STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018	2017	2016
		MUR	MUR	MUR
ASSETS				
Cash and cash equivalents	9	3,276,741,586	4,317,358,970	3,966,067,879
Due from banks	10	1,030,811,338	1,183,314,188	1,456,600,322
Derivative financial assets	11	4,289,595	4,407,594	4,478,577
Loans and advances to customers	12	6,054,488,404	5,095,744,575	4,594,454,589
Investment securities	13	6,223,153,289	4,716,445,587	4,832,329,437
Other assets	14	94,025,588	31,223,839	11,537,022
Property and equipment	15	394,861,578	372,510,402	222,202,278
Intangible assets	16	4,351,872	6,819,610	9,716,195
Deferred tax assets	17	21,307,487	24,025,071	27,044,221
Total assets		17,104,030,737	15,751,849,836	15,124,430,520
LIABILITIES				
Due to banks	18	110,061,479	-	140,006,397
Derivative financial liabilities	11	2,774,759	16,531,096	692,898
Deposits from customers	19	14,966,194,318	13,803,065,697	13,368,862,538
Preference shares	20	145,340,753	265,749,768	320,758,971
Current tax liabilities		30,924,434	23,175,879	33,230,172
Other liabilities	22	338,395,576	303,047,345	87,354,895
Total liabilities		15,593,691,319	14,411,569,785	13,950,905,871
Shareholders' Equity				
Issued capital	23	940,495,472	940,495,472	940,495,472
Retained earnings		478,528,990	322,022,542	186,460,977
Other reserves	24	91,314,956	77,762,037	46,568,200
Capital and reserves		1,510,339,418	1,340,280,051	1,173,524,649
Total liabilities and equity		17,104,030,737	15,751,849,836	15,124,430,520

These financial statements have been approved and authorised for issue by the Board of Directors on 26 September 2018.

Hon. Y.K.J Yeung Sik Yuen, *G.O.S.K.*
Chairman

Professor Donald Ah-Chuen, *G.O.S.K.*
Managing Director

Mr Sydney Ah Yoong
Chairperson of Audit Committee

The notes set out on pages 100 to 167 form part of these financial statements.
Auditor's report on pages 90 to 94.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018	2017	2016
		MUR	MUR	MUR
Interest income		653,296,994	645,237,899	568,364,546
Interest expense		(267,458,708)	(309,205,620)	(300,366,712)
Net interest income	25	385,838,286	336,032,279	267,997,834
Fee and commission income		104,693,292	112,992,592	128,142,987
Fee and commission expense		(24,210,364)	(23,853,484)	(27,486,119)
Net fee and commission income	26	80,482,928	89,139,108	100,656,868
Net trading income	27	85,243,497	63,830,549	65,420,427
Other operating income	28	7,884,314	4,005,926	1,545,861
Total other income		93,127,811	67,836,475	66,966,288
Operating income		559,449,025	493,007,862	435,620,990
Personnel expenses	30	(162,194,232)	(127,203,015)	(100,909,341)
Depreciation and amortisation	15, 16	(21,624,665)	(19,358,710)	(16,846,870)
Other operating expenses	31	(74,337,683)	(73,175,640)	(70,250,415)
Non interest expenses		(258,156,580)	(219,737,365)	(188,006,626)
Operating profit before impairment		301,292,445	273,270,497	247,614,364
Allowance for credit impairment on financial assets	29	(9,538,421)	(22,952,713)	(61,431,636)
Operating profit before tax		291,754,024	250,317,784	186,182,728
Income tax expense	21	(49,322,296)	(41,809,819)	(24,575,042)
Profit for the year		242,431,728	208,507,965	161,607,686
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of retirement pension, net of deferred tax	40	(746,523)	(483,394)	852,957
Items that may be reclassified subsequently to profit or loss, net of tax				
Fair value realised on disposal of available-for-sale financial assets	24	-	-	(389,784)
Net revaluation movement of available-for-sale financial assets	24	(22,811,840)	(82,358)	(84,514)
		(22,811,840)	(82,358)	(474,298)
Other comprehensive (loss)/income for the year		(23,558,363)	(565,752)	378,659
Total comprehensive income for the year		218,873,365	207,942,213	161,986,345
Earnings per share				
Basic and diluted	32	3.18	2.73	2.92

The notes set out on pages 100 to 167 form part of these financial statements.

Auditor's report on pages 90 to 94.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Issued capital	Retained earnings	Statutory reserve	Available-for-sale reserve	Total
		MUR	MUR	MUR	MUR	MUR
At 1 July 2015		506,699,200	56,345,374	21,039,399	1,761,946	585,845,919
Profit for the year		-	161,607,686	-	4,721,828	166,329,514
Other comprehensive income/(loss)		-	852,957	-	(5,196,126)	(4,343,169)
Total comprehensive income/(loss) for the year		-	162,460,643	-	(474,298)	161,986,345
Right issue	23	433,796,272	-	-	-	433,796,272
Transfer to statutory reserve		-	(24,241,153)	24,241,153	-	-
Equity dividends	33	-	(8,103,887)	-	-	(8,103,887)
At 30 June 2016		**940,495,472**	**186,460,977**	**45,280,552**	**1,287,648**	**1,173,524,649**
At 1 July 2016		940,495,472	186,460,977	45,280,552	1,287,648	1,173,524,649
Profit for the year		-	208,507,965	-	-	208,507,965
Other comprehensive loss		-	(483,394)	-	(82,358)	(565,752)
Total comprehensive income/(loss) for the year		-	208,024,571	-	(82,358)	207,942,213
Transfer to statutory reserve		-	(31,276,195)	31,276,195	-	-
Equity dividends	33	-	(41,186,811)	-	-	(41,186,811)
At 30 June 2017		**940,495,472**	**322,022,542**	**76,556,747**	**1,205,290**	**1,340,280,051**
At 1 July 2017		**940,495,472**	**322,022,542**	**76,556,747**	**1,205,290**	**1,340,280,051**
Profit for the year		**-**	**242,431,728**	**-**	**-**	**242,431,728**
Other comprehensive loss		**-**	**(746,523)**	**-**	**(22,811,840)**	**(23,558,363)**
Total comprehensive income/(loss) for the year		**-**	**241,685,205**	**-**	**(22,811,840)**	**218,873,365**
Transfer to statutory reserve		**-**	**(36,364,759)**	**36,364,759**	**-**	**-**
Equity dividends	33	**-**	**(48,813,998)**	**-**	**-**	**(48,813,998)**
At 30 June 2018		**940,495,472**	**478,528,990**	**112,921,506**	**(21,606,550)**	**1,510,339,418**

The notes set out on pages 100 to 167 form part of these financial statements.
Auditor's report on pages 90 to 94.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018	2017	2016
		MUR	MUR	MUR
Cash flows from operating activities				
Profit before taxation		291,754,024	250,317,784	186,182,728
Adjustments for:				
Depreciation	15	19,147,497	16,447,176	13,961,195
Amortisation	16	2,477,168	2,911,534	2,885,675
Provision for credit impairment	29	9,538,421	22,952,713	61,431,636
Employee benefit costs	40	696,557	778,507	601,233
Exchange difference		(81,393,106)	41,911,287	65,043,015
(Profit)/loss on disposal of property and equipment	28, 31	(187,032)	(338,001)	1,084,139
Profit on disposal of investment securities	28	(6,455,327)	(2,452,927)	(373,500)
		235,578,202	332,528,073	330,816,121
Net changes in operating assets and liabilities				
Increase in loans and advances to customers		(964,599,546)	(513,910,440)	(1,639,444,097)
(Increase)/decrease in other assets		(62,801,749)	(19,686,817)	8,725,304
(Increase)/decrease in derivative financial instruments		(13,638,338)	15,909,181	(3,762,110)
Decrease in due from banks		152,502,850	273,286,134	284,682,202
Increase in deposits from customers		1,163,128,621	434,203,159	2,066,529,056
Increase/(decrease) in other liabilities		37,904,351	213,170,903	(11,413,679)
		548,074,391	735,500,193	1,036,132,797
Income tax paid		(38,754,653)	(48,769,519)	(3,818,844)
Net cash generated from operating activities		509,319,738	686,730,674	1,032,313,953
Cash flows from investing activities				
Purchase of investment securities		(12,765,561,286)	(8,603,643,280)	(2,889,659,902)
Proceeds from sale and redemption of investment securities		11,271,338,400	8,706,474,179	1,129,478,051
Purchase of property and equipment	15	(41,703,598)	(167,135,874)	(15,921,768)
Purchase of intangible assets	16	(9,430)	(14,949)	(520,622)
Proceeds from sale of property and equipment		391,957	718,575	1,594,877
Net cash used in investing activities		(1,535,543,957)	(63,601,349)	(1,775,029,364)
Cash flows from financing activities				
Proceeds from debt securities issued and due to banks	18	110,061,479	-	140,006,397
Repayment of debt securities issued and due to banks	18	-	(140,006,397)	-
Proceeds from issue of ordinary shares	23	-	-	433,796,272
Redemption of preference shares	20	(124,981,000)	(53,825,000)	-
Dividend paid	33	(48,813,998)	(41,186,811)	(8,103,887)
Net cash (used in)/generated from financing activities		(63,733,519)	(235,018,208)	565,698,782
Net (decrease)/increase in cash and cash equivalents		(1,089,957,738)	388,111,117	(177,016,629)
Net foreign exchange difference		49,340,354	(36,820,026)	(66,928,152)
Net cash and cash equivalents at beginning of year		4,317,358,970	3,966,067,879	4,210,012,660
Net cash and cash equivalents at end of year	9	3,276,741,586	4,317,358,970	3,966,067,879
Operational cashflows from interest and dividends				
Interest paid		236,889,734	329,185,394	287,696,180
Interest received		652,985,611	659,937,021	568,981,305
Dividend received		1,237,480	1,176,385	1,036,164

The notes set out on pages 100 to 167 form part of these financial statements.

Auditor's report on pages 90 to 94.

1. CORPORATE INFORMATION

ABC Finance and Leasing Ltd was incorporated on 21 November 1997 as a private company and was converted to a public company in 1998.

The company has changed its name to ABC Banking Corporation Ltd (referred to as the "bank") on 21 April 2010 and was granted a banking licence on 1 June 2010.

The main pillars of the bank are: domestic banking, international banking, treasury and private banking.

The financial statements for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 26 September 2018.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, financial assets held for trading and financial assets designated at fair value through profit or loss (FVPL), all of which have been measured at fair value. The financial statements are presented in Mauritian Rupees (MUR) which is the bank's functional and presentation currency and all values are rounded to the nearest rupee, except otherwise stated.

3. STATEMENT OF COMPLIANCE

The financial statements of the bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB, and in the manner required by the Companies Act 2001, Financial Reporting Act 2004, Banking Act 2004, and Guidelines and Guidance Notes as issued by the Bank of Mauritius.

4. PRESENTATION OF FINANCIAL STATEMENTS

The bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 36.

Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the bank and/or its counterparties

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

5.1 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5.2 Finance leases

5.2.1 Initial recognition

Assets held under a finance lease are recognised in the statement of financial position and are presented as an asset at an amount equal to the net investment in the lease.

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the bank, and thus the lease payment receivable is treated by the bank as repayment of principal and finance income.

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable.

5.2.2 Subsequent measurement

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

The bank aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the bank's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Estimated unguaranteed residual values used in computing the bank's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognised immediately.

5.3 Financial instruments - initial recognition and subsequent measurement

5.3.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The bank recognises due to customer balances when funds reach the bank.

5.3.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial instruments are measured initially at their fair value plus transaction cost, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

5.3.3 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (also known as the 'underlying').

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 Financial instruments - initial recognition and subsequent measurement (Cont'd)

5.3.3 Derivatives recorded at fair value through profit or loss (Cont'd)

b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

c) It is settled at a future date.

The bank enters into derivative transactions with various counterparties. These include forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

5.3.4 Financial assets or financial liabilities held for trading

The bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

5.3.5 The effective interest rate method

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. The accounting policies for the EIR method vary by instruments and are further explained in the respective accounting policies.

5.3.6 Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique with the variables including only data from observable markets, the bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

5.3.7 Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in market conditions.

The bank has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in OCI in the available-for-sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss, in other operating income. Where the bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR which takes into account any discount/premium and qualifying transaction costs that are an integral part of the instrument's yield. Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of profit or loss as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of profit or loss in 'impairment losses on financial investments' and removed from the available-for-sale reserve. Where the equity instrument does not have a quoted price in an active market and whose fair value cannot be reliably measured, such unquoted equity instrument is measured at cost less impairment.

5.3.8 Held-to-maturity financial investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities that the bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in interest and similar income in the statement of profit or loss. The losses arising from impairment of such investments are recognised in the statement of profit or loss within allowances for credit impairment on financial asset.

If the bank was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

5.3.9 Due from banks and loans and advances

Balances due from banks and loans and advances include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the near term and those that the bank, upon initial recognition, designates as at FVPL
- Those that the bank, upon initial recognition, designates as available-for-sale
- Those for which the bank may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, amounts due from banks and loans and advances are subsequently measured at amortised cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked as a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 Financial instruments - initial recognition and subsequent measurement (Cont'd)

5.3.10 Debt issued and other borrowed funds

Financial instruments issued by the bank that are not held for trading or designated at FVPL, are classified as liabilities under debt issued and other borrowed funds, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

5.3.11 Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon initial recognition when one of the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

or

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

or

- The financial instrument contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

5.4 Derecognition of financial assets and financial liabilities

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at FVPL. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument, while dividend income is recorded in other operating income when the right to the payment has been established.

5.4.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The bank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The bank has transferred the asset if, and only if, either:

- The bank has transferred its contractual rights to receive cash flows from the asset

or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions when the bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates
- The bank cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows
- The bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients

A transfer only qualifies for derecognition if either:

- The bank has transferred substantially all the risks and rewards of the asset

or

- The bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

In relation to the above, the bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the bank's continuing involvement in it. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the bank's continuing involvement is the amount of the transferred asset that the bank may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

The bank also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the statement of profit or loss.

5.4.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Determination of fair value

The bank measures financial instruments at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

5.6 Impairment of financial assets

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

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

5.6.1 Financial assets carried at amortised cost

The bank's impairment methodology for assets carried at amortised costs comprises:

A. Specific impairment losses for individually significant or specifically identified exposures
B. Collective impairment for exposures on which there is no objective evidence of impairment

A. Specific impairment losses for individually significant or specifically identified exposures

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held to maturity investments), the bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

It is the bank's policy to regularly monitor its loan portfolio. A specific assessment is made on an individual basis for loans that are 90 days past due. Impairment indicators include: internal rating of the borrower indicating default or near-default, the borrower requesting emergency funding from the bank; the borrower having past due liabilities to creditors or employees; a material decrease in the underlying collateral value where the sale of the financed asset is required to repay the loan; a material decrease in the borrower's turnover or the loss of a major customer; a material decrease in estimated future cash flows; any material facility at the debtor level falling beyond 90 days past due; a covenant breach not waived by the bank; the debtor (or any legal entity within the debtor's group) filing for bankruptcy application/ protection and/or debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in allowance for credit impairment on financial assets in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans and advances together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced (but only up to the extent of the carrying amount had the impairment not been recognised) by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'allowance for credit impairment on financial asset'.

The present value of the estimated future cash flows is discounted by the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 Impairment of financial assets (Cont'd)

5.6.1 Financial assets carried at amortised cost (Cont'd)

B. Collective impairment

For the purpose of a collective evaluation of impairment, financial assets are grouped into smaller homogenous portfolios (i.e., a group of individually insignificant loans and advances in groups of assets) based on key characteristics that are relevant to the estimation of future cash flows.

