# ANNUAL REPORT 16

## BUILDING THE FOUNDATION FOR GROWTH

- CUSTOMER FOCUS
- TEAM WORK
- INNOVATION

AFRASIA
bank different

# HOW TO NAVIGATE THE REPORT

SEARCH

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ANNUAL REPORT 16

AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

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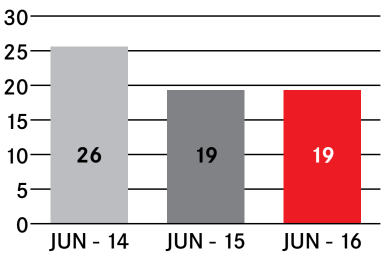
# FINANCIAL HIGHLIGHTS

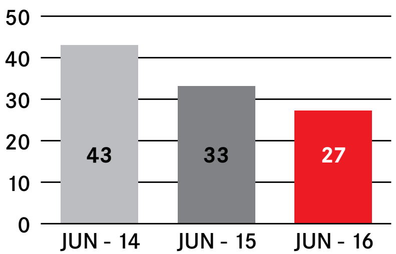
| | YEAR ENDED 30 JUNE 2016 | YEAR ENDED 30 JUNE 2015 | YEAR ENDED 30 JUNE 2014 |
|---|---|---|---|
| AfrAsia Bank Limited and its Subsidiaries (THE GROUP) | | | |
| **STATEMENT OF PROFIT OR LOSS (MUR'000)** | | | |
| Net Interest income | 947,850 | 847,086 | 661,170 |
| Non Interest income | 1,017,453 | 543,259 | 563,930 |
| Total Operating income | 1,965,303 | 1,390,345 | 1,225,100 |
| Operating Expenses | 851,719 | 781,954 | 611,959 |
| Profit/(Loss) after tax | 639,739 | (176,068) | 324,524 |
| **STATEMENT OF FINANCIAL POSITION (MUR'000)** | | | |
| Total Assets | 88,550,615 | 74,856,932 | 48,990,197 |
| Loans and Advances to Customers | 21,958,341 | 21,772,735 | 17,227,455 |
| Deposits from Customers | 80,012,268 | 66,437,716 | 40,413,544 |
| Total Equity (including Class A Shares) | 4,786,466 | 4,285,465 | 3,450,381 |

## PERFORMANCE RATIO (%)

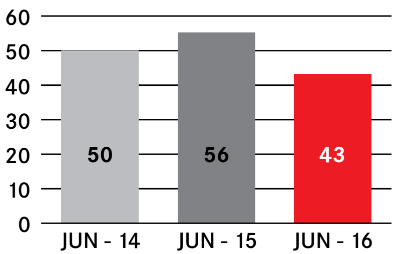
Return on Average Equity



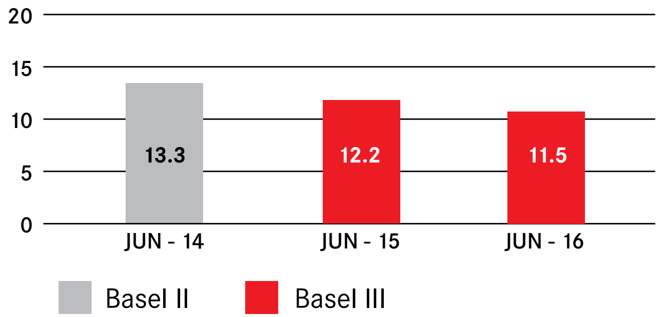

Loan to Deposit Ratio




Operating Expense to Total Operating Income




## CAPITAL ADEQUACY RATIO (%)



# KEY PERFORMANCE HIGHLIGHTS

OUR CULTURE, DIVERSITY AND SCALE MAKE US UNIQUE

OUR GLOBAL NETWORK AND ENTREPRENEURIAL SPIRIT CONNECT OUR CLIENTS TO OPPORTUNITIES

WE ENGAGE WITH STAKEHOLDERS IN A RESPONSIBLE WAY

ESTABLISHED IN
**2007**

RELATIONSHIP WITH
**60%**
OF THE TOP BANKABLE COMPANIES IN MAURITIUS

EMPLOYEES
**266**
FULL TIME EQUIVALENT

INCREASE OF
**45%**
IN CONSUMER BANKING CLIENT BASE

CLIENTS PRESENT IN MORE THAN
**120**
COUNTRIES AND TERRITORIES

TRADING INCOME REPRESENTING
**32%**
OF THE BANK'S TOTAL OPERATING INCOME

ABOVE
**6,900**
TRAINING HOURS FOR OUR EMPLOYEES

A GENDER DIVERSITY OF
**53%** FEMALE
**47%** MALE
IN THE WORKFORCE

MORE THAN
**50**
COUNTRIES COVERED BY GLOBAL CUSTODY

CONVERTED XTRAMILES WORTH
**MUR 6.6M**
AS REWARDS TO CARDHOLDERS

MORE THAN
**1,600**
HOURS VOLUNTEERING

SERVING MORE THAN
**25,000**
CUSTOMERS

OPENING OF ACCOUNTS IN MORE THAN
**30**
CURRENCIES

MORE THAN
**600**
CHILDREN SUPPORTED THROUGH OUR CSR PROGRAMMES

# Building the foundation for growth

"

As we take AfrAsia Bank to the next level of sustainable growth, we continue to live our brand, reinforce our focus on operational excellence and service delivery while building privileged relationships, all driven by our three core pillars:

- **Customer Focus**
- **Teamwork**
- **Innovation**

# CORPORATE PROFILE & STRATEGY

> **Innovation** underpins our strategic ambitions, and we are looking at the continuous improvement of our interdepartmental processes, while creating multi-channel experiences for our customers, to achieve operational excellence. Our knack to innovate allows us to find a balance for long-term differentiation and sustained efficiency.

**Vijit Yadav**
Chief Operating Officer

# CORPORATE PROFILE & STRATEGY

## AfrAsia Bank Limited – a regional banking force with global reach

Headquartered in the Mauritius International Financial Centre with Representative Offices in South Africa, AfrAsia Bank Limited (The 'Bank') specialises in banking that builds bridges between Africa, Asia and the World.

The Bank's entrepreneurial approach helps to develop flexible financing and investment solutions and provide tailor-made advice while combining expertise in four core divisions:

- Corporate Banking
- Global Business Banking
- Consumer Banking
- Treasury & Markets

AfrAsia Bank Limited's core banking and transactional capabilities are also complemented by its asset management arm, AfrAsia Capital Management Limited.

With an experienced team and regional foundations giving customers the reliability and trust of a global banking network, AfrAsia Bank Limited helps clients achieve their financial aspirations, all delivered with boutique agility and service.

## Accolades for the Year

### Banker Africa

- Best Investment Bank In Mauritius 2016

### PricewaterhouseCoopers Mauritius Corporate Reporting Awards

- Financial Institutions Best Annual Report 2015

### African Excellence Awards

- Sports & Lifestyle Category for AfrAsia Bank Mauritius Open 2015

### PWM / The Banker

- Best Private Bank in Mauritius 2015

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# OUR 'BANK DIFFERENT' PHILOSOPHY

Critical for seizing growth opportunities and becoming a key player in regional and international markets, these three accelerators embody our 'Bank Different' philosophy at AfrAsia Bank Limited: Customer-Focus, Teamwork and Innovation.

1

## CUSTOMER FOCUS

- Our clients are at the heart of our business
- We strive to build privileged relationships through enhanced customer experience
- We maintain high level of service by being flexible, agile and innovative

2

## TEAMWORK

- We foster an entrepreneurial culture that drives organisational performance
- We have passionate employees who are empowered and dedicated
- Our strong leadership team nurtures an 'open-door' policy to encourage open communication and feedbacks

3

## INNOVATION

- We fuse deep market knowledge to enhance our products, services and processes
- We integrate multi-channel strategies to help deliver a consistent user experience across platforms
- We shape our commercial tactics to strengthen customer engagement, and deliver a fast and reliable service

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# CORE VALUES

As we continue our journey of cultural change, our corporate values lie at the core of everything we do, reflecting on how we conduct ourselves in the environment in which we operate, our success story and our relationship with our stakeholders.

