,273	1,218,928	741,089	721,874	1,159,105
Corporate customers	6,380,710	9,098,772	9,279,466	6,295,460	8,971,343	9,274,328
Entities outside Mauritius	2,880,089	4,384,568	4,612,423	2,878,918	4,383,285	4,611,345
Other	-	-	17,782	-	-	-
	13,105,701	17,007,268	17,280,752	13,003,968	16,868,561	17,194,276
Less allowance for impairment	(1,520,943)	(1,424,421)	(1,549,983)	(1,507,606)	(1,414,915)	(1,544,380)
	11,584,758	15,582,847	15,730,769	11,496,362	15,453,646	15,649,896
<u>Remaining term to maturity</u>						
Up to 3 months	7,039,117	7,623,805	8,238,950	6,955,944	7,502,576	8,182,511
Over 3 months and up to 6 months	60,520	38,491	926,060	60,291	52,108	924,340
Over 6 months and up to 12 months	419,191	157,215	919,932	416,222	156,801	919,932
Over 1 year and up to 5 years	1,431,231	4,662,408	3,800,737	1,415,869	4,631,727	3,772,420
Over 5 years	4,155,642	4,525,349	3,395,073	4,155,642	4,525,349	3,395,073
	13,105,701	17,007,268	17,280,752	13,003,968	16,868,561	17,194,276

	Bank		
	2016	2015	2014
	Rs 000	Rs 000	Rs 000
<u>Segment A</u>			
Retail customers			
Mortgages	2,592,812	2,329,591	1,823,092
Other retail loans	480,442	455,176	894,491
Corporate customers	5,955,805	7,481,255	6,618,548
Other	-	-	-
	9,029,059	10,266,022	9,336,131
Less allowance for impairment	(968,251)	(868,007)	(996,896)
	8,060,808	9,398,015	8,339,235
<u>Remaining term to maturity</u>			
Up to 3 months	3,894,805	4,465,758	3,573,569
Over 3 months and up to 6 months	47,660	16,707	446,929
Over 6 months and up to 12 months	71,427	113,826	443,230
Over 1 year and up to 5 years	1,307,299	1,586,864	1,759,158
Over 5 years	3,707,868	4,082,867	3,113,245
	9,029,059	10,266,022	9,336,131
<u>Segment B</u>			
Retail customers			
Mortgages	495,690	462,468	326,406
Other retail loans	260,647	266,698	264,614
Corporate customers	339,656	1,490,088	2,655,780
Entities outside Mauritius	2,878,916	4,383,285	4,611,345
	3,974,909	6,602,539	7,858,145
Less allowance for impairment	(539,355)	(546,908)	(547,484)
	3,435,554	6,055,631	7,310,661
<u>Remaining term to maturity</u>			
Up to 3 months	3,061,138	3,050,554	4,608,942
Over 3 months and up to 6 months	12,632	21,664	477,411
Over 6 months and up to 12 months	344,795	42,976	476,702
Over 1 year and up to 5 years	108,570	3,044,863	2,013,262
Over 5 years	447,774	442,482	281,828
	3,974,909	6,602,539	7,858,145

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19. Loans and advances to customers (continued)

(b) Credit concentration of risk by industry sectors

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture and fishing	787,914	839,897	317,708	787,062	838,751	317,708
Manufacturing	1,158,678	1,573,941	1,809,090	1,150,828	1,552,294	1,808,348
Tourism	393,821	631,833	987,036	391,949	628,559	982,502
Transport	488,627	453,639	566,071	473,984	432,821	552,458
Construction	3,787,679	3,561,735	3,616,071	3,779,965	3,556,326	3,615,055
Financial and business services	2,407,461	2,524,339	2,462,414	2,403,772	2,521,534	2,462,162
Traders	2,079,265	3,349,574	5,201,128	2,021,926	3,278,062	5,167,103
Personal	427,594	407,774	337,271	424,855	402,955	330,365
Professional	319,814	324,076	321,463	316,208	318,900	303,722
Global Business Licence holders	278,210	1,433,657	787,780	278,210	1,433,657	787,780
Others	976,638	1,906,803	874,720	975,208	1,904,702	867,073
	13,105,701	17,007,268	17,280,752	13,003,968	16,868,561	17,194,276

Segment A

Agriculture and fishing	425,212	478,451	317,708
Manufacturing	498,602	713,970	795,355
Tourism	391,949	536,915	664,814
Transport	1,717	7,305	8,136
Construction	3,284,276	3,093,858	2,995,234
Financial and business services	1,777,778	1,817,348	1,909,858
Traders	1,552,030	2,133,976	1,878,827
Personal	395,434	374,837	299,254
Professional	84,983	80,303	70,221
Others	617,078	1,029,059	396,724
	9,029,059	10,266,022	9,336,131

Segment B

Agriculture and fishing	361,850	360,300	-
Manufacturing	652,226	838,324	1,012,993
Tourism	-	91,644	317,688
Transport	472,267	425,516	544,322
Construction	495,690	462,468	619,821
Financial and business services	625,994	704,186	552,304
Traders	469,897	1,144,086	3,288,276
Personal	29,421	28,118	31,111
Professional	231,226	238,597	233,501
Global Business Licence holders	278,210	1,433,657	787,780
Others	358,128	875,643	470,349
	3,974,909	6,602,539	7,858,145

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19. Loans and advances to customers (continued)

Group

	Individual allowances for impairment	Collective allowances and general provisions for Impairment	Low- interest rate loans impairment	Total
	Rs 000	Rs 000	Rs 000	Rs 000
At 1 January 2014	1,398,834	87,806	-	1,486,640
Charge for the year	90,046	13,625	-	103,671
Effect of foreign currency movements	-40,152	-	-	-40,152
Write-offs	-176	-	-	-176
At 31 December 2014	1,448,552	101,431	-	1,549,983
Charge for the year	46,039	36,178	-	82,217
Effect of foreign currency movements	36,203	-	-	36,203
Write-offs	(243,982)	-	-	(243,982)
At 31 December 2015	1,286,812	137,609	-	1,424,621
Charge for the year	70,713	-22,148	-	48,565
Effect of foreign currency movements	-31,265	-	-	-31,265
Receivable on counter guarantee (Note 1)	118,858	-	-	118,858
Write-offs	-39,836	-	-	-39,836
At 31 December 2016	1,405,282	115,461	-	1,520,943
Bank				
At 1 January 2014	1,395,041	87,806	-	1,482,847
Charge for the year	87,779	13,625	-	101,404
Effect of foreign currency movements	-39,783	-	-	-39,783
Write-offs	-88	-	-	-88
At 31 December 2014	1,442,949	101,431	-	1,544,380
Charge for the year	42,335	35,091	-	77,426
Effect of foreign currency movements	36,776	-	-	36,776
Write-offs	(243,667)	-	-	(243,667)
At 31 December 2015	1,278,393	136,522	-	1,414,915
Charge for the year	62,446	-21,895	-	40,551
Effect of foreign currency movements	-28,830	-	-	-28,831
Receivable on counter guarantees (Note 1)	118,858	-	-	118,858
Write-offs	-37,888	-	-	-37,888
At 31 December 2016	1,392,979	114,627	-	1,507,606

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19. Loans and advances to customers (continued)

(c) Allowance for impairment

Net impairment loss on financial assets

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Collective allowance and gener provision for impairment	22,148	(36,182)	(13,625)	21,895	(35,091)	(13,625)
Individual provision for credit impairment	(70,738)	(45,726)	(90,046)	(62,471)	(42,342)	(87,779)
Bad debts written off / Recoveries	25	7	176	25	7	88
	(48,565)	(81,901)	(103,495)	(40,551)	(77,426)	(101,316)

Note 1: During the year, the Bank undertook a review of its counter-guarantees, received from BPCE –IOM, as part of its credit risk cover against specific loans to customers.

Whilst the counter-guarantees protected the Bank against the credit risk, the conclusion was that these guarantees should have been treated as separate financial contracts both at the time of inception and also at the time of an impairment trigger.

In prior years, the counter-guarantees were treated as collateral and the amount recoverable was deducted in the impairment calculation of an impaired loans- resulting in most cases in a zero or lower impairment provision charge and the non-recognition of an income from the guarantor.

The effects of these changes on the allowance for impairment is recognised in the current year. The receivable from BPCE is also recognised separately as an asset.

As the impact on prior years is nil, no changes has been made to the disclosure notes. The effects on the gross loans and advances in prior years are not material and no reclassification has been made.

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Notes to and forming part of the consolidated and separate financial statements

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19. Loans and advances to customers (continued)

(d) Allowance for credit impairment by industry sectors

Group	2016					2015	2014
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective /portfolio allowances and general provisions for impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Group – Total							
Agriculture and Fishing	787,914	1,231	381	7,902	8,283	8,780	3,569
Manufacturing	1,158,674	465,495	329,127	8,293	337,420	192,935	200,818
Tourism	393,821	31,871	29,504	7,223	36,727	41,946	37,925
Transport	490,877	1,378	824	4,925	5,749	10,556	7,516
Construction	3,784,947	303,263	186,234	24,414	210,648	62,366	431,932
Financial and Business Services	2,406,030	625,359	39,266	26,241	65,507	19,584	18,924
Traders	2,081,124	411,382	345,206	18,175	363,381	461,666	419,262
Personal	427,817	183,163	106,586	5,552	112,138	103,794	70,789
Professional	319,593	305,858	289,113	134	289,247	299,816	288,282
Global Business Licence holders	278,210	26,673	26,645	2,516	29,161	40,995	29,065
Others	976,694	84,389	53,682	9,000	62,682	181,984	41,901
	13,105,701	2,440,062	1,406,568	114,375	1,520,943	1,424,421	1,549,983

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19. Loans and advances to customers (continued)

(d) Allowance for credit impairment by industry sectors (continued)

Bank	2016					2015	2014
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ portfolio allowances and general provisions for impairment Rs 000	Total Allowances for credit Impairment Rs 000	Total Allowances for credit Impairment Rs 000	Total allowances for credit impairment Rs 000
Bank – Total							
Agriculture and Fishing	787,062	382	382	7,893	8,274	8,780	3,569
Manufacturing	1,150,828	464,033	328,281	8,229	336,510	192,568	200,573
Tourism	391,949	31,871	29,504	7,204	36,708	41,914	37,925
Transport	473,984	85	84	4,763	4,847	9,926	7,129
Construction	3,779,965	299,011	185,833	25,323	211,156	187,299	431,932
Financial and Business Services	2,403,772	623,261	39,215	26,218	65,433	19,556	18,924
Traders	2,021,926	385,860	335,972	17,843	353,815	457,869	418,332
Personal	424,855	181,715	106,586	5,522	112,108	103,495	70,768
Professional	316,208	303,992	287,247	122	287,369	295,495	284,262
Global Business Licence holders	278,210	26,673	26,645	2516	29,161	40,995	29,065
Others	975,209	83,937	53,230	8994	62,224	57,018	41,901
	13,003,968	2,400,820	1,392,979	114,627	1,507,606	1,414,915	1,544,380

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19. Loans and advances to customers (continued)

(d) Allowance for credit impairment by industry sectors (continued)