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

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5.6.2 Available-for-sale financial investments

For available-for-sale financial investments, the bank assesses at each reporting date, whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the bank assesses individually whether there is objective evidence of impairment such as:

Observable data regarding a decline in estimated future cash flows and/or a decline underlying collateral (in the case of asset backed securities when the bank expects to recover the outstanding from the sale of the underlying assets) impacting the bank's ability to recover all cash flows.

The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of interest and similar income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence includes:

- A 'significant' or 'prolonged' decline in the fair value of the investment below its cost and/or
- Other information about the issuer that may negatively affect an equity issuer's performance

The bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss, is removed from equity and recognised in impairment losses on financial investments in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in the fair value after impairment are recognised in other comprehensive income.

5.6.3 Forborne loans

The bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The bank considers a loan forborne when such concessions or modifications are provided due to the borrower's present or expected financial difficulties and the bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, significant arrears for 90 days or more in a three-month period, or concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the bank's policy to monitor forborne loans to ensure that future payments continue to be likely to occur and that the bank is not expecting to incur a loss if it were to discount future cash flows using the original EIR. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired forborne asset until it is collected or written off.

5.6.4 Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the bank's quarterly reporting schedule. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as housing price indices and other independent sources.

5.6.5 Collateral repossessed

The bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value or fair value less cost to sell for non-financial assets at the repossession date in line with the bank's policy.

5.7 Recognition of income and expenses

Revenue is recognised to the extent that it is possible that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

5.7.1 Interest income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at FVPL, interest income or expense is recorded using the effective interest rate.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 Recognition of income and expenses (Cont'd)

5.7.1 Interest income and expense (Cont'd)

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for measuring the impairment loss.

5.7.2 Fee and commission income

Fee income forming an integral part of the corresponding financial instrument

Fees that the bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

5.7.3 Dividend income

Revenue is recognised when the bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

5.8 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash in hand, current accounts with banks and amounts due from banks on demand or with an original maturity of three months or less.

5.9 Property and equipment

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. No depreciation is charged on freehold land. The estimated useful lives are as follows:

▶ Buildings	50 years
▶ Improvement to buildings	20 years
▶ Other fixed assets (comprising office furniture and equipment and vault)	10 years
▶ Computer equipment	4 years
▶ Motor vehicles	5 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "other operating income" or "other operating expense" in profit or loss in the year the asset is derecognised.

5.10 Intangible assets

Intangible assets relate to the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The bank does not have any intangible asset with indefinite useful life.

Amortisation is calculated using the straight-line method to write down the cost of computer software to its residual value over a period of three to ten years.

5.11 Impairment of non-financial assets

The bank assesses at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

5.12 Financial guarantees

In the ordinary course of business, the bank gives financial guarantees, consisting of letters of credit and financial guarantees. Financial guarantees are initially recognised within 'Other liabilities' at fair value. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in profit or loss in 'Allowance for credit impairment'. The premium received is recognised in profit or loss in 'Fees and commission income' on a straight line basis over the life of the guarantee.

5.13 Post-employment benefits

Retirement gratuities

Post-employment benefits relate to retirement gratuities payable under the Employment Rights Act 2008 and provided for. The obligations arising under this item are determined by actuarial valuation carried out every year.

Defined contributions plans

The bank operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the bank by the employees and is recorded as an expense under personnel expenses.

5.14 Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.15 Taxes

5.15.1 Current tax

Current tax liabilities for the current and prior years are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

5.15.2 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the statement of profit or loss except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and which are charged or credited to OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.15.3 Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added taxes except:

- Where the value added taxes incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

5.16 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

5.17 Segmental reporting

The financial statements have been prepared in line with the requirements of the Bank of Mauritius Guideline on Public Disclosure of Information and Guideline on segmental reporting under a Single Banking Licence Regime which require the bank to disclose information on two reportable segments, namely Segment A and Segment B.

Segment B activity relates to the provision of international financial services that give rise to "foreign source income". Such services may be fund based and/or non-fund based.

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

5.18 Operating lease

Rentals payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

5.19 Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, there has been no new and revised Standard and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the bank's operations and effective for accounting period beginning on or after 1 July 2018.

Amendments to IAS 12 Income Taxes - effective 1 January 2017

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment did not have a material impact on the financial statements.

Amendments to IAS 7 Statement of Cash Flows - effective 1 January 2017

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities were required to disclose changes in their financial liabilities as a result of financial activities such as changes from cash flows and non-cash items (gains and losses due to foreign currency movements).

The bank has provided the information in Note 43.

Amendments to IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 - effective date 1 January 2017

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have an impact on the bank.

<u>Relevant new and revised Standards in issue but not yet effective</u>

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IFRS 9		Financial instruments (effective date 1 Jan 2018)
IFRS 15		Revenue from contracts with customers (effective date 1 Jan 2018)
IFRS 16		Leases (effective date 1 Jan 2019)
IFRIC	Interpretation 22	Foreign currency transactions and advance consideration (effective date 1 Jan 2018)
IFRIC	Interpretation 23	Uncertainty over income tax treatments (effective date 1 Jan 2019)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 and has an effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, introducing new requirements for the classification and measurement of financial instruments, the recognition and measurement of credit impairment provisions, and providing for a simplified approach to hedge accounting.

The changes in measurement arising on initial application of IFRS 9 will be incorporated through an adjustment to the opening reserves and retained earnings position as at 1 July 2018. Although IFRS 9 will be retrospectively applied, the bank is only permitted to restate comparatives if, and only if, it is possible without the use of hindsight. The bank does not consider it possible to restate comparatives for impairment without the use of hindsight. The bank will apply the new rules from 1 July 2018, however, comparatives for previous years will not be restated.

IFRS 9 Implementation Programme

The bank has run a centrally managed IFRS 9 program sponsored by the bank's Head of Finance, in consultation with Deloitte, which has included business functions and subject matter experts on methodology, data sourcing and modelling, IT processing and reporting. The bank's implementation of IFRS 9 has covered performing an assessment of the population of financial instruments impacted by the classification and measurement requirements of IFRS 9 and developing an impairment methodology to support the calculation of the Expected Credit Loss allowance.

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

The bank commenced with the Design and Implementation phase with the development of an approach for reviewing business models and methodology for testing the Solely Payments of Principal and Interest criteria of IFRS 9. Concurrently, the bank also developed its approach for assessing significant increase in credit risk, incorporating forward looking information, including macro-economic factors, preparing the required IT systems and process architecture, as well as development of a related IFRS 9 governance and control framework. The bank has performed a final parallel run based on 30 June 2018 data.

Overall governance of the program's implementation has been through the bank's IFRS 9 Steering Committee and includes representation from Finance, Risk and IT. Guidance and training on IFRS 9 across the bank have been delivered across businesses and functions as part of the bank's control process and implementation program. The bank enhanced its governance environment to ensure an updated framework for classification and measurement, and impairment by implementing appropriate validations and controls over new key processes and significant areas of judgement. The specific process and business controls under this updated framework are being incorporated and finalised. Governance over the Expected Credit Loss calculation process is shared across Risk and Finance functions.

Classification and measurement

IFRS 9 requires financial assets to be classified on the basis of two criteria:

- The business model within which financial assets are managed, and
- Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Business models are determined on initial application and this may differ from the model before 1 July 2018 for certain portfolios. The bank assesses the business model at a portfolio level. Information that is considered in determining the business model includes:

i. policies and objectives for the relevant portfolio,

ii. how the performance and risks of the portfolio are managed, evaluated and reported to management, and

iii. the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

Financial assets managed on a fair value basis and those that are held for trading are held at fair value through profit and loss.

In assessing whether contractual cash flows are solely payments of principal and interest, terms that could change the contractual cash flows so that it would not meet the condition for solely payments of principal and interest are considered, including:

1) contingent and leverage features,

2) non-recourse arrangements, and

3) features that could modify the time value of money.

Other financial assets are measured at fair value through profit or loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon de-recognition, and impairment is not recognised in the statement of profit or loss.

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

Impairment

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss has already been incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives and estimation of exposures at default and assessing significant increases in credit risk. It is expected to have a material financial impact and impairment charges will tend to be more volatile. Impairment will also be recognised earlier and the amounts will be higher. Unsecured products with longer expected lives, are expected to be most impacted.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 IFRS 9 - Financial Instruments (Cont'd)

Impairment (Cont'd)

The impairment requirements are complex and require management judgements, estimates and assumptions.

Key concepts and management judgements include:

▶ Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

The bank will assess when a significant increase in credit risk has occurred based on backstop criteria and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

(i) Backstop criteria

Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2. Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

(ii) Qualitative test

Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

▶ Forward-looking information

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses, a range of forward-looking economic scenarios, will be considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. Stress testing methodologies will be leveraged within forecasting economic scenarios for IFRS 9 purposes.

▶ Expected Credit Loss (ECL)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the bank classifies its loans into Stage 1, Stage 2, Stage 3 as described below:

The calculation of ECLs

The bank calculates ECLs based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the bank has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon de-recognition of the assets.

Expected impact

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 IFRS 9 - Financial Instruments (Cont'd)

Impairment (Cont'd)

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

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

The other financial assets held by the bank include:

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

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

We estimate that the changes in measurement arising on the initial adoption of IFRS 9 results in an increase in shareholders' equity of approximately MUR 29.4 million, at 1 July 2018. This will result in a decrease in the bank's loan impairment provisions from MUR 89.9 million under IAS 39 to approximately MUR 52.6 million, an estimated loss of MUR 1.5 million from changes in the classification and measurement of assets and liabilities under IFRS 9 and a decrease in deferred tax of MUR 6.4 million. The impact is tabled below:

	MUR m
Decrease in allowance for credit impairment	37.3
Decrease in deferred tax assets	6.4
Increase in shareholders' equity	29.4

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The bank will apply the new rules from 1 July 2018, however, comparatives for previous years will not be restated.

The probable impact on regulatory capital is set out in the Risk review and Capital management (Note 8). The bank continues to refine its expected credit loss models and embed its operational processes which may change the actual impact on adoption.

5.21 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 issued in May 2014, and amended in April 2016 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The bank plans to adopt the new standard on the required effective date using the modified retrospective approach. The bank does not expect a major impact from the adoption of IFRS 15 given that the main revenue streams of the bank do not fall under the scope of IFRS 15.

5.22 IFRS 16 - Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does not require lessees to recognise most leases on their statement of financial position as lease liabilities, with the corresponding right-of-use of assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short term' leases and leases of 'low-value' assets.

Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The bank, as a lessor, does not expect any major impact from the adoption of IFRS 16.

6. USE OF ESTIMATES AND JUDGEMENTS

In the process of applying the bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

6.1 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 5.5.

6.2 Effective interest rate (EIR) method

The bank's EIR methodology, as explained in Note 5.3.5, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the country's base rate and other fee income/expense that are integral parts of the instrument.

6.3 Impairment losses on loans and advances

The bank reviews its problem assets under loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in profit or loss . In particular, judgement by management is required in the estimation of the amount, timing of future cash flows, future default rates, realisable value of collaterals and time required to liquidate collaterals when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant assets under loans and advances, the bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in economic environment, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

6. USE OF ESTIMATES AND JUDGEMENTS (CONT'D)

6.4 Impairment of available-for-sale financial investments

The bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired as explained in Note 5.6.2.

This assessment, including estimated future cash flows and other inputs in to the discounted cash flow model and in the case of equity instruments, the interpretation of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

7. FINANCIAL RISK MANAGEMENT

(a) Introduction

Risk is inherent in the bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the bank's continuing profitability and the bank as an entity is accountable for its risk exposures. The bank is exposed to credit risk, interest rate risk, liquidity risk and market risk. It is also subject to operating risk.

The bank manages its risk exposure through its Risk department which develops methodologies to identify, measure, mitigate and monitor the major risks. The Risk department reports to the Risk Management Committee and ultimately to the Board in a structured manner on credit, market and operational risk matters.
The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the bank's strategic planning process.

Risk management structure

The Board of Directors recognises that the bank encounters risk in every aspect of its business and ensures that the necessary structures, processes and methods for identifying, measuring and monitoring such risks are in place as advocated by Basel norms and relevant laws and regulations. The Risk Management Committee plays an active role in ensuring that risk-taking activities remain within the boundaries of the appetite approved by the Board. The committee receives regular reports and recommendations following work done by the Risk function, the Supervisory and Monitoring Committee and the Asset and Liability Committee. Through its Chairperson, the committee reports to the Board in a timely manner on all risk issues that could have an impact on the operations and/or reputation of the bank.

Board of Directors

The Board of Directors as well as the bank's senior management are responsible for understanding both the nature and level of risks taken by the institution and how the risk relates to adequate capital levels. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

(b) Credit risk

Credit risk is the risk that the bank will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

The bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Maximum exposure to credit risk		
	2018	2017	2016
	MUR	MUR	MUR
Cash and cash equivalents	**3,269,834,484**	4,312,103,904	3,953,287,026
Due from banks	**1,030,811,338**	1,183,314,188	1,456,600,322
Derivative financial assets	**4,289,595**	4,407,594	4,478,577
Loans and advances to customers	**6,054,488,404**	5,095,744,575	4,594,454,589
Investment securities	**6,190,333,530**	4,688,200,461	4,800,190,925
Other assets	**91,605,147**	28,642,236	9,953,113
Total credit risk exposure	**16,641,362,498**	15,312,412,958	14,818,964,552

The table below shows the sectorial split by industry sector of the bank's financial assets:

	2018	2017	2016
	MUR	MUR	MUR
Manufacturing	**1,211,262,101**	461,821,375	338,723,290
Construction	**538,883,682**	548,687,262	455,415,105
Professional	**17,654,147**	39,769,983	41,963,193
Traders	**829,872,676**	920,851,595	765,158,434
Tourism	**1,232,895,804**	1,228,326,383	733,065,907
Transport	**340,201,190**	279,894,191	245,189,874
Financial and Business services	**4,939,523,849**	4,979,390,591	5,709,773,482
Personal	**422,312,624**	233,807,037	235,850,144
Agriculture	**610,000,251**	617,279,649	357,486,216
Global Business Licence Holders	**743,934,271**	675,200,119	781,478,428
Government	**5,581,388,004**	5,213,490,555	5,025,872,103
Others	**173,433,899**	113,894,218	128,988,376
	16,641,362,498	15,312,412,958	14,818,964,552

The table below shows the sectorial split by industry sector of financial guarantees and other commitments:

	2018	2017	2016
	MUR	MUR	MUR
Manufacturing	**78,356,890**	124,176,351	38,750,735
Construction	**75,472,503**	145,941,403	13,985,666
Traders	**421,999,359**	235,266,602	188,509,234
Tourism	**157,449,261**	117,703,561	318,228,830
Transport	**49,959,862**	32,036,638	25,075,835
Financial and Business services	**262,313,589**	304,374,028	13,816,262
Personal	**130,158,136**	15,964,337	15,035,785
Agriculture	**15,000,000**	30,000,000	-
Global Business Licence Holders	**125,179,446**	34,903,202	66,786,540
Others	**29,860,279**	37,889,518	11,955,535
	1,345,749,325	1,078,255,640	692,144,422

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Credit quality by class of financial assets

The bank assesses each credit facility request on its own merits by analysing the credit history of the potential client, the latter's cash flow history, future projections of the business or income capacity of the individual, the availability and type of collateral that will secure the facility, the repayment capacity of the business or individual and the character of the individual. The bank will also consider individual factors that would represent strengths in favour of or weaknesses against the approval of credit facilities.

