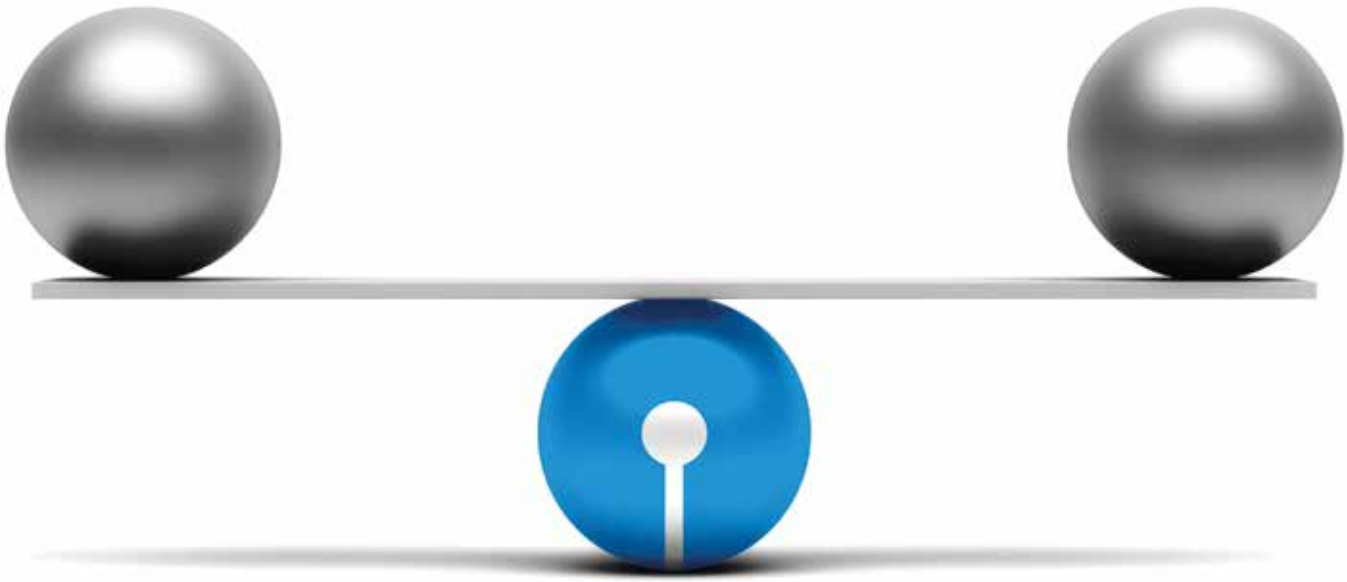
SBI (Mauritius) Ltd

Bank to grow with

ANNUAL REPORT 16



STABILITY

ANNUAL REPORT 2016

OUR MISSION

To create a strong and vibrant banking institution with global reach, having world class technology, products and based on the Core Values of Integrity, Customer care and sound Corporate Governance.

OUR VISION

To be the first choice solution provider for all banking Services.

To be a symbol of trust, efficiency and courteous Service.

To promote interests of all Stakeholders through well trained and dedicated professionals.

To strive for constant improvement in products and delivery channels.


STRENGTH

CONTENTS

SBI (Mauritius) Ltd
Bank to grow with

CORPORATE INFORMATION

Registered office:

7th Floor, SBI Tower Mindspace
45 Ebene, Cybercity - 72201
Mauritius

Tel:

(230) 404 4900

Fax:

(230) 454 6890

Email:

info@sbimauritius.com

Web:

www.sbimauritius.com

BRN:

C09008318

Group

State Bank of India Group

Company Secretary

Registrar and Transfer Office

Mr A. B. Mosaheb, ACIS, M. MIoD

SBI (Mauritius) Ltd

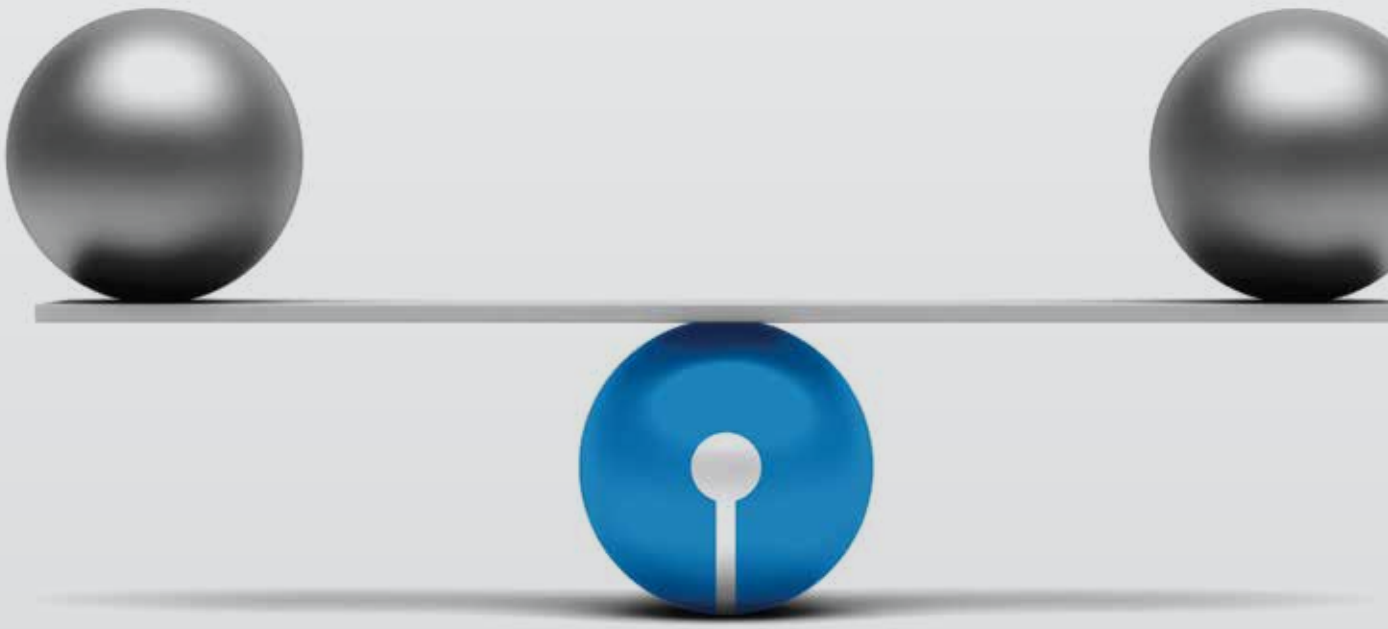
7th Floor, SBI Tower Mindspace
45 Ebene, Cybercity - 72201
Mauritius

Tel: (230) 404 4900
Fax: (230) 454 6890
Email: info@sbimauritius.com

Auditors

BDO & Co
Chartered Accountants

SUPPORT



RELIABILITY

DIRECTORS' REPORT

DIRECTORS' REPORT OF SBI (MAURITIUS) LTD

The Board of Directors of SBI (Mauritius) Ltd ("SBIML" or "the Bank") is pleased to present its Annual Report as well as the Audited Financial Statements for the year ended 31st March 2016. The accounts have been prepared in accordance with Bank of Mauritius Guideline on Public Disclosure of Information and SBIML has adopted the International Financial Reporting Standards and prepared the accounts on a fair value and going concern basis.

Incorporation and Principal Activity

The Bank was incorporated in Mauritius under the Mauritius Companies Act 2001. Its registered office is at 7th Floor, SBI Tower Mindspace, 45 Ebene Cybercity. The Principal Activity of the Bank is Commercial Banking, which includes domestic and global business and encompasses all sectors of the economy.

Going Concern

The Directors confirm that they are satisfied that the Bank has adequate resources to continue in business for the foreseeable future and hence, they continue to adopt the 'going concern' basis for preparing the accounts.

Overview of Operations

In the wake of the difficult economic context, business growth and financial performance has been reasonably good during financial year ended 31st March 2016. The balance sheet size and overall gross advances have registered a growth of 5.74% and 12.00%, respectively, on Y-o-Y basis. Total customer deposits have gone down by 3.87% on Y-o-Y basis. Net profit has declined by 24.32% due to rise in credit impairment charges of USD 0.882 Mio due to rise in non performing assets as well as due to negative impact of fresh portfolio provision to the tune of USD 3.830 Mio on standard assets during current financial year. Gross Non- Performing Assets (NPA) was 12.40% as on 31st March 2016 compared to 8.06% as on 31st March 2015.

Results

During the year under review, the profit before Income Tax of the Bank decreased from USD 13.721 million to USD 10.568 million representing a decrease of 22.98%. The net profit of SBIML was USD 9.628 million as compared to USD 12.722 million as on 31st March 2015.

Share Capital

The Stated Capital of the Bank remained unchanged, that is 778,035 ordinary shares at a face value of USD 62.50 each.

As on 31st March 2016 the Stated Capital of the Bank was USD 102,705,250.

Capital Adequacy

As on 31st March 2016, the Capital Adequacy of the Bank was 21.16 % against the minimum regulatory requirement of 10%.

Changes in the Board of Directors

The Directors holding Office during the year ended 31st March 2016 are as follows:

1. Mr S. Sengupta - Non-Executive Director as from 7.07.2015
2. Mr S. K. Varma - Non-Executive Director as from 14.08.2015
3. Mr A.K. Mahapatra - Non-Executive Director
4. Mr M. Mahapatra - Non-Executive Director till 7.07.2015
5. Mr G. Kini - Non-Executive Director till 24.07.2015
6. Mr S. S. Asthana - Executive Director
7. Dr M. Cheeroo - Independent Director
8. Mr G. Gopee - Independent Director

Challenges and Outlook

Notwithstanding the difficult and challenging global and local economic climate, SBI (Mauritius) Ltd; continues to make its headway by deploying its strategic thrusts as gauged by its sound and sustainable business and financial growth in financial year ended 31st March 2016. The performance of the Bank in the next financial year would depend largely on the pace global and domestic economy will continue to gather growth momentum and the implementation of reform agenda to boost national investment and to gear up the country's competitiveness. The Bank continues to innovate and invest in information, communication and technology (ICT) infrastructure to modernise and to increase the range of delivery channels to meet the evolving needs of tech savvy customers and also to reengineer product and processes to improve efficiency with a view to bring sustainable business growth.

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company Law requires the Directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed and complied with, subject to any material departures being disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- Ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained.

The Directors confirm that they have complied with all of the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and are required to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that they have complied with the requirements.

Auditors

The Bank's External Auditor M/s BDO & Co., having completed 4 years of auditing is due for rotation. Consequently, the Bank will call for quotations from suitable firms and a recommendation to the Shareholders at the Annual Meeting of Shareholders for their appointment is moved through a separate resolution subject to Board and regulatory approvals being obtained.

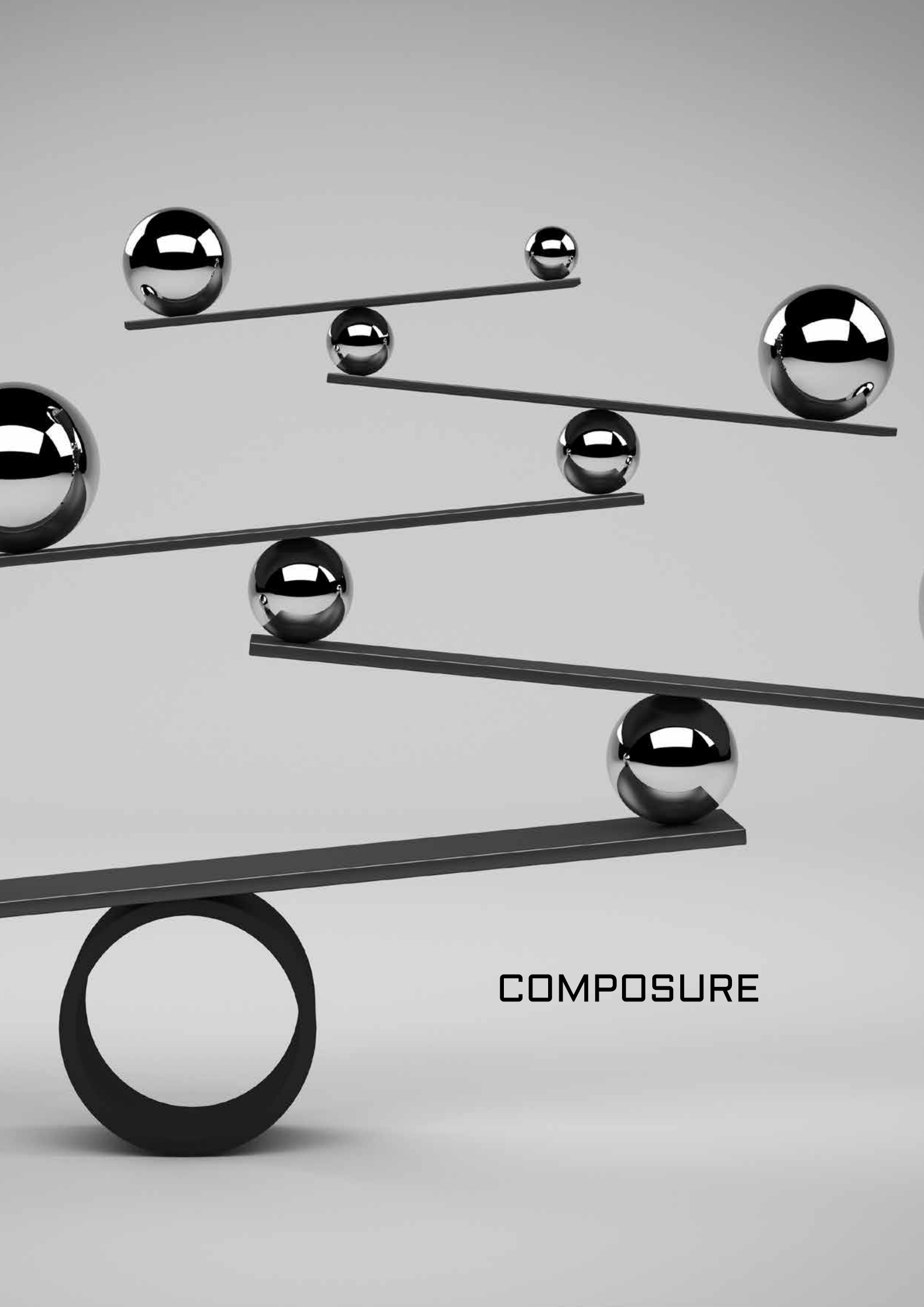
Acknowledgement

The Board places on record the valuable guidance provided by the outgoing Non-Executive Directors, Mr G. Kini and Mr M. Mahapatra.

We thank our valued customers for giving us the opportunity to serve them. We also thank the Regulators as well as all stakeholders for their support. We wish to place on record our appreciation to the staff of SBIML for their continued support and dedication.

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

S. S. ASTHANA	G. GOPEE	A. K. MAHAPATRA
MANAGING DIRECTOR & CEO	DIRECTOR	DIRECTOR


COMPOSURE

CORPORATE GOVERNANCE REPORT

SBI (Mauritius) Ltd

Bank to grow with

CORPORATE GOVERNANCE REPORT

A) Statement on Corporate Governance

SBI (Mauritius) Ltd, ("SBIML" or "The Bank"), a Public Company incorporated in Mauritius on 12.10.1989 and is fully committed to the observance and adoption of the highest standards and the best practices as far as good Corporate Governance is concerned, in letter and spirit. In this regard, the Bank has complied with the Code of Corporate Governance for Mauritius and the Guideline on Corporate Governance issued by the Bank of Mauritius.

The Bank believes that good governance enhances shareholder value, protects the interests of shareholders and other stakeholders including customers, employees and society at large. It promotes transparency, integrity in communication and accountability for performance.

B) Board of Directors

The Board of SBIML has a unitary structure and has been constituted in compliance with the Constitution of the Bank, the Code of Corporate Governance, the Guidelines of the Bank of Mauritius on Corporate Governance, the Banking Act 2004 and the Companies Act 2001. Keeping in view the size of the Bank's operation, as on 31st March 2016, the membership of the Board comprised of 6 Directors of whom 3 are Non-Executive Directors, 2 Independent Directors and 1 Executive Director. The Bank of Mauritius has approved that 40% of the Board be Non-Executive Directors by virtue of Section 18(4) of the Banking Act 2004. The Board of SBIML functions as an authoritative decision-making body and meets regularly as required and periodically monitors the performance of Management. All the Directors possess expertise and experience in relevant areas such as Accountancy, Public Administration, Corporate Management and Banking. The Board collectively and the Directors individually are fully involved in the Bank's affairs and adhere to the highest ethical standards.

The Directors are elected to hold Office until the next Annual Meeting of Shareholders and are eligible for re-election as provided by the Constitution of the Bank. The Chairperson of the Board is a Non-Executive Director.

The Board exercises its powers and discharges its responsibilities as provided in the Board's Charter which covers the following among others:

- The composition of the Board with at least one Independent Director.
- Requirement for related party transactions.
- Board structures and procedures, establishing of Board Sub-Committees.
- Conduct of Board Meeting.
- Delegation of authority by the Board.
- Powers of the Board.
- Remuneration policy of the Board.
- Relationship of the Board with Management.
- Matters reserved for collective decision of the Board.
- Declaration of interests.
- Board's Etiquette.

Approval of the Board is specifically required for:

- Appointment/Renewal of Directors, Company Secretary, Board Committee members, Senior Executives, Director's remuneration, Business Strategy, Budget.
- Capital expenditure falling within its power, changes in major activities, Interim and Annual Financial Statements, Dividends and Accounting policies, review of effectiveness of Internal Control System.
- Approval/recommendation of the Director's fee/remuneration in general.
- Approval of Business Strategy/Capital Expenditure/Bad Debts write-off/Investment or Divestment.
- Approval of changes in the major activities/policies/powers.
- Approval of the Annual Directors' Report and Statutory Accounts.
- Approval of final dividends.
- The granting of Powers of Attorney/Debt Instruments.
- Significant Business Decision/matter requiring the convening of a general meeting of shareholders or any matter required by the laws.

The Board has delegated the day to day running of the business and affairs of the Bank to the Executive Management but remains ultimately responsible and accountable. The MD & CEO shall establish a Central Management Committee and Conduct Review & Risk Management Committee (CRRMC) comprising of the key Management staff who shall be responsible, within the limits of the authority determined and powers delegated. Issues are debated and decisions in Management Committees are taken unanimously. All the main Committees such as Central Management Committee, Risk Management Committee and Assets and Liabilities Committee are chaired by the MD & CEO.

Mr G. Kini, Non-Executive Director, has ceased to be a Director on the Board of SBIML from 24th July 2015.

SBI proposed to appoint Mr Siddhartha Sengupta as Non-Executive Director on the Board of SBIML in replacement of Mr Mrutyunjay Mahapatra who ceased to be a Director with effect from 4th of June 2015 for his promotion and posting as DMD (IT). He was inducted on the Board of SBIML on 7th July 2015 as Non-Executive Director and also as Chairperson of the Board.

SBI also proposed to appoint Mr Sujit Kumar Varma, as Non –Executive Director, on the Board of SBIML and he was inducted on 14th August 2015.

Profile of the Directors is given in **Annexure I**.

As on 31st March 2016, the Board of Directors comprised of following members:

1.	Mr S. Sengupta	-	Non-Executive Director & Chairperson
2.	Mr S. K. Varma	-	Non-Executive Director
3.	Mr A.K. Mahapatra	-	Non-Executive Director
4.	Dr M. Cheeroo	-	Independent Director
5.	Mr G.Gopee	-	Independent Director
6.	Mr S.S. Asthana	-	Managing Director & CEO

Responsibilities of the Board of Directors

The fundamental statutory responsibilities of the Board of Directors are:

1. To determine the overall policies regulating the various businesses/activities of the Bank.
2. Supervise the Management of the business and conduct of affairs by the Management.
3. To monitor the performance of the Management to ensure satisfactory implementation of the policies it has laid down.
4. To enunciate and oversee the Bank's strategic direction and to ensure that its organisational structure and capabilities are appropriate for implementing the chosen strategies.

The Board discharges the above responsibilities either directly or through Board's Sub-Committees for more in-depth analysis and review of various issues. The minutes of the Committees are placed before the Board for approval/information, as the case may be. The Executive Management team is invited to the Board and Board's Sub-Committee meeting as required.

However, the Board remains directly accountable to the shareholders for the overall performance of the Bank. The Board promotes openness, integrity, accountability to improve corporate behaviour, strengthens control systems over businesses and reviews Management performance on a regular basis. To fulfill their responsibilities, Board members of SBIML have unhindered access to accurate, relevant and timely information.

Induction programmes are arranged for Directors and they are given opportunities to update and develop their skills and knowledge, through briefings by Senior Executives and locally run seminars throughout their directorship and while serving on Board's Committees. Records of trainings attended by the Directors are maintained by the HR department.

In compliance with the Bank of Mauritius Guideline on Corporate Governance, there is a clearly demarcation of responsibilities of the Board and Management in the interest of an effective accountability regime.

The Board and its Sub-Committees are subject to an annual evaluation by Corporate Governance, Nomination and Compensation Committee (CGNCC) and the Directors are subject to a self-evaluation annually. The evaluation reports concluded that the Board and its Sub-Committees operate effectively. The evaluation report of the Individual Directors has confirmed that the Directors continue to perform effectively and demonstrate commitment to their roles. It is the intention of the Board to continue to undertake an evaluation of its performance, its sub Committee's performance and that of the Individual Directors.

Shareholding Interest of Directors & Related Party Transactions

As on date, no Director has any shareholding in the Bank. The Board has also complied with the Guideline of the Bank of Mauritius with regard to Related Party Transactions and services/facilities/transactions provided to/entered into with related parties are conducted at arm's length.

Meetings of the Board and Sub-Committees

The Board and the Sub-Committees of the Board meet regularly as approved by the Board. The details of attendance at Board Meetings by each Director are given in Annexure II.

C) Sub-Committees of the Board of Directors

In line with the Banking Act 2004 and with the best practices of Corporate Governance, the Board of SBIML has set up four Sub-Committees of the Board of Directors namely:

- Executive Committee of Directors
- Audit Committee
- Conduct Review and Risk Management Committee and
- Corporate Governance, Nomination & Compensation Committee.

With the exception of the Executive Committee of Directors which is chaired by a Non-Executive Director, all the remaining Committees are chaired by Independent Directors.

Each Committee has its own charter, a summary of which is given below:

Executive Committee of Directors

The Executive Committee of Directors' (ECOD) Charter provides that the Committee shall consist of 5 Directors or such other members as may be decided by the Board from time to time.

The ECOD acts as a Sub-Committee of the Board of Directors, and meets frequently at short notice to dispose of credit proposals and operational matters as per the Delegation of Powers vested with it. It also reviews the performance of the Bank against the Board approved benchmarks. Minutes of the ECOD are put up to the Board for information.

As on 31st March 2016, the ECOD comprised of 4 Directors as follows:

1.	Mr S. K. Varma	-	Non-Executive Director
2.	Mr A. K. Mahapatra	-	Non-Executive Director
3.	Dr M. Cheeroo	-	Independent Director
4.	Mr S. S. Asthana	-	Managing Director & CEO

The Executive Committee of Directors met 4 times during the period under review.

Audit Committee

The Committee's Charter provides that the Committee shall consist of 3 Directors with at least one Independent Director or such composition designated by the Board. Presently, it consists of 2 Independent Directors and 1 Non-Executive Director:

1. Mr G. Gopee (Chairperson)
2. Dr M. Cheeroo
3. Mr A. K. Mahapatra

In compliance with the Bank of Mauritius Guidelines and the provisions contained in Section 54 of the Banking Act 2004, the Audit Committee oversees the financial stewardship of the Bank's Management and also the performance of the External and Internal Audit functions. It maintains direct communications with the Auditors especially during periodical review of the Bank's Accounts. The Auditors are invited to participate in the Audit Committee Meetings at the time of the review and adoption of the Quarterly and Annual Financial Statements of the Bank.

The mandate of the Audit Committee includes, inter alia:

(a) Review the Audited Financial Statements of the Bank before they are approved by the Directors;

(b) Require the Management of the Bank to implement and maintain appropriate Accounting, Internal Control and Financial Disclosure Procedures and review, evaluate and approve such procedures;

(c) Review such transactions as could adversely affect the sound financial condition of the Bank as the Auditors or any Officers of the Bank may bring to the attention of the Committee or as may otherwise come to its attention;

(d) Perform such additional duties as may be assigned to it by the Board of Directors;

(e) Report to the Directors on the conduct of its responsibilities, with particular reference to Section 39 of the Banking Act 2004;

(f) Recommend to the Board which firm(s) should be appointed as External Auditor(s);

(g) Evaluate the independence and effectiveness of the External Auditor(s) and consider any non-audit services rendered by such auditors as to whether this substantively impairs their independence;

(h) Evaluate the performance of the External Auditor(s);

(i) Discuss and review with the External Auditor(s) before the Audit commences, the Auditor(s) engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fees.