Bank	2016					2015	2014
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ portfolio allowances and general provisions for impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Segment A							
Agriculture and Fishing	425,212	382	381	4,274	4,655	5,177	3,569
Manufacturing	498,602	248,275	112,523	4,475	116,998	184,739	164,958
Tourism	391,949	31,871	29,503	7,204	36,707	40,997	37,736
Transport	1,717	85	84	16	100	5,647	5,651
Construction	3,284,276	299,011	185,833	17,883	203,716	180,053	429,777
Financial and Business Services	1,777,778	466,634	5	21,493	21,498	9,869	17,090
Traders	1,552,030	385,860	335,972	13,134	349,106	226,005	197,403
Personal	395,434	159,383	87,745	5,451	93,196	81,668	49,734
Professional	84,983	72,766	56,021	122	56,143	56,922	50,785
Others	617,078	83,937	53,230	5,411	58,641	48,258	40,193
	9,029,059	1,748,204	861,297	79,463	940,760	839,335	996,896
Segment B							
Agriculture and Fishing	361,850	-	-	3,619	3,619	3,603	-
Manufacturing	652,226	215,758	215,758	3,754	219,512	7,829	35,615
Tourism	-	-	-	-	-	917	189
Transport	472,267	-	-	4,747	4,747	4,279	1,478
Construction	495,690	-	-	7,440	7,440	7,246	2,155
Financial and business services	625,994	156,840	39,210	4,725	43,935	9,687	1,834
Traders	469,897	-	-	4,709	4,709	231,864	220,929
Personal	29,421	22,337	18,843	72	18,913	21,827	21,034
Professional	231,226	231,226	231,226	-	231,226	238,573	233,477
Global Business Licence holders	278,210	26,673	26,645	2,516	29,161	40,995	29,065
Others	358,129	-	-	3,582	3,582	8,760	1,708
	3,974,909	652,834	531,680	35,164	566,844	575,580	547,484
	13,003,968	2,401,038	1,392,979	114,627	1,507,604	1,414,915	1,544,380

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Notes to and forming part of the consolidated and separate financial statements

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20. Investment securities

	Group			Bank		
	2016 Rs 000	2015 Rs 000	2014 Rs 000	2016 Rs 000	2015 Rs 000	2014 Rs 000
Classified as :						
Available-for-sale Financial Assets	1,835,894	1,491,030	1,941,871	1,746,350	1,438,119	1,895,053
Financial Assets at fair value through profit and loss	-	-	79,719	-	-	79,719
	1,835,894	1,491,030	2,021,590	1,746,350	1,438,119	1,974,772
Available for sale investment securities						
Government of Mauritius bonds	788,983	623,277	658,270	788,984	623,277	658,270
Treasury Bills	1,046,911	770,040	882,813	957,366	717,129	835,995
Bank of Mauritius Bills	-	97,713	400,788	-	97,713	400,788
	1,835,894	1,491,030	1,941,871	1,746,350	1,438,119	1,895,053

Segment A

Available for sale investment securities			
Government of Mauritius bonds	788,984	623,277	658,270
Treasury Bills	957,366	717,129	835,995
Bank of Mauritius Bills	-	97,713	400,788
Investment securities at fair value through profit and loss	-	-	79,719
	1,746,350	1,438,119	1,974,772

None of the available-for-sale financial assets are either past due or impaired.

21. Investment in subsidiary

Bank	2016 Rs 000	2015 Rs 000	2014 Rs 000
Investment in subsidiary as at 31 December	189,706	190,201	191,896
Bank	2016 Rs 000	2015 Rs 000	2014 Rs 000
At 01 January	190,201	191,896	170,386
Additions during the year	27,687	-	19,549
Fair value adjustments	(27,941)	-	-
Effects of foreign currency	(241)	(1,695)	1,961
	189,706	190,201	191,896

Details of investments held by the Bank are as follows:

Name of Investee Company	Country of incorporation	Business Activity	Type of share held	% holding	Fair value Rs 000
BM Madagascar	Madagascar	Banking	Ordinary shares	72.67	189,706

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22. Property and equipment

Group	Improvement to leasehold property Rs 000	Computer equipment Rs 000	Office equipment Rs 000	Furniture, fixtures & fittings Rs 000	Motor vehicles Rs 000	Total Rs 000
Cost						
Balance at 01 January 2014	97,988	82,592	18,877	20,696	16,321	236,474
Additions	3,677	10,031	9,300	99	2,098	25,205
Foreign currency translation						
Scrapped assets	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Foreign currency translation	(1,363)	(1,143)	(28)	(104)	(110)	(2,748)
Balance at 31 December 2014	94,424	91,240	27,669	17,955	18,309	249,597
Balance at 01 January 2015	94,424	91,240	27,669	17,955	18,309	249,597
Additions	9,133	9,641	3,436	238	871	23,319
Scrapped assets	(60)	-	-	-	(5,328)	(5,388)
Foreign currency translation	(659)	(554)	(217)	(50)	(93)	(1,573)
Balance at 31 December 2015	102,838	100,327	30,888	18,143	13,759	265,955
Balance at 01 January 2016	102,838	100,327	30,888	18,143	13,759	265,955
Additions	13,243	24,974	4,425	163	9,730	52,535
Scrapped assets					(8,262)	(8,262)
Foreign currency translation	(1,585)	(1,343)	(548)	(121)	(218)	(3,815)
Balance at 31 December 2016	114,496	123,958	34,765	18,185	15,009	306,413
Accumulated depreciation and impairment losses						
Balance at 01 January 2014	67,628	71,145	16,305	18,085	14,601	187,764
Depreciation for the year	14,895	8,537	2,021	1,707	1,996	29,156
Scrapped assets	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Foreign currency translation	(684)	(944)	95	(82)	(77)	(1,692)
Balance at 31 December 2014	75,961	78,498	17,941	16,974	16,520	205,894
Balance at 01 January 2015	75,961	78,498	17,941	16,974	16,520	205,894
Depreciation for the year	8,853	7,431	3,061	408	901	20,654
Scrapped assets	(36)	-	-	-	(5,328)	(5,364)
Foreign currency translation	(503)	(552)	(194)	(50)	(62)	(1,361)
Balance at 31 December 2015	84,275	85,377	20,808	17,332	12,031	219,823
Balance at 01 January 2016	84,275	85,377	20,808	17,332	12,031	219,823
Depreciation for the year	9,322	11,848	3,320	420	3,852	28,762
Scrapped assets	-	-	-	-	(8,262)	(8,262)
Foreign currency translation	(1,650)	(1,332)	(507)	(119)	(184)	(3,792)
Balance at 31 December 2016	91,947	95,893	23,621	17,633	7,437	236,531
Net book value						
Balance at 31 December 2014	18,463	12,742	9,728	981	1,789	43,703
Balance at 31 December 2015	18,563	14,950	10,080	811	1,728	46,132
Balance at 31 December 2016	22,549	28,065	11,144	552	7,572	69,882

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22. Property and equipment (continued)

	Improvement to leasehold property Rs 000	Computer equipment Rs 000	Office equipment Rs 000	Furniture, fixtures & fittings Rs 000	Motor vehicles Rs 000	Total Rs 000
Bank						
Cost						
Balance at 01 January 2014	82,746	69,822	14,699	19,530	15,095	201,892
Additions	3,677	9,973	8,866	99	1,299	23,914
Scrapped asset	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Balance at 31 December 2014	80,545	79,555	23,085	16,893	16,394	216,472
Balance at 01 January 2015	80,545	79,555	23,085	16,893	16,394	216,472
Additions	9,121	9,557	3,229	238	872	23,017
Scrapped assets	(60)	-	-	-	(5,328)	(5,388)
Balance at 31 December 2015	89,606	89,112	26,314	17,131	11,938	234,101
Balance at 01 January 2016	89,606	89,112	26,314	17,131	11,938	234,101
Additions	5,594	24,713	4,341	163	9,730	44,541
Scrapped assets					(8,262)	(8,262)
Balance at 31 December 2016	95,200	113,825	30,655	17,294	13,406	270,380
Accumulated depreciation and impairment losses						
Balance at 01 January 2014	58,897	60,002	13,160	17,121	13,588	162,768
Depreciation for the year	12,316	7,115	1,176	1,556	1,622	23,785
Scrapped asset	(5,878)	(240)	(480)	(2,736)	-	(9,334)
Balance at 31 December 2014	65,335	66,877	13,856	15,941	15,210	177,219
Balance at 01 January 2015	65,335	66,877	13,856	15,941	15,210	177,219
Depreciation for the year	6,586	7,377	2,724	403	610	17,700
Scrapped assets	(36)	-	-	-	(5,328)	(5,364)
Balance at 31 December 2015	71,885	74,254	16,580	16,344	10,492	189,555
Balance at 01 January 2016	71,885	74,254	16,580	16,344	10,492	189,555
Depreciation for the year	6,643	11,738	3,089	413	3,625	25,508
Scrapped assets					(8,262)	(8,262)
Balance at 31 December 2016	78,528	85,992	19,669	16,757	5,855	206,801
Net book value						
Balance at 31 December 2014	15,210	12,678	9,229	952	1,184	39,253
Balance at 31 December 2015	17,721	14,858	9,734	787	1,446	44,546
Balance at 31 December 2016	16,672	27,833	10,986	537	7,551	63,579
2016	14,855	25,249	9,739	537	6,785	57,165
Segment A	1,818	2,583	1,247	-	766	6,414
Segment B	16,673	27,832	10,986	537	7,551	63,579
2015	15,775	13,704	8,628	787	1,356	40,253
Segment A	1,946	1,1534	1,106	-	90	4,293
Segment B	17,721	14,858	9,734	787	1,446	44,546
2014	13,545	11,764	8,178	932	1,123	35,542
Segment A	1,665	914	1,051	20	61	3,711
Segment B	15,210	12,678	9,229	952	1,184	39,253

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23. Intangible assets and goodwill

(a) Intangible assets

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost						
Balance at 01 January	170,569	99,219	90,120	158,264	87,695	80,326
Additions	86,016	71,898	7,672	84,568	75,069	7,589
Write-off	-	-	(220)	-	-	(220)
Foreign currency translation	(1,205)	(548)	1,647	-	-	-
Balance at 31 December	255,380	170,569	99,219	242,832	158,264	87,695
Accumulated amortisation						
Balance at 01 January	95,140	89,756	84,360	84,362	80,250	78,435
Amortisation for the year	26,982	5,836	3,724	25,616	4,112	2,035
Write-off	-	-	(220)	-	-	(220)
Foreign currency translation	(1,098)	(452)	1,892	(46)	-	-
Balance at 31 December	121,024	95,140	89,756	109,932	84,362	80,250
Net book value						
Balance at 31 December	134,356	75,429	9,463	132,900	73,902	7,445
Carrying amounts at end of year by segments						
Segment A				118,288	65,796	6,675
Segment B				14,612	8,106	770
				132,900	73,902	7,445

(b) Goodwill

	Group		
	2016	2015	2014
Balance at 1 January	75,707	75,707	75,707
Intangible assets	134,356	75,429	9,463
Balance at 31 December	210,063	151,136	85,170

No impairment losses on goodwill were recognised during 2016 (2015: Nil).