**THE VALUES WE SEEK TO EMBED IN ALL OUR BUSINESS OPERATIONS**

## DISRUPTIVE BANKING

- Providing tailor-made and innovative products and services

## PASSIONATE PARTNERS

- Empowering our people as dedicated partners

## GENUINENESS

- Conducting business in confidentiality and ethically

## PRIVILEGED RELATIONSHIPS

- Establishing long-lasting relationship through our Relationship Managers

## CAN-DO ATTITUDE

- Believing in quick decision-making, innovation and customer service excellence

## HIGHLIGHT

*Our core values are embedded across the AfrAsia Group to drive our organisational culture and inspire our actions in line with upholding our 'Bank Different' approach.*

# STRATEGIC SHAREHOLDERS

The Bank's anchor shareholder is Ireland Blyth Limited (IBL) Ltd, the largest Mauritian conglomerate in terms of revenue. Born out of a merger between IBL and GML Investissement Ltée in 2016, IBL Ltd has a portfolio of over 300 companies which operate across various sectors: sugar, commerce and industry, financial services, talent sourcing, offshore, insurance, hospitality, real estate and biotechnology, communication and innovation. With over 13,000 employees, IBL Ltd has registered MUR 28.7bn turnover and has an operating profit of MUR 2.0bn. IBL Ltd made its entry on the Stock Exchange of Mauritius on the 14th July 2016 and has at date 7 companies listed on the Stock Exchange of Mauritius and 2 companies listed on the Stock Exchange of Mauritius Sustainability Index.

http://www.iblgroup.com/

Founded in 1859, National Bank of Canada (NBC), the sixth largest bank in Canada and first in Quebec, is an integrated provider of financial services to retail, commercial, corporate and institutional clients. Its head office is found in Montreal and, through its numerous subsidiaries worldwide, it offers its services on the international front in the securities brokerage, insurance and wealth management, as well as mutual fund and retirement plan management spheres. It is listed on the Toronto Stock Exchange (TSX: NA) and is rated 'A+' by Fitch and 'A' by S&P. NBC has around 20,000 employees and 2.3m individual clients with a total assets under management amounting to USD 368.2bn as at 30 April 2016.

https://www.nbc.ca

Intrasia Capital is a Singapore based investment, development and boutique private equity firm with offices in Mauritius and Australia. Intrasia Capital is primarily focused on investing in and developing high growth international public and private companies in the energy and resources, real estate, financial services and agricultural sectors. The Company is the third largest shareholder of the Bank and provides guidance and support to our international expansion.

http://www.intrasiacapital.com/

Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) is a development finance institution jointly held by Agence Française de Développement (AFD) and public and private shareholders from the North and South. As the private sector arm of Agence Francaise de Développement (rated AA), PROPARCO supports development in Southern countries since 40 years already and it is one of the largest Development Financial Institutions as well as one of the leading European Development Finance Institutions. PROPARCO's mandate is to foster private investment in emerging and developing economies with the aim of supporting the growth of companies and financial institutions with a major impact on development. Its operations span across four continents, from major emerging economies to the poorest countries, from politically stable environments to fragile states. They cover the financial services sector, infrastructure, mining, agriculture, manufacturing, services and microfinance. Managing environmental and social risks is a key feature of its work.

http://www.proparco.fr

# LICENCES

AfrAsia Bank Limited holds a Banking Licence to conduct banking business in Mauritius issued by the Bank of Mauritius under Section 7 of the Banking Act 2004 since 29 August 2007. The Bank and its Group Entities have also been granted the following licences:

| Legal Entity | Domiciled | Regulatory Oversight |
|---|---|---|
| AfrAsia Bank Limited | Mauritius (Domestic) | Bank of Mauritius, Financial Services Commission |
| AfrAsia Corporate Finance (Africa) Limited | Mauritius (GBL1) | Financial Services Commission |
| AfrAsia Capital Management Limited | Mauritius (Domestic) | Financial Services Commission |

The Bank of Mauritius has also granted the Bank the status of Primary Dealer to deal in government securities.

# GROUP STRUCTURE

## Group structure of AfrAsia Bank and its Group entities as at 30 June 2016

**AFRASIA BANK LIMITED (THE BANK)**

100%

**AFRASIA INVESTMENTS LTD**

| | |
|---|---|
| AFRASIA CAPITAL MANAGEMENT LIMITED | 100% |
| AFRASIA CORPORATE FINANCE (AFRICA) LIMITED | 100% |
| AFRASIA CORPORATE FINANCE LIMITED | 100% |
| AFRASIA CORPORATE FINANCE PTY LTD (FORMERLY AFRICA ASIA CORPORATE FINANCE (PTY) LIMITED) | 100% |
| AFRASIA CORPORATE FINANCE INTERNATIONAL LIMITED (FORMERLY AFRICA CAPITAL ADVISORS PCC) | 100% |

100%

**AFRASIA HOLDINGS LIMITED**
UNDER LIQUIDATION

100%

**AFRASIA KINGDOM HOLDINGS LIMITED**
UNDER LIQUIDATION

38.76%

23.99%

**AFRASIA ZIMBABWE HOLDINGS LIMITED**
DORMANT

# CORE BUSINESS SEGMENTS

AfrAsia Bank Limited operates through four core business lines and is complemented with its asset management arm, AfrAsia Capital Management Limited.

## CORPORATE BANKING

- Short Term Funding
- Term Funding
- Structured Products
- Transactional Banking

## CONSUMER BANKING

- Private Banking
- Personal Banking
- External Asset Management & Custody
- Asset Management

## GLOBAL BUSINESS BANKING

- Transactional & Payment Services
- Cash & Liquidity Management
- Other Products & Services

## TREASURY & MARKETS

- Foreign Exchange
- Money Markets & Fixed Income
- Structuring
- Financial Institutions

# BUSINESS SEGMENTS' ACHIEVEMENTS

## Corporate Banking

- Relationship with 60% of the Top bankable companies in Mauritius and also increased our wallet share among the top players in different industries across sub-Saharan Africa
- Customer asset book closed at MUR 19bn as at 30 June 2016 and MUR 1.05bn of interest income generated for the year ended June 2016
- MUR 9bn of Segment A deposits being managed for funding of assets growth

## Consumer Banking

- The number of clients increased by 45% and deposits rose by above 50% for the year ending June 2016
- The External Asset Manager Desk has doubled its total assets over the past year
- Assets Under Custody stood at MUR 17bn
- XtraMiles - 153% increase in rewards value distributed to cardholders (air tickets, hotel stays, car rentals, etc.) to reach MUR 6.6m

## Global Business Banking

- Geographic client diversification in more than 120 countries
- Working with 145 intermediaries in Mauritius and 87 based outside Mauritius
- Total Deposit Segment B increased by 25% to reach MUR 60bn
- Now opening accounts in 30 currencies and undertaking third party payments in 100 currencies

## Treasury & Markets

- Trading income for Treasury and Markets stood at MUR 595m for the year ending June 2016 representing an upsurge of 26% from the year ending June 2015
- For the same period, market share of the Bank in FX sales stood at 15%
- Contribution of 50.2% to the Bank's Net Interest Income for the year ending June 2016