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
	MUR	MUR	MUR	MUR
2018				
Cash and cash equivalents	**3,269,834,484**	**-**	**-**	**3,269,834,484**
Due from banks	**1,030,811,338**	**-**	**-**	**1,030,811,338**
Derivative financial assets	**4,289,595**	**-**	**-**	**4,289,595**
Loans and advances to customers	**6,037,004,373**	**10,576,360**	**6,907,671**	**6,054,488,404**
Investment securities	**6,190,333,530**	**-**	**-**	**6,190,333,530**
Other assets	**91,605,147**	**-**	**-**	**91,605,147**
	16,623,878,467	**10,576,360**	**6,907,671**	**16,641,362,498**
2017				
Cash and cash equivalents	4,312,103,904	-	-	4,312,103,904
Due from banks	1,183,314,188	-	-	1,183,314,188
Derivative financial assets	4,407,594	-	-	4,407,594
Loans and advances to customers	5,086,125,375	3,376,750	6,242,450	5,095,744,575
Investment securities	4,686,201,297	-	1,999,164	4,688,200,461
Other assets	28,642,236	-	-	28,642,236
	15,300,794,594	3,376,750	8,241,614	15,312,412,958
2016				
Cash and cash equivalents	3,953,287,026	-	-	3,953,287,026
Due from banks	1,456,600,322	-	-	1,456,600,322
Derivative financial assets	4,478,577	-	-	4,478,577
Loans and advances to customers	4,476,911,252	109,855,851	7,687,486	4,594,454,589
Investment securities	4,800,190,925	-	-	4,800,190,925
Other assets	9,953,113	-	-	9,953,113
	14,701,421,215	109,855,851	7,687,486	14,818,964,552

Ageing analysis of past due but not impaired loans by class of financial assets

	Amount in arrears				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	MUR	MUR	MUR	MUR	MUR
2018					
Loans and advances to customers					
Loans and overdrafts					
Retail	624,525	278,970	-	-	903,495
Corporate	1,664,995	387,501	-	18,392	2,070,888
	2,289,520	666,471	-	18,392	2,974,383
Investment in finance leases					
Retail	109,436	33,390	45,084	-	187,910
Corporate	4,451,863	2,853,123	109,081	-	7,414,067
	4,561,299	2,886,513	154,165	-	7,601,977
	6,850,819	3,552,984	154,165	18,392	10,576,360
2017					
Loans and advances to customers					
Loans and overdrafts					
Retail	1,574,148	16,623	-	2,932	1,593,703
Corporate	153,509	154,710	79,272	979	388,470
	1,727,657	171,333	79,272	3,911	1,982,173
Investment in finance leases					
Retail	184,874	268,264	46,984	14,341	514,463
Corporate	570,515	55,133	240,735	13,731	880,114
	755,389	323,397	287,719	28,072	1,394,577
	2,483,046	494,730	366,991	31,983	3,376,750
2016					
Loans and advances to customers					
Loans and overdrafts					
Retail	12,290	5,809	-	326	18,425
Corporate	106,977,501	98,996	153,885	-	107,230,382
	106,989,791	104,805	153,885	326	107,248,807
Investment in finance leases					
Retail	440,714	601,209	169,925	13,738	1,225,586
Corporate	576,721	366,840	390,830	47,067	1,381,458
	1,017,435	968,049	560,755	60,805	2,607,044
	108,007,226	1,072,854	714,640	61,131	109,855,851

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	2018	2017	2016
	MUR	MUR	MUR
Instruments			
Financial guarantees	32,168,218	10,780,105	10,051,719
Letters of credit and other obligations on account of customers	13,459,409	-	6,639,134
Commitments			
Undrawn credit facilities	1,300,121,698	1,067,475,535	675,453,569
	1,345,749,325	1,078,255,640	692,144,422

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

For investment in finance leases, the assets under lease are registered under ABC Banking Corporation Ltd up until the lessee pays in full the contractual amount due, whereby title is then transferred. Should the lessee default in payment, the bank has the right to undertake legal procedures to recover the asset under lease, which in substance acts as a collateral against defaults.

For loans, management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims.

Impairment assessment

It is the bank's policy to regularly monitor its loan portfolio.

The main considerations for the impairment assessment of the bank's loans and advances portfolio include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Furthermore the bank assesses at each reporting date, whether there is any objective evidence that a financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The bank's impairment methodology for assets carried at amortised cost comprises individual impairment losses and collective impairment.

Individually assessed allowances

The bank determines the allowances appropriate for each individually significant loan and advance on an individual basis. Items considered when determining allowance amounts include an assessment of the counterparty's repayment plan, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

For the purpose of collective evaluation of impairment, financial assets are grouped based on their credit risk characteristic. Future cashflows on a group of financial assets that are collectively evaluated are estimated on the basis of historical loss experience. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based.

(c) Liquidity risk

Liquidity risk is the risk that the bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows.

Sources of liquidity risk include unforeseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset timeously with minimum risk of capital loss, unpredicted non payment of a finance lease obligation and a sudden increased demand for leases.

The bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. The ratio during the year was as follows:

	2018 %	2017 %	2016 %
Lowest	**24**	31	35
Highest	**36**	40	42
Average during the year	**31**	37	38

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the bank's financial liabilities at end of period based on discounted contractual repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the bank expects that many customers will not request repayment on the earliest date the bank could be required to pay and the table does not reflect the expected cash flows indicated by the bank's deposit retention history.

Maturity analysis of financial liabilities

	No specific maturity	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	MUR	MUR	MUR	MUR	MUR	MUR
2018						
Due to banks	-	110,061,479	-	-	-	110,061,479
Derivative financial liabilities	-	1,442,153	1,332,606	-	-	2,774,759
Deposits from customers	-	7,319,098,350	912,881,784	950,772,447	5,783,441,737	14,966,194,318
Preference shares	-	-	7,160,753	138,180,000	-	145,340,753
Other liabilities	288,610,248	2,244,675	32,917,000	-	-	323,771,923
Total financial liabilities	288,610,248	7,432,846,657	954,292,143	1,088,952,447	5,783,441,737	15,548,143,232
Contingent liabilities and commitments	-	773,201,314	571,814,809	733,202	-	1,345,749,325
2017						
Derivative financial liabilities	-	14,803,458	1,727,638	-	-	16,531,096
Deposits from customers	-	10,350,588,198	1,463,759,080	1,211,401,204	777,317,215	13,803,065,697
Preference shares	-	-	127,569,768	-	138,180,000	265,749,768
Other liabilities	264,752,923	3,058,750	26,651,914	-	-	294,463,587
Total financial liabilities	264,752,923	10,368,450,406	1,619,708,400	1,211,401,204	915,497,215	14,379,810,148
Contingent liabilities and commitments	-	898,461,856	178,616,527	1,177,257	-	1,078,255,640
2016						
Due to banks	-	140,006,397	-	-	-	140,006,397
Derivative financial liabilities	-	692,898	-	-	-	692,898
Deposits from customers	-	10,997,681,711	1,169,746,860	788,019,791	413,414,176	13,368,862,538
Preference shares	-	-	57,597,971	124,981,000	138,180,000	320,758,971
Other liabilities	60,454,581	944,775	23,853,036	-	-	85,252,392
Total financial liabilities	60,454,581	11,139,325,781	1,251,197,867	913,000,791	551,594,176	13,915,573,196
Contingent liabilities and commitments	793,848	609,129,929	71,134,214	11,086,431	-	692,144,422

(d) Market Risk

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the bank's statement of profit or loss and other comprehensive income. The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 30 June.

	Impact of change in interest rate on profit or loss		
	Assets	**Liabilities**	**Increase / (decrease) in profit**
	MUR	**MUR**	**MUR**
2018			
Increase in basis point - 50 bp	**11,381,030**	**(20,507,614)**	**(9,126,584)**
Decrease in basis point - 50 bp	**(11,381,030)**	**20,507,614**	**9,126,584**
2017			
Increase in basis point - 50 bp	11,112,618	(21,623,049)	(10,510,431)
Decrease in basis point - 50 bp	(11,112,618)	21,623,049	10,510,431
2016			
Increase in basis point - 50 bp	10,870,056	(19,969,246)	(9,099,190)
Decrease in basis point - 50 bp	(10,870,056)	19,969,246	9,099,190

(ii) Price risk

Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the bank's investment portfolio.

The effect on changes in net assets as a result of a change in the fair value of equity instruments held as available-for-sale, due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

		Effect on equity		
	Change in price	**2018**	2017	2016
	%	**MUR**	MUR	MUR
Available-for-sale	**+10**	**167,957,014**	7,805,265	7,995,478
Available-for-sale	**-10**	**(167,957,014)**	(7,805,265)	(7,995,478)

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Market Risk (Cont'd)

(iii) Foreign exchange risk

Foreign exchange risk is the risk that the bank's foreign currency positions will be negatively affected by movements in exchange rates between one currency and another. The bank uses foreign exchange forward contracts to manage foreign exchange risk and exercises control over its foreign currency exposures through the allocation of trading limits. The Treasury department monitors open positions to measure foreign exchange risk and liquidity gaps. Exposures are reported on an ongoing basis to the Assets and Liabilities Committee.

Value at Risk ('VaR') is a statistical risk measure used to estimate the potential loss from adverse market moves in a normal market environment. The bank has a single VaR framework used as a basis for calculating Risk Management VaR.

The framework is employed across the bank using historical simulation based on data for the previous 12 months. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. The bank believes the use of Risk Management VaR provides a stable measure of VaR that is closely aligned to risk management decisions made by the lines of business, and provides the appropriate information needed to respond to risk events.

The VaR that the bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR as at 30 June 2018 amounted to MUR 116,396 (2017 : MUR 178,303, 2016 : MUR 47,429).

The bank's monetary assets and liabilities as at 30 June is as follows:

	EUR	GBP	USD	Others	Total
	MUR	MUR	MUR	MUR	MUR
2018					
Cash and cash equivalents	418,933,550	666,419,342	1,768,064,204	115,128,309	2,968,545,405
Due from banks	43,488,825	6,838,306	501,702,457	-	552,029,588
Derivative financial assets	1,602,678	-	2,570,010	116,907	4,289,595
Loans and advances to customers	698,464,677	-	1,389,884,148	-	2,088,348,825
Investment securities	1,194,328,891	-	1,049,883,658	-	2,244,212,549
Other assets	63,170,952	-	16,506,250	531,396	80,208,598
	2,419,989,573	673,257,648	4,728,610,727	115,776,612	7,937,634,560
Derivative financial liabilities	233,154	1,954,223	526,976	60,407	2,774,760
Deposits from customers	2,385,576,496	711,267,292	4,500,534,159	118,543,941	7,715,921,888
Other liabilities	44,523,420	2,220,764	155,809,213	8,334,527	210,887,924
	2,430,333,070	715,442,279	4,656,870,348	126,938,875	7,929,584,572
Net position	(10,343,497)	(42,184,631)	71,740,379	(11,162,263)	8,049,988

	EUR	GBP	USD	Others	Total
	MUR	MUR	MUR	MUR	MUR
2017					
Cash and cash equivalents	2,048,354,885	212,680,702	1,400,647,747	123,924,708	3,785,608,042
Due from banks	2,519,190	63,001,163	603,183,905	-	668,704,258
Derivative financial assets	165	4,359,455	15,223	32,751	4,407,594
Loans and advances to customers	753,849,992	-	403,513,972	-	1,157,363,964
Investment securities	99,680,977	-	188,188,497	-	287,869,474
Other assets	-	-	16,435,000	531,972	16,966,972
	2,904,405,209	280,041,320	2,611,984,344	124,489,431	5,920,920,304
Derivative financial liabilities	13,854,458	45,021	2,608,194	23,343	16,531,016
Deposits from customers	2,012,272,825	669,037,634	2,886,461,680	113,652,152	5,681,424,291
Other liabilities	96,218,920	6,045,722	84,163,457	17,292,507	203,720,606
	2,122,346,203	675,128,377	2,973,233,331	130,968,002	5,901,675,913
Net position	782,059,006	(395,087,057)	(361,248,987)	(6,478,571)	19,244,391

	EUR	GBP	USD	Others	Total
	MUR	MUR	MUR	MUR	MUR
2016					
Cash and cash equivalents	1,764,831,884	500,399,444	1,388,311,769	145,094,842	3,798,637,939
Due from banks	486,976,436	114,577,648	389,667,068	1,150,832	992,371,984
Derivative financial assets	3,390,406	-	1,053,437	34,734	4,478,577
Loans and advances to customers	914,640,330	-	535,976,966	-	1,450,617,296
Investment securities	-	-	192,706,372	-	192,706,372
Other assets	-	-	1,772,500	-	1,772,500
	3,169,839,056	614,977,092	2,509,488,112	146,280,408	6,440,584,668
Derivative financial liabilities	613,529	10,327	-	69,042	692,898
Deposits from customers	2,747,174,487	675,094,102	2,854,477,787	146,324,081	6,423,070,457
Other liabilities	7,013,979	1,685,194	2,569,355	425,818	11,694,346
	2,754,801,995	676,789,623	2,857,047,142	146,818,941	6,435,457,701
Net position	415,037,061	(61,812,531)	(347,559,030)	(538,533)	5,126,967

(e) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the bank is able to manage those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

8. CAPITAL MANAGEMENT

The bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the bank.

During the past year, the bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the bank's capital management are to ensure that the bank comply with externally imposed capital requirements and that the bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The capital structure of the bank consists of issued capital, reserves and retained earnings. Note on stated capital is disclosed in Note 23. The bank has to comply with the Banking Act 2004 in respect of both its stated capital and reserves which is detailed in the notes. For the year ended 30 June 2018 and at that date, the bank has complied with the regulatory requirement for both share capital and reserves. The bank manages its capital with the aim of maximising the return to the shareholders and other stakeholders.

The bank capital adequacy ratio is analysed as follows:

	2018	2017	2016
	%	%	%
CET1 capital ratio	14.3	14.3	13.2
Tier 1 capital ratio	14.3	14.3	13.2
Total capital ratio	15.2	15.4	14.7

Minimum capital adequacy ratios under the Guideline on Scope of Application of Basel III and Eligible Capital:

	2018	2017	2016
	%	%	%
CET1 capital ratio	6.5	6.5	6.5
CET1 capital ratio plus Capital Conservation Buffer	7.75	7.125	6.5
Tier 1 capital ratio	8.0	8.0	8.0
Total capital ratio	10.0	10.0	10.0
Total capital ratio plus Capital Conservation Buffer	11.25	10.625	10.0

9. CASH AND CASH EQUIVALENTS

	2018	2017	2016
	MUR	MUR	MUR
Cash in hand	6,907,102	5,255,066	12,780,853
Unrestricted balances with Central Bank	371,944,871	556,935,303	187,679,011
Balances with banks	1,826,588,270	1,526,144,576	455,791,054
Loans to and placements with banks	1,071,301,343	2,229,024,025	3,309,816,961
	3,276,741,586	4,317,358,970	3,966,067,879

Loans to and placements with banks with an original maturity of less than 3 months are included in cash and cash equivalents.

10. DUE FROM BANKS

	2018	2017	2016
	MUR	MUR	MUR
Banks outside Mauritius	422,240,976	324,647,656	948,349,003
Banks in Mauritius	-	279,174,425	1,148,538
Deposits with the Central Bank	17,315,550	28,984,402	32,167,947
Restricted balances with the Central Bank	591,254,812	550,507,705	474,934,834
	1,030,811,338	1,183,314,188	1,456,600,322

Restricted balances with the Central Bank represent the mandatory reserve deposits and are not available for use in the bank's day-to-day operations.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The bank enters into derivatives for the optimal deployment of its liability base in foreign currencies and for liquidity risk management. The bank may also take positions with the expectation of profiting from favourable movements in rates.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument.

The notional amounts indicate the volume of transactions oustanding at the year end and are not indicative of either the market or credit risk.