24. Other assets

Summary

	Group			Bank		
	2016	2015	2014	2016	2015	2014
Accounts receivable and prepayments (Note 1)	199,710	47,119	53,289	198,850	46,170	52,322
Accrued interest receivable	26,966	28,350	34,796	26,901	28,297	34,738
Mandatory deposits with central banks	657,037	789,340	711,497	657,037	789,340	711,497
Balances due in clearing	14,614	39,996	20,697	-	1,846	4,082
Other receivables	22,234	55,180	22,828	17,761	53,003	21,822
	920,561	959,985	843,107	900,549	918,656	824,461
Segment A						
Accounts receivable and prepayments				162,671	13,150	16,479
Accrued interest receivable				13,500	12,674	28,319
Mandatory deposits with central banks				657,037	789,340	711,497
Balances due in clearing				-	1,846	4,082
Other receivables				17,710	52,913	21,773
				850,918	869,923	782,150
Segment B						
Accounts receivable and prepayments				36,179	33,020	35,843
Accrued interest receivable				13,401	15,623	6,419
Other receivables				51	90	49
				49,631	48,733	42,311

Note 1: Included in accounts receivable and prepayments is an amount of Rs118.9 millions due from BPCE IOM, the holding company, representing receivable on counter guarantees, as part of credit risk cover against specific provisions to customers.

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25. Deposits from banks

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Term Deposits (Segment B)	1,209	-	474,525	1,209	-	474,525

For prior year 2015 an amount of Rs 1,513,260k (2014: Rs 822,510K) was reclassified from deposits to banks to borrowed funds

26. Deposits from customers

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	RS 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Retail customers						
Current accounts	1,443,092	2,031,526	1,887,683	1,409,641	1,942,444	1,832,368
Savings accounts	1,812,531	2,149,380	1,820,206	1,775,137	2,050,464	1,719,307
Time deposits with remaining term to maturity						
Up to 3 months	221,761	362,895	445,292	221,761	358,233	445,292
Over 3 months and up to 6 months	120,336	358,563	357,438	119,310	351,689	356,398
Over 6 months and up to 12 months	229,692	425,365	622,680	208,546	403,522	619,835
Over 1 year and up to 5 years	652,651	730,393	905,605	652,446	730,160	905,360
Over 5 years	1,005	2,347	510	1,005	2,347	510
Corporate customers						
Current accounts	2,412,863	2,073,077	2,064,777	2,326,055	1,997,998	1,989,593
Savings accounts	570,494	808,619	503,601	570,472	808,392	503,358
Time deposits with remaining term to maturity						
Up to 3 months	7,183,229	6,400,722	3,942,386	7,180,664	6,396,875	3,941,652
Over 3 months and up to 6 months	459,107	650,447	712,466	452,643	647,766	712,099
Over 6 months and up to 12 months	469,373	653,445	298,503	468,347	652,280	276,476
Over 1 year and up to 5 years	13,312	11,276	277,700	13,312	11,276	277,700
	15,589,446	16,658,055	13,838,847	15,399,339	16,353,446	13,579,948

	Bank		
	2016	2015	2014
	Rs 000	Rs 000	Rs 000
Segment A			
Retail customers			
Current accounts	939,732	1,252,366	1,172,017
Savings accounts	1,254,578	1,473,983	1,272,527
Time deposit with remaining term to maturity			
Up to 3 months	133,311	252,501	319,294
Over 3 months and up to 6 months	73,181	224,378	257,101
Over 6 months and up to 12 months	116,912	250,300	406,528
Over 1 year and up to 5 years	386,580	450,871	572,735
Over 5 years	1,005	787	350
Corporate customers			
Current accounts	1,271,826	690,475	830,231
Savings accounts	570,327	793,202	490,509
Time deposit with remaining term to maturity			
Up to 3 months	840,260	988,940	1,251,717
Over 3 months and up to 6 months	452,643	478,534	478,240
Over 6 months and up to 12 months	460,076	618,860	213,753
Over 1 year and up to 5 years	13,092	11,176	272,640
	6,513,523	7,486,373	7,537,642

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26. Deposits from customers (continued)

Segment B	Bank		
	2016 Rs 000	2015 Rs 000	2014 Rs 000
Retail customers			
Current accounts	469,610	690,078	660,351
Savings accounts	520,559	576,481	446,780
Time deposit with remaining term to maturity			
Up to 3 months	88,449	105,732	125,998
Over 3 months and up to 6 months	46,129	127,311	99,297
Over 6 months and up to 12 months	91,634	153,222	213,307
Over 1 year and up to 5 years	265,866	279,289	332,625
Over 5 years	-	1,560	160
Corporate customers			
Current accounts	1,054,228	1,307,523	1,159,362
Savings accounts	144	15,190	12,849
Time deposit with remaining term to maturity			
Up to 3 months	6,340,404	5,407,935	2,689,935
Over 3 months and up to 6 months	-	169,232	233,859
Over 6 months and up to 12 months	8,272	33,420	62,723
Over 1 year and up to 5 years	220	100	5,060
	8,885,816	8,867,073	6,042,306

For prior year 2015, an amount of Rs 1,513,260K (2014: Rs 822,510K) was reclassified from deposits to banks to borrowed funds.

27. Borrowed funds

	Group			Bank		
	2016 Rs 000	2015 Rs 000	2014 Rs 000	2016 Rs 000	2015 Rs 000	2014 Rs 000
Borrowed funds	4,117,034	3,339,829	4,015,730	4,117,034	3,339,829	4,015,730
Remaining term to maturity						
Up to 3 months	3,525,718	1,429,968	3,375,889	3,525,718	1,429,968	3,375,889
Over 3 months and up to 6 months	251,884	84,843	-	251,884	84,843	-
Over 6 months and up to 12 months	86,844	-	284,715	86,844	-	284,715
Over 1 year and up to 5 years	223,245	1,513,260	-	223,245	1,513,260	-
Over 5 years	29,343	311,758	355,126	29,343	311,758	355,126
	4,117,034	3,339,829	4,015,730	4,117,034	3,339,829	4,015,730
Segment A						
Borrowings from financial institutions				29,343	-	39,508
<i>Remaining term to maturity</i>						
Up to 3 months				-	-	-
Over 6 months and up to 12 months				-	-	-
Over 1 year and up to 5 years				-	-	-
Over 5 years				29,343	-	39,508
				29,343	-	39,508
Segment B						
Borrowings from banks abroad				4,087,691	3,339,829	3,976,222
<i>Remaining term to maturity</i>						
Up to 3 months				3,525,718	1,429,968	3,375,889
Over 3 months and up to 6 months				251,884	84,843	-
Over 6 months and up to 12 months				86,844	-	284,715
Over 1 year and up to 5 years				223,245	1,513,260	-
Over 5 years				-	311,758	315,618
				4,087,691	3,339,829	3,153,712

For prior year 2015, an amount of Rs 1,513,260K (2014: Rs 822,510K) was reclassified from deposits to banks to borrowed funds.

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28. Subordinated liabilities

	Group and Bank		
	2016 Rs 000	2015 Rs 000	2014 Rs 000
Subordinated debt	274,283	528,737	509,408
<u>Remaining term to maturity</u>			
Less than 3 years	57,173	155,237	165,638
More than 3 years but less than 5 years	217,110		122,183
Over 5 years		373,500	343,770
	274,283	528,737	509,408
Segment B			
Subordinated debt	274,283	528,737	509,408

Subordinated debt have been contracted from the holding company and qualifies as Tier 2 Capital in line with the Bank of Mauritius guidelines.

29. Provisions

	Group			Bank		
	2016 Rs 000	2015 Rs 000	2014 Rs 000	2016 Rs 000	2015 Rs 000	2014 Rs 000
Opening balance	18,423	37,228	30,736	17,452	34,384	24,698
Provisions made during the year	298,348	110,632	78,238	290,604	102,912	69,372
Provisions reversed during the year	(266,963)	(129,303)	(71,208)	(261,016)	(119,844)	(59,686)
Foreign exchange translation	61	(134)	(538)	-	-	-
Closing balance	49,869	18,423	37,228	47,040	17,452	34,384
Segment A						
Opening balance	16,670			16,670	29,130	18,803
Provisions made during the year	179,590			179,590	80,786	45,833
Provisions reversed during the year	(156,685)			(156,685)	(93,246)	(35,506)
Closing balance	39,575			39,575	16,670	29,130
Segment B						
Opening balance	782			782	5,254	5,895
Provisions made during the year	111,014			111,014	22,126	23,539
Provisions reversed during the year	(104,331)			(104,331)	(26,598)	(24,180)
Closing balance	7,465			7,465	782	5,254

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30. Other liabilities

	2016 Rs 000	Group 2015 Rs 000	2014 Rs 000	2016 Rs 000	Bank 2015 Rs 000	2014 Rs 000
Recognised liability for defined benefit obligations	20,145	19,063	9,878	20,145	19,063	9,878
Derivative financial instruments (Note 1)	2,284	170	1,969	2,284	170	1,969
Creditors and accruals	136,412	171,608	139,802	129,306	161,204	145,804
Accrued interest payable	62,623	104,924	105,072	61,597	103,809	104,577
Other	53,178	34,800	156,812	42,774	55,771	173,276
	274,642	330,565	413,533	256,106	340,017	435,504

Segment A

Recognised liability for defined benefit obligations	20,145	19,063	9,878
Derivative financial instruments	99	80	1,907
Creditors and accruals	136,144	93,013	105,185
Accrued interest payable	37,192	85,220	84,723
Other	21,132	8,018	16,531
	214,712	205,394	218,224

Segment B

Derivative financial instruments (Forward contracts)	2,185	91	62
Creditors and accruals	(6,838)	68,191	40,619
Accrued interest payable	24,405	18,589	19,854
Other	21,642	47,752	156,745
	41,394	134,623	217,280

31. Share Capital

	Group and Bank		
	2016 Rs 000	2015 Rs 000	2014 Rs 000
<u>Issued capital</u>			
At 1 January,	1,749,016	1,749,016	1,749,016
Issue of shares	194,999	-	-
At 31 December,	1,944,015	1,749,016	1,749,016
<u>Number of shares</u>			
At 1 January,	2,253,760	2,253,760	2,253,760
Issue of shares	251,275	-	-
At 31 December,	2,505,035	2,253,760	2,253,760

The issued capital comprises of ordinary shares at no par value.

32. Reserves

Nature and purpose of reserves

Foreign Currency Translation reserve

The Translation Reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The Fair Value Reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

General Banking reserve

The amount of Rs 28.7 million arose as a result of a past amalgamation. The General Banking Reserve qualifies as Tier 1 Capital.

Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

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33. Financial assets and liabilities

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

Group	Loans and receivables Rs 000	Available-for- sale Rs 000	Fair value through profit or loss Rs 000	Amortised cost Rs 000	Carrying amount Rs 000	Fair value Rs 000
					Total	Total
31 December 2016						
Assets						
Cash and cash equivalents	6,856,475	-	-	-	6,856,475	6,85,475
Loans and advances to banks	645,760	-	-	-	645,760	645,760
Loans and advances to customers	11,584,758	-	-	-	11,584,758	11,584,758
Investment securities	-	1,835,894	-	-	1,835,894	1,835,894
Other assets	920,561	-	-	-	920,561	920,561
	20,021,407	1,835,894	-	-	21,857,301	21,857,301
Liabilities						
Deposits from banks	-	-	-	1,209	1,209	1,209
Deposits from customers	-	-	-	15,589,446	15,589,446	15,589,446
Borrowed funds	-	-	-	4,117,034	4,117,034	4,117,034
Subordinated liabilities	-	-	-	274,282	274,282	274,282
	-	-	-	19,981,970	19,981,970	19,981,970
31 December 2015						
Assets						
Cash and cash equivalents	3,466,895	-	-	-	3,466,895	3,466,895
Loans and advances to banks	715,800	-	-	-	715,800	715,800
Loans and advances to customers	15,582,847	-	-	-	15,582,847	15,582,847
Investment securities	-	1,491,030	-	-	1,491,030	1,491,030
Other assets	959,985	-	-	-	959,985	959,985
	20,725,527	1,491,030	-	-	22,216,557	22,216,557
Liabilities						
Deposits from banks	-	-	-	-	-	-
Deposits from customers	-	-	-	16,658,055	16,658,055	16,658,055
Borrowed funds	-	-	-	3,339,829	3,339,829	3,339,829
Subordinated liabilities	-	-	-	528,737	528,737	528,737
	-	-	-	20,526,621	20,526,621	20,526,621

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33. Financial assets and liabilities (continued)

Group (continued)	Loans and receivables	Available-for- sale	Fair value through profit or loss	Amortised cost	Carrying amount	Fair value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
31 December 2014					Total	Total
Assets						
Cash and cash equivalents	1,578,864	-	-	-	1,578,864	1,578,864
Loans and advances to banks	522,184	-	-	-	522,184	522,184
Loans and advances to customers	15,730,769	-	-	-	15,730,769	15,730,769
Investment securities	-	1,941,871	79,719	-	2,021,590	2,021,590
Other assets	843,107	-	-	-	843,107	843,107
	18,674,924	1,941,871	79,719	-	20,696,154	20,696,154
Liabilities						
Deposits from banks	-	-	-	474,525	474,525	474,525
Deposits from customers	-	-	-	13,838,847	13,838,847	13,838,847
Borrowed funds	-	-	-	4,015,730	4,015,730	4,015,730
Subordinated liabilities	-	-	-	509,408	509,408	509,408
	-	-	-	18,838,510	18,838,510	18,838,510
Bank						
31 December 2016						
Assets						
Cash and cash equivalents	6,790,496	-	-	-	6,790,496	6,790,496
Loans and advances to banks	645,760	-	-	-	645,760	645,760
Loans and advances to customers	11,496,362	-	-	-	11,496,362	11,496,362
Investment securities	-	1,746,350	-	-	1,746,350	1,746,350
Other assets	900,549	-	-	-	900,549	900,549
	19,833,167	1,746,350	-	-	21,579,517	21,579,517
Liabilities						
Deposits from banks	-	-	-	1,209	1,209	1,209
Deposits from customers	-	-	-	15,399,339	15,399,339	15,399,339
Borrowed funds	-	-	-	4,117,034	4,117,034	4,117,034
Subordinated liabilities	-	-	-	274,283	274,283	274,283
	-	-	-	19,791,864	19,791,864	19,791,864

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33. Financial assets and liabilities (continued)

Bank (continued)	Loans and receivables Rs 000	Available-for- sale Rs 000	Fair value through profit or loss Rs 000	Amortised cost Rs 000	Carrying amount Rs 000	Fair value Rs 000
					Total	Total
31 December 2015						
Assets						
Cash and cash equivalents	3,345,550	-	-	-	3,345,550	3,345,550
Loans and advances to customers	715,800	-	-	-	715,800	715,800
Loans and advances to banks	15,453,646	-	-	-	15,453,646	15,453,646
Investment securities	-	1,438,119	-	-	1,438,119	1,438,119
Other assets	918,656	-	-	-	918,656	918,656
	20,433,652	1,438,119	-	-	21,871,771	21,871,771
Liabilities						
Deposits from banks	-	-	-	-	-	-
Deposits from customers	-	-	-	16,353,446	16,353,446	16,353,446
Borrowed funds	-	-	-	3,339,829	3,339,829	3,339,829
Subordinated liabilities	-	-	-	528,737	528,737	528,737
	-	-	-	20,222,012	20,222,012	20,222,012
31 December 2014						
Assets						
Cash and cash equivalents	1,440,115	-	-	-	1,440,115	1,440,115
Loans and advances to customers	522,184	-	-	-	522,184	522,184
Loans and advances to banks	15,649,896	-	-	-	15,649,896	15,649,896
Investment securities	-	1,895,053	79,719	-	1,974,772	1,974,772
Other assets	824,461	-	-	-	824,461	824,461
	18,436,656	1,895,053	79,719	-	20,411,428	20,411,428
Liabilities						
Deposits from banks	-	-	-	474,525	474,525	474,525
Deposits from customers	-	-	-	13,579,948	13,579,948	13,579,948
Borrowed funds	-	-	-	4,015,730	4,015,730	4,015,730
Subordinated liabilities	-	-	-	509,408	509,408	509,408
	-	-	-	18,579,611	18,579,611	18,579,611

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34. Contingencies

(a) Commitments

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	R\$ 000	R\$ 000	R\$ 000	R\$ 000	R\$ 000	R\$ 000
Undrawn credit facilities	3,287,930	2,727,126	1,825,062	3,265,984	2,719,624	1,821,035

Segment A

Undrawn credit facilities	1,296,817	1,768,369	795,835
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Segment B

Undrawn credit facilities	1,969,167	951,255	1,025,201
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(b) Pledged assets

	Group and Bank		
	2016	2015	2014
	R\$ 000	R\$ 000	R\$ 000
Government Bonds (Segment A)	200,000	200,000	200,000

(c) Contingent liabilities

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	R\$ 000	R\$ 000	R\$ 000	R\$ 000	R\$ 000	R\$ 000
Acceptances on account of customers	54,551	41,931	169,351	54,551	41,931	169,351
Guarantees on account of customers	809,581	1,286,359	1,011,553	802,013	1,280,772	1,004,004
Letters of credit and other obligations on account of customers	443,978	469,457	111,911	422,032	461,955	111,911
Foreign exchange contracts	418,281	701,754	568,764	250,642	685,458	568,764
Other contingent items	51,645	22,500	71,083	34,335	7,392	71,083
	1,778,036	2,522,001	1,932,662	1,563,573	2,477,508	1,925,113

Segment A

Acceptances on account of customers	1,850	11,866	3,206
Guarantees on account of customers	480,611	594,297	600,884
Letters of credit and other obligations on account of customers	316,525	-	11,204
Foreign exchange contracts	250,642	236,297	321,768
Other contingent items	6,020	7,212	32,063
	1,055,648	849,672	969,125

Segment B

Acceptances on account of customers	52,700	30,065	166,145
Guarantees on account of customers	321,402	686,475	403,120
Letters of credit and other obligations on account of customers	105,507	461,955	100,707
Foreign exchange contracts	156,674	449,161	246,996
Other contingent items	28,315	180	39,020
	664,598	1,627,836	955,988

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Notes to and forming part of the consolidated and separate financial statements

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35. Related parties

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with its holding company, BPCE IOM and other entities within BPCE Group.

	Nature of relationship	2016	Group	2014	2016	Bank	2014
		Rs 000	2015 Rs 000	Rs 000	Rs 000	2015 Rs 000	Rs 000
Placements with banks	Group companies	217,110	2,210,591	-	217,110	2,210,591	-
Loans and advances	Holding company	-	373,500	153,960	-	373,500	153,960
	Group companies	410,189	52,065	252,754	405,004	52,065	252,754
	Key management personnel	189,239	172,513	23,668	188,238	171,814	18,633
Deposits	Holding company	-	972,810	822,510	-	972,810	822,510
	Group companies	-	540,450	-	-	540,450	-
	Key management personnel	64,563	55,875	15,605	64,563	55,714	15,079
Balances due to	Holding company	17,431	15,935	12,265	17,431	15,935	12,265
	Group companies	4,032	-	722	4,032	-	722
Borrowed funds	Holding company	1,519,770	1,791,245	3,153,712	1,519,770	1,791,245	3,153,712
Subordinated liabilities	Holding company	274,283	528,737	509,408	274,283	528,737	509,408
Amounts due to	Holding company	2,167	502	4,601	2,167	502	4,601
Interest income	Holding company	6,654	4,106	16,520	6,654	4,106	16,520
	Group companies	32,648	8,004	2,719	32,648	8,004	2,719
	Key management personnel	6,817	1,707	1,290	6,746	1,705	1,244
Interest expense	Holding company	9,326	9,972	27,802	9,326	9,972	27,802
	Group companies	7,035	6,673	16,146	7,035	6,673	16,146
	Key management personnel	1,386	147	458	1,386	147	455
Fee and commission	Holding company	20,056	11,018	-	20,056	11,018	-
Management Fee Paid	Holding company	8,395	37,479	20,297	8,395	37,479	20,297
Management Fee Received	Subsidiary	13,985	-	-	13,985	10,000	10,000

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35. Related parties (continued)

Key management personnel compensation

Key management personnel compensation comprised the following.

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Short-term employee benefits	74,528	71,258	70,511	68,609	64,311	68,777
Post-employment benefits	11,274	12,125	10,357	11,274	10,997	10,279
	85,802	83,383	80,868	79,878	75,308	79,056

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans.

36. Financial risk review

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Board of Directors is ultimately responsible for risk management. It approves the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Group and the Bank operate.

The principal risks arising from financial instruments to which the Group and the Bank is exposed include credit risk, liquidity risk, market risk and operational risk.

(a) Risk Management framework and governance structure

Effective risk management is fundamental to the sustainability of the Group and the Bank. The role of the risk management function is to identify, assess, measure and manage those risks that arise in the pursuit of the Group's strategic goals.

The Group's and the Bank's approach to managing risk is set out in the various risk and compliance policies as approved by the Risk Management Committee. The policies generally have two components:

- governance committees;
- governance documents.

Governance committees are in place at both a board and management level. They have clearly defined mandates and delegated authorities which are reviewed regularly. Board subcommittees responsible for the oversight of various aspects of risk are the Risk Management Committee, Corporate Governance Committee and Audit Committee. The management committees responsible for the oversight of risk management are Credit Committee, Provisioning and Excess Committee, Watchlist Committee, Compliance Committee, IT Committee, Risk Committee and Assets and Liabilities Committee.

Governance documents comprise frameworks, policies and procedures which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks.

The Group and the Bank use the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks. The first line of defence is made up of the management of business lines and the originators of risk. The second line of defence functions provides independent oversight of risks. The risk management functions, including compliance, report to the chief risk officer. Group internal audit (GIA) is the third line of defence and reports to and operates under a mandate from the Chief Executive and Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective

assurance. It has the authority to independently determine the scope and extent of work to be performed.

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Notes to and forming part of the consolidated and separate financial statements
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36. Financial risk review (continued)

(b) Credit Risk

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

The Group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from off balance sheet commitments entered into with our clients and market counterparties.