# CHAIRMAN'S REVIEW

Dear Valued Shareholders,

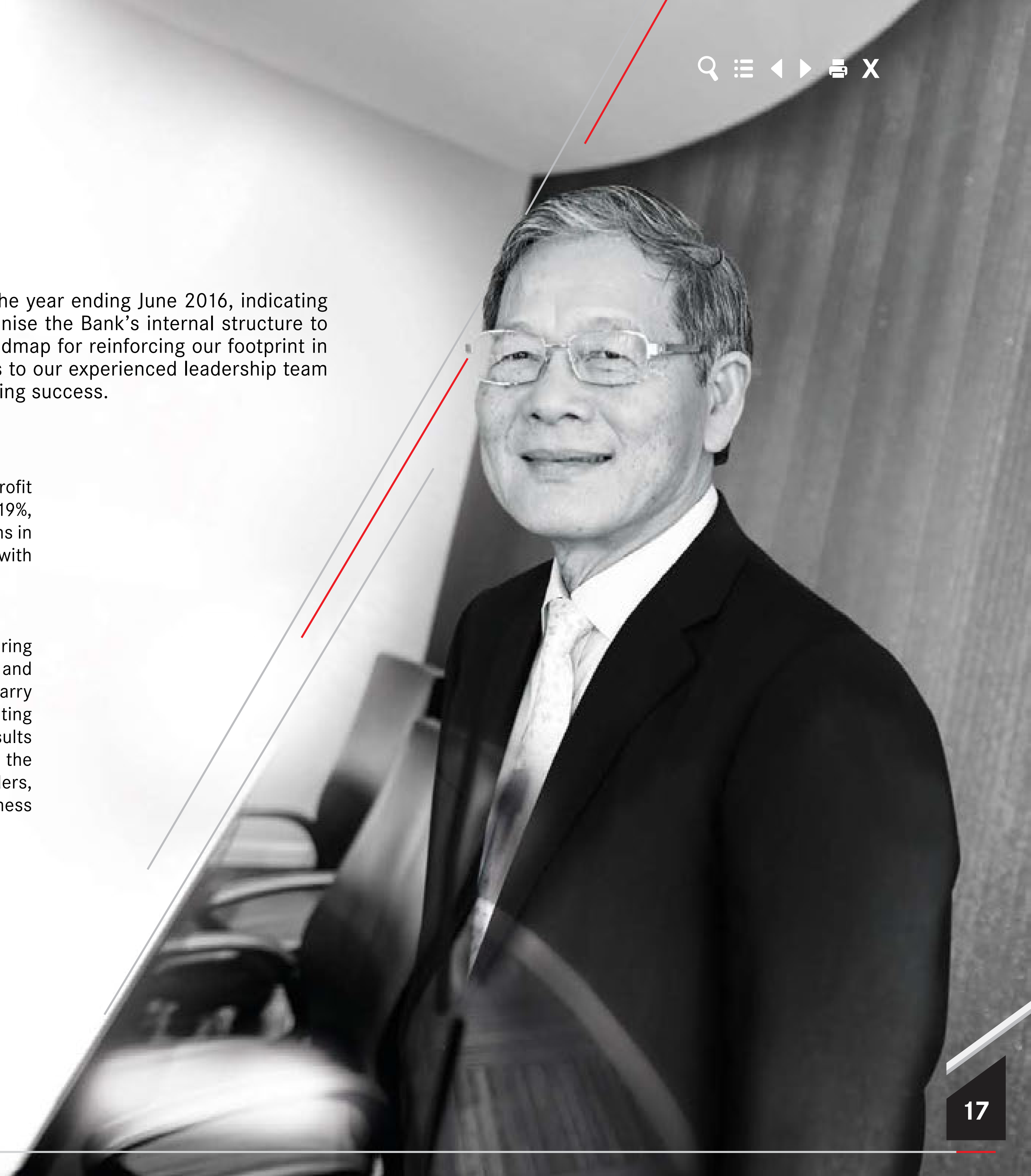
AfrAsia Bank Limited achieved solid financial results for the year ending June 2016, indicating our drive to restore the Group's financial strength, reorganise the Bank's internal structure to better serve our clients, and come up with a strategic roadmap for reinforcing our footprint in key markets and effectively managing risks. It also speaks to our experienced leadership team and our committed employees, key drivers of our unremitting success.

## The Year Under Review

The Group delivered a strong financial performance, a Net Profit after Tax of MUR 639.7m and a return on average equity of 19%, which confirmed the benefits of our diverse portfolio of operations in Mauritius and South Africa. Our capital position remains strong, with a total capital adequacy ratio of 11.5% at Group level.

## A Dedicated Board and Management Committee

Strong governance supports the Bank's ambition to constantly bring superior returns. We understand our responsibility to uphold and improve procedures across the Group and the approach we carry out our responsibilities as directors. Given the challenging operating environment, the Board is very pleased with this year's results and how we have been able to manage our risks and still grow the business sensibly to achieve the best returns for our shareholders, proving at the same time the strength and resilience of our business and brand.



# CHAIRMAN'S REVIEW
(CONTINUED)

AfrAsia Bank Limited is gearing towards delivering long-term sustainable growth by putting together a strong team with clearly demarcated responsibility areas. In this regard, to align the leadership team with their respective business segments, the Bank embarked during the year into an internal restructuring exercise with four business lines: Corporate & Investment Banking, Consumer Banking, Global Business Banking and Treasury & Markets. Whilst the Bank is now emphasising on customer focus, teamwork and innovation, this prompted for a clear operational model around the key roles of its management team.

The Group will now be looking forward to embark on its next growth stage and the Board has approved a three-year strategic plan which lays out the foundation for business development as well as a capital raising plan to achieve the Bank's objectives. As we are embarking in our next year of growth, our focus is clear. First, we need to ensure that the Board is fully armed with the expertise to build strong engagement with all our stakeholders and comprises a robust leadership team who have experiential comprehension of market realities and visibility of risks on-the-ground. Second, as the digital economy continues to create a watershed moment for the financial industry, we need to continuously streamline our governance processes, policies and systems.

## Leveraging our Synergies

With our aim to emerge as a more meaningful player in the industry, we have also stepped up our collaboration from National Bank of Canada (NBC) to capitalise on their key expertise and business networks that will contribute to the Bank's commercial and strategic development. One of the opportunities already identified is with commercial clients with respect to our risk management solutions for financial risks related to interest rates, foreign exchange and commodities. Also, with regards to institutional clients, we are looking into assisting them better in managing their assets and liabilities. As we grow our business we will sustain our collaboration to capitalise on NBC's governance approach and their strong credit underwriting capabilities, amongst other areas. The GML-IBL amalgamation also reveals a new milestone in the market and with the collaboration of our anchor shareholder, IBL Ltd, this will also contribute positively in reinforcing the Bank's image across geographies.

## Consolidating our Regional Footprint

The strategy refresh undertaken in 2015 underpins the approach to guide the execution of strategies at business unit level and market drivers, all completely supported by the Board. Our focus for business remains Africa and Asia. The target is to capture the trade and investment flows to and from these two continents, supplemented by direct flows to each of the regions from elsewhere. The Africa Wealth Report 2016 estimates that the African private banking market will grow by 7% per annum over the next 10 years. There is no doubt that the continent is reckoned as one of the regions of the world with significant potential to grow its wealth, driven by an increasing middle class and the rising success of many businesses. Hence, we will also focus on building up the capabilities of our South Africa Representative Offices and collaborate more closely to source deals in East and West Africa while also enhancing our strategic communications to specific target audiences. The opportunities lying in front of us are considerable and we moreover intend, with the talent pool and global network available, to keep promoting Mauritius as an International Financial Centre of choice and the springboard to Africa. With the larger banks pulling out, there is indeed a niche market for AfrAsia Bank Limited to position itself as a bank of regional relevance and international standing.

## Future Outlook

Our strategy is inspiring, and the Group's culture is fit for performance and value creation. Customer expectations are evolving and technology is changing the landscape on how customers access products and services. We need to be innovative in our thinking to be ahead of the market and have a competitive edge to differentiate ourselves and uphold our 'Bank Different' approach. We will strive to offer our customers maximum support through new and customised solutions, cutting-edge technologies and quality services. With a well-articulated and renewed vision for the organisation, the on-boarding of new talent that will help contribute to the organisation in the long term, and the continuous support of our strategic shareholders, our passionate team has embarked on a double-digit growth journey. On behalf of the AfrAsia Group, I extend our thanks to our clients, shareholders and other stakeholders for their continued support, and the executive team and the people of AfrAsia Bank Limited for their commitment and resilience.

LIM SIT CHEN LAM PAK NG
**Chairman**

# CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Valued Partner,

I am indeed pleased to announce that our results for the year ended June 2016 have been very encouraging. AfrAsia Bank Limited has come a long way. Against a back drop of difficult credit environment, we managed to achieve a record profit of MUR 433.6m for the year, the highest achieved since the inception of the Bank. This is a significant achievement as the growth in earnings was contributed by all of our business verticals and after making the necessary provisions on the loan book which we consider appropriate and adequate.