	MUR	MUR	MUR
30 June 2018			
	Notional amount	**Assets**	**Liabilities**
Foreign exchange contracts	**389,745,945**	**4,289,595**	**2,774,759**
30 June 2017			
	Notional amount	Assets	Liabilities
Foreign exchange contracts	787,864,985	4,407,594	16,531,096
30 June 2016			
	Notional amount	Assets	Liabilities
Foreign exchange contracts	424,863,592	4,478,577	692,898

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the underlying asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the bank.

As at 30 June, the bank has exposures in the following types of derivatives.

Foreign exchange forward contract

A forward exchange forward contract is a derivative instrument used to manage foreign exchange risks. It is an agreement between two counterparties to convert one currency into another at a later date, but at a rate agreed earlier on the deal date.

Foreign exchange swap

A foreign exchange swap is the simultaneous buying and selling of an identical amount of one currency for another but with two different value dates. One value date is a spot and the other one is a forward date.

The following table shows an analysis of derivative financial instruments by level of the fair value hierarchy:

Valuation is done on a daily basis using live market rates, hence providing an up to date mark to market of our exposures.

	2018	2017	2016
	MUR	MUR	MUR
Level 1	**-**	-	-
Level 2	**4,289,595**	4,407,594	4,478,577
Level 3	**-**	-	-
	4,289,595	4,407,594	4,478,577

12. LOANS AND ADVANCES TO CUSTOMERS

	2018	2017	2016
	MUR	MUR	MUR
Loans and overdrafts			
Retail	320,596,942	196,303,606	188,164,723
Corporate	4,738,788,744	4,169,756,527	3,650,862,892
	5,059,385,686	4,366,060,133	3,839,027,615
Less: Allowance for impairment losses (Note 12(c))	(78,036,671)	(68,446,788)	(60,146,544)
	4,981,349,015	4,297,613,345	3,778,881,071
Investment in finance leases			
Retail	472,472,536	344,441,698	362,477,297
Corporate	679,098,611	540,201,825	568,890,528
	1,151,571,147	884,643,523	931,367,825
Less: Allowance for impairment losses (Note 12(c))	(78,431,758)	(86,512,293)	(115,794,307)
	1,073,139,389	798,131,230	815,573,518
Net loans and advances to customers	6,054,488,404	5,095,744,575	4,594,454,589

(a) Investment in finance leases

	2018	2017	2016
	MUR	MUR	MUR
Gross investment in finance leases:			
Up to 3 months	159,137,605	121,119,598	152,763,878
Over 3 months and up to 6 months	91,485,283	73,870,071	87,388,956
Over 6 months and up to 12 months	170,529,981	138,771,539	146,457,828
Over 1 year and up to 5 years	839,094,570	584,948,086	569,790,871
Over 5 years	61,434,313	37,732,620	41,375,569
	1,321,681,752	956,441,914	997,777,102
Allocation of unearned finance income	(170,110,605)	(71,798,391)	(66,409,277)
Present value of minimum lease payments	1,151,571,147	884,643,523	931,367,825
Analysed as follows:			
Current			
- Not later than 1 year	356,713,924	317,223,284	403,293,128
Non current			
- Later than 1 year and not later than 5 years	736,410,052	530,004,324	490,913,952
- Later than 5 years	58,447,171	37,415,915	37,160,745
	1,151,571,147	884,643,523	931,367,825

(b) Credit concentration of risk by industry sectors

	2018	2017	2016
	MUR	MUR	MUR
Sectorial concentration of loans and advances (gross of impairment)			
Manufacturing	1,013,659,648	481,291,085	357,232,515
Construction	441,396,053	492,224,306	482,292,458
Professional	17,024,777	39,423,252	42,415,711
Traders	844,809,000	940,423,281	784,106,780
Tourism	886,884,218	1,012,235,004	767,852,608
Transport	348,280,509	289,511,427	255,953,155
Financial and Business Services	1,047,793,648	693,942,006	861,865,426
Personal	452,331,741	264,127,830	268,227,789
Agriculture	363,767,334	370,793,457	160,517,096
Global Business Licence Holders	621,246,607	552,383,130	656,514,756
Others	173,763,298	114,348,878	133,417,146
	6,210,956,833	5,250,703,656	4,770,395,440
Analysed as follows:			
Loans and overdrafts	5,059,385,686	4,366,060,133	3,839,027,615
Investment in finance leases	1,151,571,147	884,643,523	931,367,825
	6,210,956,833	5,250,703,656	4,770,395,440

Total credit facilities including guarantees, acceptances and other similar commitments extended by the bank to any one customer or group of closely related customers for amounts aggregating more than 15% of its capital base classified by industry sectors:

	2018	2017	2016
	MUR	MUR	MUR
Manufacturing	475,014,629	83,599,892	13,816,234
Construction	301,982,379	154,917,141	57,879,655
Traders	258,391,314	507,435,134	353,934,649
Tourism	1,045,713,263	721,801,009	563,095,089
Transport	231,835,438	114,007,857	79,977,645
Financial and Business Services	474,310,867	386,195,278	219,150,114
Agriculture	288,500,000	286,445,704	-
Global Business Licence Holders	329,915,254	208,182,246	288,237,397
Others	61,004,273	13,858,884	14,298,228
	3,466,667,417	2,476,443,145	1,590,389,011

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

(c) Impairment allowance for loans and advances

The following is a reconciliation of the individual and collective allowances for impairment losses on loans and advances to customers:

	Individual impairment	Collective impairment	Total
	MUR	MUR	MUR
At 1 July 2015	90,530,057	38,241,318	128,771,375
Allowance for credit impairment for the year (Note 29)	31,869,291	24,827,490	56,696,781
Provision released (Note 29)	(2,358,423)	-	(2,358,423)
Written off	(7,168,882)	-	(7,168,882)
At 30 June 2016	112,872,043	63,068,808	175,940,851
At 1 July 2016	112,872,043	63,068,808	175,940,851
Allowance for credit impairment for the year (Note 29)	7,374,072	9,062,583	16,436,655
Provision released (Note 29)	(2,005,529)	-	(2,005,529)
Written off	(35,412,896)	-	(35,412,896)
At 30 June 2017	82,827,690	72,131,391	154,959,081
At 1 July 2017	**82,827,690**	**72,131,391**	**154,959,081**
Allowance for credit impairment for the year (Note 29)	**2,375,594**	**5,478,706**	**7,854,300**
Provision released (Note 29)	**(2,052,771)**	**-**	**(2,052,771)**
Written off	**(4,292,181)**	**-**	**(4,292,181)**
At 30 June 2018	**78,858,332**	**77,610,097**	**156,468,429**

Impairment allowance as at 30 June is analysed as follows:

	2018	2017	2016
	MUR	MUR	MUR
Loans and overdrafts	**78,036,671**	68,446,788	60,146,544
Investment in finance leases	**78,431,758**	86,512,293	115,794,307
	156,468,429	154,959,081	175,940,851

(d) Allowance for credit impairment by industry sectors

	2018					2017	2016
	Gross amount of loans	Non performing loans	Individual impairment	Collective impairment	Total impairment	Total impairment	Total impairment
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Manufacturing	**1,013,659,648**	**13,424,888**	**13,937,818**	**10,002,901**	**23,940,719**	19,936,676	18,678,985
Construction	**441,396,053**	**25,178,480**	**21,238,015**	**7,353,711**	**28,591,726**	28,620,398	27,082,951
Professional	**17,024,777**	**-**	**-**	**170,340**	**170,340**	466,950	483,830
Traders	**844,809,000**	**9,665,536**	**8,061,258**	**8,353,398**	**16,414,656**	21,050,247	19,506,156
Tourism	**886,884,218**	**409,228**	**409,228**	**17,732,085**	**18,141,313**	17,805,920	34,980,889
Transport	**348,280,509**	**7,905,375**	**7,905,376**	**3,403,904**	**11,309,280**	12,892,104	17,477,681
Financial and Business Services	**1,047,793,648**	**15,837**	**15,837**	**10,478,489**	**10,494,326**	7,480,274	10,048,893
Personal	**452,331,741**	**23,646,447**	**23,852,084**	**8,574,329**	**32,426,413**	31,820,191	32,903,239
Agriculture	**363,767,334**	**251,147**	**251,147**	**3,635,847**	**3,886,994**	4,003,450	1,917,984
Global Business Licence Holders	**621,246,607**	**-**	**-**	**6,212,753**	**6,212,753**	5,527,024	6,565,148
Others	**173,763,298**	**4,537,993**	**3,187,569**	**1,692,340**	**4,879,909**	5,355,847	6,295,095
Total	**6,210,956,833**	**85,034,931**	**78,858,332**	**77,610,097**	**156,468,429**	154,959,081	175,940,851

13. INVESTMENT SECURITIES

		2018	2017	2016
		MUR	MUR	MUR
Available-for-sale investments	13(a)	2,315,156,141	78,440,348	80,371,343
Loans and receivables	13(b)	3,058,593,442	3,942,060,703	4,491,537,005
Held to maturity investment securities	13(c)	849,403,706	546,065,910	258,151,089
Financial assets held for trading	13(d)	-	149,878,626	-
Unquoted equity instruments		-	-	2,270,000
		6,223,153,289	4,716,445,587	4,832,329,437

(a) Available-for-sale financial investments

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	No specific maturity	2018 Total	2017 Total	2016 Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Bank of Mauritius treasury bills	101,105,405	24,948,145	-	-	-	126,053,550	-	-
Bank of Mauritius bonds and notes	-	49,826,608	24,765,500	-	-	74,592,108	-	-
Government of Mauritius treasury bills	75,520,396	24,946,245	-	-	-	100,466,641	-	-
Government of Mauritius bonds and notes	469,988	25,327,948	199,938,016	-	-	225,735,952	-	-
Foreign sovereign bonds	3,397,693	4,039,228	513,459,398	818,099,196	-	1,338,995,515	-	-
Corporate bonds	1,758,681	1,822,124	101,448,095	311,463,716	-	416,492,616	50,195,222	50,502,831
Corporate shares	-	-	-	-	32,819,759	32,819,759	28,245,126	29,868,512
	182,252,163	130,910,298	839,611,009	1,129,562,912	32,819,759	2,315,156,141	78,440,348	80,371,343
30-Jun-17	387,698	-	-	49,807,524	28,245,126	78,440,348		
30-Jun-16	416,559	-	-	50,086,272	29,868,512	80,371,343		

(b) Loans and receivables

		2018	2017	2016
		MUR	MUR	MUR
(i)	Bank of Mauritius treasury bills	-	-	24,902,724
	Bank of Mauritius bonds and notes	110,696,341	539,267,608	462,271,177
	Government of Mauritius treasury bills	-	197,357,729	1,062,970,658
	Government of Mauritius bonds and notes	2,624,332,664	2,911,384,756	2,779,797,214
	Corporate bonds	326,832,765	297,020,818	163,195,088
		3,061,861,770	3,945,030,911	4,493,136,861
	Less collective impairment	(3,268,328)	(2,970,208)	(1,599,856)
		3,058,593,442	3,942,060,703	4,491,537,005

13. INVESTMENT SECURITIES (CONT'D)

(b) Loans and receivables (Cont'd)

(ii) Analysed as follows:

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	No specific maturity	2018 Total	2017 Total	2016 Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Bank of Mauritius treasury bills	-	-	-	-	-	-	-	24,902,724
Bank of Mauritius bonds and notes	739,430	70,005,792	39,951,119	-	-	110,696,341	539,267,608	462,271,177
Government of Mauritius treasury bills	-	-	-	-	-	-	197,357,729	1,062,970,658
Government of Mauritius bonds and notes	87,464,162	101,023,940	179,710,642	2,256,133,920	-	2,624,332,664	2,911,384,756	2,779,797,214
Corporate bonds	1,627,442	1,523,839	80,753,984	242,927,500	(3,268,328)	323,564,437	294,050,610	161,595,232
	89,831,034	172,553,571	300,415,745	2,499,061,420	(3,268,328)	3,058,593,442	3,942,060,703	4,491,537,005

(iii) Impairment allowances on loans and receivables

	Individual impairment	Collective impairment	Total
	MUR	MUR	MUR
At 1 July 2015	-	1,296,404	1,296,404
Allowance for credit impairment for the year	-	303,452	303,452
At 30 June 2016	-	1,599,856	1,599,856
At 1 July 2016	-	1,599,856	1,599,856
Allowance for credit impairment for the year	-	1,370,352	1,370,352
At 30 June 2017	-	2,970,208	2,970,208
At 1 July 2017	-	2,970,208	2,970,208
Allowance for credit impairment for the year	-	298,120	298,120
At 30 June 2018	-	3,268,328	3,268,328

(c) Held to maturity investment securities

	2018	2017	2016
	MUR	MUR	MUR
(i) Corporate bonds	857,983,541	555,744,675	260,687,723
Less individual impairment loss	-	(4,183,140)	-
Less collective impairment	(8,579,835)	(5,495,625)	(2,536,634)
	849,403,706	546,065,910	258,151,089

(ii) Analysed as follows:

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	No specific maturity	2018 Total	2017 Total	2016 Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Corporate bonds	1,823,291	293,552,100	286,235,500	276,372,650	(8,579,835)	849,403,706	546,065,910	258,151,089

(iii) Impairment allowances on held to maturity investment securities

	Individual impairment	Collective impairment	Total
	MUR	MUR	MUR
At 1 July 2015	-	523,658	523,658
Allowance for credit impairment for the year	-	2,012,976	2,012,976
At 30 June 2016	-	2,536,634	2,536,634
At 1 July 2016	-	2,536,634	2,536,634
Allowance for credit impairment for the year	4,183,140	2,958,991	7,142,131
At 30 June 2017	4,183,140	5,495,625	9,678,765
At 1 July 2017	4,183,140	5,495,625	9,678,765
Allowance for credit impairment for the year	(4,183,140)	3,084,210	(1,098,930)
At 30 June 2018	-	8,579,835	8,579,835

(d) Financial assets held for trading

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	No specific maturity	2018 Total	2017 Total	2016 Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Government of Mauritius treasury bills	-	-	-	-	-	-	149,878,626	-

14. OTHER ASSETS

	2018	2017	2016
	MUR	MUR	MUR
Deposits	82,431,067	18,601,352	2,016,265
Non banking assets acquired in satisfaction of debts	1,190,333	2,071,710	2,317,666
Other receivables	10,404,188	10,550,777	7,203,091
	94,025,588	31,223,839	11,537,022

Non banking assets acquired in satisfaction of debts relate to repossessed assets and the bank intends to dispose of such assets as soon as the market permits.

Other receivables comprises mainly prepaid expenses.