The Group and the Bank manage credit risk through

- maintaining a strong culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk clearly and accurately across the Group, from the level of individual facilities up to the total portfolio;
- defining, implementing and continually re-evaluating our risk appetite under actual and stress conditions;
- monitoring the Group's credit risk relative to limits;
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

The primary governance committees overseeing credit risk are the Bank's Credit Committee and BPCE / BPCE IOM's Credit Committees, responsible for credit risk and credit concentration risk decision-making, and delegation thereof to credit officers and committees within defined parameters. The committees approve key aspects of rating systems. Regular model validation and reporting to Risk and Audit committees is undertaken.

The Group and the Bank has adopted the standardised approach for credit risk.

Credit Portfolio Analysis – Credit Quality

In Rs 000	Loans and advances to customers					
	Group			Bank		
	2016	2015	2014	2016	2015	2014
Total neither past due nor impaired	10,496,003	13,343,244	14,400,988	10,440,889	13,235,467	14,347,547
Past due but not impaired						
due up to 30 days	11,818	633,768	219,269	10,447	633,410	209,834
31-90 days	89,725	103,512	133,714	89,394	103,286	125,317
91-180 days	61,565	37,199	9,357	61,565	37,120	255
180 days+	307	232	-	307	149	3
Total past due but not impaired	163,415	774,711	362,340	161,713	773,965	355,409
Individually impaired	2,446,283	2,889,313	2,517,424	2,401,366	2,859,128	2,511,319

In Rs 000	Investment securities					
	Group			Bank		
	2016	2015	2014	2016	2015	2014
Total neither past due nor impaired	2,025,600	1,491,030	2,021,590	1,936,056	1,438,119	1,974,772

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36. Financial risk review (continued)

(b) Credit Risk (continued)

Credit Portfolio Analysis – Credit Quality (continued)

In Rs 000	Loans and advances to customers			
	Group		Bank	
	2016	2015	2016	2015
Allowance for impairment				
Individual	1,406,568	1,286,812	1,392,979	1,278,393
Collective	110,666	137,609	110,918	136,522
Total allowance for impairment	1,517,234	1,424,421	1,503,897	1,414,915
In Rs 000	Loans and advances to bank			
	Group		Bank	
	2016	2015	2016	2015
Allowance for impairment				
Individual	-	-	-	-
Collective	3,709	-	3,709	-
Total allowance for impairment	3,709	-	3,709	-
	1,520,943	1,424,421	1,507,606	1,414,915

Loans and advances with renegotiated terms

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure.

In Rs 000	Loans and advances to customers			
	Group		Bank	
	2016	2015	2016	2015
Gross carrying amount	352,075	107,055	352,075	107,055
Of which Impaired amount	1,142	24,787	1,142	24,787
Allowance for impairment	1,142	10,318	1,142	10,318
Net carrying amount	350,933	96,737	350,933	96,737

Credit Portfolio Analysis – by Risk Grade

The Group and the Bank rates its credit portfolio, according to the perceived risk level, as follows:

- For its Corporate Portfolio, the Group and the Bank have adopted BPCE / BPCE IOM's rating model [ONI, Outil de Notation International];
- For its Retail portfolio, the Group and the Bank has adopted an internally developed rating scorecard.

With respect to Banks and Financial Institutions, the Group and the Bank have developed a mapping using ratings of eligible External Rating Agencies.

Banque Des Mascareignes Ltée	In Rs 000	Loans and advances to customers			
		Group		Bank	
		2016	2015	2016	2015
Grade 0-4		4,913,395	7,967,829	3,908,238	7,921,595
Grade 5-6		3,027,572	2,969,772	3,022,022	2,937,270
Grade 7-9		2,719,899	2,924,000	2,710,510	2,900,421
Grade X (impaired)		2,443,918	2,889,313	2,401,366	2,859,535
No credit grading		916	256,354	961,832	250,146
Total gross amount		13,105,700	17,007,268	13,003,968	16,868,561
Allowance for impairment (individual and collective)		(1,520,943)	(1,424,421)	(1,507,606)	(1,414,915)
Net carrying amount		11,584,758	15,582,847	11,496,362	15,453,646
Off balance sheet					
Grade 1-4		2,626,371	3,334,475	2,432,393	3,326,066
Grade 5-6		410,947	240,130	401,169	239,300
Grade 7-9		1,583,657	935,962	1,583,486	932,111
Grade X (impaired)		10,380	31,730	10,380	31,730
No credit grading		-	63,532	177,949	63,532
Total exposure		4,631,355	4,605,829	4,605,377	4,592,739

Notes to and forming part of the consolidated and

36. Financial risk review (continued)

(b) Credit Risk (Continued)

Credit Portfolio Analysis – by Risk Grade (continued)

In Rs 000	Loans and advances to banks			
	Group		Bank	
	2016	2015	2016	2015
Outstanding Exposure				
Grade 1-4	645,760	715,800	645,759	715,800
Grade 5-6	-	-	-	-
Grade 7-9	-	-	-	-
Grade X (impaired)	-	-	-	-
No credit grading	-	-	-	-
Total gross amount	-	715,800	-	715,800
Net carrying amount	645,760	715,800	645,760	715,800

Concentrations of credit risk

The Group and the Bank maintain a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and geographic location.

Large Exposures

The Group and the Bank adopts the definition of "Large exposures", as defined by the Bank of Mauritius Guidelines on Credit Concentration Risk. The table below shows the "Large exposures" as at 31st December 2016

Customer / Group of closely related customers	Total exposures after set offs (MMUR)	% of Bank's capital base
1	1,043	59%
2	447	25%
3	417	24%
4	396	22%
5	390	22%
6	363	21%
7	362	20%
8	359	20%
9	343	19%
10	321	18%
11	317	18%
12	296	17%
13	286	16%
14	286	16%
15	271	15%
16	271	15%
17	268	15%
18	223	13%
19	123	7%
Aggregate exposure of "Large Exposures"	6,783	384%

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36. Financial risk review (continued)

(b) Credit Risk (Continued)

Sector wise distribution

	Loans and advances to customers			
	2016		2015	
	Group Rs 000	Bank Rs 000	Group Rs 000	Bank Rs 000
Agriculture & Fishing	787,914	787,062	839,897	838,751
Manufacturing	1,158,674	1,150,828	1,573,941	1,552,294
Education	-	-	34,304	34,304
Tourism	393,821	391,949	631,833	628,559
Transport	490,877	473,984	453,639	432,821
Construction	3,784,947	3,779,965	3,561,735	3,556,326
Financial and Business Services	2,406,030	2,403,772	2,524,339	2,521,534
Freeport Enterprise Certificate Holders	-	-	92,795	92,795
Traders	2,081,124	2,021,926	3,349,574	3,278,079
Personal	427,817	424,855	407,774	402,955
Professional	319,593	316,208	324,076	318,900
Global Business Licence Holders	278,210	278,210	1,433,657	1,433,657
Infrastructure	-	-	1,672,728	1,672,727
Others	976,694	975,209	106,976	104,876
Total amount	13,105,701	13,003,968	17,007,268	16,868,561

Country wise distribution

	Loans and advances to customers			
	2016		2015	
	Group Rs 000	Bank Rs 000	Group Rs 000	Bank Rs 000
Australia	10,723	10,723	12,244	12,244
Austria	-	-	52,440	52,440
Cayman Islands	53,607	53,607	93,411	93,411
China	-	-	162,135	162,135
France	795,549	795,548	687,180	687,180
Gabon	20,864	20,864	23,997	23,997
Hong Kong SAR of China	-	-	630,525	630,525
India	182,017	182,017	628,089	628,089
Indonesia	119,411	119,411	240,500	240,500
Ivory Coast	-	-	26,621	26,621
Luxembourg	335,575	335,575	337,470	337,470
Madagascar	624,694	524,065	721,319	583,895
Maldives	-	-	91,644	91,644
Mauritius	9,369,889	9,368,719	11,757,393	11,756,110
Netherlands	97,175	97,175	140,987	140,987
Nigeria	163,813	163,813	324,270	324,270
Réunion	108,182	108,182	118,175	118,175
Seychelles	54	54	-	-
Singapore	376,480	376,480	510,651	510,651
South Africa	137,469	137,469	9,895	9,895
Switzerland	38,049	38,049	207,475	207,475
United Kingdom	204,344	204,344	198,096	198,096
Others	467,806	467,873	32,751	32,751
Total amount	13,105,701	13,003,968	17,007,268	16,868,561

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36. Financial risk review (continued)

(b) Credit Risk (Continued)

Country wise distribution (continued)

	Loans and advances to banks			
	2016		2015	
	Group Rs 000	Bank Rs 000	Group Rs 000	Bank Rs 000
India	110,927	110,927	-	-
Mauritius	17,800	17,800	28,121	28,121
Egypt	259,085	259,085	262,114	262,114
Total amount	387,812	387,812	290,235	290,235

Credit risk mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

The main types of collateral taken are:

- mortgage bonds over residential, commercial and industrial properties;
- cession of book debts;
- floating charge over plant and equipment and the assets of the company.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

General and Portfolio Provisioning

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all "neither past due nor impaired" loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines.

A reconciliation of the level of General Provisions and Macro Prudential Provisions are as follows:

In Rs 000	2016 Bank	2015 Bank
Gross Loans and advances to customers	13,003,968	16,868,561
Add Loans and advances to banks not qualified for exemption	-	262,114
Add Interest receivable	-	25,775
Add credit balances eligible for set off	-	-
Less Impaired loans	2,401,366	2,859,128
Less Loans secured by cash collateral	58,823	205,622
Less Loans secured by bank guarantees	1,323,272	-
Less Loans treated as claims on banks and exempted	-	-
Net adjusted loans and advances	9,220,507	14,091,700
1% General Provision	117,874	140,917
0.5% Macro Prudential Provision	25,462	24,314
Total General and Macro Prudential Provision	143,336	165,231

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36. Financial risk review (continued)

(b) Credit Risk (Continued)

General and Portfolio Provisioning (Continued)

In Rs 000	2016 Bank	2015 Bank
Balance Sheet General Provision	114,627	136,522
General Reserve	28,709	28,709
Balance Sheet General Provision	143,336	165,231

As per Banque Centrale de Madagascar requirements, there is no General Provisioning nor Portfolio Provisioning requirements for the Bank's subsidiary, BM Madagascar.

(c) Liquidity Risk

Liquidity risk is the risk that the Group and the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due. The nature of banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. The Group and the Bank manages liquidity in accordance with approved risk policies, compliant with Bank of Mauritius guideline.

The liquidity risk management framework differentiates between:

- Tactical (shorter-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by the Treasury Committee.
- Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

The primary governance committee overseeing this risk is the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

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Notes to and forming part of the consolidated and separate financial statements

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36. Financial risk review (continued)

(c) Liquidity Risk (Continued)

Maturities (contractual) of assets and financial liabilities.