The banking industry continues to be competitive and challenging. There are clear signs of a fairly large-scale disruption in this industry being led by customer expectations, technological transformation and the changing regulations. Amidst this reality, we have yet to witness an improvement in the credit cycle or a movement in the interest rate curve. This makes targeting a sustainable growth in this industry a challenge. We consider this a difficult environment but also an opportunity to grow selectively provided we are able to identify, understand and manage the risk.

For a start, we have strengthened our Credit Risk capabilities and the Operating Platform by introducing experienced skill sets to ensure we do not import risks on our balance sheet which we cannot price and manage. Moreover, with a disciplined approach to assets classification, we have identified our Non-Performing Assets during the year and taken an adequate provision against the impaired assets.

## CHIEF EXECUTIVE OFFICER'S MESSAGE
(CONTINUED)

After having identified the key areas which needed strengthening and having researched the environment and possible developments which are likely to be witnessed we have assembled a three-year strategic plan. The latter envisages prudent growth preserving liquidity and ensuring a better use of capital. The Board of Directors has approved the plan and the capital increase of MUR 600m needed to achieve the growth targets. The capital will be raised by way of a rights issue and is scheduled to be launched in December 2016.

The fundamental guiding principles of the three-year plan to achieve the strategic objectives are based on:

### Customer-Focus

Customers have many choices for banking services and we have to ensure that we remain at the forefront of these developments and offer a customer experience which is valuable and meets the changing and demanding expectations. We are thus looking into innovations and opportunities to transform our systems, processes and the quality of service to our customers. In this regard, a new Customer Experience cluster has been created that will be responsible for the implementation of a customer-centric strategy both internally and externally, to ensure the delivery of a consistent customer experience across our bank. Our objective is to attain excellence in customer service and position this as the differentiator on the market.

### Teamwork

A collective recognition and acceptance that customer service has to be at the forefront of our thoughts is necessary or else we may not be able to retain or grow our customer base. The foundation for a strong surge has been laid by the management team but we believe that improving our talent through recruitment and ongoing development of our people will be the key to the effective implementation of our strategies. We continue to invest in human capital to contribute to both economic and business growth. I, as CEO, commit to spare no efforts in ensuring the development of a collaborative spirit to work together to achieve a common goal – Customer Excellence.

### Innovation

Technology offers the ability to connect with customers at a time of their convenience and in the manner they want and at a frequency they desire. Besides, powerful analytical tools will offer Customer Insights to help us in remaining relevant to our customer base. The use of technology also brings heightened cyber security demands and a focus on that cannot be compromised at any cost. For us at AfrAsia, it is all about living the 'bank different' philosophy and this will be possible if we keep customers in the forefront of our journey. We will thus keep innovating such that we can deliver on customer expectations and provide them with the most relevant solutions.

### STRATEGIC FOCUS

- Build on our three pillars: Customer-Focus, Teamwork & Innovation
- Consolidate our African footprint and reinforcing our domestic foothold

### CAPITAL AND BALANCE SHEET STRENGTHENING

- Raise statutory capital to support the Bank's financial position
- Improve risk management processes to enable quality asset growth

### PERFORMANCE IMPROVEMENT

- Enhance customer centricity through improved processes and procedures
- Invest in human capital to strengthen our talent pool
- Heighten cyber security across all business activities
- Consolidation of our existing technology platform
- Enhance product offering and quality of our portfolio
- Derive customer insights through powerful analytical tools

# CHIEF EXECUTIVE OFFICER'S MESSAGE
(CONTINUED)

## Looking Ahead

Our strategic initiatives are based on driving a culture of customer focus, customer service, and use of appropriate technology. It needs a collaborative Teamwork and comfort with Innovation and Change. New ways of doing things, doing different things and being recognised for that will help us in our road map to success. We have therefore built our expenditure program for technology improvements and the security enhancements in our plan. We have launched the process of bringing the cultural change to ensure customer attention and teamwork remain the guiding principles of our future growth.

The growth plan does have aggressive financial targets and the right risk framework. However it brings to the forefront our desire to be a bank of preferred choice for our customers and employees. The journey has begun; as any bank conscious of evolving needs and framework, we wish to keep questioning our model and thus be nimble and flexible. Regular reviews will allow us to evaluate how successful we are and adapt. We plan to balance our income streams between the business lines of Corporate & Institutional Banking, Treasury & Markets, Global Business Banking and Consumer Banking enabling us to develop prudently with diverse income streams becoming meaningful and equally important.

This ambitious journey is indeed exciting and would never be possible without you, our valued partners.

I acknowledge the effort of all my team members who have enabled AfrAsia Bank Limited to record brilliant results. I remain confident that their commitment to serving our customers even better will ensure that our journey in the future is exciting and rewarding.

We have commenced our journey to remain relevant to the ever-changing environment and your guidance will enable us to remain on this path of success.

SANJIV BHASIN
**Chief Executive Officer**

"

In this highly competitive environment, building **relationships** and offering a seamless **customer service** are critical for us. Listening to our clients and developing a deep understanding of their business needs are the ingredients to our entrepreneurial spirit, all part of our 'bank different' approach.

**Robin Smither**
Senior Executive, Corporate & Investment Banking

# OUR BUSINESS MODEL – HOW WE CREATE SUSTAINABLE VALUE

## Our Strategy

Our client-centric approach, high standard of service, innovative mind-set as well as a strong culture enable us to meet evolving customers' needs and growth.

Our strategy is summarised as follows:

- Become the leading bank in Mauritius in terms of customer service and operations excellence
- Improve the Bank's profitability, grow earnings and dividend per share in a sustainable way with improved risk management processes for quality asset growth
- Build an organisational culture to ensure teamwork, and that our people have a common purpose and way of doing things
- Leverage technology to innovate our products and transform our multi-channel platforms to provide an enriching customer experience

## Our Business Segments

**Corporate Banking**

We serve a broad range of clients in both our local and international markets, by developing a detailed understanding of our clients business and their specific financing requirements. This could range from the provision of short term funding solutions, long term financing solutions and/or transactional banking solutions.

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**Global Business Banking**

With regional cross-border capabilities, we provide international clients and management companies expert advice and develop flexible financial solutions, including the opening of accounts for different types of structures, cash management, accessing their account from overseas.

REFER TO PAGE 93

**Consumer Banking**

The Consumer Banking cluster consists of Personal Banking, Private Banking, External Asset Manager Desk and Global Custody. Designed for professionals, executives, asset managers, entrepreneurs, micro companies and high net worth individuals, the Bank's products and services are carefully crafted to meet the sharp requirements of our clients.

REFER TO PAGE 95

**Treasury & Markets**

AfrAsia Bank Limited is establishing itself as an innovative Financial Markets service provider catering for both the local and regional market. We provide clients with tailored solutions by reinforcing our position as the market makers for foreign exchange, interest rate, debt, and other structured derivatives.

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## Differentiating Ourselves

**Customer-Focused Approach**

We pursue a customer-centric approach built on privileged relationships and a multi-channel approach to provide an optimised customer experience.

REFER TO PAGE 10

**Teamwork**

The Bank's unique culture is fundamental to who we are as an organisation and a key aspect of its brand promise, 'Bank Different'.

REFER TO PAGE 10

**Innovation**

We combine our deep market knowledge to drive innovation for improved products and services to help clients achieve their financial aspirations.

REFER TO PAGE 10

## OUR BUSINESS MODEL – HOW WE CREATE SUSTAINABLE VALUE
(CONTINUED)

**Managing Ourselves**

### Internal Control Framework & Risk Management

Effective risk management is fundamental for our organisation. We are structured in line with the commonly known, three lines of defense concept:

- First line of defense: Identify and manage risks by businesses and support units.
- Second line of defense: Corporate oversight exercised by control functions (such as Risk Management, Finance, Legal and Compliance).
- Third line of defense: Regular audits (internal and external) on a risk based approach to provide independent assessment of the adequacy and effectiveness of internal controls.

### Compliance

The Compliance Function sets standards for achieving compliance with the relevant laws, regulations and supervisory requirements. Policies and procedures are put in place to ensure that the Bank has implemented relevant Acts, Guidelines, Regulations and Rules. The Compliance Function must also identify, assess and monitor the compliance risks faced by the bank, and advise and report to Senior Management, the Audit Committee of the Board and the Board of Directors about any major risks.