15. PROPERTY AND EQUIPMENT

	Freehold land	Buildings	Improvement to buildings	Computer equipment	Motor vehicles	Other fixed assets	Work in progress	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
COST								
At 1 July 2015	34,846,792	58,077,988	102,288,675	12,854,976	9,524,242	36,742,384	-	254,335,057
Additions	-	-	3,665,383	10,100,124	1,230,000	926,261	-	15,921,768
Disposals	-	-	-	(317,113)	(4,166,770)	(428,190)	-	(4,912,073)
At 30 June 2016	34,846,792	58,077,988	105,954,058	22,637,987	6,587,472	37,240,455	-	265,344,752
At 1 July 2016	34,846,792	58,077,988	105,954,058	22,637,987	6,587,472	37,240,455	-	265,344,752
Additions	88,589,066	69,794,246	-	6,700,966	850,000	1,201,596	-	167,135,874
Disposals	-	-	-	-	(2,042,471)	-	-	(2,042,471)
At 30 June 2017	123,435,858	127,872,234	105,954,058	29,338,953	5,395,001	38,442,051	-	430,438,155
At 1 July 2017	123,435,858	127,872,234	105,954,058	29,338,953	5,395,001	38,442,051	-	430,438,155
Additions	-	-	-	3,242,736	10,531,756	442,912	27,486,194	41,703,598
Disposals	-	-	-	-	(815,000)	(23,000)	-	(838,000)
At 30 June 2018	123,435,858	127,872,234	105,954,058	32,581,689	15,111,757	38,861,963	27,486,194	471,303,753
DEPRECIATION								
At 1 July 2015	-	2,903,900	3,973,442	8,101,296	3,089,002	13,346,696	-	31,414,336
Charge for the year	-	1,161,560	5,221,341	2,689,356	1,294,759	3,594,179	-	13,961,195
Disposals	-	-	-	(305,077)	(1,856,272)	(71,708)	-	(2,233,057)
At 30 June 2016	-	4,065,460	9,194,783	10,485,575	2,527,489	16,869,167	-	43,142,474
At 1 July 2016	-	4,065,460	9,194,783	10,485,575	2,527,489	16,869,167	-	43,142,474
Charge for the year	-	1,510,531	5,297,703	4,787,686	1,184,661	3,666,595	-	16,447,176
Disposals	-	-	-	-	(1,661,897)	-	-	(1,661,897)
At 30 June 2017	-	5,575,991	14,492,486	15,273,261	2,050,253	20,535,762	-	57,927,753
At 1 July 2017	-	5,575,991	14,492,486	15,273,261	2,050,253	20,535,762	-	57,927,753
Charge for the year	-	2,557,445	5,297,703	5,803,684	1,765,122	3,723,543	-	19,147,497
Disposals	-	-	-	-	(626,750)	(6,325)	-	(633,075)
At 30 June 2018	-	8,133,436	19,790,189	21,076,945	3,188,625	24,252,980	-	76,442,175
NET BOOK VALUE								
At 30 June 2018	123,435,858	119,738,798	86,163,869	11,504,744	11,923,132	14,608,983	27,486,194	394,861,578
At 30 June 2017	123,435,858	122,296,243	91,461,572	14,065,692	3,344,748	17,906,289	-	372,510,402
At 30 June 2016	34,846,792	54,012,528	96,759,275	12,152,412	4,059,983	20,371,288	-	222,202,278

Other fixed assets consist of office furniture, office equipment, fixtures and fittings and security and vault.

There is no restriction on title or asset pledged as securities for liabilities at reporting date (2017 and 2016: nil).

16. INTANGIBLE ASSETS

Computer software

	2018	2017	2016
	MUR	MUR	MUR
COST			
At 1 July	24,871,963	24,857,014	24,336,392
Additions	9,430	14,949	520,622
At 30 June	24,881,393	24,871,963	24,857,014
AMORTISATION			
At 1 July	18,052,353	15,140,819	12,255,144
Charge for the year	2,477,168	2,911,534	2,885,675
At 30 June	20,529,521	18,052,353	15,140,819
NET BOOK VALUE			
At 30 June	4,351,872	6,819,610	9,716,195

17. DEFERRED TAX ASSETS

The deferred tax included in the statements of financial position and changes recorded in the income tax expense are as follows:

	MUR
As at 1 July 2015	16,090,417
Accelerated tax depreciation	259,763
Impairment allowance	9,520,785
Adjustment on provision for credit impairment	1,261,862
Retirement benefit obligations	(88,606)
As at 30 June 2016	27,044,221
As at 1 July 2016	27,044,221
Accelerated tax depreciation	(373,734)
Impairment allowance	(2,825,957)
Retirement benefit obligations	180,541
As at 30 June 2017	24,025,071
As at 1 July 2017	24,025,071
Accelerated tax depreciation	37,738
Impairment allowance	(2,965,867)
Retirement benefit obligations	210,545
As at 30 June 2018	21,307,487

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2018	2017	2016	**2018**	2017	2016
	MUR	MUR	MUR	**MUR**	MUR	MUR
Accelerated tax depreciation	**(5,757,114)**	(5,794,852)	(5,421,118)	**37,738**	(373,734)	259,763
Impairment allowance	**26,395,594**	29,361,461	32,187,418	**(2,965,867)**	(2,825,957)	10,782,647
Retirement benefit obligations	**669,007**	458,462	277,921	**210,545**	180,541	(88,606)
	21,307,487	24,025,071	27,044,221	**(2,717,584)**	(3,019,150)	10,953,804

Movement of deferred tax to profit or loss and other comprehensive income analysed as follows:

	2018	2017	2016
	MUR	MUR	MUR
Profit or loss (Note 21)	**(2,834,093)**	(3,094,593)	11,086,924
Other comprehensive income	**116,509**	75,443	(133,120)
	(2,717,584)	(3,019,150)	10,953,804

18. DUE TO BANKS

	2018	2017	2016
	MUR	MUR	MUR
Interbank borrowings	**110,061,479**	-	140,006,397

The interbank borrowing was unsecured, bore interest rate at 3.40% p.a and was repaid on 02 July 2018.

19. DEPOSITS FROM CUSTOMERS

	2018	2017	2016
	MUR	MUR	MUR
Retail customers			
Savings accounts	3,452,276,646	3,771,193,347	3,385,730,382
Current accounts	784,229,641	466,979,523	470,428,665
Term deposits with remaining term to maturity:			
Up to 3 months	206,410,255	188,313,833	120,483,177
Over 3 months and up to 6 months	133,243,226	105,790,767	89,483,176
Over 6 months and up to 12 months	313,092,006	306,878,975	276,148,580
Over 1 year and up to 5 years	1,325,892,658	1,333,352,492	719,450,425
Corporate customers			
Savings accounts	379,114,526	371,550,751	424,991,392
Current accounts	6,827,151,929	5,393,754,469	6,157,289,450
Term deposits with remaining term to maturity:			
Up to 3 months	529,391,222	158,796,275	438,859,316
Over 3 months and up to 6 months	257,923,861	449,763,298	72,906,160
Over 6 months and up to 12 months	208,918,365	601,326,040	731,108,273
Over 1 year and up to 5 years	548,549,983	655,365,927	481,983,542
	14,966,194,318	13,803,065,697	13,368,862,538

20. PREFERENCE SHARES

	2018	2017	2016
	MUR	MUR	MUR
At 1 July	265,749,768	320,758,971	320,726,882
Shares redeemed at maturity	(124,981,000)	(53,825,000)	-
Interest accrued	14,320,503	20,238,947	22,122,101
Dividend paid	(9,748,518)	(21,423,150)	(22,090,012)
At 30 June	145,340,753	265,749,768	320,758,971

On 18 March 2011, the bank issued 7.5% cumulative redeemable preference shares amounting to MUR 53,825,000 and were redeemed on 17 March 2017. These shares carry no voting rights and confer preferential rights to distributions of capital and income over ordinary shares.

On 2 April 2012, the bank issued 7.8% cumulative redeemable preference shares amounting to MUR 124,981,000 with a maturity period of six years and were redeemed on April 2018. While the shares carry no voting rights, except upon a resolution purporting to alter any of the acquired rights, they confer to the holders the right to a fixed cumulative dividend of 7.8% per annum and ranking before ordinary share dividend. The said shares also carry the right to a share in the distribution of the surplus assets of the bank ranking before ordinary shareholders, in the event of a winding up of the bank.

On 25 June 2015, the bank issued cumulative redeemable preference shares at floating rate (Repo+1.5%) with a maturity of six years for a total consideration of MUR 138,180,000. The shareholders do not have the option to redeem the preference shares before maturity date.

	2018	2017	2016
	MUR	MUR	MUR
Level 1	-	-	-
Level 2	145,340,753	265,749,768	320,758,971
Level 3	-	-	-
	145,340,753	265,749,768	320,758,971

The preference shares are valued based on the market yield of similar instruments as made publicly available by the local regulator and are classified as Level 2.

21. INCOME TAX EXPENSE

Income tax is calculated at the rate of 15% (2017 and 2016: 15%) on the profit for the year.

The components of income tax expense for the years ended 30 June are:

	2018	2017	2016
	MUR	MUR	MUR
Current income tax	46,488,203	38,559,307	35,774,038
Prior year adjustment	-	-	307,620
Under/(overprovision) in previous years	-	155,919	(419,692)
Deferred tax			
-Relating to origination and reversal of temporary differences (Note 17)	2,834,093	3,094,593	(11,086,924)
Income tax expense	49,322,296	41,809,819	24,575,042

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by the domestic statutory tax rate for the years ended 30 June is as follows:

	2018	2017	2016
	MUR	MUR	MUR
Accounting profit before tax	291,754,024	250,317,784	186,182,728
At statutory income tax rate of 15% (2017 and 2016: 15%)	43,763,104	37,547,668	27,927,409
Non-deductible expenses	6,668,630	15,263,915	6,302,762
Exempt income	(3,405,985)	(1,514,386)	(206,606)
Corporate social responsibility	2,956,462	2,607,406	2,753,288
Special levy	16,387,790	13,462,997	12,206,612
Income tax under/(over)provision for the previous year	-	155,919	(419,692)
Withholding tax	-	385,884	-
Deemed credit on segment B profits	(19,881,947)	(17,179,075)	(18,849,879)
Deferred tax rate differential arising on corporate social responsibility and special levy	2,834,242	(8,920,509)	(5,138,852)
Tax expense	49,322,296	41,809,819	24,575,042

Non-deductible expenses consist mainly of provision for impairment and depreciation.

Corporate Social Responsibility (CSR) Tax

Corporate Social Reponsibility (CSR) was legislated by the Government of Mauritius in July 2009. The bank is required to allocate 2% of its Segment A chargeable income of the preceding financial year to Government approved CSR Non Governmental Organisations.

Special Levy

The bank is liable to pay a special levy of 10% on its chargeable income of Segment A operations and 3.4% on book profit plus 1% on operating income of Segment B operations.

22. OTHER LIABILITIES

	2018	2017	2016
	MUR	MUR	MUR
Unallocated receipts	204,468,564	196,748,425	1,108,131
Employee benefit liability (Note 40)	4,955,603	3,396,014	2,058,670
Bankers' drafts	34,590,654	22,206,569	6,264,451
Other payables	94,380,755	80,696,337	77,923,643
	338,395,576	303,047,345	87,354,895

Refer to Note 40 for more details on employee benefit liability.

Bankers' drafts are payable upon claim by the beneficiaries, and were previously reported under 'Other payables' in 2017 and 2016.

Other payables include provision for expenses, accrued staff related costs, advance fee income and VAT payable.

23. ISSUED CAPITAL

	2018	2017	2016
	MUR	MUR	MUR
Ordinary shares of MUR 10 each			
Issued and fully paid capital	762,718,720	762,718,720	762,718,720
Share premium	177,776,752	177,776,752	177,776,752
At 30 June	940,495,472	940,495,472	940,495,472

	2018	2017	2016
	MUR	MUR	MUR
Issued and fully paid			
At 1 July	940,495,472	940,495,472	506,699,200
New issue	-	-	433,796,272
At 30 June	940,495,472	940,495,472	940,495,472
Number of shares			
At 1 July	76,271,872	76,271,872	47,669,920
New issue	-	-	28,601,952
	76,271,872	76,271,872	76,271,872

Rights conferred to an ordinary share are the following: right to one vote on a poll at a meeting of the bank on any resolution, right to an equal share in dividends authorised by the Board and right to an equal share in the distribution of the surplus assets of the bank.

On 28 November 2014, the bank issued 12,000,000 Ordinary Shares at MUR 12.50 per share for a total consideration of MUR 150,000,000. The new ordinary shares rank pari passu with the existing ordinary shares in the capital of the bank.

On 23 October 2015, the bank issued 9,533,984 Ordinary Shares of par value of MUR 10.00 each of the bank at a price of MUR 13.50 per share for a total consideration of MUR 128,708,784. The new ordinary shares rank pari passu with the existing ordinary shares in the capital of the bank.

On 10 June 2016, the bank issued 19,067,968 Ordinary Shares of par value of MUR 10.00 each of the bank at a price of MUR 16.00 per share for a total consideration of MUR 305,087,488. The new ordinary shares of par value of MUR 10.00 each of the bank rank pari passu with the existing ordinary shares in the capital of the bank.

24. OTHER RESERVES

	2018	2017	2016
	MUR	MUR	MUR
Available-for-sale reserve	(21,606,550)	1,205,290	1,287,648
Statutory reserve	112,921,506	76,556,747	45,280,552
	91,314,956	77,762,037	46,568,200

Available-for-sale reserve

	2018	2017	2016
	MUR	MUR	MUR
At 1 July	1,205,290	1,287,648	1,761,946
Net loss on available-for-sale financial investments	(22,811,840)	(82,358)	(5,196,126)
Fair value adjustment to profit or loss	-	-	4,721,828
At 30 June	(21,606,550)	1,205,290	1,287,648

This reserve records fair value changes on available-for-sale financial investments.

Statutory reserve

The statutory reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the net profit is transferred each year until the balance is equal to the amount paid as stated capital.

	MUR
At 1 July 2015	21,039,399
Transfer to statutory reserve	24,241,153
At 30 June 2016	45,280,552
At 1 July 2016	45,280,552
Transfer to statutory reserve	31,276,195
At 30 June 2017	76,556,747
At 1 July 2017	76,556,747
Transfer to statutory reserve	36,364,759
At 30 June 2018	112,921,506

25. NET INTEREST INCOME

	2018 MUR	2017 MUR	2016 MUR
Interest income			
Finance leases	68,076,752	65,129,580	72,525,210
Loans and advances to customers (excluding finance leases)	229,924,450	229,903,554	181,848,992
Loans to and placements with banks	64,236,176	85,049,230	82,757,868
Investment securities	291,059,616	265,155,535	231,232,476
	653,296,994	645,237,899	568,364,546
Interest expense			
Deposits from customers	252,061,262	288,717,476	277,955,314
Preference shares	14,320,503	20,238,947	22,122,101
Borrowed funds	1,076,943	249,197	289,297
	267,458,708	309,205,620	300,366,712
Net interest income	385,838,286	336,032,279	267,997,834

26. NET FEE AND COMMISSION INCOME

	2018 MUR	2017 MUR	2016 MUR
Fee and commission income			
Card and related fee income	53,211,817	60,940,790	71,597,790
Processing fees	10,591,725	6,319,307	8,731,515
International banking	25,062,665	25,127,571	30,106,976
Interbank transaction fees	10,934,052	9,080,598	8,908,546
Others	4,893,033	11,524,326	8,798,160
	104,693,292	112,992,592	128,142,987
Fee and commission expense			
Card and related fee expense	17,776,682	17,739,830	21,093,139
Interbank transaction fees	6,433,682	6,113,654	6,392,980
	24,210,364	23,853,484	27,486,119
Net fee and commission income	80,482,928	89,139,108	100,656,868

27. NET TRADING INCOME

	2018	2017	2016
	MUR	MUR	MUR
Net foreign exchange gain	85,243,497	63,830,549	65,420,427

28. OTHER OPERATING INCOME

	2018	2017	2016
	MUR	MUR	MUR
Profit on disposal of investment securities	6,455,327	2,452,927	373,500
Dividend income	1,237,480	1,176,385	1,036,164
Profit on disposal of property and equipment	187,032	338,001	-
Others	4,475	38,613	136,197
	7,884,314	4,005,926	1,545,861

Disposal of investment securities are mainly on Bank of Maurtius and Government of Mauritius securities (Bonds, notes and bills).

29. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2018	2017	2016
	MUR	MUR	MUR
Loans and advances to customers	5,855,717	12,620,454	54,393,380
Provision on guarantee	456,276	-	-
Investment in securities	3,226,428	10,332,259	7,038,256
	9,538,421	22,952,713	61,431,636
Loans and advances to customers			
Provision for credit impairment (Note 12(c))	7,854,300	16,436,655	56,696,781
Provision released (Note 12(c))	(2,052,771)	(2,005,529)	(2,358,423)
Bad debts recovered	(945,711)	(2,552,634)	(3,306,037)
Bad debts written off for which no provision was made	999,899	741,962	3,361,059
	5,855,717	12,620,454	54,393,380
Investment in securities			
Individual impairment loss - held to maturity securities	(155,902)	4,183,140	-
Impairment loss - available-for-sale investments	-	1,819,776	4,721,828
Collective impairment - loan and receivables	298,120	1,370,352	303,452
Collective impairment - held to maturity investments	3,084,210	2,958,991	2,012,976
	3,226,428	10,332,259	7,038,256

30. PERSONNEL EXPENSES

	2018	2017	2016
	MUR	MUR	MUR
Wages and salaries	135,303,828	104,246,916	82,936,383
Employees benefit costs (Note 40)	696,557	778,507	601,233
Others	26,193,847	22,177,592	17,371,725
	162,194,232	127,203,015	100,909,341

Others consist of medical benefits, training and other allowances.

31. OTHER OPERATING EXPENSES

	2018	2017	2016
	MUR	MUR	MUR
Motor vehicle expenses and insurance	3,742,676	4,411,087	4,719,073
Rental of office	626,728	547,860	603,015
Advertising and marketing	5,940,039	6,164,193	4,251,090
Information technology costs	11,754,659	14,805,926	20,220,960
Licences	3,182,147	3,354,514	2,862,837
Loss on disposal of property and equipment	-	-	1,084,139
Communication costs	8,280,338	8,333,469	7,693,831
Legal and professional fees	11,558,723	8,914,915	9,631,601
Maintenance costs	4,211,061	3,599,652	3,437,274
Others	25,041,312	23,044,024	15,746,595
	74,337,683	73,175,640	70,250,415

Others consist of postage and stationary, utilities, security, overseas travelling, subscription and other operating costs.

32. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders of the bank by the weighted average number of ordinary shares during the year.

	2018	2017	2016
	MUR	MUR	MUR
Net Profit	242,431,728	208,507,965	161,607,686
Weighted average number of ordinary shares	76,271,872	76,271,872	55,328,366
Earnings per share			
Basic and diluted earnings per share	3.18	2.73	2.92

33. DIVIDENDS PAID AND PROPOSED

	2018	2017	2016
	MUR	MUR	MUR
Declared and paid during the year			
Final dividend for 2017: MUR 0.64 per share (2016 : MUR 0.54 per share, 2015 : MUR 0.17 per share)	48,813,998	41,186,811	8,103,887
Proposed for approval at Annual General Meeting (not recognised as a liability as at 30 June 2018)			
Dividends on ordinary shares:			
Final dividend for 2018: MUR 0.73 per share (2017: MUR 0.64 per share, 2016: MUR 0.54 per share)	55,678,467	48,813,998	41,186,811

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the statement of financial position

(i) Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	MUR	MUR	MUR	MUR
Financial assets				
Available-for-sale investment securities				
2018	1,690,396,869	624,759,272	-	2,315,156,141
2017	78,440,348	-	-	78,440,348
2016	80,371,343	-	-	80,371,343
Held for trading investment securities				
Government of Mauritius treasury bills				
2018	-	-	-	-
2017	-	149,878,626	-	149,878,626
2016	-	-	-	-
Derivatives - Foreign exchange contracts				
2018	-	4,289,595	-	4,289,595
2017	-	4,407,594	-	4,407,594
2016	-	4,478,577	-	4,478,577
Financial liabilities				
Derivatives - Foreign exchange contracts				
2018	-	2,774,759	-	2,774,759
2017	-	16,531,096	-	16,531,096
2016	-	692,898	-	692,898

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value measurements recognised in the statement of financial position (Cont'd)

(ii) Valuation techniques

Available-for-sale financial investment securities

Corporate shares and debts are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1.

Government of Mauritius, Bank of Mauritius and unquoted securities are valued based on the market yield of similar instruments as made publicly available by the local regulator and are classified as Level 2.

Held for trading investment securities
Government of Mauritius treasury bills

Those investments are valued based on the market yield of similar instruments as made publicly available by the local regulator and are classified as Level 2.

Derivatives

Derivatives include foreign exchange contracts and foreign exchange swaps. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points. The bank classifies foreign exchange forward contracts and swaps as Level 2.

Transfers between hierarchy

There was no transfer between fair value hierarchy during the year under review.

(iii) Valuation methodologies

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amount approximates their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Loans and advances to customers

The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. As a result, loans and advances fall under Level 3 of the fair value hierarchy.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. As a result, these fixed rate financial instruments fall under Level 2 of the fair value hierarchy.

35. CATEGORIES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair values of the bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

		2018						
		Classification of carrying amount						Fair Value
	Notes	Fair value through profit or loss	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	Total	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets								
Cash and cash equivalents	9	-	3,276,741,586	-	-	-	3,276,741,586	3,276,741,586
Due from banks	10	-	1,030,811,338	-	-	-	1,030,811,338	1,030,811,338
Derivative financial assets	11	4,289,595	-	-	-	-	4,289,595	4,289,595
Loans and advances to customers	12	-	6,054,488,404	-	-	-	6,054,488,404	6,072,355,382
Investment securities	13	-	3,058,593,442	2,315,156,141	849,403,706	-	6,223,153,289	6,223,153,289
Other assets	14	-	91,605,147	-	-	-	91,605,147	91,605,147
		4,289,595	13,512,239,917	2,315,156,141	849,403,706	-	16,681,089,359	16,698,956,337
Financial liabilities								
Due to banks	18	-	-	-	-	110,061,479	110,061,479	110,061,479
Derivative financial liabilities	11	2,774,759	-	-	-	-	2,774,759	2,774,759
Deposits from customers	19	-	-	-	-	14,966,194,318	14,966,194,318	14,957,108,074
Preference shares	20	-	-	-	-	145,340,753	145,340,753	145,340,753
Other liabilities		-	-	-	-	323,771,923	323,771,923	323,771,923
		2,774,759	-	-	-	15,545,368,473	15,548,143,232	15,539,056,988

35. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

		2017						
		Classification of carrying amount						Fair Value
	Notes	Fair value through profit or loss	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	Total	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets								
Cash and cash equivalents	**9**	-	4,317,358,970	-	-	-	4,317,358,970	4,317,358,970
Due from banks	**10**	-	1,183,314,188	-	-	-	1,183,314,188	1,183,314,188
Derivative financial assets	**11**	4,407,594	-	-	-	-	4,407,594	4,407,594
Loans and advances to customers	**12**	-	5,095,744,575	-	-	-	5,095,744,575	5,066,348,249
Investment securities	**13**	149,878,626	3,942,060,703	78,440,348	546,065,910	-	4,716,445,587	4,716,445,587
Other assets	**14**	-	28,642,236	-	-	-	28,642,236	28,642,236
		154,286,220	14,567,120,672	78,440,348	546,065,910	-	15,345,913,150	15,316,516,824
Financial liabilities								
Derivative financial liabilities	**11**	16,531,096	-	-	-	-	16,531,096	16,531,096
Deposits from customers	**19**	-	-	-	-	13,803,065,697	13,803,065,697	13,786,269,491
Preference shares	**20**	-	-	-	-	265,749,768	265,749,768	265,749,768
Other liabilities	**22**	-	-	-	-	294,463,587	294,463,587	294,463,587
		16,531,096	-	-	-	14,363,279,052	14,379,810,148	14,363,013,942

35. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

		2016						
		Classification of carrying amount						Fair Value
	Notes	Fair value through profit or loss	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	Total	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets								
Cash and cash equivalents	9	-	3,966,067,879	-	-	-	3,966,067,879	3,966,067,879
Due from banks	10	-	1,456,600,322	-	-	-	1,456,600,322	1,456,600,322
Derivative financial assets	11	4,478,577	-	-	-	-	4,478,577	4,478,577
Loans and advances to customers	12	-	4,594,454,589	-	-	-	4,594,454,589	4,594,454,589
Investment securities	13	-	4,491,537,005	82,641,343	258,151,089	-	4,832,329,437	4,832,329,437
Other assets	14	-	9,953,113	-	-	-	9,953,113	9,953,113
		4,478,577	14,518,612,908	82,641,343	258,151,089	-	14,863,883,917	14,863,883,917
Financial liabilities								
Due to banks	18	-	-	-	-	140,006,397	140,006,397	140,006,397
Derivative financial liabilities	11	692,898	-	-	-	-	692,898	692,898
Deposits from customers	19	-	-	-	-	13,368,862,538	13,368,862,538	13,368,862,538
Preference shares	20	-	-	-	-	320,758,971	320,758,971	320,758,971
Other liabilities	22	-	-	-	-	85,252,392	85,252,392	85,252,392
		692,898	-	-	-	13,914,880,298	13,915,573,196	13,915,573,196

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

		2018							
	Notes	No specific maturity	Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 3 years	Over 3 years	Sub total more than 12 months	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and cash equivalents	9	-	3,276,741,586	-	3,276,741,586	-	-	-	3,276,741,586
Due from banks	10	-	536,220,569	228,839,765	765,060,334	35,837,348	229,913,656	265,751,004	1,030,811,338
Derivative financial assets	11	-	522,976	3,766,619	4,289,595	-	-	-	4,289,595
Loans and advances to customers	12	95,225,062	1,958,841,860	1,394,167,847	3,353,009,707	1,284,251,900	1,478,470,164	2,762,722,064	6,210,956,833
Investment securities	13	32,819,759	273,906,488	597,015,969	870,922,457	1,426,262,254	3,904,996,982	5,331,259,236	6,235,001,452
Other assets	14	94,025,588	-	-	-	-	-	-	94,025,588
Property and equipment	15	394,861,578	-	-	-	-	-	-	394,861,578
Intangible assets	16	4,351,872	-	-	-	-	-	-	4,351,872
Deferred tax assets	17	21,307,487	-	-	-	-	-	-	21,307,487
Total		642,591,346	6,046,233,479	2,223,790,200	8,270,023,679	2,746,351,502	5,613,380,802	8,359,732,304	17,272,347,329
Less allowance for credit impairment									(168,316,592)
									17,104,030,737
Liabilities									
Due to banks	18	-	110,061,479	-	110,061,479	-	-	-	110,061,479
Derivative financial liabilities	11	-	1,442,153	1,332,606	2,774,759	-	-	-	2,774,759
Deposits from customers	19	-	7,319,098,350	912,881,784	8,231,980,134	950,772,447	5,783,441,737	6,734,214,184	14,966,194,318
Preference shares	20	-	-	7,160,753	7,160,753	138,180,000	-	138,180,000	145,340,753
Current tax liabilities		-	-	30,924,434	30,924,434	-	-	-	30,924,434
Other liabilities	22	298,227,274	2,295,699	32,917,000	35,212,699	-	4,955,603	4,955,603	338,395,576
Total		298,227,274	7,432,897,681	985,216,577	8,418,114,258	1,088,952,447	5,788,397,340	6,877,349,787	15,593,691,319
Net liquidity gap		344,364,072	(1,386,664,202)	1,238,573,623	(148,090,579)	1,657,399,055	(175,016,538)	1,482,382,517	1,678,656,010
Less allowance for credit impairment									(168,316,592)
									1,510,339,418
Contingent liabilities and commitments	38								
Contingent liabilities									
Financial guarantees		-	7,500,737	23,934,279	31,435,016	733,202	-	733,202	32,168,218
Letter of credit and other obligations on account of customers		-	13,459,409	-	13,459,409	-	-	-	13,459,409
		-	20,960,146	23,934,279	44,894,425	733,202	-	733,202	45,627,627
Commitments									
Undrawn credit facilities		-	752,241,168	547,880,530	1,300,121,698	-	-	-	1,300,121,698
		-	773,201,314	571,814,809	1,345,016,123	733,202	-	733,202	1,345,749,325

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

		2017							
	Notes	No specific maturity	Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 3 years	Over 3 years	Sub total more than 12 months	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and cash equivalents	9	-	4,317,358,970	-	4,317,358,970	-	-	-	4,317,358,970
Due from banks	10	-	322,739,238	711,052,116	1,033,791,354	46,799,153	102,723,681	149,522,834	1,183,314,188
Derivative financial assets	11	-	4,108,762	298,832	4,407,594	-	-	-	4,407,594
Loans and advances to customers	12	106,192,824	1,557,190,466	1,510,630,156	3,067,820,622	840,802,404	1,235,887,806	2,076,690,210	5,250,703,656
Investment securities	13	206,961,570	515,863,821	449,999,800	965,863,621	529,785,935	3,022,801,515	3,552,587,450	4,725,412,641
Other assets	14	31,223,839	-	-	-	-	-	-	31,223,839
Property and equipment	15	372,510,402	-	-	-	-	-	-	372,510,402
Intangible assets	16	6,819,610	-	-	-	-	-	-	6,819,610
Deferred tax assets	17	24,025,071	-	-	-	-	-	-	24,025,071
Total		747,733,316	6,717,261,257	2,671,980,904	9,389,242,161	1,417,387,492	4,361,413,002	5,778,800,494	15,915,775,971
Less allowance for credit impairment									(163,926,135)
									15,751,849,836
Liabilities									
Derivative financial liabilities	11	-	14,803,458	1,727,638	16,531,096	-	-	-	16,531,096
Deposits from customers	19	-	10,350,588,198	1,463,759,080	11,814,347,278	1,211,401,204	777,317,215	1,988,718,419	13,803,065,697
Preference shares	20	-	-	127,569,768	127,569,768	-	138,180,000	138,180,000	265,749,768
Current tax liabilities		-	-	23,175,879	23,175,879	-	-	-	23,175,879
Other liabilities	22	269,785,596	3,213,821	26,651,914	29,865,735	-	3,396,014	3,396,014	303,047,345
Total		269,785,596	10,368,605,477	1,642,884,279	12,011,489,756	1,211,401,204	918,893,229	2,130,294,433	14,411,569,785
Net liquidity gap		477,947,720	(3,651,344,220)	1,029,096,625	(2,622,247,595)	205,986,288	3,442,519,773	3,648,506,061	1,504,206,186
Less allowance for credit impairment									(163,926,135)
									1,340,280,051
Contingent liabilities and commitments	38								
Contingent liabilities									
Financial guarantees		-	5,931,782	3,671,066	9,602,848	1,177,257	-	1,177,257	10,780,105
		-	5,931,782	3,671,066	9,602,848	1,177,257	-	1,177,257	10,780,105
Commitments									
Undrawn credit facilities		-	892,530,074	174,945,461	1,067,475,535	-	-	-	1,067,475,535
		-	898,461,856	178,616,527	1,077,078,383	1,177,257	-	1,177,257	1,078,255,640

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

	Notes	2016							
		No specific maturity	Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 3 years	Over 3 years	Sub total more than 12 months	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and cash equivalents	9	-	3,966,067,879	-	3,966,067,879	-	-	-	3,966,067,879
Due from banks	10	-	505,589,927	866,378,696	1,371,968,623	27,376,067	57,255,632	84,631,699	1,456,600,322
Derivative financial assets	11	-	4,478,577	-	4,478,577	-	-	-	4,478,577
Loans and advances to customers	12	124,138,126	1,581,903,051	1,393,055,892	2,974,958,943	837,101,369	834,197,002	1,671,298,371	4,770,395,440
Investment securities	13	82,641,343	989,207,026	411,388,737	1,400,595,763	641,064,418	2,712,164,403	3,353,228,821	4,836,465,927
Other assets	14	11,537,022	-	-	-	-	-	-	11,537,022
Property and equipment	15	222,202,278	-	-	-	-	-	-	222,202,278
Intangible assets	16	9,716,195	-	-	-	-	-	-	9,716,195
Deferred tax assets	17	27,044,221	-	-	-	-	-	-	27,044,221
Total		477,279,185	7,047,246,460	2,670,823,325	9,718,069,785	1,505,541,854	3,603,617,037	5,109,158,891	15,304,507,861
Less allowance for credit impairment									(180,077,341)
									15,124,430,520
Liabilities									
Due to banks	18	-	140,006,397	-	140,006,397	-	-	-	140,006,397
Derivative financial liabilities	11	-	692,898	-	692,898	-	-	-	692,898
Deposits from customers	19	-	10,997,681,711	1,169,746,860	12,167,428,571	788,019,791	413,414,176	1,201,433,967	13,368,862,538
Preference shares	20	-	-	57,597,971	57,597,971	124,981,000	138,180,000	263,161,000	320,758,971
Current tax liabilities		-	-	33,230,172	33,230,172	-	-	-	33,230,172
Other liabilities	22	60,454,582	988,608	23,853,035	24,841,643	-	2,058,670	2,058,670	87,354,895
Total		60,454,582	11,139,369,614	1,284,428,038	12,423,797,652	913,000,791	553,652,846	1,466,653,637	13,950,905,871
Net liquidity gap		416,824,603	(4,092,123,154)	1,386,395,287	(2,705,727,867)	592,541,063	3,049,964,191	3,642,505,254	1,353,601,990
Less allowance for credit impairment									(180,077,341)
									1,173,524,649
Contingent liabilities and commitments	38								
Contingent liabilities									
Financial guarantees		793,848	5,915,000	2,232,835	8,147,835	1,110,036	-	1,110,036	10,051,719
Letter of credit and other obligations on account of customers		-	6,639,134	-	6,639,134	-	-	-	6,639,134
		793,848	12,554,134	2,232,835	14,786,969	1,110,036	-	1,110,036	16,690,853
Commitments									
Undrawn credit facilities		-	596,575,795	68,901,379	665,477,174	9,976,395	-	9,976,395	675,453,569
		793,848	609,129,929	71,134,214	680,264,143	11,086,431	-	11,086,431	692,144,422

37. RELATED PARTY DISCLOSURES

(a) The following table provides the total amount of transactions and balances, which have been entered into with related parties for the relevant financial years.