There were 4 Audit Committee Meetings during the period under review, of which the External Auditors were invited to attend all of the Meetings convened to review the quarterly and yearly results.

The Bank has its own Internal Audit department headed by a Manager and assisted by 4 experienced Officers who conduct the internal audit of the Bank for branches/departments regularly as per audit plan. The audit covers Credit Risk, including loans and Advances and Treasury, Interest Rate Risk, Foreign Exchange Risk, Operational Risk, Liquidity Risk, the operational areas falling under the respective risk categories, Regulatory Compliance and General Administration. The reports submitted by the Internal Audit department are placed before the Audit Committee on a quarterly basis, and the minutes of which are reviewed by the Board. According to the reports of the internal audit, the control environment is strong, well structured and is principally based on review and approval of all major transactions by senior Management, and that dual control present in the structure reinforces the control environment. The Manager (Internal Audit) reports to the Audit Committee of the Board and administratively to the Chief Operating Officer.

The Committee satisfied itself that the Internal Audit function was effective and adequately resourced through regular Meetings held with, and reports provided by the Manager (Internal Audit) on internal audit issues, including the adequacy and effectiveness of resources.

In compliance with Section 40(4) (b) & (c) of the Banking Act 2004, the external auditor and the internal auditor attend Audit Committee Meetings. The Audit Committee meets with the Head of Audit and external auditors at least once a year without the presence of Management.

Bank of Mauritius also conducts an inspection every two years of the operations of the Bank and such an inspection for SBIML started on 29th February 2016.

The Parent Bank, State Bank of India, also conducts once in three years a comprehensive Management Audit of the Bank's operations by a team headed by a senior official from the Top Executive Grade. Such an inspection was last carried out in November 2015 and did not reveal any major area of concern. The Bank obtained a rating of 'A+' which is the highest rating.

In accordance with the BOM Guideline on Maintenance of Accounting and Other Records and Internal Control Systems, the Bank's Auditors conducted an independent review of the effectiveness of the internal control system for the financial year ended 31st March 2016 covering the following:

i. the effectiveness and efficiency of its operations;
ii. that instructions and directional guidelines fixed by Management are adhered to;
iii. applicable laws and regulations are complied with;
iv. appropriate controls are in place to safeguard its assets; and
v. financial information is complete and reliable.

The report of the Bank's Auditors revealed that controls were effectively designed and implemented by Management. However, there are some recommendations that will be implemented over a period of time by the Management.

Corporate Governance, Nomination and Compensation Committee

The Committee's Charter provides that the Committee shall consist of 5 Directors or such other members as may be decided by the Board from time to time. It presently consists of 4 members.

The Corporate Governance, Nomination & Compensation Committee (CGNCC) ensures enforcement of good governance practices in line with the Guideline on Corporate Governance issued by the Bank of Mauritius and the Report on Corporate Governance for Mauritius. Its mandate includes, among others, nomination and selection of "Fit and Proper Persons" as Directors and Senior Executives of the Bank, determination of the Bank's general policy on Directors' fees, remuneration of Executives and Senior Management and consideration of other important staff related matters.

The Committee aims to attract and retain qualified and experienced Management personnel and executives necessary to meet the Bank's objectives.

The Committee shall have regard to:

1. Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate for directorship who can contribute to the existing Board;
2. The appropriate number of Independent Directors.

The minutes of the Committee are put up to the Board for review/information.

The CGNCC comprises of 4 Directors as indicated below:

1. Dr M. Cheeroo (Chairperson)
2. Mr G. Gopee
3. Mr S. S. Asthana
4. Mr A.K. Mahapatra

The Corporate Governance, Nomination & Compensation Committee met 4 times.

Conduct Review & Risk Management Committee

The Committee's Charter provides that the Committee shall consist of 5 Directors or such other members as may be decided by the Board from time to time.

The Conduct Review and Risk Management Committee was set up under the Bank of Mauritius guideline on "Public Disclosure of Information" for, among others reviewing and approving an effective Risk Management Architecture and ensuring that adequate control and information systems are in place. It also monitors and reviews related party transactions and the overall risk Management of the Company. Its mandate also includes, among others:

1. Approving, reviewing or overseeing the process, framework, principles, operating procedures and systems developed by the Management to identify, evaluate and oversee the appropriate Management of principal risks.

2. Facilitating and reviewing the development and implementation of improvements to simplify and enhance the effectiveness of the existing risk Management system.
3. Approve policies and recommend same to the Board for information.
4. Review minutes of Risk Management Committee.

As of now, the Conduct Review and Risk Management Committee is composed of 3 Directors out of whom one is an Independent Director. The members are:

1. Mr G. Gopee (Chairperson)
2. Mr S. S. Asthana
3. Mr A. K. Mahapatra

The Committee met 4 times during the year under review.

D) Risk Management

Risk Management refers to the process of identification, measurement, monitoring and mitigating exposure to the various risks the Bank is exposed. The Bank has adopted an Internal Capital Adequacy Assessment Process policy with a view to address its risk Management. The Management has set up a Risk Management Committee which meets on a monthly basis where all risk issues are discussed and appropriate actions are initiated as required and the minutes are placed before the Conduct Review and Risk Management Committee of the Board for review/ information. The risk Management process is monitored through the Conduct Review and Risk Management Committee of the Board. The minutes are placed before the Board for information. The Board of Directors is ultimately responsible for the risk Management process. Details of the risk Management policies and controls are more fully described in the Management Discussion and Analysis part of the annual report.

E) Management Team

Details of the Management team are given in Annexure III. The Profile of the Senior Management team is given under Annexure I.

F) Shareholding Pattern

By virtue of Section 3(2) of the Companies Act 2001, SBIML continues as a subsidiary of the State Bank of India. The State Bank of India, incorporated in the Republic of India is the holding Company of SBIML.

The following shareholders hold more than 1% of the equity Share Capital in SBIML as on 31st March 2016:

Name of the Shareholder	Shareholding as on 31.03.2016
State Bank of India	96.60%
Indian Ocean General Assurance Co Ltd	1.17%

The shareholding of other 393 minority shareholders stands at 2.23%.

The shares of SBIML are not quoted on the Stock Exchange of Mauritius. By virtue of Section 86 of the Securities Act 2005, SBIML is considered as a Reporting Issuer and therefore requires stringent compliance with on-going disclosure obligations based on requirements for reporting issuers under the Securities Act 2005. The Board is complying with all the requirements of the Securities Act 2005.

Shareholder Agreement

No such agreement exists to the knowledge of SBIML.

Analysis of Shareholding as on 31.03.2016:

Defined Brackets	Number of Shareholders	Shares	Percent (%)
1 - 500	389	12,444	1.61
501 - 1,000	2	1,482	0.19
1,001 - 5,000	3	3,363	0.43
5,001 - 10,000	1	9,134	1.17
Over 10,001	1	751,612	96.60
TOTAL	**396**	**778,035**	**100**

Shareholder Category as on 31.03.2016:

	Number of Shareholders	Shares	Percent (%)
Individual	371	12,844	1.65
Insurance & Assurance Co.	8	9,345	1.20
Investment & Trust Co	1	1,147	0.15
Other Corporate Bodies	16	754,699	97.00
TOTAL	396	778,035	100

Address for Correspondence:

The Company Secretary
SBI (Mauritius) Ltd
6th Floor
SBI Tower Mindspace
45 Ebene Cybercity 72201
Mauritius

Telephone: 404 4900 / 404 4951 (Direct Line)
Fax: 454 6890
E-mail: info@sbimauritius.com

Number of Shareholders: 395 as on 31st March 2016

G) Shareholders' Rights under Bank's Constitution

On October 14, 2008, SBIML adopted a new Constitution which complies with the provisions of the Companies' Act 2001. The Constitution provides that:

i. There shall be no restrictions on the transfer of fully paid up Shares.

ii. The quorum for holding a Special Meeting of Shareholders is where Shareholders holding at least ten per cent (10%) of the shares of the Company are present or represented.

iii. A special meeting of shareholders may be called at any time by the Board on the written request of shareholders holding shares carrying together not less than 5% of the voting rights entitled to be exercised on the issue.

iv. The Board shall consist of no less than five (5) or more than eleven (11) Directors.
At 31st March 2016, the Board comprised of 6 Directors.

v. Notwithstanding Section 55 of the Act and unless the terms of issue of any Class of Shares specifically provide otherwise, the Board may, if authorised by the Shareholders by Ordinary Resolution, issue Shares that rank (as to voting, distribution or otherwise) equally with or in priority to, or in subordination to, the existing shares without any requirement that the shares be first offered to existing Shareholders.

H) Statement of remuneration philosophy

Board of Directors

The Corporate Governance, Nomination and Compensation Committee (CGNCC) makes recommendation to the Board for approval on the remuneration philosophy of Directors and the Management which shall be fair and reasonable.

The remuneration philosophy concerning Directors is based on:

- The Non-Executive Independent Local Directors (NEID) shall be paid a fixed base fee as consideration for their Board duties. The remuneration of the NEID is based on the standards in the market and shall reflect demand to competencies and efforts in light of the scope of their work and the number of board Meetings attended.
- The nominees from State Bank of India (Executive & Non Executive Directors) shall not be paid any separate sitting fees individually since a Management fees is paid to SBI annually.
- The CGNCC shall ensure that adequate remuneration is paid to NEID taking into consideration the Bank's financial performance and market condition.

In addition to a fix sitting fee, NEID are paid a separate sitting fee which reflect the complexity and responsibility to shoulder for their work on the Executive Committee of Directors as established by the Board of Directors from time to time.

The Executive Director is on deputation from State Bank of India (SBI) for a period of four years only after which the incumbent returns to SBI to continue his terms of service and a replacement is provided. The remuneration for the Executive Director is governed by the service conditions of the Parent Bank, State Bank of India, as applied to all Public Sector Entities.

Management

In line with the provisions contained in Section 18 (5) of the Banking Act, remuneration is not linked to the income of the Bank or to the level of activities on Customers' accounts.

The CGNCC shall make recommendation to the Board for approval on remuneration policy and determine the remuneration packages for each member of Executive Management which shall be fair and reasonable. The CGNCC shall ensure that adequate remuneration is paid to Executive Management taking into consideration:

- Qualifications, skills, knowledge and experience;
- Trend within market including scarcity for position within the labour market;
- Duties and responsibilities of the Executives; and
- Financial Performance of the Bank.

The remuneration strategy should enhance the Bank's capacity to attract, retain and motivate competent and experienced executive positions in the grades of Assistant Vice President and above.

The guiding principles that underpin the remuneration strategy are:

1. Support the achievement of business goals;
2. Competitive within the market in which the bank operates;
3. Sufficiently flexible to meet the needs of the executives; and
4. Recognizes the differences in roles.

The remuneration package is reviewed at periodic intervals and approved by the Corporate Governance, Nomination and Compensation Committee of the Board.

I) Corporate Social Responsibilities

CSR is not an isolated practice or initiative for State Bank of India, our parent company, but runs through its entire business paradigm. Its focus areas are:

1. Supporting Education
2. Supporting Healthcare
3. Supporting Sanitation
4. Livelihood Creation
5. Assistance during Natural Calamities like floods / droughts, etc.

SBIML has adopted a three pronged strategy for the past three years aimed at poverty alleviation, education and healthcare. The CSR Fund of the Bank amounted to USD 46,164/.

We aligned our CSR Strategy on poverty alleviation by providing assistance to education and healthcare.

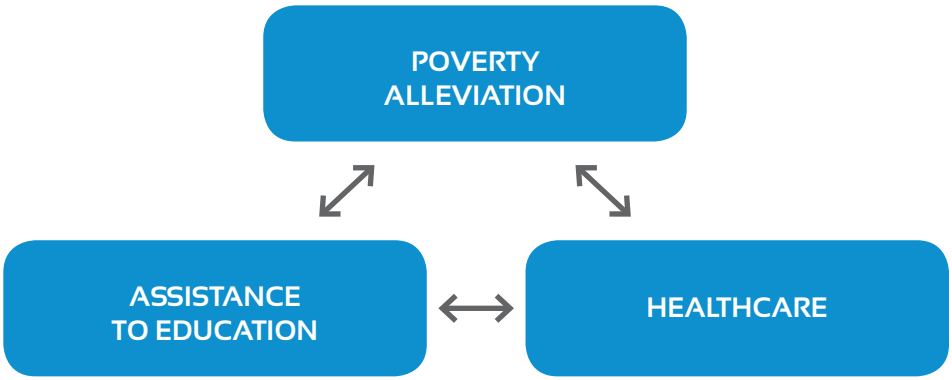


Figure 1: SBIML CSR Strategy 2015 - 2016

For the financial year, we reiterated our social assistance to three NGOs, namely:

- SOS Children's Village - Donation of Rs. 500,000 for the installation of photovoltaic panels on three family houses at Bambous.
- Global Rainbow Foundation - Donation of Rs. 300,000 for provision of 9 motorised chairs to poor disabled persons.
- Caritas Rodrigues - Donation of Rs. 350,000 for the NGO's meal programme for poor children in primary schools in Rodrigues.

The Bank was also receptive to the Mauritius Heart Foundation's request for donation of Rs. 150,000 for the purchase of heart check up apparatus.

We also brought financial assistance to two old age homes namely the Gayasingh Ashram and Le Foyer Trochetia Home. A donation totaling Rs. 457,300 was made to the two associations.

J) Health and Safety Practice

SBIML is fully committed to bring about a health and safety culture within the Bank. The Bank maintains very conducive working environment within its premises for higher productivity and the general well being of the employees and its Customers. The Bank's objectives are to identify, remove, reduce or control material risks relating to fires and accidents or injuries to employees and visitors. The Bank has also appointed a Health and Safety Officer to help achieve these objectives.

K) Environmental Practices

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

L) Ethics

The Board is committed to the highest standards of integrity and honesty in its dealings. Staff at all levels are required to adhere to the Code of Ethics and of Banking Practice and the Bank's code of ethics and conduct.

M) Dividend Policy

SBIML has adopted a dividend policy subject to the need to conserve resources for further growth of the Bank, regulatory requirements and prior approval by the Board and the Bank of Mauritius.

N) Directors' Remuneration

During the period 1st April 2015 to 31st March 2016, the Non-Executive Independent Local Directors received fees and emoluments amounting to USD 16,831 as indicated below:

Dr M. Cheeroo	USD 8,671
Mr G.Gopee	USD 8,160

Mr S .S. Asthana is on deputation from SBI group and he was paid USD 31,728 during the financial year ending 31st March.2016.

The nominees from State Bank of India (SBI) (Executive/Non-Executive Directors) are not paid any separate sitting fees individually. However, an aggregate amount of USD 181,960.78 was paid to SBI as Management Fees for the current financial year.

O) Directors' Service Contract

The Directors have no service contract with the Company in their capacity as Directors of SBIML.

P) Directors' and Senior Officers' Interests and Dealings in Shares

The Directors did not hold any shares in the equity capital of the Bank during the period under review.

The direct and indirect interests of Senior Officers of the Bank in the equity capital of the Bank is nil as at 31.03.2016.

Q) Related Party Transactions

All Related Party Transactions have been carried out as per market terms and conditions. The details in respect of Related Party transaction are disclosed in Note 31 of the Financial Statements.

R) Donations

No donation was made during the period under review.

S) Political contributions

No political contribution was made during the year under review.

T) Communication with shareholders

Communication with shareholders is given priority. Information about our activities is provided to shareholders in the Annual Report and Accounts, Annual Review and the Interim Report which are available on www.sbimauritius.com. Enquiries from shareholders are dealt with in an informative and timely manner.

The Secretary ensures that there is an open line of communication with the Shareholders and their queries and complaints are disposed of within a reasonable period of time.

U) Shareholders' Meeting

The Annual Meeting of Shareholders of SBIML was held at its Registered Office at 7th Floor, SBI Tower Mindspace, 45 Ebene Cybercity 72201 on the 9th September 2015.

The Annual Meeting of Shareholders of SBIML will be held in September 2016 at a suitable time and date.

V) Shareholders' Agreement

There are no third party agreements with any of its Shareholders affecting the governance of SBIML by the Board.

W) Auditors

The fees paid to the auditors, BDO & Co for Statutory Audit for the year ended 31st March 2016 amounted to Rs.1,350,000 plus VAT entirely for audit services.

Important dates	Events
July 2016	Release of first quarter results as on 30th June 2016
August 2016	Payment of Dividend
September 2016	Annual Meeting of Shareholders
October 2016	Release of half-yearly results as on 30th Sept 2016
January 2017	Release of results for the 9-months period as on 31st Dec 2016
May 2017	Release of full year results as on 31st March 2017

S. S. ASTHANA
MANAGING DIRECTOR & CEO

G. GOPEE
DIRECTOR

A.B. MOSAHEB
COMPANY SECRETARY

ANNEXURE I

PROFILE OF DIRECTORS

1. **Mr Siddhartha SENGUPTA** holds a Bachelor of Science (Hons) degree in Chemistry and Masters in Business Administration from a leading Business School in India (XLRI, Jamshedpur). As Deputy Managing Director (IBG) at State Bank of India, he is currently in charge of the International Operations of the Bank across 36 countries with a balance sheet size of USD 45 billion. He has worked in various senior management positions in Retail and Branch Banking, Corporate Banking and International Banking in the Bank, having joined State Bank of India as a directly recruited officer in December 1982. He has served in various parts of India and has worked in New York as part of the Compliance Team in the office of the Country Head, US Operations with overall responsibility for AML & OFAC Compliance and regulatory examination.

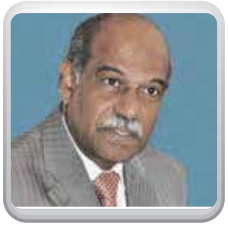
   Prior to his current assignment, Mr. Sengupta was posted as Regional Head (Middle East, West Asia & North Africa) of State Bank of India. He is presently a Non-Executive Director on the Board of SBI (Mauritius) Ltd.

2. **Mr Sujit Kumar VARMA** holds a B.A (Honours) degree and is also an Associate of the Indian Institute of Bankers, Mumbai. As Chief General Manager (IB), is the in-charge of SBI's International Operations including its Subsidiaries and Joint Ventures. He has over 29 years of Banking experience in State Bank of India.

   Mr Varma has served the Ministry of Finance & Economic Affairs Government of India for 5 years. He has also held various important positions as Deputy General Manager at Local Head Office, Delhi and Chief Executive Officer of New York Branch. Prior to his current assignment, Mr Varma was General Manager in Mid Corporate Region, Mumbai. He is presently a Non-Executive Director on the Board of SBI (Mauritius) Ltd.

3. **Mr Shyam Swaroop ASTHANA**, M. Sc. (Maths), CAIIB. He joined State Bank of India in 1985 as Probationary Officer and has worked in various verticals during his career. His last assignment was as Deputy General Manager in Corporate Debt Restructuring Cell, Mumbai. Having more than 30 years of experience, he has exposure in General Banking, Agriculture, Finance, SME, Corporate Finance, Forex and Stressed Assets Management. He is the Managing Director & CEO of SBIML.

4. **Mr Anup Kumar MAHAPATRA**, B.Sc (Agriculture). Has over 29 years of banking experience in State Bank of India, of which 4 years in Singapore. Has held various important positions as Chief Manager, Assistant General Manager, Regional Manager and, since March 2012, has been serving as Deputy General Manager (Subsidiaries), responsible to oversee the functioning of various overseas subsidiaries of State Bank of India. Is presently Non-Executive Director on the Board of SBIML.



5. **Dr Mahmood CHEEROO**, GOSK, M.Sc (Development Economics and Public Finance), MBA (Financial Management and Project Appraisal Techniques), P.hD (Development Economics). He started his career as Economist at the Ministry of Finance, was then Head of the "Macro-economic and Financial Division" at the Ministry of Economic Planning and Development. Trade & Marketing Manager at the State Trading Corporation, Economic Advisor to the Ministry of Economic Planning and Development and Deputy Secretary General of the Mauritius Chamber of Commerce and Industry (MCCI) for 6 years. He has been a Consultant for regional and International Organisations and was the Chief Executive Officer of MCCI. He is a former Chairperson of several Public Institutions in Mauritius, including the Stock Exchange Commission and is currently a Director of several organizations and companies. He has been conferred the National distinction 'Grand Officer of the Star and Key of the Indian Ocean' (GOSK) by the Republic of Mauritius. He is an Independent Director on the Board of SBI (Mauritius) Ltd.

6. **Mr Geeanduth GOPEE**, MBA, CGMA, FCMA, FCIS is a member of the Chartered Institute of Management Accountants (UK) and of the Institute of Chartered Secretaries and Administrators (UK).

   He joined the Management Audit Bureau of the Ministry of Finance and Economic Development as Accountant in 1985.

   He was Director of Management Audit Bureau from 2003 to 2010. From 2010 to date, he occupies the position of Director-General, the Office of Public Sector Governance (OPSG), formerly under the aegis of the Prime Minister's Office, and now since 2015 under the newly-created Ministry of Financial Services, Good Governance and Institutional Reforms. He has more than twenty-five years of experience as member of the Boards of various private and public enterprises. He has written two books on Human Development and Self-Development and a publication on Corporate Governance.

   He is an Independent Director on the Board of SBI (Mauritius) Ltd since June 2012.

PROFILE OF SENIOR MANAGEMENT

Mr S. S. Asthana, MD & CEO is of Senior Management status and his profile is given under serial no.3.

ANNEXURE II

MEETINGS OF THE BOARD AND SUB-COMMITTEES

(Details of Attendance)

The Board and its Sub-Committees meet regularly as per the requirement of the company, the guidelines and the governed rules approved by the Board. The details of attendance are furnished below:

	BOARD OF DIRECTORS	EXECUTIVE COMMITTEE OF DIRECTORS	AUDIT COMMITTEE	CONDUCT REVIEW & RISK MANAGEMENT COMMITTEE	CORPORATE GOVERNANCE NOMINATION & COMPENSATION COMMITTEE
No of Meetings held	5	4	4	4	4
Directors	Attendance	Attendance	Attendance	Attendance	Attendance
Mr S. Sengupta*	4	N/A	*	*	*
Mr S. K. Varma**	3	2	1	N/A	N/A
Mr G. Kini***	***	1	1	1	1
Mr M. Mahapatra****	****	****	****	****	****
Mr S. S. Asthana	5	4	N/A	4	4
Mr. A. K. Mahapatra	5	4	2 #	4	3
Dr. M. Cheeroo	4	4	3	N/A	3
Mr G.Gopee	5	N/A	4	4	4

NOTE:

i. N/A Not a member

ii. * Appointed as Director on 7.07.2015

iii. ** Appointed as Director on 14.08.2015

iv. *** Ceased to be a Director as from 24.07.2015

v. **** Ceased to be a Director as from 7.07.2015

vi. # Co-opted

ANNEXURE III

SENIOR MANAGEMENT

Mr S. S. Asthana	-	Managing Director & CEO

MANAGEMENT TEAM

Mr Deepak Lingwal	-	Chief Operating Officer
Mr K. Ramkhelawon	-	Vice President - Accounts & Services and HR
Mr R. Srinivasu	-	Vice President - Global Business
Mr B. N. Rath	-	Vice President - Corporate Banking
Mr A. B. Mosaheb	-	Vice President - Compliance and Company Secretary
Mr R. Pratap	-	Vice President - Retail Banking
Mr T. Sreenivasa Rao	-	Vice President - Treasury & Planning
Mr M. Bhat	-	Vice President - Systems & Chief Risk Officer

MANAGERS

Mr B. Mungur	-	Manager, Corporate Banking
Mr B. Pradhan	-	Manager, Corporate Banking
Mrs V. Bacha	-	Manager, Corporate Banking
Mr F. Wong Sun Thiong	-	Manager, Trade Finance
Mrs L. Ng How Tseung	-	Manager, SME
Mrs A. Bahemia	-	Manager, Internal Audit
Mr D. Ponnan	-	Manager, Legal & Compliance
Mr R. P. Renjith	-	Manager, Global Business
Mrs A. Appadoo	-	Manager, Human Resources
Mr S. Patil	-	Manager, Treasury Operations
Mr S. Kumar	-	Manager, Systems
Mr S. Pradhan	-	Manager, Corporate Banking
Mr D. Purmaissur	-	Head of Accounts
Mr P. Appannah	-	Money Laundering Reporting Officer & Integrity Reporting Officer
Mr S. B. Charan	-	Dealer
Mr Y. Kumar	-	Dealer

SBI (MAURITIUS) LTD

FILE NO. 8318

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of section 166(d) of the Companies Act 2001, I certify that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of the Company in terms of the Companies Act during the financial year ended 31st March 2016.

A. B. MOSAHEB, ACIS, M. MIOD
COMPANY SECRETARY

Date: 11th May 2016

STATEMENT OF COMPLIANCE

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

Name of Public Interest Entity (PIE): SBI (Mauritius) Ltd ("SBIML")
Reporting Period: 31st March 2016

We, the Directors of SBI (Mauritius) Ltd (PIE), confirm that to the best of our knowledge that the PIE has complied with all its obligations and requirements under the Code of Corporate Governance. Having regard to the size of its operations, the Board of SBIML as at the reporting date is composed of one Executive Director, in compliance with section 2.2.4 of the code whereby every Board should determine its optimal size and composition.