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### Corporate Governance & Leadership

We are committed to high standards of integrity, ethics and professionalism. To safeguard stakeholders' interests, the Board of Directors is well-informed and fully engaged, and provides the leadership and direction to management by reviewing and overseeing the implementation of the Bank's strategic vision. The Bank believes that sound and effective corporate governance is fundamental to the Group's long-term success.

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### Values-led Culture

Our organisational values shape the way we do business and work with each other.

- Disruptive Banking
- Passionate Partners
- Genuineness
- Privileged Relationships
- Can-do Attitude

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**Measuring Ourselves**

### Our Balanced Scorecard

The balanced scorecard tool is used to align business activities to the strategic vision of the organisation. The scorecard enables us to track financial results while simultaneously monitoring progress on our other angles of growth, promoting coherence and relevance across all levels of the organisation. It facilitates the implementation of our long-term strategy through structured short term actions and allows decision making based on both financial and non-financial measures. Our scorecard is divided into 4 perspectives namely customer, internal operations, financial and learning and growth. The different components separately and in combination, contribute to providing an overview of our performance relative to our strategic objectives. The tool is a reliable means of communication as it provides clarity and regular updates on strategy; enables an alignment of individual goals with the overall strategy of the Bank; bridges the gap between strategic objectives, long term targets and annual budgets and provides a periodic performance review which can be used to review and improve strategy in line with changes in the market environment and technological advancements.

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# HOW WE USE OUR RESOURCES

The Bank relies on several resources to create sustainable value for all stakeholders. Our aim is to find the right balance to ensure that the resources are enhanced and managed efficiently for current and future business growth.

It is a challenge to measure some of the resources; hence, we have provided approximates of those values while giving an overview of the framework and context within which the resources have been managed.

| Resources | | 2014-2015 | How we manage our resources | 2015-2016 |
|---|---|---|---|---|
| Capital | Eligible Risk-Weighted capital | **MUR 4.9bn** | While ensuring that shareholders' value is maximised, we remain guided by the Guideline on Scope of Application of Basel III and Eligible Capital which require the Bank to maintain a minimum level of regulatory capital. | **MUR 5.0bn** |
| | Capital Adequacy Ratio | **13.7%** | REFER TO PAGE 106 | **11.7%** |
| Funding | Customer deposits | **MUR 66.9bn** | We have in place a funding strategy aimed at reinforcing our core deposit base. Although our deposits are increasing, our objective is to reduce our cost of funding across currencies. | **MUR 80.4bn** |
| | % of total investable funds | **90%** | Our MUR deposit base grew slightly over the year, however, on the FCY side our customer deposit base increased significantly. | **90%** |
| | % deposit base in foreign currency (FCY) | **82%** | Our deposit base in FCY is mainly in USD, EUR and GBP. We also hold deposits in other major currencies like AUD, CHF, JPY, etc. REFER TO PAGE 106 | **83%** |
| Our People | Number of employees | **234** | Our workforce increased by 30 with a greater focus on the support functions to fuel business growth. | **266** |
| | Number of training hours | **1,273** | We strengthened our people’s value through an interactive culture & values workshop and enhanced our human resources through training & development initiatives of which > 3,900 hours for local and international training and 3,000 hours for self-training for undertaking the Chartered Institute of Bankers certification. REFER TO PAGE 147 | **>6,900** |
| | Promotion | **9%** | We strive to broaden employees’ skills and exposure through enhanced internal mobility and we provide clearer career paths and more opportunities for young graduates and school leavers. | **9%** |

## How we use our resources
(CONTINUED)

| Resources | | 2014-2015 | How we manage our resources | 2015-2016 |
|---|---|---|---|---|
| Customer Relationship | Number of customers<br>- Individual Residents<br>- Individual Non-Residents<br>- Corporate Residents<br>- Corporate Non-Residents | <br>**>5k**<br>**>6k**<br>**>1k**<br>**>4k** | With an experienced team of entrepreneurial bankers and a customer-centric approach, we service our local and international clients. We achieve our clients' financial aspirations by providing tailor-made banking solutions and advices whilst building privileged relationships | <br>**>6k**<br>**>8k**<br>**>2k**<br>**>6k** |
| Technology | No. of Internet Banking (IB) users | **5,827** | We have been investing heavily on technology to ensure our IT platform supports our growing franchise in a resilient manner. | **8,830** |
| | Volume of funds transfer on IB locally & internationally | **61,349** | | **89,965** |
| Community | Volunteer hours | **1,600** | Our employees are encouraged to show dedication towards our social and environmental programmes by giving their time and effort. | **1,750** |
| | No. of volunteers | **150** | We involve the staff in our projects for them to feel they are also part of the Bank's social initiatives. | **160** |
| Natural Resources | Paper Consumption (reams) | **Not Applicable** | We have taken measures to encourage customers to shift to e-statements and e-advices during the year. Also, employees are being motivated to re-use paper and procedures have been reviewed internally. We now have a policy for paper purchase (certification FSC, ISO 14000, recycled paper) and with the implementation of waste segregation 4,920 kg of paper were sent for recycling. | **8,640** |
| | Energy consumption (kwh) | **Not Applicable** | Following an electricity consumption survey, we have identified possible measures to reduce lights and air conditioning associated costs. Our objective is to reduce same by 10% by 2018. | **679,400** |

# HOW WE DISTRIBUTE VALUE CREATED

In the financial year 2015-2016, the distributable financial value is as follows:

## RETAINED EARNINGS

The Statutory reserve represents transfers from retained earnings in accordance with the Banking Act 2004 which stood at MUR 217m as at 30 June 2016

## SHAREHOLDERS

Dividends paid/payable to ordinary and Class A Shareholders were MUR 118m and MUR 138m respectively for the year ended 30 June 2016

## OUR PEOPLE

Personnel expenses amounted to MUR 397m for the year ended 30 June 2016

## COMMUNITY

Contributions to society through CSR – 2% of chargeable income under segment A (Residents) of preceding financial year amounted to MUR 5.9m

Our non-financial value is shared with all of our stakeholders:

## CUSTOMERS

REFER TO PAGE 33

Offering relevant and innovative products and services efficiently and responsibly, with specific focus on customer experience.

## OUR PEOPLE

REFER TO PAGE 33

Developing, recognising and rewarding our employees.

## REGULATORY BODIES

REFER TO PAGE 33

Ongoing engagement with regulatory bodies on new policies, laws and related initiatives help in contributing to a well-regulated banking sector.

## COMMUNITY

REFER TO PAGE 33

Supporting the community, enhancing job creation, investing in sustainable initiatives to minimise environmental impact.

# MATERIAL THEMES

Material matters influence on our ability to meet our strategic plans and targets as well as to create shareholders' long-term value. These matters influence the Board and management in setting up risk appetite and the review of policies and procedures to ensure the risks identified as potentially having a material impact are controlled and managed adequately.

## Material matters identification process

### IDENTIFY

Matters that are believed to impact execution of our strategic plan.
The identification of material matters is inherent to the Bank's activities and environment. It is best achieved by conducting brainstorming session to identify the potential risks within the relative business lines and functions.

### REVIEW AND ASSESS IMPACT

**Assess the impact**
Material matters are enlisted based on evaluation process, inherent to our business impacting our Customers, People, Processes and our stakeholders.

**Finding the right fit**
Finding the solution fit is our priority. Resources combined to make it happen through teamwork of dedicated people, innovation through the technology platform and our customer-centric approach.

### REFER/ ADDRESS

**Communicate and Consult**
Communication plays a fundamental part in our quest to serve better and provide an enhanced customer experience. Our lines of defence collaborate to better manage the outcomes.

**Constant Monitoring and Review**
Reporting is a fundamental element to continuously improve the process. We have also established the risk culture in the DNA of each employee through a continual awareness programme in place.