		LOANS AND ADVANCES			DEPOSITS FROM CUSTOMERS		OTHERS	
		Loans and advances granted	Outstanding amount at year end	Interest receivable for the year	Deposits at year end	Interest payable for the year	Amount owed by related party	Other expenditure
		MUR	MUR	MUR	MUR	MUR	MUR	MUR
Directors and key management personnel	**2018**	**997,863**	**8,783,783**	**418,650**	**114,786,870**	**2,881,368**	**-**	**3,492,530**
	2017	981,000	5,705,447	577,413	124,649,450	4,304,797	-	2,785,393
	2016	-	12,365,602	515,413	65,372,699	1,254,323	-	212,800
Corporate shareholders with significant influence	**2018**	**4,276,328**	**105,389,797**	**11,849,705**	**6,332**	**1,042**	**-**	**11,094,121**
	2017	184,355,990	241,077,457	12,516,453	6,332	68	-	1,834,595
	2016	247,826,121	174,945,595	10,744,602	-	2,790	-	3,737,702
Enterprises that have a number of directors in common	**2018**	**64,487,570**	**152,995,502**	**8,449,754**	**16,308,722**	**43,610**	**-**	**4,518,108**
	2017	38,897,000	105,098,456	6,620,792	11,750,534	10,221	-	5,496,096
	2016	20,771,940	103,388,328	8,635,683	26,644,924	222,471	-	7,216,675
Total	**2018**	**69,761,761**	**267,169,082**	**20,718,109**	**131,101,924**	**2,926,020**	**-**	**19,104,759**
	2017	224,233,990	351,881,360	19,714,658	136,406,316	4,315,086	-	10,116,084
	2016	268,598,061	290,699,525	19,895,698	92,017,623	1,479,584	-	11,167,177

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. Credit facilities are secured except for short term money market lines, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2018, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2017 and 2016: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Equity contribution from shareholders paid in cash is disclosed in Note 23.

(b) **Compensation of key management personnel**

	2018	2017	2016
	MUR	MUR	MUR
Short term employee benefits	**20,701,000**	16,578,500	10,715,500
Long term employee benefits	**1,421,733**	1,223,214	979,144

(c) The bank's top six exposures to related parties amount to MUR 311,549,390 (30 June 2017: MUR 344,861,393 and 30 June 2016: MUR 279,951,476). These represent 21% of Tier 1 Capital. None of these facilities were non-performing (2017 and 2016: Nil).

38. CONTINGENT LIABILITIES

	2018 MUR	2017 MUR	2016 MUR
(a) Instruments			
Financial guarantees	32,168,218	10,780,105	10,051,719
Letter of credit and other obligations on account of customers	13,459,409	-	6,639,134
(b) Commitments			
Undrawn credit facilities	1,300,121,698	1,067,475,535	675,453,569
	1,345,749,325	1,078,255,640	692,144,422

39. PLEDGED ASSETS

The assets that have been pledged to secure the credit facilities with the Bank of Mauritius and other commercial banks are as follows:

	2018 MUR	2017 MUR	2016 MUR
Government of Mauritius bonds, notes and bills	285,000,000	385,000,000	360,000,000

40. RETIREMENT BENEFIT OBLIGATION

(a) Defined contribution plan

As from 1 July 2014, the bank operates a defined contribution plans for all its employees. The assets of the plans are held separately from the bank under the control of ABC Group Pension Fund. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total expenses recognised in profit or loss of MUR 4,874,884 (2017: MUR 3,787,508; 2016: MUR 2,853,900) represents contributions payable to the plan by the bank.

(b) Gratuity on retirement

The bank is required to pay gratuity in accordance with Section 49 of the Employment Rights Act 2008. The bank has engaged Feber Associates to calculate the obligations arising out of the gratuities payable. For members of the bank's defined contribution, the obligation relates to the residual retirement gratuity and as a result 5 times the annual pension, relating to the employer's share of contributions, is offset from the retirement gratuity.

The following table summarises the components of net benefit expense recognised in the statement of profit or loss and the unfunded status and amounts recognised in the statement of financial position.

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined contribution plans is as follows:

	2018	2017	2016
	MUR	MUR	MUR
Present value of funded defined contribution obligation			
and liability recognised in the statement of financial position (Note 22)	**4,955,603**	3,396,014	2,058,670

Amounts recognised in the statement of profit or loss in respect of these defined contribution plans are as follows:

	2018	2017	2016
	MUR	MUR	MUR
Current service cost	**874,838**	634,400	421,171
Net interest cost	**196,387**	144,107	180,062
Curtailment gain	**(374,668)**	-	-
Net cost for the year recognised in profit or loss	**696,557**	778,507	601,233
Remeasurement recognised in other comprehensive income	**863,032**	558,837	(986,077)
Net cost for the year	**1,559,589**	1,337,344	(384,844)

	2018	2017	2016
	MUR	MUR	MUR
Changes in the present value of the obligation			
Present value of obligation at start of period	**3,396,014**	2,058,670	2,443,514
Restatement	**-**	-	(123,782)
Interest cost	**196,387**	144,107	180,062
Current service cost	**874,838**	634,400	544,953
Curtailment gain	**(374,668)**	-	-
Expected obligation at end of period	**4,092,571**	2,837,177	3,044,747
Present value of obligation at end of period	**4,955,603**	3,396,014	2,058,670
Remeasurement recognised in other comprehensive income at end of period - (loss)/gain	**(863,032)**	(558,837)	986,077
Deferred tax	**116,509**	75,443	(133,120)
Retirement pension net of deferred tax	**(746,523)**	(483,394)	852,957

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

	2018	2017	2016
	MUR	MUR	MUR
Normal retirement age	**65**	65	65
Discount rate	**6.25%**	6.50%	7.00%
Expected rate of return on plan assets	**0.00%**	0.00%	0.00%
Future salary increases	**5.00%**	5.00%	5.00%
Annual proportion of employees leaving service	**5% up to age 40, decreasing to 0% at 45 & nil thereafter**	5% up to age 40, decreasing to 0% at 45 & nil thereafter	5% up to age 40, decreasing to 0% at 45 & nil thereafter
Actuarial table for employee mortality	**PMA92_PFA92**	PMA92_PFA92	PMA92_PFA92

40. RETIREMENT BENEFIT OBLIGATION (CONT'D)

Movements in the present value of the defined contribution obligation in the current year is as follows:

	2018	2017	2016
	MUR	MUR	MUR
Opening defined contribution obligation	3,396,014	2,058,670	2,443,514
Current service cost	874,838	634,400	421,171
Interest cost	196,387	144,107	180,062
Curtailment gain	(374,668)	-	-
Net actuarial gain recognised in other comprehensive income	863,032	558,837	(986,077)
Present value of obligation at end of year	4,955,603	3,396,014	2,058,670

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and longetivity rates. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant.

	2018	2017
	MUR	MUR
Sensitivity		
Effect on present value of obligations:		
1% increase in discount rate	3,249,119	2,281,849
1% decrease in discount rate	7,453,187	5,109,084
1% increase in salary increase assumption	7,000,974	4,787,587
1% decrease in salary increase assumption	3,515,164	2,461,315
Effect of changing longevity - one year up	4,805,135	3,304,541
Effect of changing longevity - one year down	5,097,584	3,487,330

The sensitivity analysis presented above may not be representative of the actual change in the defined contribution obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

41. CAPITAL COMMITMENT

	2018	2017	2016
	MUR	MUR	MUR
Amount contracted for but not yet incurred	18,414,557	-	-

The above expenditure relates to the renovation costs of Ex-Merven building.

42. EVENT AFTER REPORTING DATE

There have been no events subsequent to the reporting date which require adjustment of or disclosure in the financial statements or notes thereto.

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Due to banks	Ordinary Dividend	Preference shares	Total
	MUR	MUR	MUR	MUR
At 1 July 2017	-	-	265,749,768	265,749,768
Dividend declared	-	48,813,998	-	48,813,998
Cash flows	110,061,479	(48,813,998)	(124,981,000)	(63,733,519)
Other	-	-	4,571,985	4,571,985
At 30 June 2018	**110,061,479**	**-**	**145,340,753**	**255,402,232**

44. Segmental reporting

For management purposes, the bank is organised into one main operating segment, which is the conduct of its banking activities. All significant operating decisions are based upon analysis of the bank as one segment. The financial result from this segment is equivalent to the financial statements of the bank as a whole.

In line with the Guideline on Segmental Reporting under a Single Banking Licence Regime and Guideline on Public Disclosure of Information as issued by the Bank of Mauritius, the bank classifies its assets and liabilities into two segments: Segment A and Segment B. Segment B activity is essentially directed to the provision of international financial services that give rise to “foreign source income”.

Segment B assets will generally consist of placements with and advances to foreign financial institutions.

Segment B liabilities will normally arise from deposits, borrowings and funds deposited by non-residents and global business companies.

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.

44. SEGMENTAL REPORTING (CONT'D)

Statement of financial position

	Notes	2018 Bank	2018 Segment A	2018 Segment B	2017 Bank	2017 Segment A	2017 Segment B	2016 Bank	2016 Segment A	2016 Segment B
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
ASSETS										
Cash and cash equivalents	44(a)	3,276,741,586	609,330,875	2,667,410,711	4,317,358,970	652,487,889	3,664,871,081	3,966,067,879	358,610,870	3,607,457,009
Due from banks	44(b)	1,030,811,338	608,570,362	422,240,976	1,183,314,188	858,666,532	324,647,656	1,456,600,322	508,251,319	948,349,003
Derivative financial assets		4,289,595	2,718,078	1,571,517	4,407,594	496,485	3,911,109	4,478,577	7,866	4,470,711
Loans and advances to customers	44(c)	6,054,488,404	5,117,515,641	936,972,763	5,095,744,575	4,273,453,278	822,291,297	4,594,454,589	3,749,137,694	845,316,895
Investment securities		6,223,153,289	4,198,605,155	2,024,548,134	4,716,445,587	4,532,440,230	184,005,357	4,832,329,437	4,639,623,065	192,706,372
Other assets		94,025,588	30,854,636	63,170,952	31,223,839	31,223,839	-	11,537,022	11,537,022	-
Property and equipment		394,861,578	296,146,183	98,715,395	372,510,402	279,382,801	93,127,601	222,202,278	166,651,708	55,550,570
Intangible assets		4,351,872	4,351,872	-	6,819,610	6,819,610	-	9,716,195	9,716,195	-
Deferred tax assets		21,307,487	21,307,487	-	24,025,071	24,025,071	-	27,044,221	27,044,221	-
Total assets		17,104,030,737	10,889,400,289	6,214,630,448	15,751,849,836	10,658,995,735	5,092,854,101	15,124,430,520	9,470,579,960	5,653,850,560
LIABILITIES										
Due to banks		110,061,479	110,061,479	-	-	-	-	140,006,397	140,006,397	-
Derivative financial liabilities		2,774,759	587,382	2,187,377	16,531,096	1,058,890	15,472,206	692,898	317,018	375,880
Deposits from customers	44(d)	14,966,194,318	8,181,597,553	6,784,596,765	13,803,065,697	8,740,050,415	5,063,015,282	13,368,862,538	7,876,378,410	5,492,484,128
Preference shares		145,340,753	145,340,753	-	265,749,768	265,749,768	-	320,758,971	320,758,971	-
Current tax liabilities		30,924,434	30,924,434	-	23,175,879	23,175,879	-	33,230,172	33,230,172	-
Other liabilities		338,395,576	338,395,576	-	303,047,345	303,047,345	-	87,354,895	87,354,895	-
Total liabilities		15,593,691,319	8,806,907,177	6,786,784,142	14,411,569,785	9,333,082,297	5,078,487,488	13,950,905,871	8,458,045,863	5,492,860,008
Shareholders' Equity										
Issued capital		940,495,472			940,495,472			940,495,472		
Retained earnings		478,528,990			322,022,542			186,460,977		
Other reserves		91,314,956			77,762,037			46,568,200		
Capital and reserves		1,510,339,418			1,340,280,051			1,173,524,649		
Total liabilities and equity		17,104,030,737			15,751,849,836			15,124,430,520		