SIDDHARTHA SENGUPTA
CHAIRPERSON

Date: 11th May 2016

S. S. ASTHANA
MANAGING DIRECTOR & CEO

Date: 11th May 2016

SECURITY

MANAGEMENT DISCUSSION AND ANALYSIS

SBI (Mauritius) Ltd
Bank to grow with

MANAGEMENT DISCUSSION AND ANALYSIS

1. MACROECONOMIC OUTLOOK

Global Economic Scenario

Global economic recovery has remained modest and uneven across advanced and emerging market economies. Global growth again fell short of expectations in 2015, reflecting disappointing performance mainly due to continued growth deceleration in emerging and developing economies amid post-crisis lows in commodity prices, weakening capital flows and subdued global trade and bouts of financial market volatility.

The world economy registered a lower growth rate of 3.1% in 2015 as compared to 3.4% in 2014. After the 2007-08 global financial crisis, emerging market economies have been an engine of global growth. However, growth rates in several emerging market economies have been declining since 2010. China is facing a faster than-expected slowdown and slowing growth and rebalancing in China would have sizable spillovers on the global economy. In contrast, recovery in major high-income countries gained traction last year largely driven by stronger domestic demand, particularly in the United States, where employment conditions are robust. In the Euro Area, credit growth is picking up and unemployment is declining. The recovery remains fragile in Japan despite substantial policy stimulus.

Overall activity remains resilient in the United States, supported by still-easy financial conditions, strengthening housing and labour markets, but with dollar strength weighing on manufacturing activity, lower oil prices curtailing investment in mining structures and equipment. Output expanded to 2.5% in 2015 from 2.4% in 2014, registering the highest annual rate in the post-crisis period. The robust pick-up in economic activity in second quarter lost some momentum in third quarter, reflecting slowing manufacturing and exports, and cuts in energy sector capital expenditure. Inventory accumulation is likely to hold down growth in fourth quarter of 2015. Industrial production slumped in October on cutbacks in oil drilling, while exports were undermined by the strengthening US dollar. Consumer confidence was, however, supported by the diminishing slack in the labour market. Inflation remains low despite the recent uptick driven by housing costs. The US dollar appreciated significantly on the international foreign exchange market due to, amongst others, expectations of a rise in the US Federal Funds rate and further monetary stimulus in other economies, namely the Eurozone and Japan. As expected by the markets in the context of a robust recovery, the US Federal Reserve commenced hiking policy rates in December 2015. International Monetary Fund projected an economic growth of 2.6% in both 2016 and 2017 and growth momentum is expected to hold steady rather than gather further steam.

Growth in Euro Area picked up in 2015, as domestic demand strengthened and exports accelerated, partly due to the lagged effect of a euro depreciation. The modest recovery that set in during the first half of 2015 firmed up in third quarter on lower energy prices and gradual pickup in bank lending to the private sector. For the entire year, Euro Area growth is estimated at 1.5% with activity firming in Spain, somewhat disappointing in Germany, and still lagging in France and Italy. Activity in the UK was sustained by the strength of domestic demand, especially consumption, while exports continued to contract, hurt by appreciation of the sterling. Low oil prices and favourable financing conditions are supporting consumer spending and investment. Diminishing fiscal consolidation and healing labour markets are underpinning domestic demand, although conditions vary across countries. Since the start of the European Central Bank's (ECB) quantitative easing program, credit conditions have improved and credit growth has resumed following several years of contraction. Despite the monetary policy easing, the euro appreciated about 7% in trade-weighted terms since reaching a low in April 2015, mainly reflecting the broad-based depreciation of emerging-market currencies. This may reduce somewhat the momentum of export growth and delay a pick-up in inflation. Deflation concerns have receded since the start of 2015 but have not disappeared, with core inflation and wage growth remaining subdued, particularly among economies with high long-term unemployment rates. Reflecting a pickup in growth and low borrowing costs, the aggregate Euro Area fiscal deficit is expected to narrow to 2% of GDP in 2015. Headline inflation remained close to zero in 2015. Market-based inflation expectations have bottomed out but remain below the 2% target. This situation led the ECB to ease monetary policy further in December 2015. The ECB's asset purchase program has helped ease financial conditions in the Euro Area. It has reduced bond yields in Euro zone, weakened the euro, and improved the supply of credit. Conditions should continue to improve in 2016, with growth reaching 1.7%, slightly above potential.

Despite a general slowdown for last 5 years, growth in emerging market and developing economies has accounted for 70% of global growth. Growth in developing countries has slowed, reflecting domestic and external challenges. Domestic difficulties included slowing productivity growth, policy uncertainty, and eroding policy buffers that have led to contractionary monetary and fiscal policies in some countries. External headwinds include persistently low commodity prices, subdued global trade, spillovers from weakness in major emerging markets, decelerating capital flows and rising borrowing costs. The slowdown reflects both cyclical and structural components. Commodity exporters have continued to adjust to steep declines in oil and other commodity prices. In low-income countries, however, growth has remained robust, as solid infrastructure investment and consumer spending has partly offset weakening external demand. Output growth varying from -3.8% to 7.3% was registered in 2015 in emerging market and developing economies. A modest pickup in activity in developing countries is expected in 2016 and 2017 owing to continued growth momentum in high-income countries, stabilization of commodity prices, still accommodative monetary policy in major economies, and a steady process of rebalancing in China. Four of the five BRICS are experiencing slowing or contracting activity highlighting the synchronous nature of the ongoing deceleration in developing countries—more so than in any episode over the past 25 years. Output in Brazil, Russia, China, and South Africa is estimated to have slowed to -3.8%,-3.7%, 6.9% and 1.3%, respectively, in 2015 from 0.1%, 0.6%, 7.3% and 1.5%, respectively, in 2014. The recession in Brazil and Russia is set to deepen further, amidst falling commodity prices and high inflation weighing on consumer and investment demand. South Africa is on the edge of recession as power shortages become binding amidst weak global demand and rising labour cost. High frequency indicators, including purchasing managers indices, industrial production and imports point to further deceleration in China in an environment of slowing residential construction activity, declining investment efficiency and rising debt levels. Recovery in India has taken hold and growth is estimated to be 7.3% in fiscal year 2015/16, same as in fiscal year 2014/15. Monetary and fiscal restraint, the fall in global crude oil prices and a moderation in food price inflation have contributed to a steep drop in inflation and a narrowing of current account and fiscal deficits. Growth in emerging market and developing economies is projected to increase from 4% in 2015 – the lowest since the 2008-09 financial crisis - to 4.3% and 4.7% in 2016 and 2017, respectively.

The global economic environment is expected to remain challenging. Although there are signs of a modest pickup in growth, global trade and commodity prices remain weak.

Mauritian Economy

The National Budget 2015/16 expected GDP growth to go up to 5.3% in 2015/16 and has targeted a growth rate of 5.7% for 2016/17 while Statistics Mauritius initially projected a growth rate of 4.1% in 2015 in March 2015 and has subsequently downgraded the growth rate to 3.8%, 3.6% and 3.4% in June 2015, September 2015 and December 2015, respectively. Latest economic figures point out that Mauritius has posted a modest growth of 3.1% in 2015 as compared to 3.4% in 2014, amid international economic uncertainties and has demonstrated its resilience to external shocks. Output growth was restrained on account of poor performance of both Sugar and Construction sectors which declined by 8.8% and 4.7%, respectively. Domestic growth was supported by Accommodation and food service activities, Manufacturing and Public administration and defence which grew by 9.3%, 0.2% and 1.4%, respectively, in 2015.

The central bank maintained an accommodative monetary policy stance in 2015 to support domestic economic activity. Monetary policy easing continues in the light of the slowdown of the domestic economy and lingering global uncertainties. Since June 2013, the Bank of Mauritius kept the Key Repo Rate unchanged at 4.65% till 8th November 2015. However, considering the global and domestic economic developments, the central bank reduced the Key Repo Rate by 25 basis points to 4.40% in November 2015, thus breaking an existing record low since December 2006, in order to accelerate private investment which is showing a declining trend since 2011 and hence to provide an additional impetus to domestic growth.

The Bank of Mauritius presented a new draft framework for conducting monetary policy in the Monetary Policy Meeting of 16th July 2015. By announcing the adoption of the proposed new monetary policy framework as from June 2016, the central bank intends to improve the transmission of monetary policy impulses to the real sector of the economy and also to enhance the role of the policy rate (Key Repo Rate). Since September 2015 the central bank has stopped issuing Bank of Mauritius Bills for monetary policy purposes and started mopping excess liquidity through the issue of GoM Treasury Bills via an arrangement with the Ministry of Finance and Economic Development whereby the amount of Treasury Bills put on tender included an amount determined by the central bank. The central bank would service the Treasury bills that were being issued for liquidity management purposes. Bank of Mauritius would continue to monitor developments in the 3-month Treasury bills rate, which would be the operational target for monetary policy under the new framework. Meanwhile, the banking system continued to hold excess liquidity during the year owing to slowdown in credit linked to subdued private investment. Excess liquidity has risen to MUR 10 Mio in December 2015 as compared to MUR 7 Mio in December 2014. With a view to reinforce financial stability in the Mauritian economy and to mitigate financial risks, the Bank of Mauritius published a Draft Deposit Insurance Scheme Bill in February 2016. The proposed Deposit Insurance Scheme intends to protect insured depositors of Scheme members by providing insurance against the loss of part or all of the insured deposits and to contribute to the stability of the financial system in Mauritius.

Reflecting the evolution of major currencies on international markets and domestic factors, rupee depreciated during 2015. The weighted average dealt selling rate of Rupee has depreciated by 14%, 1% and 10% against USD, EURO and GBP, respectively. The weighted average dealt selling rate of Rupee stood at 36.171/USD, 39.432/EUR and 54.527/GBP in December 2015 as compared to 31.682/USD, 39.087/EUR and 49.588/GBP in December 2014. Concurrently, the currency-weighted nominal exchange rate indices, as measured by MERI1 and MERI2, depreciated by 9.4% and 8.9%, respectively, during the year, due to the continued strengthening of the US dollar in international markets. The Bank of Mauritius maintained its intervention in the foreign exchange market to build additional international reserves with parallel sterilization of the additional money supply to serve as buffers against a potential economic slowdown. Gross official international reserves has risen to USD 4,260 Mio as at end December 2015 as compared to USD 3,919 Mio as at end December 2014, reflecting an increase in import cover to 7.6 months in December 2015 from 6.2 months in December 2014.

Domestic inflation has remained benign on account of subdued domestic demand conditions, low inflation in major trading partners and soft international commodity prices. As a result, headline inflation has fallen significantly by 190 basis points to 1.3% in December 2015 from 3.2% in December 2014. In contrast, Y-o-Y CPI inflation rose steadily during the first quarter of 2015 to reach a peak at 2.2% in March 2015 due to increase in prices of fresh vegetables following adverse climatic conditions in the first two months of 2015. Going forward, Y-o-Y CPI inflation has increased by 110 basis points to 1.3% as at end December 2015 as against 0.2% as at end December 2014. Looking ahead, headline inflation is projected to rise to around 2.3% in 2016.

Although low commodity and energy prices have supported private consumption to some extent, the level of investment sustained a declining trend reflecting lower growth in private investment which points to lack of viable projects apt to promote economic prosperity. Investment rate is predicted to decrease to 17.7% in 2015 from 19.1% in 2014 due to decline in both private and public investment. Private investment as a share of GDP is projected to decline to 12.9% in 2015 from 14.2% in 2014 while public investment as a share of GDP is estimated to slightly decrease to 4.8% in 2015 from 4.9% in 2014. As announced in National Budget 2015/16, Government's willingness to revisit and unlock several mega projects has still not materialised. Nonetheless, latest developments signal the firm intention of the Government to execute some of the projects earmarked in the National Budget 2015/16. Consequently, going forward, national investment is expected to gain momentum as from the second half of the year 2016. As per the central bank, the deficit on the current account dropped to 4.8 % of GDP in 2015, from 5.6% of GDP in 2014 mainly due to the significant narrowing of the negative trade balance. The current account deficit will continue to be financed by net foreign direct investment and portfolio investment.

Statistics Mauritius has projected that the domestic economic growth would be higher in 2016 on the back of gradual pick up of global economic activities, particularly in some of our key export markets and also due to unlocking of several investment projects announced by the Government in Budget 2015/16. The GDP growth rate is projected to be around 3.9% in 2016. Although there are signs of a pickup in domestic growth, structural reforms are needed to alleviate domestic impediments to growth and to accelerate economic diversification.

Indian Economy

The Indian economy was resilient over the past year and is now the fastest growing large economy, earning the accolade as 'the bright spot in the global economy'. In contrast to other major developing countries, growth in India remained robust, buoyed by strong investor sentiment and the positive effect on real incomes on account of the recent fall in oil prices. International Monetary Fund estimated growth at 7.3% for the financial year 2015-16, same as for FY 2014-15.

In India, brisk growth continued, at an estimated 7.2% year-on-year in the first half of the 2015/16 fiscal year compared with 7.3% in FY2014/15 as a whole. Monetary and fiscal restraint, the fall in global crude oil prices and a moderation in food price inflation have contributed to a steep drop in inflation and a narrowing of current account and fiscal deficits. Momentum in industrial output has slowed and both the services and manufacturing Purchasing Managers' Indices (PMIs) have softened. However, the investment cycle is gradually picking up, led by government efforts to boost investment in infrastructure, particularly roads, railways and urban infrastructure. India's currency and stock markets were largely resilient over the past year, even during bouts of volatility in global financial markets.

India's exports remained in contraction mode for the thirteenth successive month in December 2015, although there are indications of a sequential bottoming out. In volume terms too, the rate of decline appears to be moderating. While softer petroleum, oil and lubricants (POL) and commodity prices helped to contain the trade deficit, these benign effects were offset by a spike in the quantum of gold and POL imports. As a consequence, the trade deficit widened during December 2015 in relation to preceding months, though the overall current account deficit is likely to remain well contained and easily financed. International Monetary Fund expects India's current account deficit at 1.4% of GDP in 2015-16, rising to 1.6% in 2016-17. Net foreign direct investment (FDI) and non-resident deposits have remained robust in relation to last year. The persisting decline in oil prices may, however, impact the flow of remittances from the Gulf region where fiscal positions are deteriorating rapidly. Portfolio investment also recorded some outflows since November 2015. Nevertheless, as on January 22, 2016, foreign exchange reserves stood at US$ 347.6 billion – an accretion of US$ 5.9 billion during the current financial year so far.

Private investment and domestic demand remained subdued despite improved macro-economic fundamentals and call for higher public investment at a time when government is committed to fiscal consolidation. The weaknesses in external demand on account of the ongoing global slowdown have adversely affected exports. In the third quarter of 2015-16, industrial activity slowed in relation to the preceding quarter reflecting largely weak investment demand with some deceleration of capital goods production. Stalled projects continue to remain high, and there is a decline in new investment intentions, perhaps on the back of low capacity utilization. The Reserve Bank's industrial outlook survey suggests a modest expansion of activity likely in the fourth quarter of the current financial year. In January 2016, the manufacturing purchasing managers' index (PMI) expanded to a four-month high on, inter alia, resumption of output by firms affected by the December 2015 floods as well as on new domestic and export orders. Latest figures in the services sector emit mixed signals. Construction activity is tepid, as evidenced by weak growth in cement production, though the pick-up in road construction bodes well for future activity, especially if supported by construction in the major proposed industrial corridors. Railway freight growth is still weak, though it may reflect lower transport needs for inputs like coal, and competition from roadways. However, the services PMI rose to a ten-month high in December 2015 on improvement in new business orders and upbeat expectations.

In January, headline inflation was 5.7%, within the disinflation target of 6% set for January 2016. Inflation has evolved closely along the path set by the Reserve Bank of India. Since January 2015, the central bank of India has embarked on a rate reduction cycle and has cumulatively reduced the policy repo rate by 150 basis points upto April 2016 to 6.50% from 8.00%. The sharp decline of inflation in India has created space for cuts in nominal policy rate. Consumer Price Index (CPI) rose for the fifth month in December 2015 across all constituent categories. While the upturn in December essentially reflected unfavourable base effects, the ongoing seasonal decline in prices of fruits and vegetables could temper headline inflation in the near-term. In the light of declining commodities prices, the January 2016 inflation target of 6% assessed by the Reserve Bank of India is likely to be achieved. Going forward, the focus of Reserve Bank of India is to bring down the inflation to around 5% by the end of fiscal year 2016-17.

GDP growth is expected to bounce back to 7.5% in FY 2016/17 on the back of progress on infrastructure improvements, government efforts to boost investment, the large positive terms of trade gain, improving real incomes of households and lower input costs of firms. However, still weak domestic private investment demand, re-emergence of concerns relating to stalled projects, excess capacity in industry and sluggish external demand conditions dampening export represent downside risks to growth.

Outlook

Global growth is projected to increase to 3.4% in 2016 and 3.6% in 2017, as modest recovery in advanced economies continues and activity stabilizes among major commodity exporters. Going forward, risks associated with weaker growth prospects in key advanced and emerging market economies combined with tighter financial market conditions and weak commodity prices could pose many challenges.

2. FINANCIAL REVIEW

2.1 - Performance against objectives

(Amount in USD Millions)

Area of Performance	2015-16 Objectives	2015-16 Actual	2016-17 Objectives
Customer deposits	860.00	718.22	800.00
Loans and advances (Net)	892.00	830.41	910.00
Investments	200.00	188.55	190.00
Total Assets	1154.13	1070.78	1160.00
Net Profit	14.00	9.63	12.00
Expenses Ratio	Below 27.30%	28.98%	Below 28.98%
Return on Average Equity	Above 7.36%	5.31%	Above 6.21%
Return on Average Assets	Above 1.23%	0.92%	Above 1.07%
Gross NPA/Average loans	Below 6.00%	13.75%	Below 11.09%
Net impaired loans/Average loans	Below 2.70%	10.17%	Below7.35%
Tier 1 Capital Ratio	At 18.00%	20.11%	At 20.04%
Total Capital Ratio	At 18.50%	21.16%	At 21.01%

Amidst sluggish global and domestic economic conditions, the Bank has demonstrated its resilience by establishing and growing its footprint in local as well as international market supported by enhanced customer service and also by broadening and diversifying its revenue streams.

In view of the difficult operating environment, the targets set for total deposits, net loans and advances and investments could not be achieved. The overall growth in net loans and advances was dampened on account of sluggish credit growth linked to continued decline in investment level. The actual level of deposits booked was below the projected level due to our conscious move to reduce high cost term deposits and fund part of Advances growth by raising short term Borrowings in order to bring down reduction in cost of funds of the Bank. The target set for total investments was not attained due to the declining trend in investments on account of excess liquidity prevailing in the market, low interest rate environment and deployment of maturing investments in corporate credit.

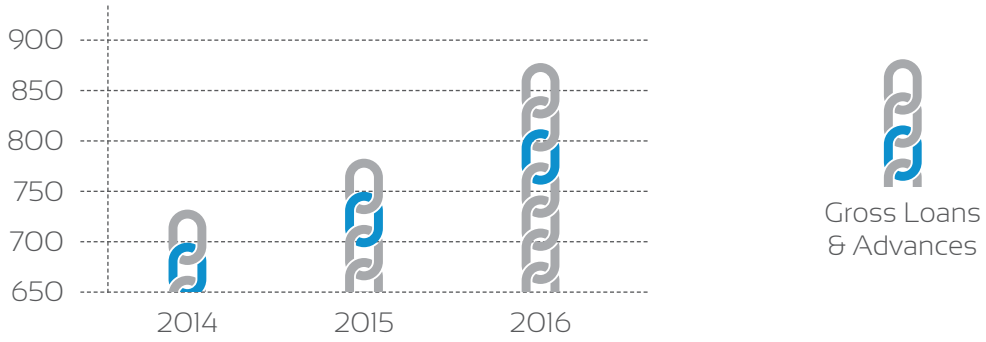
Net profit has fallen short of the budgeted figure due to the negative impact of fresh portfolio provision on standard assets during current financial year on account of withdrawal in September 2015 by the central bank of Mauritius, exemption to Banks from 1% portfolio provision on credit extended to investment grade corporates since December 2004.

The budgeted level of balance sheet size could not be achieved due to our conscious short term strategy to rationalize deposits structure to reduce the cost of funds and also on account of limited deployment opportunities owing to sluggish business environment.

Total assets of the Bank stood at USD 1070.78 million as on 31st March 2016 as compared to USD 1012.66 million as on 31st March 2015, registering an increase of 5.74% on Y-o-Y basis. As global and domestic economic growth is expected to pick up in 2016, we are sanguine to improve business and financial results by leveraging on available resources and by following our set strategic objectives.

It may be noted that forecasts, projections and assumptions contained here may not materialize and the actual results may vary materially from the plans and expectations.

GROSS LOANS AND ADVANCES



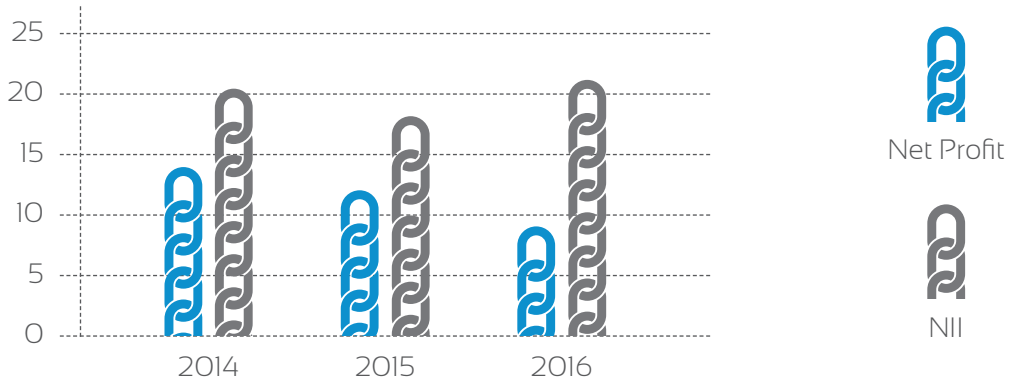
2.2 - Year-on-Year Comparison

(Amount in USD Millions)

For the Year	2015-16	2014-15	Change (%)
Net Interest Income	20.563	18.789	9.44
Other Income	4.371	6.098	-28.32
Total Income	**24.934**	**24.887**	0.19
Staff Expenses	3.950	4.032	-2.03
Other Expenses	3.275	3.526	-7.12
Total Expenses	**7.225**	**7.558**	-4.41
Operating Profit	**17.709**	**17.329**	2.19
Allowance for credit impairment	7.141	3.608	97.92
Profit before tax	**10.568**	**13.721**	-22.98
Income tax	0.940	0.999	-5.91
Net Profit	**9.628**	**12.722**	-24.32

(Amount in USD Millions)

As on 31st March	2016	2015	Change (%)
Shareholder's Equity	188.336	183.212	2.80
Deposits	718.217	747.162	-3.87
Advances	830.406	741.891	11.93
Total Assets	1070.782	1012.656	5.74



The financial performance of the Bank was subdued on account of persisting economic difficulties and the prevailing intensive competitive environment.

Notwithstanding the subdued business activities, Net Interest Income has risen by 9.44% on Y-o-Y basis on account of decline in total Interest Expenses of 16.54%. The drop in total Interest Expenses was driven by a decrease in interest expenses on both deposits and borrowings. Interest expenses have declined due to decrease in interest rates on deposits, garnering of low cost deposits and including CASA deposits and mobilisation of low cost short term funds on interbank money market. Despite an increase in the level of borrowings, interest expenses on borrowings have declined due to raising of short term interbank borrowings at competitive rates. In contrast, total Interest Income has declined by 3.51% on Y-o-Y basis on account of decrease in interest income on both advances and investments. Although the level of loans and advances has registered a growth during current financial year, Interest Income on advances has dropped reflecting downward market pressure on margins due to the prevailing excess liquidity conditions, reduction of our PLR on MUR advances, low interest rate environment and intensified competitive environment.Interest Income on investments has fallen due to decline in total investments and also due to drop in yields on investments amidst excess liquidity conditions and lower interest rates prevailing in the market.

Other Income has decreased by 28.32% on Y-o-Y basis primarily on account of decline in Loan Processing/Up Front fee income on new loans due to subsisting competitive pressure. The decline in Other Income was partly offset by an increase in forex earnings by 17.66% on Y-o-Y basis due to rise in remittances and other foreign exchange transactions.

Total staff expenses have gone down by 2.03% on Y-o-Y basis. Following strict vigil on management of operating costs and increase in productivity, other Expenses have declined by 7.12% on Y-o-Y basis. Total staff and other expenses are within the budgeted level for the period ended 31st March 2016.

Supported by an increase in Total Income due to rise in Net Interest Income and also on account of decline in Total Expenses linked to decrease in both Total Staff Expenses and Other Expenses, Operating Profit has recorded a growth of USD 0.380 Mio on Y-o-Y basis.