## MATERIAL THEMES
(CONTINUED)

# EXTERNAL FACTORS AND OPERATING ENVIRONMENT

| Material matters | Risks | Opportunities | Actions |
|---|---|---|---|
| Challenging economic environment | The economic environment across geographies where our customer are based from, the difficulty of constant pressures being exerted to meet demand for customer products and services and competition. | This creates opportunities for the Bank to act as a preferred secure platform bridging the Africa-Asia financial hubs. It allows the Bank to further invest and develop new, innovative products as the market has become more dynamic and makes room for new products in the different market segments. | More information about the economic outlook. REFER TO PAGE 79 |
| Regular changes in regulatory guidelines | Evolution of the legal and regulatory framework in Mauritius and other jurisdictions with recent changes in various regulatory guidelines where the Bank should remain vigilant to meet the relevant banking and financial services requirements and guidelines. At times, these changing guidelines also need banks to invest further in IT systems. | The banking systems around the world and including our local regulations are getting more resilient through more robust frameworks and operating guidelines. | Ensuring we are abiding and investing in tools and new procedures as per requirements of the new guidelines. |
| Operational Challenges | Implementation of the right set of processes and operational framework to conduct its banking and non-banking activities in a more efficient manner and provide customers with services to its best capabilities. | This puts the Bank in a dynamic operating mode, ensuring that the processes and procedures are in place to meet the demand in the challenging banking environment. The Bank has the framework in place to increase market share. | The Bank is under constant review for changes and to enhance its processing efficiency. Various reviews are done by external parties where the Bank is taking appropriate actions to improve its operations and processes. |

## MATERIAL THEMES
(CONTINUED)

### INFORMATION TECHNOLOGY

| Material matters | Risks | Opportunities | Actions |
|---|---|---|---|
| Existing IT Platforms | Various suppliers of systems for each department which needs interfacing between these systems. | The Bank sees it as an opportunity to interface all these systems. It has already invested in top platforms in different areas and through their integration it aims to enhance efficiency and customer satisfaction. | We are currently embarking on a three-year plan to improve and we have one of the best banking IT platforms in Mauritius. |
| Digital Transformation | Technology Investment risk associated with the right technology for the coming generation of customers and fulfilling the current gaps. | Technology is an area that can create multiple competitive advantages provided the right technology mix is used with a customer-centric approach. | Technology advancement worldwide creates opportunities and challenges for the Bank to effectively leverage relevant systems to improve customer experience and quality of service and meet competition. The Bank is currently embarking on a three-year transformation plan. |
| Cyber security | As enterprises strive to gain value by leveraging technology, the risk associated with digital business is increasing. Theft of personal information and private business information, misappropriation of resources, denial of service, and cyber-theft are becoming commonplace, affecting large and small enterprises. | As technology evolves, secured platforms provide a competitive edge to the Bank while introducing new ways of serving customers. | Several upgrades and firewall on our IT systems are performed. The Bank ensures updated and a robust secured platform for its clients and employees. |

## MATERIAL THEMES
(CONTINUED)

### GENUINENESS AND COMMITMENT TOWARDS OUR CLIENTS

| Material matters | Risks | Opportunities | Actions |
|---|---|---|---|
| Fight against financial crime | Financial crime has been a material threat to banks around the globe leading to compliance and reputational risks. | Building an environment for clean operations will attract customers and investors and as such grow the Bank into a desired and trusted partner for clients. | Ensure adequate controls and systems are in place. The Bank has invested in new tools and bringing up with additional controls year-on-year to combat this threat. |
| Fair dealing | Non-observance of fair dealing policies leads to compliance and reputational risks. | With the assurance that the Bank operates in a fair and transparent manner, we aim to build relationships based on trust with our clients. This will ultimately have positive impact on the customer acquisition and retention cost. | Constantly improve processes to ensure our commitment to clients is respected. |
| Responsible financing | The regulator and public demand that banks lend only for appropriate activities and purposes. Failure to do so gives rise to reputational and credit risks. | Having a sound lending structure will attract investments. Improving quality of assets at a consistent growth rate ultimately brings higher shareholders value. | The Bank ensures that it has strong credit processes and procedures for the assessment of any financing request. |

## MATERIAL THEMES
(CONTINUED)

### PEOPLE

| Material matters | Risks | Opportunities | Actions |
|---|---|---|---|
| Talent Management and Employee Retention | The Bank requires employment of people with different skill sets to ensure service delivery in the right perspective and enhance the productivity of its operating business segments in line with change. Failure to do so can restrict future growth and expansion in new areas. | Building an internal culture set while recruiting the best breed from the market to sustain growth of the Bank. | The Bank ensures adequate and relevant trainings, salary packages and support to its existing employees as well as aims at finding the right talent pool on the market. |

# STAKEHOLDER RELATIONSHIP

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An overview of the Bank's prime stakeholders, how the Bank engages with them and the general nature of their expectations, is provided in the table below:

| | Shareholders and Investors | Customers | Employees | Society | Government Regulatory Authorities | Suppliers and Service Providers |
|---|---|---|---|---|---|---|
| **How we engage with our stakeholders** | > Presentations and road shows<br>> Newsletters<br>> Annual reports and Press releases<br>> Results Briefings<br>> Board Meetings<br>> Annual General Meetings<br>> Investor Relations content | > Meetings and visits<br>> Conferences, Roadshows and Presentations<br>> Business meetings<br>> Social media<br>> Overseas travelling in strategic markets<br>> Continuous assistance and guidance to counterparties | > Meetings<br>> CEO road shows<br>> Social events<br>> Engagement and value surveys<br>> Health & Safety programmes<br>> Sustainability activities<br>> Trainings, learning and development opportunities<br>> Recognition and reward | > CSR events<br>> Social and environmental initiatives<br>> Meetings with entrepreneurs/ corporates<br>> Digital communication<br>> Newsletters<br>> Media releases | > Meetings, workgroups, committees between the Bank and regulators<br>> Written communication<br>> Regulatory returns<br>> Onsite and offsite supervision/ examinations by the regulators<br>> Trilateral meetings | > Meetings<br>> Site visits<br>> Workshops<br>> Business association meetings<br>> Service level agreements |
| **Their contribution to value creation** | > Investors provide capital to foster stability and long-term growth | > Customers provide a solid base for unremitting growth<br>> Customers turning into our strategic partners as we leverage on their brand equity | > Communication of clear Key Performance Indicators and targets<br>> Passion, dedication, skills and attitude | > People are the driving force behind the country's economic growth through their companies' success<br>> Building connections that result into or reinforce long-term relationships<br>> Better quality of life: social, literacy, health and environment | > The regulator provides the enabling regulatory framework | > Selecting elite suppliers to cater for the Bank's requirements and provide a superior rate of return |

## STAKEHOLDER RELATIONSHIP
(CONTINUED)

| | Shareholders and Investors | Customers | Employees | Society | Government Regulatory Authorities | Suppliers and Service Providers |
|---|---|---|---|---|---|---|
| **What our stakeholders expect from us** | > Delivering sustainable returns<br>> Leadership and strategic direction<br>> Corporate governance and ethics<br>> Progress with project pipelines, business plans and future growth projects<br>> A high level of empowerment and autonomy | > Quality of the Bank's banking suite and service<br>> Sustainability and financial solidity of the Bank<br>> Combining the views of different businesses into a single sign on portal to eliminate the shadow of 'non-bank' competition<br>> Enhanced customer relationship management practices<br>> Seamless front-end experience | > An environment that encourages growth and open communication<br>> The opportunity to achieve personal goals in line with the Bank's aspirations<br>> Ongoing communication and consultation<br>> The ability to raise concerns and expectations | > Devising sustainable business strategies and offerings<br>> Our differentiation to sustainability programmes in society<br>> Set up processes to assess the efficacy of our social and environmental initiatives | > Products and services being provided and their communication<br>> Compliance with acts, regulations and other guidelines<br>> Risk management and internal control<br>> Complaints handling and customer care<br>> AML/CFT and other financial crimes prevention<br>> Request approval for new technology/ products/ services | > Fast decision-making and processing of payments<br>> Uphold transparency vis-à-vis our suppliers to help us maintain good working relationships |

# 2016-2017 STRATEGIC PRIORITIES

BACK TO PAGE 24

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

> We are **partners** who are uniquely equipped to understand our clients' needs and understand where they sit on the spectrum of product sophistication and customisation, to ultimately offer them **tailor-made solutions** and help them achieve their financial aspirations.