44. SEGMENTAL REPORTING (CONT'D)

Statement of profit or loss and other comprehensive income

	Notes	2018 Bank	2018 Segment A	2018 Segment B	2017 Bank	2017 Segment A	2017 Segment B	2016 Bank	2016 Segment A	2016 Segment B
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Interest income		653,296,994	528,066,852	125,230,142	645,237,899	517,781,732	127,456,167	568,364,546	457,118,944	111,245,602
Interest expense		(267,458,708)	(262,104,410)	(5,354,298)	(309,205,620)	(301,047,757)	(8,157,863)	(300,366,712)	(292,259,513)	(8,107,199)
Net interest income	44(e)	385,838,286	265,962,442	119,875,844	336,032,279	216,733,975	119,298,304	267,997,834	164,859,431	103,138,403
Fee and commission income		104,693,292	22,418,973	82,274,319	112,992,592	35,951,654	77,040,938	128,142,987	39,618,024	88,524,963
Fee and commission expense		(24,210,364)	(2,862,342)	(21,348,022)	(23,853,484)	(1,192,674)	(22,660,810)	(27,486,119)	(2,748,612)	(24,737,507)
Net fee and commission income	44(f)	80,482,928	19,556,631	60,926,297	89,139,108	34,758,980	54,380,128	100,656,868	36,869,412	63,787,456
Net trading income	44(g)	85,243,497	28,086,346	57,157,151	63,830,549	38,354,650	25,475,899	65,420,427	29,103,633	36,316,794
Other operating income	44(h)	7,884,314	7,884,314	-	4,005,926	4,005,926	-	1,545,861	1,545,861	-
Total other income		93,127,811	35,970,660	57,157,151	67,836,475	42,360,576	25,475,899	66,966,288	30,649,494	36,316,794
Operating income		559,449,025	321,489,733	237,959,292	493,007,862	293,853,531	199,154,331	435,620,990	232,378,337	203,242,653
Personnel expenses	44(j)	(162,194,232)	(118,460,551)	(43,733,681)	(127,203,015)	(93,970,698)	(33,232,317)	(100,909,341)	(75,682,006)	(25,227,335)
Depreciation and amortisation		(21,624,665)	(16,218,499)	(5,406,166)	(19,358,710)	(14,519,031)	(4,839,679)	(16,846,870)	(12,635,152)	(4,211,718)
Other operating expenses	44(k)	(74,337,683)	(50,448,533)	(23,889,150)	(73,175,640)	(53,815,377)	(19,360,263)	(70,250,415)	(53,083,947)	(17,166,468)
Non interest expenses		(258,156,580)	(185,127,583)	(73,028,997)	(219,737,365)	(162,305,106)	(57,432,259)	(188,006,626)	(141,401,105)	(46,605,521)
Operating profit before impairment		301,292,445	136,362,150	164,930,295	273,270,497	131,548,425	141,722,072	247,614,364	90,977,232	156,637,132
Allowance for credit impairment on financial assets	44(i)	(9,538,421)	(4,441,347)	(5,097,074)	(22,952,713)	(18,769,573)	(4,183,140)	(61,431,636)	(58,522,374)	(2,909,262)
Operating profit before tax		291,754,024	131,920,803	159,833,221	250,317,784	112,778,852	137,538,932	186,182,728	32,454,858	153,727,870
Income tax expense		(49,322,296)	(42,037,805)	(7,284,491)	(41,809,819)	(35,345,320)	(6,464,499)	(24,575,042)	(19,566,119)	(5,008,923)
Profit for the year		242,431,728	89,882,998	152,548,730	208,507,965	77,433,532	131,074,433	161,607,686	12,888,739	148,718,947
Other comprehensive income										
Items that will not be reclassified subsequently to profit or loss:										
Remeasurement of retirement pension net of deferred tax		(746,523)	(746,523)	-	(483,394)	(483,394)	-	852,957	852,957	-
Items that may be reclassified subsequently to profit or loss:										
Fair value realised on disposal of available-for-sale financial assets		-	-	-	-	-	-	(389,784)	(389,784)	-
Net revaluation movement of available-for-sale financial assets		(22,811,840)	805,895	(23,617,735)	(82,358)	(82,358)	-	(84,514)	(84,514)	-
Other comprehensive (loss)/ income for the year		(23,558,363)	59,372	(23,617,735)	(565,752)	(565,752)	-	378,659	378,659	-
Total comprehensive income		218,873,365	89,942,370	128,930,995	207,942,213	76,867,780	131,074,433	161,986,345	13,267,398	148,718,947

44. SEGMENTAL REPORTING (CONT'D)

	2018			2017			2016		
	Bank	**Segment A**	**Segment B**	Bank	Segment A	Segment B	Bank	Segment A	Segment B
	MUR	**MUR**	**MUR**	MUR	MUR	MUR	MUR	MUR	MUR
(a) Cash and cash equivalents									
Cash in hand	6,907,102	5,786,392	1,120,710	5,255,066	4,652,459	602,607	12,780,853	11,168,368	1,612,485
Unrestricted balances with Central Bank	371,944,871	371,944,871	-	556,935,303	556,935,303	-	187,679,011	187,679,011	-
Balances with banks	1,826,588,270	29,128,387	1,797,459,883	1,526,144,576	21,326,736	1,504,817,840	455,791,054	15,807,492	439,983,562
Loans to and placement with banks	1,071,301,343	202,471,225	868,830,118	2,229,024,025	69,573,391	2,159,450,634	3,309,816,961	143,955,999	3,165,860,962
	3,276,741,586	609,330,875	2,667,410,711	4,317,358,970	652,487,889	3,664,871,081	3,966,067,879	358,610,870	3,607,457,009
Balances with banks	3,276,741,586	609,330,875	2,667,410,711	4,317,358,970	652,487,889	3,664,871,081	3,966,067,879	358,610,870	3,607,457,009
Cash and cash equivalents	3,276,741,586	609,330,875	2,667,410,711	4,317,358,970	652,487,889	3,664,871,081	3,966,067,879	358,610,870	3,607,457,009
(b) Due from banks									
Banks outside Mauritius	422,240,976	-	422,240,976	324,647,656	-	324,647,656	948,349,003	-	948,349,003
Banks in Mauritius	-	-	-	279,174,425	279,174,425	-	1,148,538	1,148,538	-
Deposits with the Central Bank	17,315,550	17,315,550	-	28,984,402	28,984,402	-	32,167,947	32,167,947	-
Restricted balances with the Central Bank	591,254,812	591,254,812	-	550,507,705	550,507,705	-	474,934,834	474,934,834	-
	1,030,811,338	608,570,362	422,240,976	1,183,314,188	858,666,532	324,647,656	1,456,600,322	508,251,319	948,349,003

44. SEGMENTAL REPORTING (CONT'D)

	2018			2017			2016		
	Bank	**Segment A**	**Segment B**	Bank	Segment A	Segment B	Bank	Segment A	Segment B
	MUR	**MUR**	**MUR**	MUR	MUR	MUR	MUR	MUR	MUR
(c) Loans and advances to customers									
Loans and overdrafts									
Retail	320,596,942	252,758,497	67,838,445	196,303,606	158,587,180	37,716,426	188,164,723	180,993,209	7,171,514
Corporate	4,738,788,744	3,856,917,137	881,871,607	4,169,756,527	3,385,181,656	784,574,871	3,650,862,892	2,812,717,511	838,145,381
	5,059,385,686	4,109,675,634	949,710,052	4,366,060,133	3,543,768,836	822,291,297	3,839,027,615	2,993,710,720	845,316,895
Less: Allowance for impairment losses	(78,036,671)	(65,299,382)	(12,737,289)	(68,446,788)	(68,446,788)	-	(60,146,544)	(60,146,544)	-
	4,981,349,015	4,044,376,252	936,972,763	4,297,613,345	3,475,322,048	822,291,297	3,778,881,071	2,933,564,176	845,316,895
Investment in finance leases									
Retail	472,472,536	472,472,536	-	344,441,698	344,441,698	-	362,477,297	362,477,297	-
Corporate	679,098,611	679,098,611	-	540,201,825	540,201,825	-	568,890,528	568,890,528	-
	1,151,571,147	1,151,571,147	-	884,643,523	884,643,523	-	931,367,825	931,367,825	-
Less: Allowance for impairment losses	(78,431,758)	(78,431,758)	-	(86,512,293)	(86,512,293)	-	(115,794,307)	(115,794,307)	-
	1,073,139,389	1,073,139,389	-	798,131,230	798,131,230	-	815,573,518	815,573,518	-
	6,054,488,404	5,117,515,641	936,972,763	5,095,744,575	4,273,453,278	822,291,297	4,594,454,589	3,749,137,694	845,316,895
(d) Deposits from customers									
Retail customers									
Savings accounts	3,452,276,646	3,414,095,797	38,180,849	3,771,193,347	3,637,940,707	133,252,640	3,385,730,382	3,227,946,406	157,783,976
Other accounts	784,229,641	73,228,380	711,001,261	466,979,523	170,012,800	296,966,723	470,428,665	149,099,446	321,329,219
Term deposits with remaining term to maturity:									
Up to 3 months	206,410,255	184,391,969	22,018,286	188,313,833	180,047,112	8,266,721	120,483,177	117,909,430	2,573,747
Over 3 months and up to 6 months	133,243,226	133,214,436	28,790	105,790,767	105,029,976	760,791	89,483,176	89,096,756	386,420
Over 6 months and up to 12 months	313,092,006	294,177,599	18,914,407	306,878,975	288,369,574	18,509,401	276,148,580	259,588,488	16,560,092
Over 1 year and up to 5 years	1,325,892,658	1,294,127,457	31,765,201	1,333,352,492	1,308,382,113	24,970,379	719,450,425	700,124,709	19,325,716
Corporate customers									
Savings accounts	379,114,526	379,114,526	-	371,550,751	371,550,751	-	424,991,392	424,991,392	-
Other accounts	6,827,151,929	1,099,069,434	5,728,082,495	5,393,754,469	948,341,070	4,445,413,399	6,157,289,450	1,191,739,522	4,965,549,928
Term deposits with remaining term to maturity:									
Up to 3 months	529,391,222	494,521,352	34,869,870	158,796,275	124,150,939	34,645,336	438,859,316	437,584,286	1,275,030
Over 3 months and up to 6 months	257,923,861	65,972,298	191,951,563	449,763,298	361,323,954	88,439,344	72,906,160	72,906,160	-
Over 6 months and up to 12 months	208,918,365	201,134,322	7,784,043	601,326,040	597,235,492	4,090,548	731,108,273	731,108,273	-
Over 1 year and up to 5 years	548,549,983	548,549,983	-	655,365,927	647,665,927	7,700,000	481,983,542	474,283,542	7,700,000
	14,966,194,318	8,181,597,553	6,784,596,765	13,803,065,697	8,740,050,415	5,063,015,282	13,368,862,538	7,876,378,410	5,492,484,128

44. SEGMENTAL REPORTING (CONT'D)

	2018			2017			2016		
	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
(e) Net interest income									
Interest income									
Finance leases	68,076,752	68,076,752	-	65,129,580	65,129,580	-	72,525,210	72,525,210	-
Loans and advances to customers (excluding finance leases)	229,924,450	184,635,642	45,288,808	229,903,554	190,479,120	39,424,434	181,848,992	157,252,579	24,596,413
Loans to and placements with banks	64,236,176	11,429,912	52,806,264	85,049,230	9,344,873	75,704,357	82,757,868	8,899,934	73,857,934
Investment securities	291,059,616	263,924,546	27,135,070	265,155,535	252,828,159	12,327,376	231,232,476	218,441,221	12,791,255
	653,296,994	528,066,852	125,230,142	645,237,899	517,781,732	127,456,167	568,364,546	457,118,944	111,245,602
Interest expense									
Deposits from customers	252,061,262	246,940,125	5,121,137	288,717,476	280,559,613	8,157,863	277,955,314	269,848,115	8,107,199
Preference shares	14,320,503	14,320,503	-	20,238,947	20,238,947	-	22,122,101	22,122,101	-
Borrowed funds	1,076,943	843,782	233,161	249,197	249,197	-	289,297	289,297	-
	267,458,708	262,104,410	5,354,298	309,205,620	301,047,757	8,157,863	300,366,712	292,259,513	8,107,199
Net interest income	385,838,286	265,962,442	119,875,844	336,032,279	216,733,975	119,298,304	267,997,834	164,859,431	103,138,403
(f) Net fee and commission income									
Fee and commission income									
Card and related fee income	53,211,817	4,746,367	48,465,450	60,940,790	9,270,164	51,670,626	71,597,790	13,353,572	58,244,218
Processing fees	10,591,725	8,445,370	2,146,355	6,319,307	6,319,307	-	8,731,515	8,731,515	-
International banking	25,062,665	-	25,062,665	25,127,571	-	25,127,571	30,106,976	-	30,106,976
Interbank transaction fees	10,934,052	4,658,418	6,275,634	9,080,598	9,080,598	-	8,908,546	8,908,546	-
Others	4,893,033	4,568,818	324,215	11,524,326	11,281,585	242,741	8,798,160	8,624,391	173,769
	104,693,292	22,418,973	82,274,319	112,992,592	35,951,654	77,040,938	128,142,987	39,618,024	88,524,963
Fee and commission expense									
Card and related fees	17,776,682	511,539	17,265,143	17,739,830	886,992	16,852,838	21,093,139	2,109,314	18,983,825
Interbank transaction fees	6,433,682	2,350,803	4,082,879	6,113,654	305,682	5,807,972	6,392,980	639,298	5,753,682
	24,210,364	2,862,342	21,348,022	23,853,484	1,192,674	22,660,810	27,486,119	2,748,612	24,737,507
Net fee and commission income	80,482,928	19,556,631	60,926,297	89,139,108	34,758,980	54,380,128	100,656,868	36,869,412	63,787,456

44. SEGMENTAL REPORTING (CONT'D)

	2018			2017			2016		
	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
(g) Net trading income									
Net foreign exchange gain	85,243,497	28,086,346	57,157,151	63,830,549	38,354,650	25,475,899	65,420,427	29,103,633	36,316,794
(h) Other operating income									
Profit on disposal of investment securities	6,455,327	6,455,327	-	2,452,927	2,452,927	-	373,500	373,500	-
Dividend Income	1,237,480	1,237,480	-	1,176,385	1,176,385	-	1,036,164	1,036,164	-
Profit on disposal of property and equipment	187,032	187,032	-	338,001	338,001	-	-	-	-
Others	4,475	4,475	-	38,613	38,613	-	136,197	136,197	-
	7,884,314	7,884,314	-	4,005,926	4,005,926	-	1,545,861	1,545,861	-
(i) Allowance for credit impairment on financial assets									
Loans and advances to customers	5,855,717	2,987,812	2,867,905	12,620,454	12,620,454	-	54,393,380	54,393,380	-
Provision on guarantee	456,276	456,276	-	-	-	-	-	-	-
Investment in securities	3,226,428	997,259	2,229,169	10,332,259	6,149,119	4,183,140	7,038,256	4,128,994	2,909,262
	9,538,421	4,441,347	5,097,074	22,952,713	18,769,573	4,183,140	61,431,636	58,522,374	2,909,262
(j) Personnel expenses									
Wages and salaries	135,303,828	98,292,748	37,011,080	104,246,916	76,753,624	27,493,292	82,936,383	62,202,287	20,734,096
Employees benefit costs	696,557	522,418	174,139	778,507	583,880	194,627	601,233	450,925	150,308
Others	26,193,847	19,645,385	6,548,462	22,177,592	16,633,194	5,544,398	17,371,725	13,028,794	4,342,931
	162,194,232	118,460,551	43,733,681	127,203,015	93,970,698	33,232,317	100,909,341	75,682,006	25,227,335
(k) Other expenses									
Motor vehicle expenses and insurance	3,742,676	2,807,007	935,669	4,411,087	3,308,315	1,102,772	4,719,073	3,539,305	1,179,768
Rental of office	626,728	470,046	156,682	547,860	410,895	136,965	603,015	452,261	150,754
Advertising and marketing	5,940,039	4,455,029	1,485,010	6,164,193	4,623,145	1,541,048	4,251,090	3,188,317	1,062,773
Information technology costs	11,754,659	8,815,994	2,938,665	14,805,926	11,104,444	3,701,482	20,220,960	15,165,720	5,055,240
Licences	3,182,147	2,386,610	795,537	3,354,514	2,515,885	838,629	2,862,837	2,147,128	715,709
Loss on disposal of property and equipment	-	-	-	-	-	-	1,084,139	813,104	271,035
Communication costs	8,280,338	6,210,253	2,070,085	8,333,469	6,250,102	2,083,367	7,693,831	5,770,373	1,923,458
Legal and professional fees	11,558,723	8,669,042	2,889,681	8,914,915	6,686,186	2,228,729	9,631,601	7,223,701	2,407,900
Maintenance costs	4,211,061	3,158,296	1,052,765	3,599,652	2,699,739	899,913	3,437,274	2,577,955	859,319
Others	25,041,312	13,476,256	11,565,056	23,044,024	16,216,666	6,827,358	15,746,595	12,206,083	3,540,512
	74,337,683	50,448,533	23,889,150	73,175,640	53,815,377	19,360,263	70,250,415	53,083,947	17,166,468