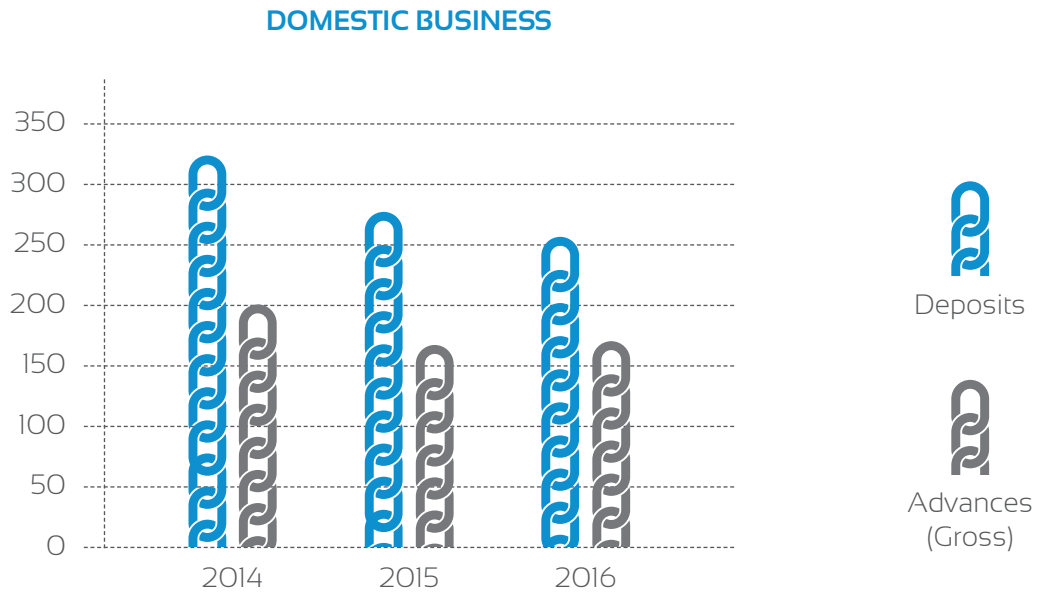
Despite a higher provisioning on impaired assets to the tune of USD 3.311 Mio, we have recorded a Net profit of USD 13.458 Mio (5.79% increase over last year) but due to additional provision on standard assets of USD 3.830 Mio, Net profit dipped to USD 9.628 Mio as on 31st March 2016. Bank of Mauritius was permitting exemption to Banks from 1% portfolio provision, on credit extended to investment grade corporates since December 2004. However, the exemption has been withdrawn in the second quarter of current financial year. Dividend to the tune of USD 3.890 was paid to the shareholders of the Bank during the financial year ended 31st March 2016. Return on assets has decreased to a level of 0.92% as on 31st March 2016 from a level of 1.23% as on 31st March 2015 due to decline in net profit as well as due to increase in total average assets during the period under review. Return on equity was 5.31% as on 31st March 2016 as against 7.36% as on 31st March 2015, registering a fall on account of decline in net profit and also due to increase in total average equity on account of plough back of profits for the financial year ended 31st March 2016.

2.3 - Reviews by Business Lines/Segments

Domestic Business Segment

(Amount in USD Millions)

As at 31st March	2014	2015	2016
Deposits	320.045	273.015	255.423
Advances (Gross)	200.103	163.046	169.395

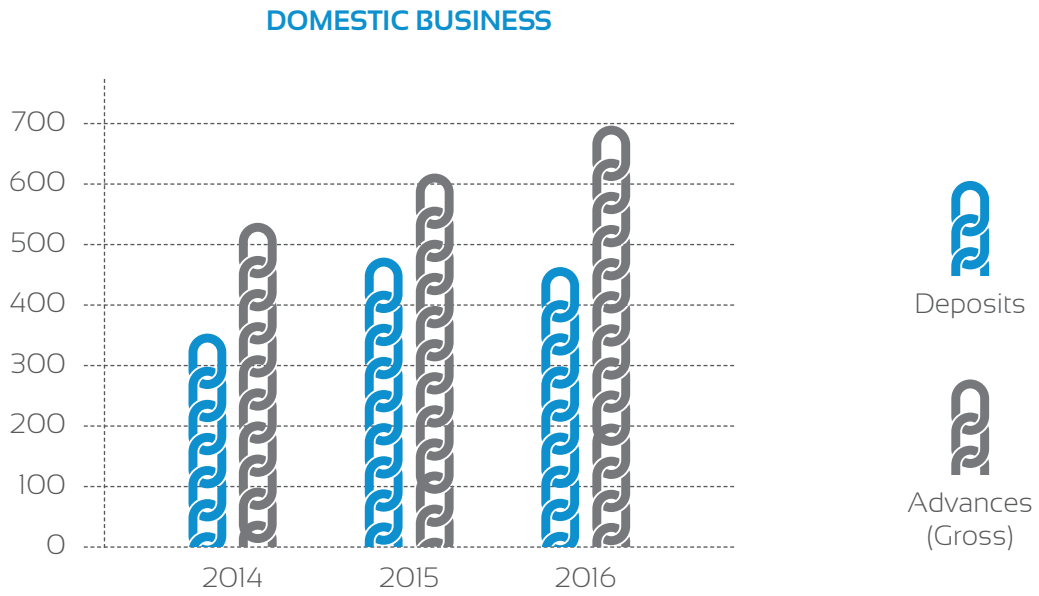


Aggregate deposits in the domestic has declined of 6.44% during the financial year ended 31st March 2016 on account of shedding / non renewal of high cost deposits due to subsisting excess liquidity conditions. Total deposits have also decreased due to funding a part of the advances from resources raised through short term interbank borrowings in order to reduce the cost of funds to the Bank. Despite the subdued economic activities linked to declining investment in private sector, gross advances in the domestic sector have recorded a growth of 3.89% on Y-o-Y basis on account of picking up some high quality corporate term and retail loans.

Global Business

(Amount in USD Millions)

As at 31st March	2014	2015	2016
Deposits	348.745	474.147	462.794
Advances (Gross)	531.012	610.693	698.608



The level of deposits in the global business has recorded a decrease by 2.39% during the period under review due to our deliberate strategy to shed / non renewal of high cost bulk deposits. Overall gross advances registered a growth of 15.00% on Y-o-Y basis due to rise in both Foreign currency Term loans and Buyer's Credit. Buyer's Credit was USD 146.698 Mio as on 31st March 2016 as compared to USD 112.225 Mio as on 31st March 2015, registering a rise of 30.72% on Y-o-Y basis.

Treasury & Investments

(Amount in USD Millions)

As at 31st March	2014	2015	2016
Investments	195.802	193.688	188.546
Net Trading Income	1.429	1.365	1.606

Overall investments have decreased by USD 5.142 Mio during current financial year. The level of investments has gone down on account of decline in MUR investments by USD 7.716 Mio mainly due to utilisation of maturing Government of Mauritius securities to finance growth in MUR advances as well as to retire the maturing high cost bulk deposits. The decline in MUR investments was partially offset by an increase of USD 2.574 Mio on Y-o-Y basis in foreign currency investments. MUR investments consisted of Government of Mauritius securities while foreign currency investments include fixed rate notes issued by Indian Banks and other corporates.

Net Trading Income stood at USD 1.606 Mio as on 31st March 2016 as against USD 1.365 Mio, recording an increase of 17.66% on Y-o-Y basis due to increase in remittances and other foreign exchange dealings.

We are looking for opportunities to invest in both MUR and foreign currency investments to optimise return on investments.

2.4 - Revenue Growth

(Amount in USD Millions)

	2014-15 Actual	2015-16 Actual	2016-17 Projections
Interest Income	37.462	36.148	38.680
Interest Expense	18.673	15.585	16.830
Net Interest Income	18.789	20.563	21.850
Net Interest Income/Average Interest Earning Assets (%)	1.85	2.00	2.01
Net Interest Income/Total Average Assets (%)	1.81	1.96	1.97
Non Interest Income	6.098	4.371	5.000
Total Income	24.887	24.934	26.850
Provision on loans	(3.609)	(7.141)	(6.07)

Consequent to the decline interest income on both advances and investments, total Interest income has registered a decrease of 3.51% on a Y-o-Y basis. In spite of growth in loans and advances, Interest Income on advances has dropped reflecting squeezing of margins due to the ongoing excess liquidity conditions, intense competition and fall in PLR on MUR advances. Interest Income on investments has decreased on account of drop in total investments and also due to declining trend in yields on investments amidst persisting excess liquidity and lower interest rates in both local and international market. As a result of decrease in interest expenses on both deposits and borrowings, Total Interest Expenses has declined by 16.54% on Y-o-Y basis. Interest expenses on deposits decreased reflecting reduction in interest rates on deposits, garnering of low cost deposits including CASA deposits and mobilisation of low cost short term funds on interbank money market. Although outstanding borrowings have risen, interest expenses on borrowings have declined due to raising of short term interbank borrowings at competitive rates. Subsequent to the higher decline in total Interest Expenses Net Interest Income has gone up by 9.44% resulting in an increase in Net Interest Margin to 2.00% as on 31st March 2016 from 1.85% as on 31st March 2015.

Despite an increase in forex earnings, Non Interest Income has gone down by 28.32% on Y-o-Y basis on account of decrease in Loan Processing/Up Front fee income on new loans due to prevailing market pressure.

2.5 - Cost Control

(Amount in USD Millions)

	2014-15 Actual	2015-16 Actual	2016-17 Projections
Staff Costs	4.032	3.950	4.150
Rent, Insurance and Taxes	0.508	0.465	0.490
Communications	0.276	0.371	0.390
Depreciation	0.640	0.645	0.680
Others	2.102	1.794	1.970
Total	**7.558**	**7.225**	**7.680**
Productivity Ratio	**30.37%**	**28.98%**	**28.61%**

Due to strict monitoring on controllable costs, non interest expenses have decreased on account of decline in both staff costs and other expenses. Staff costs have declined to USD 3.950 Mio as on 31st March 2016 from USD 4.032 Mio as on 31st March 2015. Other Expenses have gone down by 7.12% on Y-o-Y basis. Both staff costs and total other expenses are within the budgeted level for the period ended 31st March 2016.

Supported by an increase in total Income and a decline in non interest expenses, productivity ratio (ratio of non-interest expenses to net interest income plus other income) has improved to 28.98% during the financial year ended 31st March 2016 as compared to 30.37% in corresponding period previous year.

2.6 - Credit Exposure

The Bank has a proactive Loan Policy, which establishes the approach to credit, appraisal and sanction of credit proposals, documentation standards and awareness of institutional concerns and strategies, while leaving enough room for flexibility and innovations. The Policy describes the types of credit that may be undertaken by the Bank and lays down prudential exposure guidelines for avoiding credit concentrations for various types of entities, the factors affecting pricing, the post disbursal aspects of monitoring and follow up of credit. The policy also prescribes strategies for management of non-performing assets.

All credit exposures undertaken by the Bank are approved by the Board or the sub-committees, in accordance with the Loan Policy/as per laid down delegation. Credit risk is normally mitigated by lending to highly rated Corporates, and / or obtaining suitable collaterals and guarantees. The exposure on manufacturing sector is monitored in terms of exposure on the various sub-sectors within the manufacturing sector wherein our exposure on each sub-sector is within our loan portfolio.

The Bank's credit exposure as on 31st March, 2016, based on the classification by industry sector as per the Bank of Mauritius guidelines, was as under:

(Amount in USD Millions)

As on 31st March	2016	2015	2014
Agriculture and fishing	16.219	7.788	0.996
Manufacturing	370.486	372.587	358.840
Tourism	87.382	71.754	81.131
Transport	49.745	52.191	69.305
Construction	22.981	25.813	36.527
Financial and business services	21.473	21.387	5.090
Traders	23.883	9.765	12.411
Personal	4.482	3.743	3.966
Professional	0.520	0.574	0.932
Global Business License holders	72.087	42.884	37.074
Loans & advances to Banks	148.174	112.268	42.838
Others	50.571	52.985	82.006
Total Gross Advances	**868.003**	**773.739**	**731.116**

The Bank extended credit facilities to the different sectors of the economy. Credit exposure to different economic sectors ranged from 0.06% to 42.68% of the total credit during FY 2015/16. In percentage terms, the highest growth in credit exposure of the Bank was registered in Traders while the lowest increase was recorded in Financial and business services. Negative growth was registered in manufacturing, transport, construction, professional and others on Y-o-Y basis and was 0.56%, 4.69%, 10.97%, 9.41% and 4.56% respectively. Credit exposure for global business license holders has gone up by 68.10% during the financial year ended 31st March 2016.

The Bank extends off balance sheet credit exposure in respect of contingent liabilities and credit commitments. Contingent liabilities has declined by USD 21.731 Mio on Y-o-Y to reach USD 129.161 million as on 31st March 2016 as compared to USD 150.893 million as on 31st March 2015. Undrawn credit facilities was USD 88.200 million as on 31st March 2016 as against USD 45.235 million as on 31st March 2015, registering an increase during the period under review.

The quantitative disclosure of geographical distribution of credit related exposures are as below:

(Amount in USD Millions)

	Fund Based	Non Fund Based
India	417.597	68.908
Mauritius	214.666	3.078
Others	230.732	57.175
Interest receivable	5.008	-
Total	**868.003**	**129.161**

2.7 - Credit Quality

The Bank has been consistently applying the guidelines issued by Bank of Mauritius for identifying its non-performing assets and making appropriate provisions. The credit quality for the last three years has been as follows:

(Amount in USD Millions)

Year Ended	Standard Assets	Impaired Loans	Total Loans
31/03/2014	676.517	54.599	731.116
31/03/2015	711.640	62.099	773.739
31/03/2016	760.986	107.017	868.003

In the wake of the prevailing difficult economic conditions, quality of credit was negatively impacted.

Notwithstanding the credit slowdown, both total loans and standard assets have recorded growth during financial year ended 31st March 2016. However, some of our borrowers, particularly in the global business segment faced financial difficulties on account of the ongoing subdued economic activities. Consequently, in line with increase in credit default, impaired loans have risen during the period under review. Total amount recovered during financial year ended 31st March 2016 stood at USD 12.14 Mio mainly on account of recovery to the tune of USD 10.28 Mio under compromise in respect of one long outstanding NPA pertaining to the year 2009 under global business segment. Gross and net NPAs stood at USD 107.02 Mio and USD79.13 Mio, respectively, as on 31st March 2016 as compared to USD 62.10 Mio and USD 36.12 Mio as on 31st March 2015. The ratio of gross and net NPAs were 12.40% and 9.47%, respectively, as on 31st March 2016 as compared to 8.06% and 4.85%, respectively, as on 31st March 2015.

We have stepped up efforts to recover the maximum amount and we expect further recoveries/upgradation/write off in some accounts in next financial year. The movement of NPAs, loans written off, upgradation done, recoveries made and write offs completed during the financial year 2015-16 is given below:

(Amount in USD Millions)

Gross NPA		
As on 31st March 2015		62.10
Less:	Recovery	10.47
	Upgradation	0.11
	Write-Off	1.56
Add:	Slippages	56.53
Add Exchange Fluctuation		0.53
As on 31st March 2016		**107.02**

Industry wise breakup of the credit quality in the current year is as under:

(Amount in USD Millions)

	Year Ended 31st March 2016					31/03/15	31/03/14
	Gross Amount of Loans	Non-Performing Loans	Specific Provision	Collective Provision	Total Provision	Total Provision	Total Provision
Agriculture and Fishing	16.219	-	-	0.162	0.162	0.081	0.014
Manufacturing	370.486	62.796	5.569	3.077	8.646	5.831	6.319
Tourism	87.382	16.856	6.670	0.705	7.375	7.831	6.661
Transport	49.745	0.131	0.082	0.496	0.578	0.624	0.734
Construction	22.981	0.105	0.036	0.229	0.265	0.287	0.402
Financial and Business Services	21.473	-	-	0.215	0.215	0.014	0.017
Traders	23.883	0.634	0.344	0.232	0.576	0.415	0.499
Personal	4.482	0.191	0.191	0.043	0.234	0.240	0.235
Professional	0.520	-	-	0.005	0.005	0.006	0.009
Global Business License Holders	72.087	26.304	15.000	0.458	15.458	14.666	14.008
Others	50.571	-	-	2.608	2.608	1.811	0.266
Total Advances*	**719.830**	**107.017**	**27.892**	**8.230**	**36.122**	**31.806**	**29.164**

* Excluding loans and advances to banks.

No major accounts were restructured during the financial year 2015-16.
Cash collaterised advances were USD 5.714 million.

Quantitative disclosure of geographical distribution of impaired loans and specific provisions are as below:

(Amount in USD Millions)

	Exposure	Impaired Loans	Specific Provision
Mauritius	214.666	28.846	16.576
India	417.597	56.154	2.000
Maldives	16.856	16.856	6.670
Others	213.876	5.161	2.646
Interest receivable	5.008	-	-
Total	**868.003**	**107.017**	**27.892**

2.8 - Capital Management

The Bank's objectives while managing its capital are:

1. To comply with the capital requirements set by the regulators of the banking sector where the bank operates.
2. To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders.
3. To maintain a strong capital base to support the development of its business.

No fresh capital was injected during the financial year ended 31st March 2016. The Bank's capital however, has risen due to plough back of profits during the year and its capital adequacy ratio is well above the regulatory requirements.

2.9 - Capital Adequacy

As per Basel III framework, banks are required to hold capital for the following three risk areas:

(a) Credit Risk

(b) Market Risk

(c) Operational Risk

The capital adequacy ratio is the ratio which determines the capacity of the bank in terms of meeting the time liabilities and other risks such as credit risk, market risk and operational risk. The Bank of Mauritius requires each bank to:

Hold a minimum level of the regulatory Capital of MUR 200 Mio.

Maintain a ratio of total regulatory capital to risk weighted assets (CAR) at or above the internationally agreed minimum of 10%.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure with some adjustments to reflect the more contingent nature of potential losses.

The table below summarizes the composition of regulatory capital and the Capital Adequacy ratios of the Bank for the past three years.

(Amount in USD Millions)

As on	31.03.2016	31.03.2015	31.03.2014
Tier 1			
Share Capital	48.627	48.627	48.627
Share Premium	54.078	54.078	54.078
Statutory Reserve	19.848	18.405	16.496
General Reserve	0.603	0.603	0.603
Other Disclosed Free Reserve	67.125	62.831	55.907
Less (Deferred tax)	1.353	0.979	0.766
Revaluation of Retired Benefits Obligations/AFS	2.054	1.440	0.065
Total	**186.874**	**182.125**	**174.880**
Tier 2			
Undisclosed Reserve	0.049	0.049	0.049
Portfolio Provisions	9.705	5.872	4.720
Total	**9.754**	**5.921**	**4.769**
Total Gross Capital (Tier 1 plus Tier 2)	**196.628**	**188.046**	**179.649**

The capital adequacy ratio computed as per Basel III was 21.17% and was well above the minimum capital adequacy ratio of 10% prescribed by the regulator. The details are given below:

(USD in Millions)

Total on-balance sheet risk-weighted credit exposures	815.583
Total non-market–related off-balance sheet risk-weighted credit exposures	76.345
Total market-related off-balance sheet risk-weighted credit exposures	-
Risk weighted assets for operational risk	36.777
Aggregate net open foreign exchange position	0.636
Total risk weighted assets (A)	**929.341**
Total Capital Base (B)	**196.628**
Capital Adequacy Ratio (B/A) (%)	**21.16**

2.10 - Adherence to Basel III Rules

Bank of Mauritius came up with its final guidelines in relation to the implementation of Basel III rules in Mauritius with a view to strengthening the regulation, supervision and risk management of the banking sector. Bank of Mauritius issued a Guideline on Scope of Application of Basel III and Eligible Capital. Superseding the Guideline on Eligible Capital issued in April 2008 and the Guideline on Scope of Application of Basel II issued in May 2008, to making the banking sector more resilient against shocks arising from financial and economic stresses.

The guideline sets out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework. It also formulates the characteristics that an instrument must have in order to qualify as regulatory capital, and the various adjustments that have to be made in determining the regulatory capital of a bank. Moreover, the document lays down the limits and minima of the different capital components, while stipulating that banks should apply a capital conservation buffer to ensure that operators build up adequate buffers above the minimum during normal times, to be drawn down should losses be incurred during a stressed period.

Phase-in arrangements of capital requirements for banks operating in Mauritius
Guideline on Scope of Application of Basel III and Eligible Capital

	Basel III timetable						
	2014	2015	2016	2017	2018	2019	2020
	1 July	- - - (All dates are as of 1 January) - - -					
Minimum CET 1 CAR	5.5%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Capital Conservation Buffer				0.625%	1.25%	1.875%	2.5%
Minimum CET 1 CAR plus Capital Conservation Buffer	5.5%	6.0%	6.5%	7.125%	7.75%	8.375%	9.0%
Phase-in of Deductions from CET 1*		50.0%	50.0%	60.0%	80.0%	100.0%	100.0%
Minimum Tier 1 CAR	6.5%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum Total CAR	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Minimum Total CAR plus Capital Conservation Buffer	10.0%	10.0%	10.0%	10.625%	11.25%	11.875%	12.5%
Capital instruments that no longer qualify as Tier 1 capital or Tier 2 capital	Phased out over 10 year horizon beginning 1 July 2014						

As of 31.03.2016, the application of Basel III has no impact on the Bank as the latter has only one type of capital instrument: Equity.

Our ratios as at 31st March 2016 stand as under as compared to the requirements.

Actual information:	As per time table	Actual 31.03.2016
Minimum CET 1 CAR	6.0%	20.11%
Minimum CET 1 CAR plus Capital Conservation Buffer	6.0%	20.11%
Phase-in of deductions from CET 1*	50.0%	N/A
Minimum Tier 1 CAR	7.5%	20.11%
Minimum Total CAR	10.0%	21.16%
Minimum Total CAR plus Capital Conservation Buffer	10.0%	21.16%

The tables below give a full reconciliation of all regulatory capital elements with the balance sheet in the audited financial statements;

Common Equity Tier 1 capital: instruments and reserves	USD	USD
Ordinary shares (paid-up) capital	48,627,188	
Share premium (from issue of ordinary shares included in CET1)	54,078,062	
Retained earnings	57,496,783	
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	20,451,639	
Current year's interim profits (subject to certification by the bank's external auditors)	9,628,009	
Common Equity Tier 1 capital before regulatory adjustments		**190,281,681**
Deferred tax assets	1,353,732	
Other Adjustments to Common Equity Tier 1 capital (please specify)	2,054,421	
Adjustments to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions		
Total regulatory adjustments to Common Equity Tier 1 capital		**3,408,153**
Common Equity Tier 1 capital (CET1)		**186,873,528**
Additional Tier 1 capital (AT1)		**0**
Tier 1 capital (T1 = CET1 + AT1)		**186,873,528**
Tier 2 capital: instruments and provisions		
Provisions or loan-loss reserves (subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach)	9,705,539	
Surplus arising from revaluation of land and buildings owned by the bank (subject to a discount of 55 per cent)	48,713	
Tier 2 capital before regulatory adjustments		**9,754,252**
Tier 2 capital (T2)		**9,754,252**
Total Capital (capital base) (TC = T1 + T2)		**196,627,780**
Total risk weighted assets		929,341,108
Capital ratios (as a percentage of risk weighted assets)		
CET1 capital ratio		20.11%
Tier 1 capital ratio		20.11%
Total capital ratio		21.16%

Reconciliation to Financial statements	Balance sheet as in published financial statements As at 31.03.2016
	As at period end
Assets	
Cash and cash equivalent	25,953,859
Loans and advances to banks	146,697,985
Loans and advances to customers	683,707,592
Investment securities	188,545,661
Property, plant and equipment	7,614,354
Deferred tax assets	1,353,732
Other assets	16,909,234
Total assets	**1,070,782,417**
Liabilities	
Deposits from customers	718,216,838
Other borrowed funds	159,077,723
Current tax liabilities	658,447
Other liabilities	4,493,899
Total liabilities	**882,446,907**
Shareholders' Equity	
Share capital and share premium	102,705,250
of which amount eligible for CET1	102,705,250
Retained earnings	67,124,792
Other reserves	20,455,131
Accumulated other comprehensive income	1,949,663
Total equity	**188,335,510**
Total equity and liabilities	**1,070,782,417**

2.11 - Details of Risk-Weighted Assets

The details of risk weighted assets used for calculating capital adequacy ratio are as below:

Risk-weighted on-balance sheet assets	March 2016		
	Amount USD 000	Weight %	Weighted Assets USD 000
Cash items	2,525	0-20	141
Claims on sovereigns	101,732	0	-
Claims on Bank of Mauritius	18,530	0	-
Claims on banks	169,508	20-100	67,040
Claims on non-central government public sector entities - Claims on domestics PSEs that satisfy the criteria in paragraph	3,617	50	1,808
Claims on corporates	573,271	20-150	513,575
Claims included in the regulatory retail portfolio	4,865	75	2,127
Claims secured by residential property	23,345	35-100	11,008
Claims secured by commercial real estate	3,324	100	3,324
Past due claims	107,017	50-150	115,913
Fixed assets/Other assets	100,648	100	100,648
Total	**1,108,382**		**815,584**

The details of risk weighted off balance sheet assets are as below:

Risk-weighted off-balance sheet assets	March 2016				
	Amount USD in Mio	Credit Conversion Factor %	Credit Equivalent USD in Mio	Weight %	Weighted Assets USD in Mio
Direct credit substitutes	79.289	100	79.289	100	48.730
Trade-related contingencies	49.872	20	3.322	20	9.974
Other commitments	88.200	20	17.640	20	17.640
Total	**217.361**				**76.344**

3. RISK MANAGEMENT POLICIES AND CONTROLS

The overarching philosophy of the Risk Approach of SBI (Mauritius) Ltd is in alignment with the Group Risk Management approach of our Parent Bank, SBI, to upgrade the level of risk practices by creating risk awareness at all levels within the Bank, ensuring clear and consistent risk decisions in line with the business objectives and compliance with regulations and internal procedures. Risk Management aims to put in place standardized risk management processes so as to provide an integrated view of the range of risks faced by the Bank, and to strategically use risk taking as a means to strengthen its competitive position and value creations.