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2016								
Assets								
Cash and Cash equivalents	1,670,683	5,179,181	-	6,165	446	-	-	6,856,475
Loans and advances to banks	101,912	153,754	114,345	58,638	-	217,111	-	645,760
Loans and advances to customers	4,566,282	1,304,935	111,707	1,017,662	511,216	5,593,899	-	13,105,701
Investment securities	281,866	153,728	401,500	470,000	378,800	150,000	-	1,835,894
Other assets	677,049	-	-	-	-	-	243,511	920,560
	7,297,792	6,791,598	627,552	1,552,465	890,462	5,961,010	243,511	23,364,390
Less allowances for credit impairment								(1,520,943)
Total assets								21,843,446
2016								
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,209	1,209
Deposits from customers	12,905,910	758,732	580,020	678,021	526,352	140,411	-	15,589,446
Borrowed funds	1,612,252	1,913,466	251,884	86,844	-	252,588	-	4,117,034
Subordinated liabilities	-	57,172	-	-	-	217,111	-	274,283
Other liabilities	18,537	-	-	-	-	-	237,570	274,642
	14,536,699	2,729,370	831,904	764,865	526,352	610,110	238,779	20,238,079
Equity								1,993,559
Total liabilities								22,230,429
Net Liquidity Gap	(7,238,907)	4,062,228	(204,352)	787,600	364,110	5,350,899	(5,940)	

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36. Financial risk review (continued)

Maturities (contractual) of assets and financial liabilities.

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2015								
Assets								
Cash and Cash equivalents	3,446,427	20,468	-	-	-	-	-	3,466,895
Loans and advances to banks	5	-	39,967	40,218	262,110	373,500	-	715,800
Loans and advances to customers	6,459,838	1,150,176	52,228	157,215	2,221,377	6,966,434	-	17,007,268
Investment securities	92,567	199,282	198,877	146,455	549,680	304,169	-	1,491,030
Other assets	789,340	-	-	-	-	-	170,645	959,985
	10,788,177	1,369,926	291,072	343,888	3,033,167	7,644,103	170,645	23,640,978
Less allowances for credit impairment								(1,424,421)
Total assets								22,216,557
2015								
Liabilities								
Deposits from banks	540,450	900,750	72,060	-	-	-	-	1,513,260
Deposits from customers	13,071,011	754,844	1,007,210	1,080,935	430,700	313,355	-	16,658,055
Borrowed funds	1,180,854	249,114	84,843	-	-	311,758	-	1,826,569
Subordinated liabilities	-	-	-	96,242	58,995	373,500	-	528,737
Other liabilities	-	-	-	-	-	-	330,565	330,565
	14,792,315	1,904,708	1,164,113	1,177,177	489,695	998,613	330,565	20,857,186
Equity								1,717,858
Total liabilities								22,585,044
Net Liquidity Gap	(4,004,138)	(534,782)	(873,041)	(833,289)	2,543,472	6,645,490	(159,920)	

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(c) Liquidity Risk (continued)

Bank 2016	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non- maturity Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	1,604,704	5,179,181	-	6,165	446	-	-	6,790,496
Loans and advances to banks	101,912	153,754	114,345	58,639	-	217,110	-	645,760
Loans and advances to customers	4,484,504	1,303,571	111,478	1,014,688	499,525	5,590,202	-	13,003,968
Investment securities	261,150	84,900	401,500	470,000	378,800	150,000	189,706	1,936,056
Other assets	657,037	-	-	-	-	-	243,512	900,549
	7,109,307	6,721,406	627,323	1,549,492	878,771	5,957,312	433,218	23,276,829
Less allowances for credit impairment								(1,507,606)
Total assets								21,769,223
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,209	1,209
Deposits from customers	12,715,803	758,732	580,020	678,021	526,352	140,411	-	15,399,339
Borrowed funds	1,612,252	1,913,466	251,884	86,844	-	252,588	-	4,117,034
Subordinated liabilities	-	57,172	-	-	-	217,111	-	274,283
Other liabilities	-	-	-	-	-	-	256,107	256,107
Total liabilities	14,328,055	2,729,370	831,904	764,865	526,352	610,110	257,316	20,047,972
Equity								2,046,839
Total liabilities								22,094,811
Net Liquidity Gap	(7,218,748)	3,992,036	(204,581)	784,627	352,419	5,347,203	175,902	
Credit Commitments								

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(c) Liquidity Risk (continued)

Bank 2015	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non- maturity Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	3,325,082	20,468	-	-	-	-	-	3,345,550
Loans and advances to banks	5	-	39,967	40,218	262,110	373,500	-	715,800
Loans and advances to customers	6,352,452	1,150,123	52,108	156,801	2,198,252	6,958,825	-	16,868,561
Investment securities	50,000	199,282	198,877	136,111	549,680	304,169	-	1,438,119
Other assets	789,340	-	-	-	-	-	129,316	918,656
	10,516,878	1,369,873	290,952	333,130	3,010,042	7,636,4934	129,316	23,286,686
Less allowances for credit impairment								(1,414,915)
Total assets								21,871,771
Deposits from banks	540,450	900,750	72,060	-	-	-	-	1,513,260
Deposits from customers	12,800,133	753,911	997,655	1,057,925	430,467	313,355	-	16,353,446
Borrowed funds	1,180,854	249,114	84,843	-	-	311,758	-	1,826,569
Subordinated liabilities	-	-	-	96,242	58,995	373,500	-	528,737
Other liabilities	-	-	-	-	-	-	340,017	340,017
Total liabilities	14,521,437	1,903,775	1,154,558	1,154,167	489,462	998,613	340,017	20,562,029
Equity								1,779,203
Total liabilities								22,341,232
Net Liquidity Gap	(4,004,559)	(533,902)	(863,606)	(821,037)	2,520,580	6,637,881	(210,701)	
Credit Commitments								

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36. Financial risk review (continued)

(d) Market Risk

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

The Group's and the Bank's key market risks are:

- Trading Book Interest Rate risk;
- Banking Book Interest Rate risk;
- Foreign currency risk.

The governance committees overseeing market risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

Interest Rate Risk in the Trading Book

Trading Book Interest Rate Risk is represented by financial instruments, namely Treasury Bills and Bonds, held on the trading book, arising out of normal global markets trading activity.

Interest Rate Risk in the Banking Book

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. This is further divided into the following sub risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- Yield curve risk: shifts in the yield curve that have adverse effects on the income or underlying economic value.
- Basis risk: hedge price not moving in line with the price of the hedged position.

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Exposure to interest rate risk

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non- interest bearing	Total
2016	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	1,670,683	5,179,181	-	6,165	446	-	-	6,856,475
Loans and advances to banks	17,321	-	238,346	58,638	114,345	217,110	-	645,760
Loans and advances to customers	2,502,856	1,323,214	1,931,407	721,582	20,654	6,605,988	-	13,105,701
Investment securities	10,470	79,075	160,050	426,000	315,000	845,299	-	1,835,894
Other Assets	677,049	-	-	-	-	-	243,510	920,559
	4,878,379	6,581,470	2,329,803	1,212,385	450,445	7,668,397	243,510	23,364,389
Less allowances for credit impairment								(1,520,943)
Total assets								21,843,446
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,209	1,209
Deposits from customers	6,653,734	6,551,077	45,638	1,390,843	268,880	679,274	-	15,589,446
Borrowed funds	426,888	1,395,732	762,288	1,279,538	-	252,588	-	4,117,034
Subordinated liabilities	-	-	-	-	-	274,283	-	274,283
Other Liabilities	18,537	-	-	-	-	-	237,570	256,107
Total liabilities	7,099,159	7,946,809	807,926	2,670,381	268,880	1,206,145	238,779	20,238,079
Net on-balance sheet position	(2,220,780)	(1,365,339)	1,521,877	(1,457,996)	181,565	6,462,254	4,731	3,126,310
Less allowances for credit impairment								(1,520,943)
								1,575,705
Equity								1,993,559

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Exposure to interest rate risk

Group	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2015								
Assets								
Cash and Cash equivalents	2,841,833	5,391	5,372	9,795	2,879	-	601,625	3,466,895
Loans and advances to banks	5	-	2,616	35,305	304,374	373,500	-	715,800
Loans and advances to customers	5,041,440	784,536	1,341,496	508,357	1,145,776	8,185,663	-	17,007,268
Investment securities	-	31,377	235,517	85,052	414,884	724,200	-	1,491,030
Other Assets	-	-	-	-	-	-	959,985	959,985
	7,883,278	821,304	1,585,001	638,509	1,867,913	9,283,363	1,561,610	23,640,978
Less allowances for credit impairment								(1,424,421)
Total assets								22,216,557
Liabilities								
Deposits from banks	-	-	900,750	612,510	-	-	-	1,513,260
Deposits from customers	12,575,191	93,939	534,176	520,062	2,021,977	912,710	-	16,658,055
Borrowed funds	613,676	500,110	108,884	292,141	-	311,758	-	1,826,569
Subordinated liabilities	-	-	-	-	-	528,737	-	528,737
Other Liabilities	-	-	-	-	-	-	330,565	330,565
Total liabilities	13,188,867	594,049	1,543,810	1,424,713	2,021,977	1,753,205	330,565	20,857,186
Net on-balance sheet position	(5,305,589)	227,255	41,191	(786,204)	(154,064)	7,530,158	1,231,045	2,783,792
Less allowances for credit impairment								(1,424,421)
								1,359,371
Equity								1,717,858

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Exposure to interest rate risk (continued)

Bank 2016	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	1,604,704	5,179,181	-	6,165	446	-	-	6,790,496
Loans and advances to banks	17,321	-	238,346	58,638	114,345	217,110	-	645,760
Loans and advances to customers	2,421,215	1,321,776	1,931,407	721,582	14,025	6,593,963	-	13,003,968
Investment securities	-	-	160,050	426,000	315,000	845,300	189,706	1,936,056
Other Assets	657,037	-	-	-	-	-	243,512	900,549
	4,700,277	6,500,957	2,329,803	1,212,385	443,816	7,656,373	433,218	23,276,829
Less allowances for credit impairment								(1,507,606)
Total assets								21,769,223
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,209	1,209
Deposits from customers	6,463,627	6,551,077	45,638	1,390,843	268,880	679,274	-	15,399,339
Borrowed funds	426,888	1,395,732	762,288	1,279,538	-	252,588	-	4,117,034
Subordinated liabilities	-	-	-	-	-	274,283	-	274,283
Other Liabilities							256,107	256,107
Total liabilities	6,890,515	7,946,809	807,926	2,670,381	268,880	1,206,145	257,316	20,047,972
Net on-balance sheet position	(2,190,238)	(1,445,852)	1,521,877	(1,457,996)	174,936	6,450,229	175,902	3,228,858
Less allowances for credit impairment								(1,536,315)
								1,721,252
Equity								2,046,839

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Exposure to interest rate risk (continued)

Bank 2015	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
Assets								
Cash and Cash equivalents	2,720,488	5,391	5,372	9,795	2,879	-	601,625	3,345,550
Loans and advances to banks	5	-	2,616	35,305	304,374	373,500	-	715,800
Loans and advances to customers	4,934,150	784,536	1,341,496	508,310	1,130,913	8,169,156	-	16,868,561
Investment securities	-	-	224,327	74,708	414,884	724,200	-	1,438,119
Other Assets	-	-	-	-	-	-	918,656	918,656
	7,654,643	789,927	1,573,811	628,118	1,853,050	9,266,856	1,520,281	23,286,686
Less allowances for credit impairment								(1,414,915)
Total assets								21,871,771
Liabilities								
Deposits from banks	-	-	900,750	612,510	-	-	-	1,513,260
Deposits from customers	12,311,890	93,939	530,679	515,050	1,989,411	912,477	-	16,353,446
Borrowed funds	613,676	500,110	108,884	292,141	-	311,758	-	1,826,569
Subordinated liabilities	-	-	-	-	-	528,737	-	528,737
Other Liabilities	-	-	-	-	-	-	340,017	340,017
Total liabilities	12,925,566	594,049	1,540,313	1,419,701	1,989,411	1,752,972	340,017	20,562,029
Net on-balance sheet position	(5,270,923)	195,878	33,498	(791,583)	(136,361)	7,513,884	1,180,264	2,724,657
Less allowances for credit impairment								(1,414,915)
								1,309,742
Equity								1,779,203
2014								
Net on-balance sheet position – Group	(4,120,045)	1,794,851	1,013,693	156,251	2,316,962	1,233,688	599,054	2,994,454
Net on-balance sheet position – Bank	(4,106,514)	1,795,585	1,013,502	180,339	2,306,629	1,233,322	517,830	2,940,693