**Parikshat Tulsidas**
Senior Executive
Treasury & Markets

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# STATEMENT OF COMPLIANCE

**(SECTION 75(3) OF THE FINANCIAL REPORTING ACT)**

AfrAsia Bank Limited and its Group Entities
Year ended 30 June 2016

We, the Directors of AfrAsia Bank Limited, confirm that to the best of our knowledge AfrAsia Bank Limited and its Group Entities have complied with all of its obligations and requirements under the Code of Corporate Governance in all material aspects.

| | | |
|---|---|---|
| Lim Sit Chen LAM PAK NG | Sanjiv BHASIN | Arvind SETHI |
| **Chairman** | **Chief Executive Officer** | **Director** |

**22 September 2016**

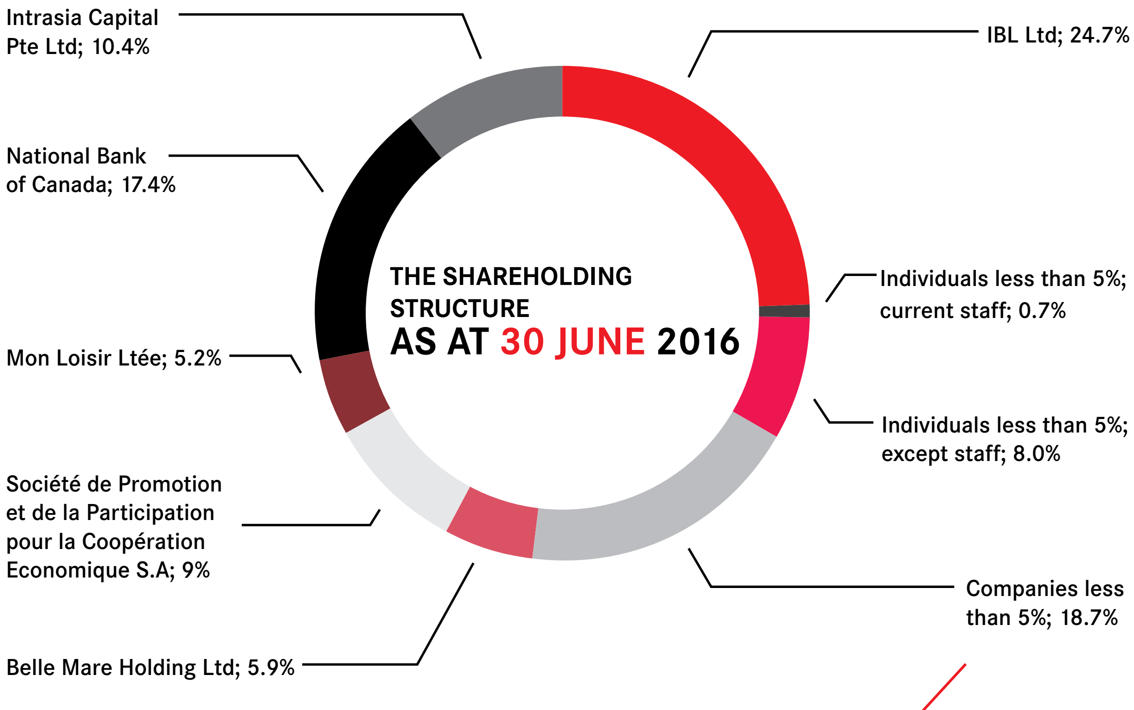
As a public company incorporated on 12 January 2007 and holder of a Banking Licence issued on 29 August 2007, AfrAsia Bank Limited remains guided by the principles issued by the Mauritius Financial Reporting Council in its “Guidelines on Compliance with the Code of Corporate Governance”, by the Bank of Mauritius in its “Guidelines on Corporate Governance” and by the provisions of the Mauritius Companies Act 2001.

## STATEMENT OF AFFAIRS AND REVIEW OF ACTIVITIES

AfrAsia Bank Limited specialises in banking that builds bridges between Africa, Asia and the World. The Bank’s entrepreneurial approach helps to develop flexible financing and investment solutions and provide tailor-made advice while combining expertise in four core divisions namely Corporate Banking, Global Banking, Consumer Banking and Treasury & Markets.

## SHAREHOLDING STRUCTURE

AfrAsia Bank Limited has a good mix of local and foreign private institutional investors of renowned reputation across various continents contributing to a capital base of MUR 5bn as at 30 June 2016. The Bank’s aim is to ensure that there is proper and efficient information dissemination to all of its shareholders and to ensure that the rights of minority shareholders are not neglected. We also highlight that approximately 0.7% of the Bank’s shareholding is held by its staff.



# BOARD OF DIRECTORS

The Board of Directors of AfrAsia Bank Limited is responsible for the overall stewardship of the Bank and thus plays a key role in ensuring that the appropriate level of corporate governance is maintained.

Some of the key functions of our Board of Directors include:

- the determination of the Bank's purpose, strategy and values;
- providing guidance, maintaining effective control over the Bank and monitoring management in carrying out board plans and strategies;
- monitoring and evaluating the implementation of the Bank's strategies, policies and management performance criteria and business plans;
- approving the Bank's risk management policies including the setting of limits by assessing its risk appetite, skills available for managing risk and its risk bearing capacity;
- monitoring the Bank's financial health and performance against budgets set, including ensuring that the balance between "conformance" and "performance" is healthy. Conformance is linked to the Bank's compliance with various laws, regulations and codes governing it while performance relates to the development of a commensurate enterprise culture that will ensure maximisation of shareholders' returns is not detrimental to other stakeholders' interests; and
- reviewing and approving senior management's compensation package.

# POWERS OF THE BOARD

The powers of Directors are set out in the Bank's Constitution and in the Terms of Reference for the Board adopted on 19 June 2013. The Board is aware of its responsibility to ensure that the Bank adheres to all relevant legislations such as the Banking Act 2004, the Financial Services Act 2007, Financial Reporting Act 2004 and the Companies Act 2001. The Board also follows the principle of good corporate governance as recommended in the National Code on Corporate Governance where, for example, the Bank makes full disclosure of the compensation of its Executive Directors as per the Attendance report of the Statement of Corporate Governance Practices.

# PRIOR APPROVAL OF THE BOARD

As per the Mauritius Companies Act 2001, the Terms of Reference and the Constitution of the Bank, the decisions requiring prior approval of the Board are set out below:

- issue of other shares;
- consideration for issue of shares;
- shares not paid for in cash;
- authorisation of distribution;
- shares in lieu of dividend;
- shareholder discount;
- purchase of own shares;
- redemption at option of Company;
- restrictions on giving financial assistance;
- change of Registered Office;
- approval of amalgamation proposal; and
- short form amalgamation.

# COMPOSITION OF THE BOARD

The constitution of AfrAsia Bank Limited provides for a Board comprising a minimum of five Directors and maximum of twelve Directors. Currently, the Bank has a unitary Board of ten members with a blend of experienced and well-known executives with high caliber from both local and international financiers. Of the ten directors, there is one Executive Director and nine Non-Executive Directors, the latter function independently of management.

During the financial year, the Board welcomed three new members, Mark Mulroney as Non-Executive Director on 1 September 2015, Sanjiv Bhasin as Executive Director on 19 November 2015 and Arvind Sethi as Non-Executive Director on 20 April 2016. A complete induction pack was submitted to all newly appointed directors and they were given various opportunities to discuss with the Chief Executive Officer and Corporate Officers to better understand the business.

During the year under review, the Board met on five occasions. Decisions were also taken by way of resolutions in writing, assented and signed by all the Directors.

Moreover, the Bank's Terms of Reference also provide for a clear definition of the Chairperson's and Chief Executive Officer's roles and responsibilities.