The objectives of Risk Management in SBI (Mauritius) Ltd are to:

(a) Improve understanding of interactions and interrelationships between risks.

(b) Establish clear accountability and ownership of risk.

(c) Facilitate regulatory compliance, including safety and soundness guidelines.

(d) Help to anticipate risk, thereby minimizing the cost and effort of reactive risk management.

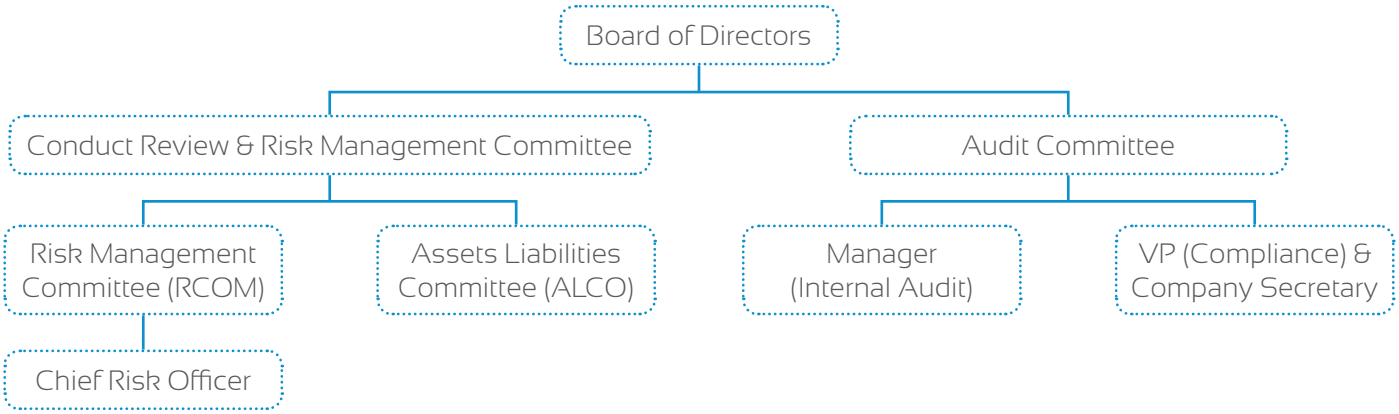
(e) Contribute to improved risk-adjusted returns and optimal use of capital and resources.

(f) Establish demonstrable credibility that will sustain confidence in corporate governance and risk management by investors, regulators, external auditors and others.

(g) Help to establish that significant risks are properly managed within the context of business objectives, strategies and established risk tolerances.

The Bank has a well established Risk Management System of managing the risks effectively in its entire area of operations. The system takes cognizance of the risk-return tradeoffs, and formulates robust policy guidelines for identification, measurement, mitigation and monitoring the risks on an ongoing basis. The Board is ultimately responsible for the risk management process at the Bank and is assisted by sub-committees in the proper discharge of its duties. The Board oversees significant risks impacting the Bank, approves risk policies and the risk tolerance limits to be taken across the Bank.

The organisation structure governing the Risk Management function is captured below.



Our prudent risk management practices are an amalgamation of the guidelines laid down by the Bank of Mauritius, the international best practices, policy guidelines of our parent Bank (State Bank of India) and our own experience in the banking operations. The Bank is constantly on the lookout for improvements in the policies and guidelines as laid down considering the ever changing nature of economic and financial environment surrounding us. New policies are also formulated as and when required for better monitoring & control of risks under specific areas.

The functions of the Conduct Review and Risk Management committee (CRRMC) and the Audit committee of the Board are as follows:

Conduct Review and Risk Management Committee	Audit Committee
• Approving, reviewing or overseeing the process, framework, principles, operating procedures and system developed by the Management to identify, evaluate and oversee the appropriate Management of principal risks. • Facilitating and reviewing the development and implementation to simplify and enhance the effectiveness of the existing risk management system. • Approve policies and recommend same to the Board for information. • Review Minutes of Risk Management Committee.	• Review the Audited Financial Statements of the Bank before they are approved by the Directors. • Require the Management of the Bank to implement and maintain appropriate Accounting, Internal Control and Financial Disclosure Procedures and review, evaluate and approve such procedures. • Review such transactions as could adversely affect the sound financial condition of the Bank as the Auditors or any Officers of the Bank may bring to the attention of the Committee or as otherwise come to its attention. • Perform such additional duties as may be assigned to it by the Board of Directors. • Report to the Directors on the conduct of its responsibilities, with particular reference to section 39 of the Banking Act 2004. • Recommend to the Board which firm(s) should be appointed as External Auditors(s) • Evaluate the independence and effectiveness of the External Auditors(s) and consider any non-audit services rendered by such auditors as to whether this substantively impairs their independence. • Evaluate the performance of the External Auditor(s) • Discuss and review with the External Auditor(s) before the audit commences, the auditor(s) engagement letter, the terms, nature and scope of the audit function, procedure and engagement.

The Bank has a Risk Management Committee (RCOM) comprising of senior officials with risk management responsibilities. RCOM meets at monthly intervals and monitors the compliance of major policy prescriptions, the Bank's risk profile, reviews strategies of risk management and provides guidance for Risk functions. The minutes of the proceedings of the RCOM are submitted to the Conduct Review and Risk Management Committee of the Board (CRRMC) with a view to monitor and mitigate such risks.

The Asset Liabilities Committee (ALCO) also comprises of senior officials of the Bank. The Risk Management Committee of the Bank monitors the liquidity position of the bank.

The functions of the RCOM and ALCO are as follows:

Risk Management Committee (RCOM)	Assets Liabilities Committee (ALCO)
• Discuss all matters relating to Credit Risks, Interest Rate Risk, Forex Risk and Liquidity Risk. • Among other things, monitoring of credit concentration, country / sectoral exposures and review / renewal of accounts. • Keep a tab on the overall health of the Credit Portfolio, including monitoring of NPA / SMA accounts. • Discuss matters relating to Operational Risk including Anti-Fraud measures, Internal Audit findings, Security, Insurance of asset, Technology, etc. • Keep a tab on the overall robustness of the operating guidelines and practices with the Bank. • Review of non-KYC accounts. • Review of pending court and fraud cases.	• Assess the impact of Assets Liabilities management on Bank's Financial Performance. • Review of market position and competition. • Discuss all matters related to Asset Liabilities Management (Mauritian Rupee & Foreign Currency denominated). • Review of asset liability issue, interest spread, maturity mismatch. • Approval of Prime Lending Rate (PLR). • Approval of interest rates on deposits.

In line with the Supervisory Review Process, Pillar 2 of the Basel II framework, the Internal Capital Adequacy Assessment Process ("ICAAP") document has been developed to review annually all material risks faced by SBI Mauritius Ltd (SBIML) and assess the capital required in proportion to its risk profile, nature, scale and complexity of business operations and apprise the Regulator.

The main core elements covered in the ICAAP document are as follows:

- Policies and procedures in place to ensure that all material risks are identified and assessed taking into consideration SBIML's operating environment, its vision and long term objectives.
- The adequate level of capitalisation relative to the risks identified under normal and stressed scenarios.
- Management and control of those risks to align with our profit maximisation goal.
- Internal controls, reviews and audit in place to ensure the integrity of the overall Risk Management process.

Major risks faced by SBIML

Credit Risk: Credit Risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise to meet a contractual obligation. The Bank has a Board approved Loan Policy and a Credit Risk Assessment and Rating model. The policy comprehensively covers guidelines issued to meet the credit appraisal standards & control systems, monitoring of advances and exposure levels, pricing of advances, documentation standards, NPA management and tools for mitigation of credit risk. The status on Special Mention Accounts, i.e. accounts in arrears is also being reviewed at the Risk Committee on a monthly basis to take actions at an early stage and prevent slipping of such accounts to NPA. The credit appraisal system of the Bank is constantly reviewed and upgraded in the light of the experiences gained from time to time and taking into account the regulatory guidelines. It takes into consideration both qualitative and quantitative aspects of the appraisal system wherein the financial, industrial and management risks are rated separately and these factors are duly weighted, aggregated and calibrated to arrive at single point indicator of the risk associated with the credit. The Bank has also constituted a Risk Validation Committee which comprise of members from the Corporate, Credit Retail and Risk departments. The committee independently reviews the scoring assigned to borrowers who have applied for a facility of MUR 10 Mio and above and provides an opinion on whether the rating given is fair. Sector-wise exposure is monitored on a monthly basis by the Risk Committee of the Bank.

SBIML adheres to the guideline of the Standardised Approach to Credit Risk of the Bank of Mauritius for the computation of the capital requirements for Credit Risk. SBIML uses the ratings assigned by External Credit Assessment Institutions (ECAIs) recognised by the Bank of Mauritius for evaluation of credits / exposures related to high value advances, placements and investments. The ECAIs are namely:

1. Standard & Poor (S &P)
2. Moody's Investors Service (Moody)
3. Fitch
4. Credit Rating Information Services of India Limited (CRISIL)
5. Credit Analysis and Research Limited (CARE)
6. Investment Information and Credit Rating Agency of India (ICRA)

Other exposures are risk weighted as per BOM Guideline on the Standardised Approach to Credit risk.

Market Risk:

Market risk is the risk of reduction in the value of a portfolio due to adverse movements in the prices, key policy rates, interest rate movements and currency exchange rate fluctuations. Market risks are often influenced by changes in geopolitical environment and the financial risks associated with it. Our Bank has put in place policy guidelines for the identification and monitoring of market risk on a regular basis and has prescribed stringent measures to mitigate those risks, including flagging off any issues immediately to the appropriate authorities for a prompt redressal of the situation. Three kinds of market risks which affect the Bank primarily are discussed below.

(i) Liquidity Risk:

The Bank has a well laid out process of liquidity planning which assesses potential future liquidity needs, taking into account changes in economic, political, regulatory or other operating conditions. A Liquidity Management Policy approved by the Board is in place which sets out the Bank's liquidity philosophy and management and defines the liquidity tolerance parameters as well as a contingency plan in the event of liquidity crisis. Guidelines issued by the Bank of Mauritius are incorporated in the policy. The Management monitors the liquidity position of the Bank on a daily basis through liquidity planning schedule and on monthly basis through maturity mismatch report which is also put up before the Conduct Review and Risk Management Committee of the Board on a quarterly basis.

(ii) Interest Rate Risk:

Interest rate risk represents the adverse impact that may occur on profits and market value of assets and liabilities due to fluctuation in interest rates. Interest rate risk management process is conducted in close coordination with and as part of other asset/liability management processes such as liquidity risk management, exchange risk management etc. Managing interest rate risk is a fundamental concept of safe and sound management of the Bank. Sound interest rate risk management involves prudent management of interest rate risk positions for optimization of returns, while remaining within the tolerance limits set for various risk parameters. Appropriate hedging techniques such as Interest Rate Swaps, Cross Currency Swaps etc are used as a means of managing and controlling interest rate risk.

The risk positions are monitored on a monthly basis by the Management and quarterly by the Conduct Review and Risk Management Committee of the Board through Interest Rate Sensitivity Monitor (IRSM) report. During the year the positions were measured, managed and controlled prudently so as to safeguard Bank's interest.

(iii) Foreign Exchange Rate Risk:

As a means to prudent management of the risk arising out of adverse exchange rate movement, the Bank has set up Foreign Exchange Position limits, duly approved by the Board, both for daylight and overnight positions. In addition to these, cut loss limits have been set up on per deal and per day basis. The Management monitors the exchange position and profits arising out of operations on a daily basis and quarterly reports are submitted to the Conduct Review and Risk Management Committee of the Bank. The Bank's open position is also reported to Bank of Mauritius on a daily basis.

Operational Risk:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. The resultant losses can be financial, or non-financial like loss of reputation. Some of the operational risks that the bank is exposed to in the ordinary course of business are in respect of settlement processing, documentation, accounting, legal/regulatory, technology and human error. In order to mitigate such risks, comprehensive systems and procedures have been set up by the Bank to be meticulously followed while handling the business. The Bank has a Board approved Operational Risk Management Policy which addresses all operational risks of the Bank. The management ensures that all systems, procedures and policies are strictly adhered to and they are being reviewed at regular intervals to be in line with the processes and regulations. The operational risks are discussed at the Risk Management Committee on monthly basis.

The Bank has also framed its Risk Control Self Assessment (RCSA) and Key Risk Indicators (KRIs), which are being reviewed and monitored on an ongoing basis. The Bank has in place a Business Continuity and Disaster Recovery policy which clearly details the availability of critical business activities at acceptable pre-defined service levels. The Bank also continuously reviews its IT system infrastructure to ensure that systems are resilient, readily available for our customers and secure them from cyber attacks / phishing attempts.

In addition, the Internal Audit department addresses operational risks arising in day to day business operations during the course of their audit, and major irregularities are placed to the Audit Committee of the Board on a quarterly basis.

The Bank is also envisaging to migrate to Advanced Measurement Approaches under Pillar 1 risks, i.e. Credit, Market and Operational risks as part of the group entity approach of our Parent Bank State Bank of India.

Country Risk:

Country Risk primarily refers to the risk from natural disaster, political circumstances (including local law and order situations) and local economic conditions (disposable income, consumerism, socials habits etc) in certain geographic areas. Any disruption, disturbance or break-down in the economy of a particular region could adversely affect Bank's business, financial condition and results of operations depending on the extent of Bank's exposure in that area. The Bank is exposed to Country Risk given the considerable portion of its offshore business dealings. The Bank is guided by the Guidelines on Country Risk Management of Bank of Mauritius and also by the guidelines of the parent bank viz. State Bank of India. The bank has also in place a Country Risk Exposure Limit Policy where Permissible Global limits per country is arrived at based on a scoring model. Country-wise exposure is monitored by the Risk Committee of the Bank on a monthly basis.

Compliance / Legal Risk:

Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss of reputation a Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, best practices guidelines and codes of conduct applicable to its banking activities. The compliance function of the Bank operates independently from the business activities of the Bank and monitors the compliance processes in terms of consistency, adequacy and effectiveness through participation, co-ordination and monitoring of the total compliance risk. The compliance function operates as per good corporate governance practices.

A significant risk banks are facing today is the global phenomenon of money laundering. Banks have become the major targets of money laundering operations as they provide a variety of financial services and instruments. The Bank, aware of its duties as a responsible corporate citizen, has an Anti Money Laundering Policy and "Know Your Customer" guidelines. These policies are duly approved by the Board and are in conformity with the relevant guidelines of the Bank of Mauritius. Compliance Risk is being reviewed at the monthly Risk Committee and periodically by the Conduct Review and Risk Management Committee. All the members of the Staff are informed of changes in laws, regulations and guidelines for compliance through the intranet portal. The compliance officer conducts on-site inspection of all Branches and departments with the aim of ensuring ongoing adherence to legal and regulatory requirements. Regular training is also imparted to staff on topics pertaining to Anti-Money Laundering and Combating the Financing of Terrorism and compliance issues.

Concentration Risk:

'Concentration Risk' generally denotes the risk arising from an uneven distribution of counter-parties in credit or any other business relationship or from a concentration in business sectors or geographical regions which may generate losses large enough to jeopardize the Bank's position. Concentration risk is monitored at the monthly Risk Management committee and the bank ensures that its exposures are within the Regulatory prescribed guidelines. As per Bank of Mauritius guidelines on credit concentration, a large exposure means all exposures to a customer or a group of closely – related customers in Mauritian Rupee or foreign currency or both which are over 15% of the financial institution's capital base. Further, the guidelines lay Regulatory Credit Concentration Limits for the aggregate large credit exposures for different types of banks, licensed by Bank of Mauritius. The Bank meticulously follows these guidelines and regulatory limits and ensures that the aggregate large exposures are well within the stipulated limits. The credit exposures of the Bank are geographically diversified to mitigate credit concentration risks despite the fact that the magnitude of concentration is mainly in India and Mauritius.

4. INSPECTION AND AUDIT

The Bank's internal audit department conducts the internal audit of the branches and Head Office departments periodically. Concurrent Audit, On-site and Off-site are also conducted on a regular basis to ensure accuracy, authenticity, compliance with procedure and guidelines. The audit covers Credit risk, Interest rate risk, Foreign exchange risk, Operational risk, Liquidity risk, and the operational areas falling under the respective risk categories, regulatory compliance and general administration. Full Audit to verify Compliance of Know your Customer (KYC) norms has been introduced recently and is conducted periodically at branches. The synopsis of the reports submitted by the department is placed before the Audit Committee, the minutes of which are reviewed by the Board. The reports of the internal audit observe that the control environment is strong, well structured and is principally based on review and approval of all major transactions by senior management, and that dual control present in the structure reinforces the control environment.

Bank of Mauritius is presently conducting inspection of the operations of the Bank for period March 2014 to December 2015.The parent bank, State Bank of India, also conducts Management Audit of the Bank's operations by a team headed by a senior official from the Top Executive Grade, as and when it deems fit. Such an inspection was last carried out in November 2015. Reserve Bank of India (RBI), regulator of our parent Bank State Bank of India (SBI) has also conducted an on-site inspection of Supervisory Evaluation (ISE) of our Bank in July 2015.

5. COMPLIANCE DEPARTMENT

The Compliance department of the Bank has been set up to ensure that the Bank adheres to the governing rules, regulations and legislations of the country, any guidelines issued by Bank of Mauritius and any policies issued by the Bank. The purpose of the Compliance function is to assist the bank in managing its Compliance risks, that is, the risk of legal or regulatory sanctions, which may result to its failure to comply with applicable norms.

The Bank's Compliance department conducts a compliance audit of all branches and head office departments once a year and appropriate recommendations for enhancement of processes and controls are made as required. It also provides timely advice in relation to compliance and legal queries emanating from the branches and departments. In addition to the compliance audit, 10% sample verification is also carried out based on the audit report issued by the Internal Audit Department. The Compliance Department provides training to all staffs on compliance and AML/CFT issues on a yearly basis and keeps the staff updated on any changes in the law and regulations as and when required.

The Bank has complied with the Regulator's guideline to categorize all its customers as per their risk profile, and also to make use of automated alerts to monitor transactions. A software known as AMLOCK is used for these purposes and this software is also used for detection of financial crimes, if any.

6. RELATED PARTY TRANSACTION POLICIES AND PRACTICES

The Bank of Mauritius defines related parties as bodies either corporate or natural persons related to a financial institution because of ownership interest or those that are related otherwise, such as directors and senior officers who may also have some interest in the financial institution.

The guideline covers three main aspects:

i. Transactions subject to related party rules and requirements.
ii. Limits on transactions with related parties and their interests.
iii. Role of Board of Directors and its Conduct Review Committee in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions.

As per extant guidelines of Bank of Mauritius on Related Party Transactions, which had become effective from 19th January 2009, related party exposures are classified into three categories namely,

Category 1:

This includes credit exposures to:

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

Category 2:

This includes credit exposures to:

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

Category 3:

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

The Bank has ensured that there are no deviations from these guidelines and all related party transactions are reported to the Bank of Mauritius. The notes to the financial statements give the summary of transactions with the parent bank, State Bank of India and with other group members. These transactions are in the form of borrowings and placements, forex dealings and other treasury transactions on commercial terms and at market rates and also include management fees paid to the parent bank. Related party transactions are reported to Bank of Mauritius as well as the Board.

The details of Related Party Transactions as on 31st March 2016 are furnished hereunder:

(Amount in USD Millions)

Category (As per Bank of Mauritius guideline on Related Party Transactions)	Related Party	O/s Balance	Remarks	% of Tier 1 capital
		31.03.2016		
Category 1				
Exempted	-	-	-	
Non Exempted	State Bank of India	33.03	Buyers' Credit/Bank Guarantees	17.68
Category 3				
Exempted	Sundry Transactions	3.20	Loans extended to Senior Officers as per terms of Contracts.	1.72
Tier 1 Capital		186.873		

As on 31st March 2016, the Bank has exposure to two related parties. There was no NPA among the related parties during the last three financial years.

7. CORPORATE GOVERNANCE

Corporate Governance is a set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. The Bank is committed to the best international practices in corporate governance and believes that proper corporate governance facilitates effective management and control of business enabling the Bank to optimize the value for all its stakeholders, to protect their interests as well as that of other stakeholders.

The Bank has complied with all the requirements of the guideline on corporate governance issued by the Bank of Mauritius and the Code of Corporate Governance for Mauritius. The Bank ensures that guidelines on all information that is required to be disclosed to the Shareholders are complied with in a timely manner. The Bank's website also provides useful information to the shareholders in particular and to the public at large. The Bank ensures that there is an open line of communication with the shareholders and their queries and complaints are disposed of within a reasonable period of time.

8. OUTLOOK FOR 2016-17

Amidst economic uncertainties, the Bank is sanguine to bring sustainable business and financial performance in financial year 2016-17, in alignment with higher economic growth projected by Statistics Mauritius due to implementation of the mega projects enunciated in the National Budget 2015-16. With a view to achieve better financial results in the next financial year and to explore the opportunities that would be offered by expected global and domestic economic upturn, the Bank has embarked on technology and business transformation initiatives to reengineer products and processes to increase efficiency and productivity and also to support enhanced customer service quality and sustained business growth.

S. S. ASTHANA
MANAGING DIRECTOR & CEO

DEEPAK LINGWAL
CHIEF OPERATING OFFICER


SAFETY

MAIN EVENTS

Caritas Rodrigues

For the second consecutive year, the Bank partnered with Caritas Rodrigues and donated Rs 350,000 to the NGO. The event was held at Port Mathurin, Rodrigues in the presence of the Managing Director and CEO, Mr. S. S. Asthana and the Chief Operating Officer, Mr. Deepak Lingwal. This fund will be used to provide hot meal to poor students during every school day of the year. 300 students are benefitting from this project.

Gayasingh Ashram

The Bank officially donated Rs 257,300 to Gayasingh Ashram, an old age care residential home located in the capital city Port Louis. The event was graced by the presence of Lady Sarojini Jugnauth, spouse of the Prime Minister, Sir Anerood Jugnauth. The funds will be used to purchase TV Sets, fans, industrial toasters, freezer, dryer and mattresses.

SOS Children's Village

SBI (Mauritius) Ltd (SBIML) officially donated Rs 500,000 to the SOS Children's Village Mauritius in the presence of the Chief Guest, His Excellency Mr. Anup Kumar Mudgal, High Commissioner of India to Mauritius. This donation will ensure the installation of photovoltaic panels on 3 (three) family houses. The CSR fund was officially donated by the Managing Director and CEO of SBI (Mauritius) Ltd, Mr. Shyam Swaroop Asthana during an official ceremony held at the Residential Care Centre of the NGO at Bambous. The Chief Operating Officer of SBI (Mauritius) Ltd, Mr. Deepak Lingwal and the Managing Director of SOS Children's Village, Mr. Amédée Dabeecharun were also present at the function.

SOLIDITY

AUDITOR'S REPORT

SBI (Mauritius) Ltd
Bank to grow with

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of SBI (Mauritius) Ltd (the "Bank"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of SBI (Mauritius) Ltd on pages 24 to 71 which comprise the statement of financial position as at March 31, 2016, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 24 to 71 give a true and fair view of the financial position of the Bank as at March 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with, or interests in, the Bank, other than in our capacity as auditors and dealings in the ordinary course of business. We have obtained all information and explanations we have required. In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act 2004

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

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

The Financial Reporting Act 2004

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

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

11th May 2016
Port Louis,
Mauritius

BDO & CO
Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Statement of Management's Responsibility for Financial Reporting

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

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

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review and Risk Policy Committee, which comprise of Independent Directors, oversees the Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well designed program of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

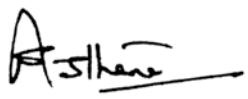
The Bank's external auditors, BDO & Co., have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations and fairness of financial reporting and the adequacy of internal controls.