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Currency risk

The Group's and the Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Group 2016	MUR Rs 000	USD Rs 000	GBP Rs 000	EUR Rs 000	Other Rs 000	Total Rs 000
Assets						
Cash and Cash equivalents	691,262	5,617,186	10,111	438,942	98,974	6,856,475
Loans and advances to banks	17,800	361,850	2,444	225,272	38,394	645,760
Loans and advances to customers	5,946,767	3,207,080	32,572	3,811,763	107,519	13,105,701
Investment securities	1,746,350	-	-	-	89,544	1,835,894
Other assets	900,048	3,001	-	-	17,510	920,559
	9,302,227	9,189,117	45,127	4,475,977	351,941	23,364,389
Less allowances for credit impairment						(1,520,943)
Total assets						21,843,446
Liabilities						
Deposits from banks	1,209	-	-	-	-	1,209
Deposits from customers	6,556,757	7,292,510	42,489	1,442,485	255,205	15,589,446
Borrowed funds	-	1,794,776	-	2,322,258	-	4,117,034
Subordinated liabilities	-	217,110	-	57,173	-	274,283
Other liabilities	239,776	-	-	-	16,331	256,107
Total liabilities	6,797,742	9,304,396	42,489	3,821,916	271,536	20,238,079
Net on-balance sheet position	2,504,485	(115,279)	2,638	654,061	80,405	3,126,310
Less allowances for credit impairment						(1,520,943)
						1,605,367

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Currency risk (continued)

Group 2015	MUR Rs 000	USD Rs 000	GBP Rs 000	EUR Rs 000	Other Rs 000	Total Rs 000
Assets						
Cash and Cash equivalents	525,653	2,552,059	101,804	51,014	236,365	3,466,895
Loans and advances to banks	28,120	360,300	13,545	275,315	38,520	715,800
Loans and advances to customers	6,997,025	5,787,791	28,195	4,006,558	187,699	17,007,268
Investment securities	1,438,119	-	-	-	52,911	1,491,030
Other assets	817,283	39,146	3,421	56,440	43,695	959,985
	9,806,200	8,739,296	146,965	4,389,327	559,190	23,640,978
Less allowances for credit impairment						1,424,421
Total assets						22,216,557
Liabilities						
Deposits from banks	-	1,513,260	-	-	-	1,513,260
Deposits from customers	7,707,638	6,751,766	137,052	1,721,311	340,288	16,658,055
Borrowed funds	-	-	-	1,784,103	42,466	1,826,569
Subordinated liabilities	-	271,126	-	257,611	-	528,737
Other liabilities	330,565	-	-	-	-	330,565
Total liabilities	8,038,203	8,536,152	137,052	3,763,025	382,754	20,857,186
Net on-balance sheet position	1,767,997	203,144	9,913	626,302	176,436	2,783,792
Less allowances for credit impairment						1,424,421
						1,359,371

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Currency risk (continued)

Bank 2016	MUR Rs 000	USD Rs 000	GBP Rs 000	EUR Rs 000	Other Rs 000	Total Rs 000
Assets						
Cash and Cash equivalents	691,261	5,616,800	10,110	436,151	36,174	6,790,496
Loans and advances to banks	17,800	361,850	2,444	225,272	38,394	645,760
Loans and advances to customers	5,946,777	3,207,028	32,572	3,811,738	5,860	13,003,968
Investment securities	1,936,056	-	-	-	-	1,936,056
Other assets	900,548	-	-	-	-	900,548
	9,492,436	9,185,678	45,126	4,473,161	80,428	23,276,829
Less allowances for credit impairment						(1,507,606)
Total assets						21,769,223
Liabilities						
Deposits from banks	1,209	-	-	-	-	1,209
Deposits from customers	6,556,757	7,292,510	42,489	1,442,485	65,098	15,399,339
Borrowed funds	-	1,794,776	-	2,322,258	-	4,117,034
Subordinated liabilities	-	217,110	-	57,173	-	274,283
Other liabilities	256,107	-	-	-	-	256,107
Total liabilities	6,814,073	9,304,396	42,489	3,821,916	65,098	20,047,972
Net on-balance sheet position	2,678,363	(118,718)	2,637	651,245	15,330	3,228,857
Less allowances for credit impairment						(1,507,606)
						1,721,251
Bank – 2016	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Total assets						23,276,829
Total liabilities						20,047,972
Net on-balance sheet position						3,228,857
Less allowances for credit impairment						(1,507,606)
						1,721,251

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Currency risk (continued)

Bank 2015	MUR Rs 000	USD Rs 000	GBP Rs 000	EUR Rs 000	Other Rs 000	Total Rs 000
Assets						
Cash and Cash equivalents	525,653	2,551,878	101,804	48,332	117,883	3,345,550
Loans and advances to banks	28,120	360,300	13,545	275,315	38,520	715,800
Loans and advances to customers	6,997,025	5,787,729	28,195	4,006,545	49,067	16,868,561
Investment securities	1,438,119	-	-	-	-	1,438,119
Other assets	817,283	39,146	3,421	56,440	2,366	918,656
	9,806,200	8,739,053	146,965	4,386,632	207,836	23,286,686
Less allowances for credit impairment						(1,414,915)
Total assets						21,871,771
Liabilities						
Deposits from banks	-	1,513,260	-	-	-	1,513,260
Deposits from customers	7,674,848	6,744,623	137,052	1,719,054	77,869	16,353,446
Borrowed funds	-	-	-	1,784,103	42,466	1,826,569
Subordinated liabilities	-	271,126	-	257,611	-	528,737
Other liabilities	340,017	-	-	-	-	340,017
Total liabilities	8,014,865	8,529,009	137,052	3,760,768	120,335	20,562,029
Net on-balance sheet position	1,791,335	210,044	9,913	625,864	87,501	2,724,657
Less allowances for credit impairment						(1,414,915)
						1,309,742

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Notes to and forming part of the consolidated and separate financial statements
For the year ended 31 December 2016

36. Financial risk review (continued)

(d) Market Risk (continued)

Currency Risk (continued)

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in MUR equivalent, resulting from a 1% shock to foreign currency risk exposures, with respect to designated financial instruments, foreign-denominated cash balances and accruals and intragroup foreign-denominated debt.

	Group			Bank		
	2016	2015	2013\4	2016	2015	2013\4
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Effect of +/- 1% change	31,263	8,394	6,812	32,289	8,458	1,477

(e) Capital Management

The Group's and the Bank's objective in its capital management function is designed to ensure that regulatory requirements are met at all times and that the Group and the Bank are capitalised in line with the regulatory requirements. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

At the regulatory level, the minimum capital adequacy ratio set by BoM for banks presently stands at 10% of risk-weighted assets, with newly-unveiled Basel III rules which came into force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks.

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III, the following limits and minima are applicable:

- A minimum Core Equity Tier 1 ratio of 5.5% ;
- A minimum Tier 1 ratio of 6.5%; and
- A Minimum Capital Adequacy Ratio of 10%.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

Implementation of new capital requirements under Basel III

The below reflects the minimum capital requirements and phase-in periods applicable to banks in Mauritius.

	July 2014	2015	2016	2017	2018	2019	2020
		(All dates are as of 1 January)					
Minimum CET 1 CAR	5.5 %	6.0 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %
Capital Conservation Buffer				0.625 %	1.25 %	1.875 %	2.5 %
Minimum CET 1 CAR plus Capital Conservation Buffer	5.5 %	6.0%	6.5 %	7.125 %	7.75 %	8.375 %	9.0 %
Phase in of deductions from CET 1			50%	60%	80%	100%	100%
Minimum Tier 1 CAR	6.5 %	7.5 %	8.0 %	8.0 %	8.0 %	8.0%	8.0 %
Minimum Total CAR	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
Minimum Total CAR Plus Capital Conservation Buffer	10.0 %	10.0 %	10.0 %	10.625 %	11.25 %	11.875%	12.5 %
Capital instruments that no longer qualify as AT1 capital or Tier 2 capital	Phased out over 10 year horizon beginning 1 July 2014						

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36. Financial risk review (continued)

(e) Capital Management (continued)

Capital Structure

Regulatory capital adequacy is measured through three risk-based ratios:

- CET I: ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.
- Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements.
- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

As at 31st December 2016, the Bank's and Group's capital instruments comprised of only

- Ordinary Shares issued;
- Subordinated Debt availed by the Bank from its holding company (BPCE IOM).

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below:

BASEL III	GROUP		BANK	
	Dec-16	Dec-15	Dec-16	Dec-15
	Rs M	Rs M	Rs M	Rs M
Tier 1 Capital				
Paid up or assigned capital (note 32)	1,944	1,749	1,944	1,749
Statutory reserve	83	83	83	83
Other disclosed free reserves, including undistributed balance in income statement	(145)	(223)	(63)	(121)
Current year's retained profits				
Minority interests	8	12	-	
Deduct:				
Goodwill (note 24)	(76)	(76)	-	
Investment in Subsidiary (note 22)	-		(95)	(96)
Other Intangible assets (note 24)	(134)	(75)	(134)	(74)
Deferred Tax (note 17)	(176)	(180)	(176)	(178)
CET 1 Capital	1,504	1,290	1,561	1,363
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	1,504	1,290	559	1,363
Tier 2 Capital				
Portfolio Provision (note 20)	144	166	143	165
Subordinated debts (note 29)	157	245	157	245
Deduct:				
Investment in Subsidiary (note 22)	-	-	(95)	(95)
Total Tier 2 Capital	301	411	205	315
Total Capital Base	1,805	1,701	1,764	1,679

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36. Financial risk review (continued)

(e) Capital Management (continued)

Risk Weighted Assets for Credit Risk

The Bank has adopted the Standardised Approach for credit risk capital allocation.