S. S. Asthana	A. K. Mahapatra	G. Gopee
Managing Director & CEO	Director	Director

11th May 2016

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2016				
	Notes	2016	2015	2014
		USD	USD	USD
Interest income		36,148,111	37,462,771	43,113,365
Interest expense		(15,584,949)	(18,673,278)	(22,248,575)
Net interest income	7	20,563,162	18,789,493	20,864,790
Net fee and commission Income	8	2,137,868	4,266,619	2,777,527
Net trading income	9	1,606,488	1,365,459	1,429,028
Other operating income	10	627,132	465,914	484,955
		2,233,620	1,831,373	1,913,983
Operating income		24,934,650	24,887,485	25,556,300
Net impairment loss on financial assets	11	(7,141,440)	(3,608,580)	(2,606,505)
Personnel expenses	12	(3,950,314)	(4,032,390)	(3,867,731)
Depreciation	20	(644,923)	(639,510)	(709,065)
Other expenses	13	(2,629,895)	(2,886,121)	(2,725,284)
Profit before income tax		10,568,078	13,720,884	15,647,715
Income tax expense	14	(940,069)	(998,548)	(1,223,925)
Profit for the year		9,628,009	12,722,336	14,423,790
Other Comprehensive Income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations, net of deferred tax		(531,559)	(10,492)	(358,103)
Items that may be classified subsequently to profit or loss				
Fair value gains on investment securities		(83,203)	43,703	(83,852)
Other Comprehensive Income for the year		(614,762)	33,211	(441,955)
Total comprehensive income attributable to equity holders of the company		9,013,247	12,755,547	13,981,835
Earnings per share	15	12.37	16.35	18.54

Approved and authorised for issue by the Board of Directors on 11th May 2016



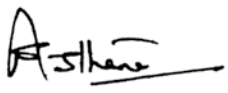
S. S. Asthana
Managing Director & CEO

A. K. Mahapatra
Director

G. Gopee
Director

Statement of Financial Position As at 31 March 2016				
	Notes	2016	2015	2014
		USD	USD	USD
ASSETS				
Cash and cash equivalents	16	25,953,859	45,468,800	53,796,512
Loans and advances to banks	17	146,697,985	112,225,166	42,826,599
Loans and advances to customers	18	683,707,592	629,665,359	659,114,323
Investment securities	19	188,545,661	193,687,990	195,801,968
Property, plant and equipment	20	7,614,354	8,215,952	8,688,846
Deferred tax assets	21	1,353,732	978,996	765,692
Other assets	22	16,909,234	22,413,873	20,091,813
Total assets		1,070,782,417	1,012,656,136	981,085,753
LIABILITIES				
Deposits from customers	23	718,216,838	747,162,219	668,790,504
Other borrowed funds	24	159,077,723	78,707,969	131,687,835
Current tax liabilities	25	658,447	600,431	768,698
Retirement benefit obligation	33	1,409,510	786,963	837,437
Other liabilities	26	3,084,389	2,186,116	4,654,213
Total liabilities		882,446,907	829,443,698	806,738,687
SHAREHOLDERS' EQUITY				
Stated Capital	27a	48,627,188	48,627,188	48,627,188
Share premium		54,078,062	54,078,062	54,078,062
Retained earnings		67,124,792	62,831,159	55,907,348
Other reserves	34	20,455,131	19,094,133	17,142,080
Actuarial losses reserve	34	(1,949,663)	(1,418,104)	(1,407,612)
Total equity		188,335,510	183,212,438	174,347,066
Total equity and liabilities		1,070,782,417	1,012,656,136	981,085,753

Approved and authorised for issue by the Board of Directors on 11th May 2016



S. S. Asthana
Managing Director & CEO

A. K. Mahapatra
Director

G. Gopee
Director

Statement of changes in equity for the year ended 31 March 2016

	Notes	Stated capital	Share premium	Statutory reserve	General banking reserve	Other reserve	Actuarial losses reserve	Retained earnings	Total
		USD	USD	USD	USD	USD	USD	USD	USD
Balance at 1 April 2013									
As restated		48,627,188	54,078,062	14,332,344	603,175	126,844	(1,049,509)	47,537,302	164,255,406
Profit for the year		-	-	-	-	-	-	14,423,790	14,423,790
Other Comprehensive Income for the year		-	-	-	-	(83,852)	(358,103)	-	(441,955)
Transfer to Statutory reserves		-	-	2,163,569	-	-	-	(2,163,569)	-
Dividend paid	27b	-	-	-	-	-	-	(3,890,175)	(3,890,175)
Balance at 31 March 2014		48,627,188	54,078,062	16,495,913	603,175	42,992	(1,407,612)	55,907,348	174,347,066
Balance at 1 April 2014		48,627,188	54,078,062	16,495,913	603,175	42,992	(1,407,612)	55,907,348	174,347,066
Profit for the year		-	-	-	-	-	-	12,722,336	12,722,336
Other Comprehensive Income for the year		-	-	-	-	43,703	(10,492)	-	33,211
Transfer to Statutory reserves		-	-	1,908,350	-	-	-	(1,908,350)	-
Dividend paid	27b	-	-	-	-	-	-	(3,890,175)	(3,890,175)
Balance at 31 March 2015		48,627,188	54,078,062	18,404,263	603,175	86,695	(1,418,104)	62,831,159	183,212,438
Balance at 1 April 2015		48,627,188	54,078,062	18,404,263	603,175	86,695	(1,418,104)	62,831,159	183,212,438
Profit for the year		-	-	-	-	-	-	9,628,009	9,628,009
Other Comprehensive Income for the year		-	-	-	-	(83,203)	(531,559)	-	(614,762)
Transfer to Statutory reserves		-	-	1,444,201	-	-	-	(1,444,201)	-
Dividend paid	27b	-	-	-	-	-	-	(3,890,175)	(3,890,175)
Balance at 31 March 2016		48,627,188	54,078,062	19,848,464	603,175	3,492	(1,949,663)	67,124,792	188,335,510

Statement of Cash Flows for the year ended 31 March 2016				
	Notes	2016	2015	2014
		USD	USD	USD
Cash flows from operating activities				
Profit for the year		9,628,009	12,722,336	14,423,790
Adjustments for:				
Depreciation	20	644,923	639,510	709,065
Profit on disposal of investments		(424,650)	(257,351)	-
Exchange rate difference		165,504	(909,583)	171,206
Loss/(Profit) on disposal of assets		(1,699)	656	(18,695)
Profit on disposal of non banking asset		(8,266)	-	(292,054)
(Decrease)/increase in provision for retirement benefit obligation		(2,817)	(62,818)	77,332
Impairment on financial assets - loans	11	7,141,440	3,608,580	2,606,505
Net interest income	7	(20,563,162)	(18,789,493)	(20,864,790)
Income tax expense	14	940,069	998,548	1,223,925
		(2,480,649)	(2,049,615)	(1,963,716)
Changes in operating assets and liabilities				
(Increase)/decrease in loans and advances to banks		(35,365,007)	(69,388,920)	36,749,429
(Increase)/decrease in loans and advances to customers		(58,681,476)	26,685,279	30,535,573
Decrease/(increase) in other assets		5,567,538	(3,932,488)	774,323
(Decrease)/Increase in deposits from customers		(25,770,957)	80,774,079	(250,111,203)
(Decrease)/increase in other liabilities		898,273	(2,468,097)	1,484,588
Interest received		33,799,587	37,869,877	43,705,679
Interest paid		(18,763,506)	(21,500,436)	(28,084,733)
Income tax paid		(1,162,984)	(1,378,267)	(700,294)
Net cash (used in)/generated from operating activities		(101,959,181)	44,611,412	(167,610,354)
Cash flows from investing activities				
(Increase)/decrease in investment securities		(15,055,546)	(14,193,956)	2,511,673
Proceeds from sale of investment securities		21,012,484	16,538,926	-
Purchase of property, plant and equipment	20	(66,581)	(167,272)	(242,239)
Proceeds from sale of property, plant and equipment		24,954	-	19,500
Proceeds from sale of non banking asset		16,864	1,328,904	211,000
Net cash generated from investing activities		5,932,175	3,506,602	2,499,934
Cash flows from financing activities				
Other borrowed funds		(26,835,000)	(47,497,499)	362,149
Dividend paid	27b	(3,890,175)	(3,890,175)	(3,890,175)
Net cash used in financing activities		(30,725,175)	(51,387,674)	(3,528,026)
Net decrease in cash and cash equivalents		(126,752,181)	(3,269,660)	(168,638,446)
Cash and cash equivalents at 01 April 2015	16b	44,047,968	47,317,628	215,956,075
Cash and cash equivalents at 31 March 2016	16b	(82,704,214)	44,047,968	47,317,629

1. General information

SBI (Mauritius) Ltd is incorporated in Mauritius as a public company under the Mauritius Companies Act 2001. Its registered office is at 7th Floor, SBI Tower Mindspace, 45, Ebene Cybercity .It holds a banking licence and carries banking operations both locally and internationally.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of SBI (Mauritius) Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS) and instructions, Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

Where necessary, comparatives figures have been amended to conform with changes in presentation, or in accounting policies in the current year. The financial statements are prepared under the historical cost convention, except for investments at fair value through profit and loss, available-for-sale financial assets and derivative contracts which have been measured at fair value.

Amendments to published Standards and Interpretations effective in the reporting period

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment has no impact on the Bank's financial statements.

Annual Improvements 2010-2012 Cycle

IFRS 2, 'Share based payments' amendment is amended to clarify the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendment has no impact on the Bank's financial statements.

IFRS 3, 'Business combinations' is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. The amendment has no impact on the Bank's financial statements.

IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment has no impact on the Bank's financial statements.

IFRS 13 (Amendment), 'Fair Value Measurement' clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Bank's financial statements.

IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The amendment has no impact on the Bank's financial statements.

IAS 24,'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The amendment has no impact on the Bank's financial statements.

2. Summary of significant accounting policies (Continued)

IAS 38, 'Intangible Assets' is amended to require an entity to take into account accumulated impairment losses when adjusting the amortisation on revaluation. The amendment has no impact on the Bank's financial statements.

Annual Improvements 2011-2013 Cycle

IFRS 1, 'First-time Adoption of International Financial Reporting Standards' is amended to clarify in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment has no impact on the Bank's financial statements, since the Bank is an existing IFRS preparer.

IFRS 3, 'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11. The amendment has no impact on the Bank's financial statements.

IFRS 13, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The amendment has no impact on the Bank's financial statements.

IAS 40, 'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment has no impact on the Bank's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2016 or later periods, but which the Bank has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 15 Revenue from Contract with Customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements to IFRSs 2012-2014 Cycle
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Disclosure Initiative (Amendments to IAS 1)
IFRS 16 Leases
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Amendments to IAS 7 Statement of Cash Flows

Where relevant, the Bank is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(b) Foreign currency translation

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

2. Summary of significant accounting policies (Continued)

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

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

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

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

(c) Functional and presentation currency

These financial statements are prepared in US Dollars (USD), which is the Bank's functional currency.

(d) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised in the Statement of Financial Position at cost and subsequently remeasured at their fair value. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards involving Mauritian Rupees are based on treasury bills rate or LIBOR. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.The Bank's derivative transactions,while providing effective economic hedges under the Bank's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported through profit and loss.

(e) Interest income and expense

Interest income and expense are recognised through profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter suspended and recognised only upon receipt.

(f) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

(g) Net trading income

Net trading income comprises net gains on forex trading and translation differences.

(h) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the Statement of Financial Position as Government securtities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repos agreements using the effective yield method.

(i) Investment securities

The Bank classifies its investment securities as fair value through profit or loss, held-to-maturity or available-for-sale assets. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale.

2. Summary of significant accounting policies (Continued)

Available for sale investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale listed financial assets are subsequently remeasured at fair value based on quoted bid prices. Fair values for unlisted equity securities are estimated using maintainable earnings or net assets bases refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instruments original current market rate of interest. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned while holding investment securities is reported as interest income.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the Bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

(j) Financial asset - Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

The recoverable amount of an instrument measured at fair value is the present value of the expected future cash flows discounted at the current market rate of interest for a similar financial asset. Changes in the fair value of instruments designated at fair value through profit or loss are recognised in profit or loss.

Interest earned while holding investment securities is reported as interest income.

(k) Offsetting financial instruments

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

(l) Loans and provisions for loan impairment

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

All loans and advances are recognised when cash is advanced to borrowers. An allowance for loan impairment is established if there is the objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the end of the reporting date. These have been estimated upon the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in profit or loss.

2. Summary of significant accounting policies (Continued)

If the amount of the impairment subsequently decreases due to an event occuring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

(m) Property, plant and equipment

Property, plant and equipment are carried at historical cost or deemed cost less accumulated depreciation.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Revaluation surpluses arising in prior years are credited to reserves. Any subsequent decrease is first charged to reserves. Thereafter, decreases are charged to profit or loss to the extent that the decrease exceeds any amount formerly held in reserves in respect of the same asset.

Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings on lease	Over the remaining term of the lease
Buildings	2%
Office equipment, furniture and fittings	10% - 33.33%
Motor Vehicles	20%

Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss. On disposal of revalued assets, the amounts included in the revaluation surplus are transferred to retained earnings.

(n) Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash and balances with Central Banks and amounts due to and from other banks. A further breakdown of cash and cash equivalents is given in note 16 to the financial statements. Cash and cash equivalents do not include the mandatory balances with Central Bank.

(o) Provisions

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

(p) Employee benefits

Defined Benefit Plans

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

2. Summary of significant accounting policies (Continued)

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

(q) Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantially enacted by the end of the reporting period.

Deferred tax

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductable temporary differences can be utilised.

The rates enacted or subsequently enacted at the reporting date are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(r) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

(s) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(t) Segmental reporting

In accordance with the Bank of Mauritius Guidelines, the Bank's business has been split into Segment A and Segment B:

- Segment B is essentially directed to the provision of international financial services that give rise to foreign source income. Such services may be fund based or non-fund based.
- Segment A relates to banking business other than Segment B business.

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

2. Summary of significant accounting policies (Continued)

(u) Operating lease payments

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to profit or loss on a straight-line basis over the period of the leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(v) Share capital

Ordinary shares are classified as equity.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction.

3. Financial risk management

Introduction and Overviews

The Bank has exposure to the following risks from its use of financial instruments:

1. Capital Risk
2. Credit Risk
3. Market Risk
4. Operational Risk

This note presents information about the Bank's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risk.

Capital Risk

The Bank manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Bank's overall strategy remains unchanged from previous years.The capital structure of the Bank consists of debt, which includes the borrowings, and equity attributable to equity holders comprising of issued capital, reserves and retained earnings.

Credit Risk

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the "probability of default" by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the "exposure at default".

(i) The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. These tools have been developed internally and combine statistical analysis with credit officer judgement and are validated, where appropriate, by comparison with externally available data.

Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counter parties and companies, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a half-yearly or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrower to meet interest and capital repayment obligation and by changing these lending limits where appropriate.

3. Financial risk management (Continued)

Some other specific control and mitigation measures are outlined below:

Collaterals

The Bank employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity . The principal collateral types for loans and advances are:

- Fixed and Floating Charges over business assets such as premises, inventory and trade receivable
- Charges over financial instruments such as cash collateral, debt securities and equities
- Mortgages over residential properties
- Corporate guarantees and letter of support
- Personal guarantees
- Credit Insurance

Longer-term finance and lending to corporate entities are generally secured; revolving individual short term credit facilities are at times unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit - related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a cusomer cannot meet its obligations to third parties carry the same credit risks as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans.

Impairment and provisioning policies

The internal and external rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the statement of financial position at year-end is derived from each of the four rating grades. However, the majority of the impairment provision comes from the bottom two grading. The table shows the percentage of the Bank's on-and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

3. Financial risk management (Continued)

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level

Loans and Advances			
Exposure to Credit Risk			
	2016 USD	**2015 USD**	**2014 USD**
Carrying Amount	830,405,577	741,890,525	701,940,922
Individually Impaired	107,017,184	62,098,825	54,598,844
Impairment allowance	(27,891,960)	(25,976,576)	(24,455,087)
	79,125,224	36,122,249	30,143,757
Past due but not impaired			
Carrying Amount	1,904,737	3,133,066	1,336,575
Neither Past due nor impaired			
Gross Amount	759,081,155	705,279,513	671,897,822
Portfolio Provisions	(9,705,539)	(5,871,889)	(4,719,860)
	749,375,616	699,407,624	667,177,962

The total impairment provision for loans and advances is USD 37,597,500 (2015: USD 31,848,465 and 2014: USD 29,174,948).

Ageing of past due but not impaired advances for the year 2016 is as follows:

	2016 USD	**2015 USD**	**2014 USD**
Within 1 month	1,817,816	1,807,743	622,045
From 1 to 2 months	59,116	817,846	169,488
From 2 to 3 months	27,805	28,218	203,626
Above 3 months	-	479,259	341,416
	1,904,737	3,133,066	1,336,575

Credit quality

The Bank has been consistently applying the guidelines issued by Bank of Mauritius for identifying its non-performing assets and making appropriate provisions. In accordance with the guidelines, the credit quality of the loans and advances for the last three years is shown in the table below.

	2016 USD	**2015 USD**	**2014 USD**
Standard	760,985,892	711,640,165	676,517,025
Impaired	107,017,184	62,098,825	54,598,844
Total	868,003,076	773,738,990	731,115,869

Credit Risk (Continued)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

Credit concentration of risk by industry sectors

	2016 USD	2015 USD	2014 USD
Agriculture and fishing	16,219,454	7,787,745	996,456
Manufacturing	370,486,283	372,586,926	358,840,019
Tourism	87,381,966	71,754,464	81,130,653
Transport	49,745,022	52,190,957	69,304,788
Construction	22,980,957	25,813,098	36,526,722
Financial and business services	21,473,387	21,386,889	5,089,747
Traders	23,882,637	9,765,492	12,410,736
Personal	4,482,249	3,742,995	3,966,434
Professional	520,488	574,282	932,563
Global Business Licence holders	72,086,561	42,883,864	37,073,864
Others	46,179,484	49,833,041	78,758,529
Interest receivable	4,391,036	3,151,558	3,247,666
	719,829,524	661,471,311	688,278,177
Loans and advances to banks	148,173,552	112,267,679	42,837,692
	868,003,076	773,738,990	731,115,869
Impairment allowance	(37,597,499)	(31,848,465)	(29,174,947)
	830,405,577	741,890,525	701,940,922

Credit Concentration by Large exposures

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 are given below:

Name of Sector			
Entities outside Mauritius	129,388,254	270,086,531	229,057,357
Corporates	-	-	27,311,840
Public Non Financial	270,000,000	270,000,000	270,000,000
	399,388,254	540,086,531	526,369,197

Liquidity Risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Bank into relevant maturity grouping based on the remaining period at reporting date to the contractual maturity date.

Maturity of financial assets and liabilities at 31 March 2016						
	Less than three months	Between three and twelve months	Over one year to five years	Over five years	Other	Total
	USD Million	USD Million	USD Million	USD Million	USD Million	USD Million
Assets						
Cash resources	26	-	-	-	-	26
Investments	10	50	116	10	2	188
Loans and advances	143	105	192	386	4	830
Property, plant and equipment	-	-	-	-	8	8
Deferred tax assets	-	-	-	-	1	1
Other assets		-	-	-	18	18
	179	155	308	396	33	1,071
Liabilities						
Deposits	288	403	24	-	3	718
Other borrowed funds	109	-	50	-	-	159
Retirement benefit obligation	-	-	-	-	1	1
Current tax liabilities	-	1		-	-	1
Other liabilities		-	-	-	3	3
	397	404	74	-	7	882
Net Liquidity Gap	(218)	(249)	234	396	26	189
As at 31 March 2015						
Total Assets	233	122	336	285	37	1,013
Total Liabilities	283	412	125	-	9	829
Net Liquidity Gap	(50)	(290)	211	285	28	184
As at 31 March 2014						
Total Assets	213	39	386	284	59	981
Total Liabilities	294	357	142	1	12	806
Net Liquidity Gap	(81)	(318)	244	283	47	175

Market Risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market exposures within acceptable parameters, while optimizing the return on risks. The Bank manages its use of trading instruments in response to changing market conditions.

Market risk arises on the following Asset Classes:

(a) Investments
(b) Open Forex Position

Investments

Investments are categorized under the following categories as per our Investment Policy:

Held To Maturity (HTM) - As per the Policy, the investments under the HTM category are held to maturity and hence, they need not be Marked to Market. The Bank has the intent and the ability to hold them till maturity. Therefore there is no stress testing required on the HTM portfolio.

Available For Sale (AFS) - Out of our total investment portfolio of USD 184.93 Mio as on 31st March 2016, which consists of Government of Mauritius Bonds, Equity, T-Bills and Notes in MUR currency as well as Foreign currency investments in the form of FRNs, the portfolio kept in AFS category amounts to USD 45.50 Mio. As per the ICAAP, the impact of movement in the Bond yield by 15 bps in Scenario 1 and by 20 bps in Scenario 2 is tabled below:

Market Risk-Stress Testing Analysis For Investments in AFS Category				
	Average yield	Average Time to Maturity	Scenario 1	Scenario 2
			Impact of yield rise by 15 bps in profitability	Impact of yield rise by 20 bps in profitability
USD 11.57	2.85%	169 days	USD 8,032	USD 10,706
USD 33.93	2.02%	405 days	USD 56,358	USD 75,103

The total impact under Scenario 1 is USD 64,390 and under Scenario 2 is USD 85,809. The USD Investment portfolio categorized under AFS is marked to market against the Reserves and does not affect the direct profitability of the Bank.

Open Forex Position

As on 31st March 2016 the net open position of our Bank in USD terms stood at USD 1,101,535.57. As per the ICAAP, the impact of adverse movement in the Exchange Rate by 1% in Scenario 1 and by 2% in Scenario 2 is tabled below:

Market Risk-Stress Testing Analysis For Open Forex Position		
Open Position	Scenario 1 Interest Rate moves adversely by 1%	Scenario 2 Interest Rate moves adversely by 2%
USD 1,101,535.57	Impact on profitablity: USD 11,015.36	Impact on profitablity: USD 22,030.71

The total impact under Scenario 1 is USD 11,015.36 and under Scenario 2 is USD 22,030.71 as on 31 March 2016.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the vent that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which monitored daily by the Treasury department.

The table below summarises the Bank's exposure to interest rate risks. The Bank's assets and liabilities at carrying value are categorized by their repricing dates:

Interest Rate Risk

At 31 March 2016

	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Cash and cash equivalents	8	-	-	18	26
Loans and advances	143	105	513	69	830
Investment securities	10	50	126	2	188
Property, plant and equipment	-	-	-	8	8
Deferred tax assets	-	-	-	1	1
Other assets	-	-	-	18	18
	161	155	639	116	1,071
Deposits from customers	232	403	24	59	718
Other borrowed funds	109	-	50	-	159
Retirement benefit obligation	-	-	-	1	1
Current tax liabilities	-	-	-	1	1
Other liabilities	-	-	-	3	3
	341	403	74	64	882
Interest Sensitivity Gap	(180)	(248)	565	52	189

At 31 March 2015

	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Total Assets	224	122	621	46	1,013
Total Liabilities	74	411	125	219	829
Interest Sensitivity Gap	150	(289)	496	(173)	184

At 31 March 2014

	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Total Assets	189	39	695	58	981
Total Liabilities	293	358	142	13	806
Interest Sensitivity Gap	(104)	(319)	553	45	175

The Management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of Bank's financial assets and liabilities to various standard and non standard interest scenarios. Analysis of the Bank 's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves on the constant balance sheet position is as follows:

	200 bp Parallel Increase/Decrease		
	2016	2015	2014
	USD Million	USD Million	USD Million
Sensitivity of projected Net Interest Income	2.96	4.31	3.18

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The resultant losses can be financial, or non-financial like loss of reputation. Some of the operational risks the Bank is exposed to in the ordinary course of business are in respect of settlement processing, documentation, accounting, legal/regulatory, technology and human error. It is to mitigate such risks that comprehensive systems and procedures have been set up by the Bank to be very meticulously followed with handling the business. The Management ensures that all systems and procedures and policies are strictly adhered to and that they are being reviewed at regular intervals to adapt to any change in the processes and regulations.

A significant risk banks are facing today is the global phenomenon of money laundering. Banks have become major targets of money laundering operations as they provide a variety of financial services and instruments. The Bank, aware of its duties as a responsible corporate citizen, has an Anti Money Laundering Policy and "Know Your Customer" principles in place.

The table below sets out the Bank's classification of each class of financial assets and liabilities.

At 31 March 2016	Loans and Receivables	Fair Value through P&L	Held to Maturity	Available for Sale Investment	Amortised Costs	Carrying Value
	USD Million	USD Million	USD Million	USD Million	USD Million	USD Million
Assets						
Cash and cash equivalents	26	-	-	-	-	26
Loans and advances	830	-	-	-	-	830
Investment securities	-	11	140	37	-	188
Property, plant and equipment	-	-	-	-	8	8
Deferred tax assets					1	1
Other assets	18	-	-	-	-	18
	874	11	140	37	9	1,071
Liabilities						
Deposits from customers	-	-	-	-	718	718
Other borrowed funds	-	-	-	-	159	159
Other liabilities	-		-	-	5	5
	-	-	-	-	882	882

At 31 March 2015	Loans and Receivables	Fair Value through P&L	Held to Maturity	Available for Sale Investment	Amortised Costs	Carrying Value
	USD Million	USD Million	USD Million	USD Million	USD Million	USD Million
Assets	812	-	192	-	9	1,013
Liabilities	-	-	-	-	829	829
Gap	812	-	192	-	(820)	184
At 31 March 2014						
Assets	781	35	150	10	5	981
Liabilities	-	1	-	-	805	806
Gap	781	34	150	10	(800)	175

Currency Risk

Foreign Exchange Rate Risk or currency risk is the adverse impact that may occur on profits and market value of assets and liabilities due to fluctuation in exchange rates depending on the spot as well as forward positions created by commercial, inter-bank and proprietary trading transactions in any particular currency. As a means to prudent management of the risk, the Bank has set up Foreign Exchange Position limits, duly approved by the Board, both for daylight and overnight positions. In addition to these, cut loss limits have been set up on per deal and per day basis. Besides, suitable hedging techniques are also used for risk mitigation.

The Management monitors the exchange positions and profits arising out of operations on a daily basis, and quarterly reports are submitted to the board. Any exception is promptly reported to the Board for ratification.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 March 2016:

At 31 March 2016	United States Dollar	Great Britain Pound	EURO	Others	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Assets					
Cash and cash equivalents	13	1	1	11	26
Loans and advances	662	-	93	75	830
Investment securities	83	-	-	105	188
Property, plant and equipment	8	-	-	-	8
Deferred tax assets	1	-	-	-	1
Other assets	4	-	-	14	18
	771	1	94	205	1,071
Liabilities					
Deposits from customers	485	7	19	207	718
Other borrowed funds	117	-	42	-	159
Retirement benefit obligation	1	-	-	-	1
Current tax liabilities	1	-	-	-	1
Other liabilities	-	-	-	3	3
	604	7	61	210	882
Net on Statement of Financial Position	167	(6)	33	(5)	189
At 31 March 2015					
Total Assets	719	2	89	203	1,013
Total Liabilities	567	7	51	204	829
Net on Statement of Financial Position	152	(5)	38	(1)	184
At 31 March 2014					
Total Assets	651	9	77	244	981
Total Liabilities	489	8	47	263	807
Net on Statement of Financial Position	162	1	30	(19)	174

Fair Valuation

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the statement of financial position date.

At 31 March 2016			
	Valuation Model	Carrying Value USD Million	Fair Value USD Million
Cash and cash equivalents		26	26
Loans and advances to banks		147	147
Loans and advances to customers		683	683
Investment securities	Discounted Cash Flow	188	180
Property, plant and equipment		8	8
Deferred tax assets		1	1
Other assets		18	18
Total Assets		1,071	1,063
		Carrying Value USD Million	Fair Value USD Million
Deposits from customers	Discounted Cash Flow	718	723
Other borrowed funds		159	159
Other liabilities		5	5
Total liabilities		882	887

At 31 March 2015			
Financial Assets			
		Carrying Value USD Million	Fair Value USD Million
Cash and cash equivalents		45	45
Loans and advances to banks		112	112
Loans and advances to customers		627	627
Investment securities	Discounted Cash Flow	192	188
Property, plant and equipment		8	8
Deferred tax assets		1	1
Other assets		29	29
Total Assets		1,014	1,010
		Carrying Value USD Million	Fair Value USD Million
Deposits from customers	Discounted Cash Flow	741	750
Other borrowed funds		77	77
Other liabilities		11	11
Total liabilities		829	838

At 31 March 2014			
Financial Assets	**Valuation Model**	**Carrying Value USD Million**	**Fair Value USD Million**
Cash and cash equivalents		54	54
Loans and advances to banks		43	43
Loans and advances to customers		656	656
Investment securities	Discounted Cash Flow	193	188
Property, plant and equipment		9	9
Deferred tax assets		1	1
Other assets		25	25
Total assets		981	976
		Carrying Value USD Million	**Fair Value USD Million**
Deposits from customers	Discounted Cash Flow	669	671
Other borrowed funds		131	131
Other liabilities		6	7
Total liabilities		806	809

Valuation techniques and assumptions applied for the purpose of measuring fair value

The Fair value of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price.

The fair values of other financial assets and liabilities (exclusive derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quoted similar instruments.

At 31 March 2016	
	Level 2 USD Million
Financial Assets at FVTPL	
Investment	11.4
Derivative assets	0.0
Total	11.4
Financial Liabilities at FVTPL	
Derivative Liability	0.0
	0.0

At 31 March 2015	
	Level 2 USD Million
Financial Assets at FVTPL	
Investment	38.5
Derivative assets	0.0
Total	38.5
Financial Liabilities at FVTPL	
Derivative Liability	0.1
	0.1

At 31 March 2014	
	Level 2 USD Million
Financial Assets at FVTPL	
Investment	35.1
Derivative assets	1.1
Total	36.2
Financial Liabilities at FVTPL	
Derivative Liability	2.5
	2.5

Details of the significant accounting policies and method adopted,including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised are disclosed in note 2 to the financial statements.

4. Use of Estimates and Judgements

Management discussed the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

(a) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2(m).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange,dealer,broker,industry group,pricing service, or regulatory agency,and those prices represent actual and regularly occuring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price.These instruments are included in level 1.Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates.If all significant input required to fair value on instrument is observable, the instrument is included in level 2.

If one or more significant inputs is not base on abservable market data,the instrument is included in level 3. Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis,are used to determined fair value for the remaining financial instruments.

(c) Held-to-maturity investments

The Bank follows the guidance of international Accounting Standartd (IAS) 39-'Recognition and Measurement' on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement.In making this judgement,the Bank evaluates its intention and ability to hold such investments to maturity.

If the Bank fails to keep these instruments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(d) Impairement of available-for-sale financial assets

The Bank follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

(e) Pension benefits

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

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions are based inpart on current market conditions. Additional information is disclosed in Note 33.

5. Segmental Reporting

Statement of Financial Position

		SEGMENT A			SEGMENT B			TOTAL		
	Notes	2016 USD	2015 USD	2014 USD	2016 USD	2015 USD	2014 USD	2016 USD	2015 USD	2014 USD
ASSETS										
Cash and cash equivalents	16	10,765,459	39,900,272	35,927,331	15,188,400	5,568,528	17,869,181	25,953,859	45,468,800	53,796,512
Loans and advances to banks	17	-	-	-	146,697,985	112,225,166	42,826,599	146,697,985	112,225,166	42,826,599
Loans and advances to customers	18	164,578,887	159,035,851	197,394,732	519,128,705	470,629,508	461,719,591	683,707,592	629,665,359	659,114,323
Investment securities	19	103,263,553	110,622,594	114,790,620	85,282,108	83,065,396	81,011,348	188,545,661	193,687,990	195,801,968
Property and equipment	20	7,610,100	8,210,719	8,686,864	4,254	5,233	1,982	7,614,354	8,215,952	8,688,846
Deferred tax assets	21	1,353,732	978,996	765,692	-	-	-	1,353,732	978,996	765,692
Other assets	22	16,791,175	22,362,478	18,587,579	118,059	51,395	1,504,234	16,909,234	22,413,873	20,091,813
Total assets		304,362,906	341,110,910	376,152,818	766,419,511	671,545,226	604,932,935	1,070,782,417	1,012,656,136	981,085,753
LIABILITIES										
Deposits from customers	23	255,422,893	273,014,781	320,045,274	462,793,945	474,147,438	348,745,230	718,216,838	747,162,219	668,790,504
Other borrowed funds	24	13,588,990	-	-	145,488,733	78,707,969	131,687,835	159,077,723	78,707,969	131,687,835
Current tax liabilities	25	658,447	600,431	768,698	-	-	-	658,447	600,431	768,698
Retirement benefit obligation	33	1,409,510	786,963	837,437	-	-	-	1,409,510	786,963	837,437
Other liabilities	26	3,063,550	2,088,375	2,124,394	20,839	97,741	2,529,819	3,084,389	2,186,116	4,654,213
Total liabilities		274,143,390	276,490,550	323,775,803	608,303,517	552,953,148	482,962,884	882,446,907	829,443,698	806,738,687
Shareholders' Equity										
Stated Capital	27a							48,627,188	48,627,188	48,627,188
Share premium								54,078,062	54,078,062	54,078,062
Retained earnings								67,124,792	62,831,159	55,907,348
Other reserves	34							20,455,131	19,094,133	17,142,080
Actuarial losses reserve	34							(1,949,663)	(1,418,104)	(1,407,612)
Total equity								188,335,510	183,212,438	174,347,066
Total equity and liabilities								1,070,782,417	1,012,656,136	981,085,753

5. Segmental Reporting (Contd.)

Statement of Profit or Loss and Comprehensive Income

		SEGMENT A			SEGMENT B			TOTAL		
	Notes	2016 USD	2015 USD	2014 USD	2016 USD	2015 USD	2014 USD	2016 USD	2015 USD	2014 USD
Interest income		13,292,240	15,367,863	16,741,856	22,855,871	22,094,908	26,371,509	36,148,111	37,462,771	43,113,365
Interest expense		(8,195,858)	(10,081,305)	(11,158,750)	(7,389,091)	(8,591,973)	(11,089,825)	(15,584,949)	(18,673,278)	(22,248,575)
Net interest income	7	5,096,382	5,286,558	5,583,106	15,466,780	13,502,935	15,281,684	20,563,162	18,789,493	20,864,790
Fee and commission income	8	1,158,911	1,397,233	1,236,456	978,957	2,869,386	1,541,071	2,137,868	4,266,619	2,777,527
Net trading income	9	1,009,070	1,039,074	834,625	597,418	326,385	594,403	1,606,488	1,365,459	1,429,028
Other operating income	10	52,066	83,137	385,235	575,066	382,777	99,720	627,132	465,914	484,955
		1,061,136	1,122,211	1,219,860	1,172,484	709,162	694,123	2,233,620	1,831,373	1,913,983
Operating income		7,316,429	7,806,002	8,039,422	17,618,221	17,081,483	17,516,878	24,934,650	24,887,485	25,556,300
Net impairment loss on financial assets	11	(707,898)	(1,544,305)	-	(6,433,542)	(2,064,275)	(2,606,505)	(7,141,440)	(3,608,580)	(2,606,505)
Personnel expenses	12	(2,238,085)	(2,354,499)	(2,384,968)	(1,712,229)	(1,677,891)	(1,482,763)	(3,950,314)	(4,032,390)	(3,867,731)
Depreciation	20	(642,545)	(637,944)	(702,224)	(2,378)	(1,566)	(6,841)	(644,923)	(639,510)	(709,065)
Other expenses	13	(2,299,120)	(2,519,239)	(2,353,611)	(330,775)	(366,882)	(371,673)	(2,629,895)	(2,886,121)	(2,725,284)
Profit before income tax		1,428,781	750,015	2,598,619	9,139,297	12,970,869	13,049,096	10,568,078	13,720,884	15,647,715
Income tax expense	14	(516,322)	(428,009)	(664,939)	(423,747)	(570,539)	(558,986)	(940,069)	(998,548)	(1,223,925)
Profit for the year		912,459	322,006	1,933,680	8,715,550	12,400,330	12,490,110	9,628,009	12,722,336	14,423,790
Other Comprehensive Income										
Items that will not be reclassified to profit or loss										
Remeasurement of defined benefit obligations, net of deferred tax	33	(531,559)	(10,492)	(358,103)	-	-	-	(531,559)	(10,492)	(358,103)
Fair value on derivative revaluations		-	-	-	-	-	-	-	-	-
Items that may be classified subsequently to profit or loss										
Fair value gains on investment securities		-	43,703	-	(83,203)	-	(83,852)	(83,203)	43,703	(83,852)
Other Comprehensive Income for the year		(531,559)	33,211	(358,103)	(83,203)	-	(83,852)	(614,762)	33,211	(441,955)
Total comprehensive income attributable to equity holders of the Bank		380,900	355,217	1,575,577	8,632,347	12,400,330	12,406,258	9,013,247	12,755,547	13,981,835

6. Exchange Rate

	2016	2015	2014
USD to MUR	35.48	36.46	30.10

7. Net interest income

	2016 USD	2015 USD	2014 USD
Interest income			
Cash and cash equivalents	344,213	321,517	1,056,028
Loans and advances to banks	1,181,457	601,154	557,263
Loans and advances to customers	26,179,362	27,332,411	32,239,529
Investment securities	8,210,873	8,918,788	8,249,921
Other	232,206	288,901	1,010,624
Total interest income	36,148,111	37,462,771	43,113,365
Interest expense			
	2016 USD	**2015 USD**	**2014 USD**
Deposits from banks	2,168,760	3,016,409	3,300,675
Deposits from customers	13,416,189	15,656,869	18,947,900
Total interest expense	15,584,949	18,673,278	22,248,575
Net interest income	20,563,162	18,789,493	20,864,790
Segment A			
Interest income			
	2016 USD	**2015 USD**	**2014 USD**
Cash and cash equivalents	5,729	12,940	20,994
Loans and advances to customers	8,592,592	10,082,787	11,288,884
Investment securities	4,693,919	5,262,525	5,412,959
Other	-	9,611	19,019
Total interest income	13,292,240	15,367,863	16,741,856
Interest expense			
	2016 USD	**2015 USD**	**2014 USD**
Deposits from banks	2,016,621	1,805,173	1,467,662
Deposits from customers	6,179,237	8,276,132	9,691,088
Total interest expense	8,195,858	10,081,305	11,158,750
Net interest income	5,096,382	5,286,558	5,583,106

Segment B			
Interest income			
	2016 USD	2015 USD	2014 USD
Cash and cash equivalents	338,484	308,577	1,035,034
Loans and advances to banks	1,181,457	601,154	557,263
Loans and advances to customers	17,586,770	17,249,624	20,950,645
Investment securities	3,516,954	3,656,263	2,836,962
Other	232,206	279,290	991,605
Total interest income	22,855,871	22,094,908	26,371,509

Segment B			
	2016 USD	2015 USD	2014 USD
Interest expense			
Deposits from banks	152,139	1,211,236	1,833,013
Deposits from customers	7,236,952	7,380,737	9,256,812
Total interest expense	7,389,091	8,591,973	11,089,825
Net interest income	15,466,780	13,502,935	15,281,684

8. Fee and Commission Income

	2016 USD	2015 USD	2014 USD
Retail banking customer fees	249,460	302,449	283,887
Corporate banking customer fees	1,450,532	3,337,556	2,112,641
Other	437,876	626,614	380,999
Total fee and commission income	2,137,868	4,266,619	2,777,527

Segment A			
Fee and Commission Income			
Retail banking customer fees	249,460	302,449	283,887
Corporate banking customer fees	684,292	695,606	617,640
Other	225,159	399,178	334,929
Total fee and commission income	1,158,911	1,397,233	1,236,456

Segment B			
Fee and Commission Income			
Corporate banking customer fees	766,240	2,641,950	1,495,001
Other	212,717	227,436	46,070
Total fee and commission income	978,957	2,869,386	1,541,071

9. Net trading income

	2016 USD	2015 USD	2014 USD
Foreign exchange	2,874,696	(3,450,592)	1,178,475
Net loss/gain on derivatives	(1,268,208)	4,816,051	250,553
	1,606,488	1,365,459	1,429,028
Segment A			
Foreign exchange	1,009,070	1,039,074	834,625
	1,009,070	1,039,074	834,625
Segment B			
Foreign exchange	1,865,626	(4,489,666)	343,850
Net loss/gain on derivatives	(1,268,208)	4,816,051	250,553
	597,418	326,385	594,403

10. Other operating income

	2016 USD	2015 USD	2014 USD
Unrealised gains/losses on investments	18,114	(3,132)	(15,530)
Other income	609,018	469,046	500,485
	627,132	465,914	484,955
Other operating income			
Segment A			
Unrealised gains on investments	18,114	(3,132)	(15,530)
Other Operating Income	33,952	86,269	400,765
	52,066	83,137	385,235
Segment B			
Other income	575,066	382,777	99,720

11. Net impairment loss on financial assets

	2016 USD	2015 USD	2014 USD
Loans and advances to customers	7,141,440	3,608,580	2,606,505
Segment A			
Loans and advances to customers	707,898	1,544,305	-
Segment B			
Loans and advances to customers	6,433,542	2,064,275	2,606,505

12. Personnel expenses

	2016 USD	2015 USD	2014 USD
Wages and salaries	3,186,484	3,292,065	3,054,269
Compulsory social security obligations	123,307	132,973	126,572
Contributions to defined contribution plans	141,707	107,209	117,786
Other personnel expenses	498,816	500,143	569,104
	3,950,314	4,032,390	3,867,731
Segment A			
Wages and salaries	1,694,509	1,819,734	1,742,864
Compulsory social security obligations	77,795	90,000	91,145
Contributions to defined contribution plans	78,113	53,896	88,357
Other personnel expenses	387,668	390,869	462,602
	2,238,085	2,354,499	2,384,968
Segment B			
Wages and salaries	1,491,975	1,472,331	1,311,405
Compulsory social security obligations	45,512	42,973	35,427
Contributions to defined contribution plans	63,594	53,313	29,429
Other personnel expenses	111,148	109,274	106,502
	1,712,229	1,677,891	1,482,763

13. Other expenses

	2016 USD	2015 USD	2014 USD
Other Expenses	2,629,895	2,886,121	2,725,284
Segment A			
Other Expenses	2,299,120	2,519,239	2,353,611
Segment B			
Other Expenses	330,775	366,882	371,673

14. Taxation

The Bank is assessable to income tax in Mauritius at the rate of 15% (2015 and 2014-15%), but is entitled to a foreign tax credit of the higher of the foreign taxes paid and 80% of the Mauritius tax chargeable on Segment B income. Expenses have been allocated to Segment A and Segment B on the basis of income generated by the respective segments.

14a Current Taxation

	2016 USD	2015 USD	2014 USD
Accounting Profit	10,568,078	13,720,884	15,647,715
Tax on Accounting profit at appplicable Tax Rate of 15% (2015 & 2014-15%)	1,585,212	2,058,133	2,347,157
Levy	(334,703)	(358,550)	(369,302)
Net effect of non Taxable income, non allowable expense foreign tax credit and other items	(310,440)	(701,035)	(753,930)
Current tax expense for the year	940,069	998,548	1,223,925

14b Income Tax Expense

Current Tax provision for the year (Note 25)	915,893	859,923	913,971
(Under)/over provision in previous years	(29,596)	(8,473)	24,980
New private equity fund written-back	-	-	(80,912)
Movement in Deferred Tax (Note 21)	(280,931)	(211,452)	(3,416)
	605,366	639,998	854,623
Levy (Note 25)	334,703	358,550	369,302
	940,069	998,548	1,223,925
Segment A			
Tax Expense			
Current Tax provision for the year	604,085	411,044	478,750
Under /(Over) Provision in previous years	(29,596)	(8,473)	24,980
New private equity fund written-back	-	-	(80,912)
Movement in Deferred Tax	(280,931)	(211,452)	(3,416)
	293,558	191,119	419,402
Levy	222,764	236,890	245,537
	516,322	428,009	664,939
Segment B			
Current Tax provision for the year	311,808	448,879	435,221
Levy	111,939	121,660	123,765
	423,747	570,539	558,986

15 Earnings Per Share

	2016 USD	2015 USD	2014 USD
Profit for the year	9,628,009	12,722,336	14,423,790
Number of ordinary shares	778,035	778,035	778,035
Earnings per share	12.37	16.35	18.54

16 Cash and cash equivalents

a	Cash in hand	1,588,874	2,521,631	1,669,622
	Foreign currency notes and coins	228,758	102,328	118,472
	Unrestricted balances with central banks	3,310,882	6,532,518	21,951,046
	Money market placements	7,559,724	30,742,732	12,186,650
	Balances with banks abroad	13,236,205	5,568,528	17,869,181
	Interest receivable	29,416	1,063	1,541
		25,953,859	45,468,800	53,796,512
b	**Analysis of net cash and cash equivalent as shown in the statement of cash flows**			
	Cash and cash equivalent	25,924,443	45,467,737	53,794,971
	Other borrowed funds (Note 24)	(108,628,657)	(1,419,769)	(6,477,342)
	Net cash and cash equivalent	(82,704,214)	44,047,968	47,317,629
	Segment A			
	Cash in hand	1,588,874	2,521,631	1,669,622
	Foreign currency notes and coins	228,758	102,328	118,472
	Unrestricted balances with central banks	3,310,882	6,532,518	21,951,046
	Money market placements	5,636,724	30,742,732	12,186,650
	Interest receivable	221	1,063	1,541
		10,765,459	39,900,272	35,927,331
	Segment B			
	Money market placements	1,923,000	-	-
	Balances with banks abroad	13,236,205	5,568,528	17,869,181
	Interest receivable	29,195	-	-
		15,188,400	5,568,528	17,869,181

17 Loans and advances to banks

a	**Segment B - (Maturity upto 3 months)**			
	Loans and advances to banks- outside Mauritius	147,556,658	112,191,651	42,802,731
	Interest receivable	616,894	76,028	34,961
	(Less allowance for credit impairment)	(1,475,567)	(42,513)	(11,093)
		146,697,985	112,225,166	42,826,599

b	**Allowance for credit impairment**	
	Balance at 1 April 2015	42,513
	Collective allowance for impairment	1,433,054
	Balance at 31 March 2016	1,475,567

18 Loans and advances to customers

		2016 USD	2015 USD	2014 USD
	Retail customers	32,433,012	27,570,141	28,543,288
	Mortgages	20,509,855	16,434,564	15,003,139
	Other retail loans	11,923,157	11,135,577	13,540,149
	Corporate customers	178,615,850	152,101,927	159,249,986
	Governments	3,616,891	25,535,400	48,594,802
	Entities outside Mauritius	500,772,735	453,112,285	448,642,435
	Interest receivable	4,391,036	3,151,558	3,247,666
		719,829,524	661,471,311	688,278,177
	Less allowance for credit impairment	(36,121,932)	(31,805,952)	(29,163,854)
		683,707,592	629,665,359	659,114,323
a	**Remaining term to maturity**			
	Up to 3 months	107,440,674	85,765,079	137,530,556
	Over 3 months and up to 6 months	1,804,038	3,747,534	1,240,733
	Over 6 months and up to 12 months	24,396,949	24,458,052	2,832,627
	Over 1 year and up to 5 years	265,253,480	241,335,330	274,679,566
	Over 5 years	316,543,347	303,013,758	268,747,029
	Interest receivable	4,391,036	3,151,558	3,247,666
		719,829,524	661,471,311	688,278,177
b	**Credit concentration of risk by industry sectors**			
	Agriculture and fishing	16,219,454	7,787,745	996,456
	Manufacturing	370,486,283	372,586,926	358,840,019
	Tourism	87,381,966	71,754,464	81,130,653
	Transport	49,745,022	52,190,957	69,304,788
	Construction	22,980,957	25,813,098	36,526,722
	Financial and business services	21,473,387	21,386,889	5,089,747
	Traders	23,882,637	9,765,492	12,410,736
	Personal	4,482,249	3,742,995	3,966,434
	Professional	520,488	574,282	932,563
	Global Business Licence holders	72,086,561	42,883,864	37,073,864
	Others	46,179,484	49,833,041	78,758,529
	Interest receivable	4,391,036	3,151,558	3,247,666
		719,829,524	661,471,311	688,278,177