		GROUP		BANK	
Risk Weighted On-Balance Sheet Assets	Risk Weight	Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
	%	Rs M			
Cash items	0 - 20	151	1	129	-
Claims on Sovereigns	0 - 150	1,836	134	1,746	-
Claims on Central banks	0	1,395	119	1,343	42
Claims on Multilateral development banks	0 - 150	161	81	161	81
Claims on banks	20 - 150	8,059	879	8,056	875
Claims on non-central government public sector entities	0 - 150	-	-	-	-
Claims on corporates	20 - 150	5,538	5,354	5,482	5,271
Claims included in the regulatory retail portfolio	75	188	141	188	141
Claims secured by residential property	35-100	2,979	3,064	2,979	3,064
Claims secured by commercial real estate	100	220	220	220	220
Past due claims	50-150	838	1,119	808	1,079
Other assets	100	522	522	494	494
Total Risk Weighted On-Balance Sheet Assets		21,887	11,634	21,606	11,267

Risk Weighted Off-Balance Sheet Assets	Credit Conversion Factor	Risk Weight	Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
Transaction-related contingent items	50	0-100	816	408	810	405
Trade-related contingencies	20	0-100	477	95	477	95
Other commitments	20	0-100	3,285	885	3,266	878
Foreign exchange contracts	2	100	413	8	413	8
Total Risk Weighted Off-Balance Sheet Assets			4,991	1,396	4,966	1,386

Total Risk Weighted On & Off Balance Sheet Assets	26,878	13,030	26,572	12,653
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Risk Weighted Assets for Operational Risk

The Group applies the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

The Capital Charge for the Group has been computed as follows:

- Annual gross income: Rs 680 million
- Average gross income over 3 years: Rs 668 million
- Capital charge for operational risk: Rs 100 million

The Capital Charge for the Bank has been computed as follows:

- Annual gross income: Rs 624 million
- Average gross income over 3 years: Rs 626 million
- Capital charge for operational risk: Rs 94 million

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36. Financial risk review (continued)

(e) Capital Management (continued)

Risk Weighted Capital Adequacy Ratio

The regulatory Capital Adequacy Ratio is as follows:

	Group			Bank		
	2016	2015	2014	2016	2015	2014
	Rs M	Rs M	Rs M	Rs M	Rs M	Rs M
Core Equity Tier 1 Capital	1,504	1,290	1,320	1,561	1,364	1,396
Total Tier 1 Capital	1,504	1,290	1,320	1,561	1,364	1,396
Total Tier 2 Capital	301	411	548	205	315	452
Total Capital Base	1,805	1,701	1,868	1,766	1,679	1,848
Risk Weighted Assets	14,040	16,818	16,376	13,601	16,466	16,071
CET 1 Ratio	10.71%	7.67%	8.06%	11.48%	8.28%	8.69%
Tier 1 Ratio	10.71%	7.67%	8.06%	11.48%	8.28%	8.69%
Capital Adequacy Ratio	12.86%	10.12%	11.41%	12.99%	10.20%	11.50%

(f) Fair values of financial instruments

The tables that follow analyse the Group's and Bank's financial assets and liabilities that are measured at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS. The different levels are based on the extent to which observable market data and inputs are used in the calculation of the fair value of the financial assets and liabilities. The levels of the hierarchy are defined as follows:

Level 1 – fair values are based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair values are calculated using valuation techniques based on observable inputs, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes financial assets and liabilities valued using quoted market prices in active markets for similar financial assets or liabilities, quoted prices for identical or similar financial assets or liabilities in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly derived or corroborated from observable market data.

Level 3 – fair values are based on valuation techniques using significant unobservable inputs. This category includes financial assets and liabilities where the valuation technique includes unobservable inputs that have a significant effect on the financial asset or liability's valuation. This category includes financial assets and liabilities that are valued based on quoted prices for similar financial assets or liabilities and for which significant unobservable adjustments or assumptions are required to reflect differences between the financial assets or liabilities.

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Notes to and forming part of the consolidated and separate financial statements

For the year ended 31 December 2016

36. Financial risk review (continued)

(f) Fair values of financial instruments (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group - 2016

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities		1,835,894		1,835,894

Group - 2015

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities		1,491,030		1,491,030

Bank - 2016

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities	-	1,936,056	-	1,936,056
Investment in subsidiary	-	-	189,706	189,706
			189,70	2,125,79
	-	1,936,056	6	2

Bank - 2015

In Rs 000	Fair Value			Carrying amount
	Level 1	Level 2	Level 3	
Assets				
Investment securities	-	1,438,119	-	1,438,119
Investment in subsidiary	-	-	190,201	190,201
	-	1,438,119	190,201	1,628,320

At 31 December 2016 and 2015, the Group and the Bank did not have any financial liabilities that are measured with reference to fair value, all liabilities are measured at amortised cost.

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Notes to and forming part of the consolidated and separate financial statements
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36. Financial risk review (continued)

(f) Fair values of financial instruments (continued)

Level 2 financial assets and financial liabilities

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

Level 3 financial assets and financial liabilities

The fair value of an unquoted equity investment is deemed to be reliably measured if:

- The variability in the range of reasonable fair value estimates is not significant; or
- The probabilities of the various estimates within the range can be reasonably assessed.

In case of investment in subsidiary (operating in Madagascar) the Bank considers that the range of fair value estimates is significantly wide and that the probabilities of estimates cannot be reliably measured. As a result, cost less accumulated impairment is deemed to be the best estimates of fair value.

Hence, there are no significant quantitative observable inputs which will affect the fair value of the investment in subsidiary.

37. Supplementary information as required by the Bank of Mauritius

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into segments A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. 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.

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Notes to and forming part of the consolidated and separate financial statements

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37. Supplementary information as required by Bank of Mauritius (continued)

Statements of profit or loss

Bank Rs'000		Segment A Rs 000	Segment B Rs 000	2016 Rs 000	Segment A Rs 000	Segment B Rs 000	2015 Rs 000	Segment A Rs 000	Segment B Rs 000	2014 Rs 000
	Note									
Interest income		445,264	290,024	735,288	553,555	207,931	761,486	586,014	211,590	797,604
Interest expense		(141,006)	(128,341)	(269,347)	(243,275)	(94,175)	(337,450)	(262,583)	(85,151)	(347,734)
Net interest income	8	304,258	161,683	465,941	310,280	113,756	424,036	323,431	126,439	449,870
Fee and commission income		65,382	51,371	116,753	68,173	52,615	120,788	68,235	68,206	136,441
Fee and commission expense		(19,879)	(19,098)	(38,977)	(13,455)	(12,712)	(26,167)	(11,363)	(13,277)	(24,640)
Net fee and commission income	9	45,503	32,273	77,776	54,718	39,903	94,621	56,872	54,929	111,801
Net trading income	10	51,946	11,202	63,148	70,389	6,041	76,430	48,961	27,785	76,746
Net income from other financial instruments at fair value through profit or loss	11	-	(27,941)	(27,941)	(49)	-	(49)	(8)	-	(8)
Other revenue	12	3,062	42,104	45,166	1,100	10,410	11,510	891	10,024	10,915
		100,511	57,638	158,149	126,158	56,354	182,512	106,716	92,738	199,454
Revenue		404,769	219,321	624,090	436,438	170,110	606,548	430,147	219,177	649,324
Personnel expenses	13	(227,334)	(43,302)	(270,636)	(223,709)	(41,491)	(265,200)	(199,571)	(62,401)	(261,972)
Operating lease expenses	14	(38,330)	(5,170)	(43,500)	(40,999)	(4,600)	(45,599)	(35,466)	(4,803)	(40,269)
Depreciation and amortization	22 & 23	(45,500)	(5,624)	(51,124)	(18,573)	(3,239)	(21,812)	(22,074)	(3,746)	(25,820)
Other expenses	15	(120,283)	(40,002)	(160,285)	(119,920)	(32,124)	(152,044)	(122,919)	(31,619)	(154,538)
		(431,447)	(94,098)	(525,545)	(403,201)	(81,454)	(484,655)	(380,030)	(102,569)	(482,599)
Operating profit					33,237	88,656	121,893	50,117	116,608	166,725
Net impairment loss on financial assets	20	(33,090)	(7,461)	(40,551)	(72,734)	(4,692)	(77,426)	(97,564)	(3,752)	(101,316)
Profit / (Loss) before tax		(59,768)	117,762	57,994	(39,497)	83,964	44,467	(47,447)	112,856	65,409
Income tax (Expense) / Credit	16(i)	(70)	-	(70)	4,157	(3,148)	1,009	19,918	(3,311)	16,607
Profit / (Loss)		(59,838)	117,762	57,924	(35,340)	80,816	45,476	(27,529)	109,545	82,016

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37. Supplementary information as required by Bank of Mauritius (continued)

Statement of financial position as at 31 December 2016

	Note	Segment A Rs 000	Segment B Rs 000	2016 Rs 000	Segment A Rs 000	Segment B Rs 000	2015 Rs 000	Segment A Rs 000	Segment B Rs 000	2014 Rs 000
ASSETS										
Cash and cash equivalents	17	792,237	5,998,259	6,790,496	600,018	2,745,532	3,345,550	1,243,335	196,780	1,440,115
Loans and advances to banks	18	17,800	627,960	645,760	28,121	687,679	715,800	-	522,184	522,184
Loans and advances to customers	19	8,060,808	3,435,554	11,496,362	9,398,015	6,055,631	15,453,646	8,339,235	7,310,661	15,649,896
Investment securities	20	1,746,350	-	1,746,350	1,438,119	-	1,438,119	1,974,772	-	1,974,772
Investment in subsidiary	21	-	189,706	189,706	-	190,201	190,201	-	191,896	191,896
Property and equipment	22	57,165	6,414	63,579	40,253	4,293	44,546	35,542	3,711	39,253
Intangible assets	23	118,288	14,612	132,900	65,796	8,106	73,902	6,675	770	7,445
Deferred tax assets	16 (ii)	165,062	10,018	175,080	160,919	17,345	178,264	153,053	17,190	170,243
Other assets	24	850,918	49,631	900,549	869,923	48,734	918,656	782,150	42,311	824,461
Total assets		11,808,628	10,332,154	22,140,782	12,601,164	9,757,520	22,358,684	12,534,762	8,285,503	20,820,265
LIABILITIES										
Deposits from banks	25	-	1,209	1,209	-	1,513,260	1,513,260	-	1,297,035	1,297,035
Deposits from customers	26	6,513,523	8,885,816	15,399,339	7,486,373	8,867,073	16,353,446	7,537,642	6,042,306	13,579,948
Borrowed funds	27	29,343	4,087,691	4,117,034	-	1,826,569	1,826,569	39,508	3,153,712	3,193,220
Subordinated liabilities	28	-	274,283	274,283	-	528,737	528,737	-	509,408	509,408
Provisions	29	39,575	7,465	47,040	16,670	782	17,452	29,130	5,254	34,384
Current tax liabilities	16 (iii)	-	1,049	1,049	-	-	-	3,754	6,259	10,013
Other liabilities	30	214,712	41,394	256,106	205,394	134,623	340,017	218,224	217,280	435,504
Total liabilities		6,797,153	13,298,907	20,096,060	7,708,437	12,871,044	20,579,481	7,828,258	11,231,254	19,059,512
Equity										
Share capital	31			1,944,015			1,749,016			1,749,016
Retained earnings	32			-63,374			-121,299			-162,434
Reserves	32			164,081			151,486			174,171
Total equity attributable to the equity holders of the Bank				2,044,722			1,779,203			1,760,753
Total liabilities and equity				22,140,782			22,358,684			20,820,265

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38. Subsequent event

There are no material events after the reporting date which would require disclosure or adjustment to the financial statements for the period ended to 31 December 2016.

39. Ultimate holding company

The immediate and ultimate holding company are BPCE International et Outre-Mer and BPCE respectively, both incorporated in France.