18 Loans and Advances to Customers (Contd.)

	2016 USD	2015 USD	2014 USD
Segment A			
Agriculture and Fishing	16,219,454	7,787,745	996,456
Manufacturing	18,341,166	10,492,577	10,010,321
Tourism	55,526,123	43,175,553	52,768,199
Transport	29,745,037	31,511,617	35,826,385
Construction	22,980,957	25,302,641	26,888,175
Financial and business services	1,473,386	1,386,889	1,756,414
Traders	13,882,637	9,765,492	12,410,736
Personal	4,482,249	3,742,995	3,966,434
Professional	520,488	574,282	932,563
Others	5,190,417	28,583,808	53,758,529
Interest receivable	1,033,320	722,701	789,280
	169,395,234	163,046,300	200,103,492
Segment B			
Manufacturing	352,145,117	362,094,349	348,829,698
Tourism	31,855,843	28,578,911	28,362,454
Transport	19,999,985	20,679,340	33,478,403
Construction	-	510,457	9,638,547
Financial and business services	20,000,001	20,000,000	3,333,333
Traders	10,000,000	-	-
Global Business Licence holders	72,086,561	42,883,864	37,073,864
Others	40,989,067	21,249,233	25,000,000
Interest receivable	3,357,716	2,428,857	2,458,386
	550,434,290	498,425,011	488,174,685

c	Allowance for credit impairment	Specific allowances for impairment USD	Collective allowances for impairment USD	Total allowances for impairment USD
	Balance at 1 April 2013	21,271,362	5,112,549	26,383,911
	Exchange Difference	215,829	7,311	223,140
	Provision for credit impairment for the year	3,006,505	(411,093)	2,595,412
	Loans written off out of allowance	(38,609)	-	(38,609)
	Balance at 31 March 2014	24,455,087	4,708,767	29,163,854
	Exchange Difference	(881,612)	(27,971)	(909,583)
	Provision for credit impairment for the year	2,428,580	1,148,580	3,577,160
	Loans written off out of allowance	(25,479)	-	(25,479)
	Balance at 31 March 2015	25,976,576	5,829,376	31,805,952
	Exchange Difference	166,687	3,650	170,337
	Provision for credit impairment for the year	3,311,440	2,396,946	5,708,386
	Loans written off out of allowance	(1,562,743)	-	(1,562,743)
	Balance at 31 March 2016	27,891,960	8,229,972	36,121,932

d Allowance for credit impairment by industry sectors

	2016 USD					2015 USD	2014 USD
Bank - Total	**Gross amount of loans**	**Impaired loans**	**Specific allowances for impairment**	**Collective allowances for credit impairment**	**Total allowances for credit impairment**	**Total allowances for credit impairment**	**Total allowances for credit impairment**
Agriculture and Fishing	16,219,454	-	-	162,195	162,195	81,466	14,312
Manufacturing	370,486,283	62,796,316	5,569,379	3,076,899	8,646,278	5,830,854	6,319,227
Tourism	87,381,966	16,855,843	6,670,000	1,979,029	8,649,029	7,830,876	6,660,644
Transport	49,745,022	131,244	82,348	496,138	578,486	624,269	734,002
Construction	22,980,957	105,450	35,522	375,796	411,318	286,699	401,618
Financial and Business Services	21,473,387	-	-	214,734	214,734	13,869	17,564
Traders	23,882,637	633,610	343,854	232,490	576,344	415,015	498,889
Personal	4,482,249	190,857	190,857	76,485	267,342	240,452	234,646
Professional	520,488	-	-	5,205	5,205	5,743	9,326
Global Business Licence holders	72,086,561	26,303,864	15,000,000	457,827	15,457,827	14,665,800	14,007,700
Others	46,179,484	-	-	1,153,174	1,153,174	1,810,908	265,926
Interest receivable	4,391,036	-	-	-	-	-	-
	719,829,524	107,017,184	27,891,960	8,229,972	36,121,932	31,805,952	29,163,854
Segment A							
Agriculture and Fishing	16,219,454	-	-	162,195	162,195	81,466	14,312
Manufacturing	18,341,166	1,480,940	923,177	168,602	1,091,779	821,352	504,332
Tourism	55,526,123	-	-	1,829,029	1,829,029	460,876	529,766
Transport	29,745,037	131,244	82,348	296,138	378,486	417,476	478,768
Construction	22,980,957	105,450	35,522	375,796	411,318	281,594	305,233
Financial and business services	1,473,386	-	-	14,734	14,734	13,869	17,564
Traders	13,882,637	633,610	343,854	132,490	476,344	415,015	498,889
Personal	4,482,249	190,857	190,857	76,485	267,342	240,452	234,646
Professional	520,488	-		5,205	5,205	5,743	9,326
Others	5,190,390	-	-	179,900	179,900	1,272,605	115,924
Interest receivable	1,033,332	-	-	-	-	-	-
	169,395,219	2,542,101	1,575,758	3,240,574	4,816,332	4,010,448	2,708,760
Segment B							
Agriculture and Fishing	-	-	-	-	-	-	-
Manufacturing	352,145,117	61,315,376	4,646,202	2,908,297	7,554,499	5,009,502	5,814,896
Tourism	31,855,843	16,855,843	6,670,000	150,000	6,820,000	7,370,000	6,130,879
Transport	19,999,985	-	-	200,000	200,000	206,793	255,234
Construction	-	-	-	-	-	5,105	96,385
Financial and business services	20,000,001	-	-	200,000	200,000	-	-
Traders	10,000,000	-	-	100,000	100,000	-	-
Personal	-	-	-	-	-	-	-
Professional	-	-	-	-	-	-	-
Global Business Licence holders	72,086,561	26,303,864	15,000,000	457,827	15,457,827	14,665,800	14,007,700
Others	40,989,082	-	-	973,274	973,274	538,303	150,000
Interest receivable	3,357,716						
	550,434,305	104,475,083	26,316,202	4,989,398	31,305,600	27,795,503	26,455,094

19 Investment securities

		2016 USD	2015 USD	2014 USD
	Investment securities at fair value through profit and loss	11,415,307	38,496,044	35,110,560
	Held to maturity investment securities	140,143,445	153,006,216	149,131,317
	Available for sale investment securities	34,524,149	196,133	9,500,431
	Interest receivable	2,462,760	1,989,597	2,059,660
		188,545,661	193,687,990	195,801,968
a	**Investment securities at fair value through profit and loss**			
	Treasury/BoM Bills	11,415,307	38,496,044	35,110,560
	Interest receivable	158,978	377,059	353,611
		11,574,285	38,873,103	35,464,171
	Segment A			
	Treasury Bills/Notes issued by Government of Mauritius	11,415,307	38,496,044	35,110,560
	Interest receivable	158,978	377,059	353,611
		11,574,285	38,873,103	35,464,171
b	**Held to maturity investment securities**			
	Government bonds & MDLS	42,821,716	35,015,052	42,690,732
	Bank of Mauritius/Treasury Notes	47,652,976	35,937,386	35,688,855
	Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	49,668,753	82,053,778	70,751,730
	Interest receivable	1,794,708	1,612,539	1,599,937
		141,938,153	154,618,755	150,731,254
	Bank - Segment A			
	Government of Mauritius bonds & MDLS	42,821,716	35,015,052	42,690,732
	Bank of Mauritius/Treasury Notes	47,652,976	35,937,386	35,688,855
	Interest receivable	1,072,830	659,111	779,773
		91,547,522	71,611,549	79,159,360
	Bank - Segment B			
	Other Foreign Investment Securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	49,668,753	82,053,778	70,751,730
	Interest receivable	721,878	953,427	820,165
		50,390,631	83,007,205	71,571,895
c	**Available for sale investment securities**			
	Local Investment	141,746	137,942	167,089
	Other investment securities	34,382,403	58,191	9,333,342
	Interest receivable	509,074	-	106,111
		35,033,223	196,133	9,606,542
	Bank - Segment A			
	Local Investment	141,746	137,942	167,089
	Bank - Segment B			
	Other foreign investment securities	34,382,403	58,191	9,333,342
	Interest receivable	509,074	-	106,111
		34,891,477	58,191	9,439,453

20 Property and equipment

	Building on lease land USD	Land and buildings USD	Furniture, fittings and office equipment USD	Motor Vehicles USD	TOTAL USD
Cost/Deemed cost					
Balance at 1 April 2013	318,680	8,576,731	5,736,359	438,434	15,070,204
Acquisitions	-	-	170,744	71,495	242,239
Disposals	-	-	(6,767)	(133,645)	(140,412)
Balance at 31 March 2014	318,680	8,576,731	5,900,336	376,284	15,172,031
Acquisitions	-	-	167,272	-	167,272
Disposals	-	-	(1,823)	-	(1,823)
Balance at 31 March 2015	318,680	8,576,731	6,065,785	376,284	15,337,480
Acquisitions	-	-	66,581	-	66,581
Disposals	-	-	(35,235)	-	(35,235)
Balance at 31 March 2016	318,680	8,576,731	6,097,131	376,284	15,368,826
Accumulated depreciation					
Balance at 1 April 2013	89,835	1,114,560	4,304,311	405,021	5,913,727
Depreciation for the year	16,346	155,788	516,971	19,960	709,065
Disposal adjustment	-	-	(5,964)	(133,643)	(139,607)
Balance at 31 March 2014	106,181	1,270,348	4,815,318	291,338	6,483,185
Depreciation for the year	16,346	155,788	442,651	24,725	639,510
Disposal adjustment	-	-	(1,167)	-	(1,167)
Balance at 31 March 2015	122,527	1,426,136	5,256,802	316,063	7,121,528
Depreciation for the year	16,346	155,788	452,263	20,526	644,923
Disposal adjustment	-	-	(11,979)	-	(11,979)
Balance at 31 March 2016	138,873	1,581,924	5,697,086	336,589	7,754,472
Net book value					
At 31 March 2016	179,807	6,994,807	400,045	39,695	7,614,354
At 31 March 2015	196,153	7,150,595	808,983	60,221	8,215,952
At 31 March 2014	212,499	7,306,383	1,085,018	84,946	8,688,846
Net book value at end of Year 2016 by segments					
Segment A	179,807	6,994,807	395,791	39,695	7,610,100
Segment B	-	-	4,254	-	4,254
	179,807	6,994,807	400,045	39,695	7,614,354
Net book value at end of Year 2015 by segments					
Segment A	196,153	7,150,595	803,750	60,221	8,210,719
Segment B	-	-	5,233	-	5,233
	196,153	7,150,595	808,983	60,221	8,215,952
Net book value at end of Year 2014 by segments					
Segment A	212,499	7,306,383	1,083,036	84,946	8,686,864
Segment B	-	-	1,982	-	1,982
	212,499	7,306,383	1,085,018	84,946	8,688,846

21 Deferred tax assets

	2016 USD	2015 USD	2014 USD
At the Beginning of the year	978,996	765,692	716,343
Movement during the year accounted in profit or loss (Note 14b)	272,250	255,184	3,416
Difference in exchange	8,681	(43,732)	427
Movement during the year accounted in other comprehensive income	93,805	1,852	45,506
At end of the year	1,353,732	978,996	765,692
Analysed as follows			
Accelerated Capital Allowances	(10,028)	(43,091)	(61,650)
Allowances for Credit losses	1,684,998	1,436,708	1,257,611
Employee Benefits	211,427	118,044	102,396
Revaluation of Building	(532,665)	(532,665)	(532,665)
	1,353,732	978,996	765,692

22 Other assets

	2016 USD	2015 USD	2014 USD
Balances due in clearing	707,289	637,120	851,836
Non-banking assets acquired in satisfaction of debts	177,677	181,438	11,439
Mandatory Balance with Central Bank	15,219,370	16,550,020	15,894,417
Derivative Asset	-	-	1,504,234
Other	804,898	5,045,295	1,829,887
	16,909,234	22,413,873	20,091,813
Segment A			
Balances due in clearing	707,289	637,120	851,836
Mandatory Balance with Central Bank	15,219,370	16,550,020	15,894,417
Non-banking assets acquired in satisfaction of debts	177,677	181,438	11,439
Other	686,839	4,993,900	1,829,887
	16,791,175	22,362,478	18,587,579
Segment B			
Other	118,059	51,395	-
Derivative Asset	-	-	1,504,234
	118,059	51,395	1,504,234

23 Deposits from Customers

	2016 USD	2015 USD	2014 USD
Savings Deposit	135,847,266	124,643,218	135,407,899
Demand Deposit	118,132,686	83,668,569	64,050,869
Time Deposit			
Within three months	34,466,559	73,369,829	84,543,329
Over 3 and up to 6 months	33,960,332	111,005,973	78,795,956
Over 6 months and up to 12 months	369,441,247	273,073,109	213,403,471
Over 1 year and up to 5 years	23,743,051	75,601,400	84,386,495
Interest payable	2,625,697	5,800,121	8,202,485
	718,216,838	747,162,219	668,790,504
Segment A			
Savings Deposit	135,847,266	124,643,218	135,407,899
Demand Deposit	13,840,830	9,581,911	14,610,213
Time Deposit			
Within three months	15,302,417	26,073,980	26,382,189
Over 3 and up to 6 months	9,439,878	17,107,299	15,807,819
Over 6 months and up to 12 months	55,680,473	64,618,204	53,848,091
Over 1 year and up to 5 years	23,743,051	28,023,857	69,518,980
Interest payable	1,568,978	2,966,312	4,470,083
	255,422,893	273,014,781	320,045,274
Segment B			
Savings Deposit	-	-	-
Demand Deposit	104,291,856	74,086,658	49,440,656
Time Deposit			
Within three months	19,164,142	47,295,849	58,161,140
Over 3 and up to 6 months	24,520,454	93,898,674	62,988,137
Over 6 months and up to 12 months	313,760,774	208,454,905	159,555,380
Over 1 year and up to 5 years	-	47,577,543	14,867,515
Interest payable	1,056,719	2,833,809	3,732,402
	462,793,945	474,147,438	348,745,230

	2016 USD	2015 USD	2014 USD
Retail Customers			
Savings Deposit	107,816,949	97,718,570	102,811,339
Demand Deposit	6,224,557	4,671,031	6,462,611
Time Deposit			
Within three months	14,235,789	14,684,652	17,030,673
Over 3 and up to 6 months	8,687,662	8,704,903	13,385,272
Over 6 months and up to 12 months	18,951,729	15,964,120	25,801,984
Over 1 year and up to 5 years	17,127,454	22,940,508	28,067,791
	173,044,140	164,683,784	193,559,670
Corporate Customers			
Savings Deposit	20,494,691	22,480,464	15,974,153
Demand Deposit	111,704,855	78,887,032	57,490,620
Time Deposit			
Within three months	19,146,219	50,873,084	51,003,147
Over 3 and up to 6 months	25,243,235	97,975,322	65,381,869
Over 6 months and up to 12 months	329,557,113	221,101,035	166,820,318
Over 1 year and up to 5 years	6,615,597	52,578,611	28,818,704
	512,761,710	523,895,548	385,488,811
Government			
Savings Deposit	7,535,625	4,444,183	16,622,406
Demand Deposit	203,275	110,507	97,639
Time Deposit			
Within three months	1,084,550	7,812,093	16,509,509
Over 3 and up to 6 months	29,435	4,325,747	28,815
Over 6 months and up to 12 months	20,932,406	36,007,954	20,781,169
Over 1 year and up to 5 years	-	82,282	27,500,000
	29,785,291	52,782,766	81,539,538
Interest payable	2,625,697	5,800,121	8,202,485
TOTAL	718,216,838	747,162,219	668,790,504

24 Other borrowed funds

	2016 USD	2015 USD	2014 USD
Borrowings from banks			
in Mauritius	13,585,200	-	-
abroad	145,043,457	78,254,770	130,809,842
Interest payable	449,066	453,199	877,993
	159,077,723	78,707,969	131,687,835
Borrowings from banks less than 3 months	108,628,657	1,419,769	6,477,342
Segment A			
Borrowings from banks	13,585,200	-	-
Interest payable	3,790	-	-
	13,588,990	-	-
Segment B			
Borrowings from banks	145,043,457	78,254,770	130,809,842
Interest payable	445,276	453,199	877,993
	145,488,733	78,707,969	131,687,835
Borrowings from banks			
Within three months	108,628,657	1,419,770	6,477,342
Over 3 and up to 6 months	-	-	-
Over 6 months and up to 12 months	-	26,835,000	65,000,000
Over 1 year and up to 5 years	50,000,000	50,000,000	59,332,500
Interest payable	449,066	453,199	877,993
	159,077,723	78,707,969	131,687,835

25 Current tax liabilities

Segment A			
At the beginning of the year	600,431	768,698	160,739
Provision for the year:			
- current tax (Note 14b)	915,893	859,923	913,971
- levy (Note 14b)	334,703	358,550	369,302
(Over)/Under provision in previous years	(29,596)	(8,473)	24,980
Paid in respect of tax of previous year	(570,835)	(760,225)	(185,719)
Paid in respect of APS	(592,149)	(618,042)	(514,575)
At the end of the year	658,447	600,431	768,698

26 Other liabilities

	2016 USD	2015 USD	2014 USD
Bills Payable	915,090	831,568	1,162,889
Derivative Liability	-	97,741	2,529,819
Others	2,169,299	1,256,807	961,505
	3,084,389	2,186,116	4,654,213
Segment A			
Bills Payable	915,090	831,568	1,162,889
Others	2,148,461	1,256,807	961,505
	3,063,551	2,088,375	2,124,394
Segment B			
Derivative Liability	-	97,741	2,529,819
Others	20,839	-	-
	20,839	97,741	2,529,819

27a Stated Capital

	2016 USD	2015 USD	2014 USD
Issued and Fully Paid Capital	48,627,188	48,627,188	48,627,188
(778,035 Ordinary Shares of USD 62.50 each)			
Share Premium	54,078,062	54,078,062	54,078,062

Fully paid ordinary shares, which have a par value of USD 62.50, carry one vote per share and carry a right to dividends.

27b Dividend Paid

Dividend Paid	3,890,175	3,890,175	3,890,175
Dividend per share	5.00	5.00	5.00

28 Operating Lease

Leasing Arrangements

Operating Lease relates to the lease of buildings with leased terms between one to five years with an option to extend for a further period of up to five years. All operating lease contracts contain market review clauses in the event that the Bank exercises its option to renew. The Bank does not have an option to purchase the building after expiry of the lease period.

Payments recognised as an expense

	2016 USD	2015 USD	2014 USD
Minimum lease payments	345,842	369,944	363,295
Non - Cancellable Operating Lease			
Less than one year	323,589	318,243	345,842
Between one year and five years	529,341	411,473	468,694
	852,930	729,716	814,536

29 Contingent liabilities

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extended over the period of the facility. The commitments and contingent liabilities have off balance sheet credit risk.

	2016 USD	2015 USD	2014 USD
Acceptances on account of customers	47,036,165	11,933,890	2,632,980
Guarantees on account of customers	3,724,557	4,610,524	6,116,839
Letters of credit and other obligations on account of customers	78,400,511	134,281,966	188,790,244
Other contingent items	-	66,562	500,534
	129,161,233	150,892,942	198,040,597

30 Commitments

Loans and other facilities			
Undrawn credit facilities	88,200,335	44,803,107	30,190,960
Other - Capital Expenditure approved but not yet accounted for	-	431,589	-
	88,200,335	45,234,696	30,190,960

31 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and management fees. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

Related Companies - Companies within SBI group	2016 USD	2015 USD	2014 USD
Statement of financial position			
Assets			
Balance and Placements with Banks	4,573,710	2,566,583	2,456,712
Loans & Advances	31,054,819	87,724,340	17,854,463
Accrued Interest	107,138	79,990	28,346
Liabilities			
Deposits	23,744,346	16,958,537	5,132,612
Borrowings from Bank	63,500,000	76,835,000	120,777,635
Accrued Interest	514,789	490,648	771,883
Statement of Profit or Loss and Other Comprehensive Income			
Interest Income	163,983	214,903	508,273
Interest Paid	2,031,596	2,973,711	2,896,607
Off Balance sheet balance			
Bank Guarantee	660,079	806,355	1,736,339
Derivatives	-	1,198,288	27,685,128
Management Fees paid to parent bank	181,961	203,866	195,765
Key Management & Personnel			
Loans	52,049	61,901	80,564
Interest Income earned	3,582	3,877	4,917
Deposits	72,409	62,711	146,423
Interest expense on deposits	679	1,164	1,725
Directors			
Deposits	8,277	28,656	15,510
Interest Expense	168	79	186
Compensation to Key Management & Directors			
Short term benefits	510,470	551,938	552,925
Post employment benefits	25,839	18,958	13,916

32 Derivatives

	Cross Currency Interest Rate Swap	Total Notional Principal	-------- Fair Value --------		
			Assets	Liabilities	Net
		USD	USD	USD	USD
	2016	-	-	-	-
	2015	1,198,288	1,198,288	(1,296,030)	(97,742)
	2014	27,685,128	1,171,313	(2,529,819)	(1,358,506)

	Cross Currency Swap	Total Notional Principal	-------- Fair Value --------		
	2016	44,387,811	(968,454)	49,732	(918,722)
	2015	84,036,751	1,129,084	(6,115,472)	(4,986,388)
	2014	42,844,618	193,672	(230,088)	(36,416)

The Bank had taken Cross Currency Swaps to mitigate the forex risk and interest rate risks. These are backed by underlying transactions and are held to maturity.

33 *Retirement benefit obligation*

The pension plan is final salary defined plan to employees and is wholly funded . The assets of the funded plan are held and administered independently by the SICOM Ltd.

The overall expected rate of return is determined by reference to market yields on bonds.The following information is based on the report dated 31st March 2016 from it.

	Non-current	2016 USD	2015 USD	2014 USD
	Amounts recognised in statement of financial position			
	Present Value of funded obligations	4,787,995	4,148,278	4,718,923
	Fair Value of Planned Assets	(3,378,485)	(3,361,315)	(3,881,486)
	Assets/liabilities recognised in statement of financial position	1,409,510	786,963	837,437
	Movements in liabilities recognised in the statement of financial position			
	At the beginning of the year	786,963	837,437	353,646
	Exchange Difference	19,249	(144,941)	23,128
	Amount recognised in profit or loss	44,901	171,373	165,212
	Amount recognised in other comprehensive income	625,364	12,344	403,609
	Contribution paid	(66,967)	(89,250)	(108,158)
	At the end of the year	1,409,510	786,963	837,437
	The amounts recognised in profit or loss is as follows:			
	Current service cost	119,561	111,958	130,402
	Employee contributions	(140,897)	-	-
	Fund Expenses	4,164	1,785	4,224
	Interest cost	62,073	57,630	30,586
	Total included in employee benefit expense	44,901	171,373	165,212
	Actual return on plan assets	(64,143)	182,417	212,465

33 *Retirement Benefit Obligation* (Contd.)

	2016 USD	2015 USD	2014 USD
Movement in the Fair Value of Plan Assets were as follows			
Fair Value of Plan assets at start of the year	3,361,315	3,881,486	3,539,144
Expected Return of on Plan Assets	256,658	254,546	292,994
Employer Contributions	66,967	89,249	108,158
Employee Contributions	140,897	-	-
Exchange difference	82,219	(671,795)	138,156
Benefits Paid	(250,712)	(144,993)	(137,912)
Asset gain/(loss)	(278,859)	(47,178)	(59,054)
Fair Value of Plan Assets at the end of the year	3,378,485	3,361,315	3,881,486
Reconciliation of the present value of defined benefit obligation			
Present value of obligation at start of period	4,148,278	4,718,923	3,892,791
Current service cost	119,561	111,958	130,402
Exchange rate difference	101,468	(816,737)	151,961
Interest cost	318,731	312,175	323,580
Benefits paid	(246,548)	(143,208)	(133,689)
Liability loss/(gain)	346,505	(34,833)	353,878
Present value of obligation at end of period	4,787,995	4,148,278	4,718,923
The main categories of Plan assets at statement of financial position date for each category are as follows:			
Percentage of assets at end of the year			
Government securities and cash	58.10%	57.10%	59.10%
Loans	4.30%	4.10%	4.90%
Local entities	15.90%	21.10%	21.90%
Overseas bonds and equities	21.00%	17.00%	13.40%
Property	0.70%	0.70%	0.70%
Total	100%	100%	100%
Additional disclosure on assets issued or used by the reporting entity			
The amounts recognised in other comprehensive income are as follows:			
	2016	**2015**	**2014**
Asset experience (loss) during the year	(278,859)	(47,177)	(59,054)
Liability experience (loss)/gain during the year	(346,505)	34,833	(353,878)
	(625,364)	(12,344)	(412,932)
The principal Actuarial Assumptions used for accounting purposes were			
Discount Rate	7.50%	8.00%	8.00%
Expected salary escalation	4.00%	5.50%	5.50%
Future pension increases	3.00%	3.50%	3.50%

The discount rate is determined by reference to market yields on bonds

33 *Retirement Benefit Obligation* (Contd.)

	Sensitivity analysis on defined benefit obligations at end of the reporting date:			
	(March 31, 2017)	**Increase**		**Decrease**
		USD		**USD**
	Discount rate (1% movement)	757,087		610,736
	Future long-term salary assumptions (1% movement)	343,363		295,517
	Life expectancy (one year movement)	109,764		112,578

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

The sensitivity above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The defined benefit pension plan exposes Company to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

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

The Bank expects to pay USD 67,043 in contributions to its post-employment benefit plans for the year ending March 31, 2017.

The weighted average duration of the defined benefit obligation is 16 years at the end of the reporting period.

34 Reserves

a Statutory reserve

The bank maintains a statutory reserve and transfers each year to the statutory reserve out of the profit for the year, a sum equal to not less than 15% of the profit for the year until the balance in the statutory reserve is equal to the amount paid as stated capital.

b General banking reserve

General banking reserve is made up of profit appropriation from previous years.

c Other reserves

Other reserves comprise of:

- Revaluation surplus, which relates to the surplus on revaluation of land and buildings
- Fair value reserve, which comprises of the cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

d Actuarial losses reserve

The actuarial losses reserve represents the cumulative remeasurement of defined benefit obligations recognised.

35 Holding Company

The holding company is State Bank of India, a Public Corporation in India, holding 96.60% (2015: 96.60%) of shareholding of the Bank.