# DIRECTORS

The Directors of the Bank are as follows:

Lim Sit Chen Lam Pak Ng *(Chairman)*

Sanjiv Bhasin *(Chief Executive Officer)*
(Appointed on 19 November 2015)

Jean-Claude Béga

Henri Calvet

Yves Jacquot

Catherine McIlraith

Mark Mulroney (Appointed 1 September 2015)

Graeme Robertson

Arvind Sethi (Appointed on 20 April 2016)

Nicolas Weiss

James Benoit (Resigned on 23 September 2015)

Brett Childs (Resigned on 26 January 2016)

Jean de Fondaumière (Resigned on 29 January 2016)

Laurent de La Hogue (Resigned on 1 September 2015)

Kamben Padayachy (Resigned on 23 September 2015)

# DIRECTORS' PROFILE

## LIM SIT CHEN LAM PAK NG

**Independent Non-Executive Chairman**

**Appointed as Director: 12 February 2007**
**Appointed as Chairman: 12 February 2015**
Qualifications: MBA degree from the Graduate School of Business of Columbia University, New York, N.Y, USA.

Lim Sit Chen Lam Pak Ng (Maurice) is the founding partner of Stewardship Consulting, based in Singapore, providing strategy consulting services to family owned companies and government organisations. Prior to Stewardship Consulting, Maurice was in banking, advising public and private sector clients in treasury and risk management, financial strategy and investment management. He has worked in London, Montreal, New York, Singapore and Tokyo. A Mauritian and Canadian citizen, he lives in Singapore.

Maurice is not a director of any listed company in Mauritius.

**Committees:**
Corporate Governance Committee (Chairman)
Credit Committee
Risk Management/Conduct Review Committee

## SANJIV BHASIN

**Chief Executive Officer and Executive Director**

**Appointed: 19 November 2015**
Qualifications: MBA in Finance (XLRI Jamshedpur), B.Com (Hons) degree in Accounting and Finance (Delhi University)

Sanjiv Bhasin started his career with HSBC in 1979 and over the years, worked in various capacities mainly in the Corporate Banking, Investment Banking and Credit and Risk Management divisions in India, UK and Mauritius until 2004. His last role at HSBC was Chief Operating Officer HSBC India. From 2004 to 2008, he was the Managing Director and CEO of RaboBank in India and thereafter, he was the CEO of DBS India, and propelled the bank among the top four largest foreign banks in India. Sanjiv holds an MBA in Finance from XLRI Jamshedpur, a B.Com (Hons) degree in Accounting and Finance from Shri Ram College of Commerce, Delhi University.

Sanjiv is not a director of any listed company in Mauritius.

**Committees:**
Corporate Governance Committee
Risk Management/Conduct Review Committee

## DIRECTORS' PROFILE
(CONTINUED)

### JEAN-CLAUDE BÉGA

**Non-Executive Director**

**Appointed: 28 October 2011**
Qualifications: Fellow of the Association of Chartered Certified Accountants

Jean-Claude Béga is a Fellow of the Association of Chartered Certified Accountants. He joined GML in 1997 and has been nominated as Group Head of Financial Services and Business Development of IBL Ltd on 1 July 2016. He is the Non-Executive Chairman of Phoenix Beverages Limited and Anahita Estates Limited and serves as Director of a number of companies including Alteo Limited, AfrAsia Bank Limited, Abax Corporate Services Limited, Lux Island Resorts Limited, Alteo Properties Ltd, Anahita Golf Ltd and Anahita Residences and Villas Limited.

Jean-Claude is a director of three listed companies on the Stock Exchange of Mauritius namely Alteo Limited, Lux* Island Resorts Ltd and Phoenix Beverages Limited (Non-Executive Chairman).

**Committee:**
None

### HENRI CALVET

**Independent Non-Executive Director**

**Appointed: 23 March 2015**
Qualifications: Graduate of Ecole Normale Supérieure de Cachan and University degree (Economics, Paris-I Panthéon-Sorbonne)

Henri Calvet is the founder of H2C CONSEIL, a company offering advisory and training services to credit institutions and securities firms, in the main following fields: banking accounting, prudential rules, internal control (including risk management and compliance control). Prior to setting up his own business, Henri had worked for numerous banks, namely, BRED-Banque Populaire, Compagnie Financière Edmond de Rothschild Banque and Compagnie Parisienne de Reescompte, inter-alia.

Henri is not a director of any listed company in Mauritius.

**Committees:**
Audit Committee
Credit Committee
Risk Management/Conduct Review Committee (Chairman)

## DIRECTORS' PROFILE
(CONTINUED)

### YVES JACQUOT
**Non-Executive Director**

**Appointed: 16 January 2015**
Qualifications: ESSEC

Yves Jacquot has a wide experience in the banking sector. He is presently the First Vice-President of International Development for the National Bank of Canada Group and the Deputy Chief Executive of NATCAN INVESTISSEMENTS INTERNATIONAUX SAS which is a subsidiary of National Bank of Canada. Previously, he was the Deputy Chief Executive of BRED-Banque Populaire and Managing Director of COFIBRED.

Yves is not a director of any listed company in Mauritius.

**Committees:**
Corporate Governance Committee
Credit Committee
Risk Management/Conduct Review Committee

### CATHERINE MCILRAITH
**Independent Non-Executive Director**

**Appointed: 8 February 2011**
Qualifications: Chartered Accountant (South Africa)

Catherine McIlraith, a Mauritian citizen, holds a Bachelor of Accountancy degree from the University of the Witwatersrand, Johannesburg, South Africa and has been a member of the South African Institute of Chartered Accountants since 1992. She then joined the investment banking industry and has held senior positions in corporate and specialised finance for Ridge Corporate Finance, BoE NatWest and BoE Merchant Bank in Johannesburg. She returned to Mauritius in 2004 to join Investec Bank where she was Head of Banking until June 2010. Catherine is a Fellow Member of the Mauritius Institute of Directors (MIOD). She is a non-executive Director of a number of public and private companies in Mauritius.

Catherine is a director of four listed companies on the Stock Exchange of Mauritius namely CIEL Limited, Les Gaz Industriels Limited, the Mauritius Development Investment Trust Limited and Astoria Investment Limited.

**Committees:**
Audit Committee
Credit Committee (Chairperson) (as from 18 November 2015)
Risk Management/Conduct Review Committee
(In Attendance up to 24 September 2015)

## DIRECTORS' PROFILE
(CONTINUED)

### MARK MULRONEY
**Non-Executive Director**

**Appointed: 1 September 2015**
Qualifications: Bachelor of Arts: Major in History from Duke University, USA

Mark Mulroney joined the National Bank of Canada in May 2012 as a Managing Director and Co-Head of Equity Trading and is presently the Managing Director and Head of Equity Capital Markets. Prior to joining National Bank of Canada, Mark worked for the Royal Bank of Canada in a multiple roles in London (UK) and Toronto (Canada) and Goldman Sachs and Co, New York (USA).

Mark is not a director of any listed company in Mauritius.

**Committee:**
Risk Management/Conduct Review Committee (up to 3 February 2016)

### GRAEME ROBERTSON
**Non-Executive Director**

**Appointed: 16 August 2011**
Qualifications: FAICD (F) - Australian Institute of Company Directors, MAIE (M) Australian Institute of Energy

Educated in Sydney, Australia, Graeme Robertson has lived in Southeast Asia since 1972 and has been responsible for pioneering the development and managing internationally world class mining, energy and infrastructure operations. He is a recipient of the ASEAN Development and the Millennium 500 Awards in 1996 and 2000 respectively for his contribution to growing significant commercial operations in developing nations in Asia. Graeme is the Chairperson and owner of Intrasia Capital Pte Ltd, a private investment group in Singapore and its subsidiaries including Vita Rice Limited developing healthy rice production in Mauritius. He is also Chairperson of listed companies Intra Energy Corporation and NuEnergy Gas Limited for coal mining and gas extraction. His companies operate extensively in Eastern Africa in coal production and supply, electricity generation, drilling and domestic gas development.

Graeme is a humanitarian with interests in poverty alleviation and health improvement. He is a personal Advisor to the Vice Prime Minister and Minister of Energy and Public Utilities in relation to the energy future of Mauritius.

Graeme is not a director of any company listed in Mauritius.

**Committee:**
None

## DIRECTORS' PROFILE
(CONTINUED)

### ARVIND SETHI

**Independent Non-Executive Director**

**Appointed: 20 April 2016**
Qualifications: Keble, Oxford University, UK (MA Hons in PPE, Philosophy, Politics and Economics)

Before joining the banking sector, Arvind Sethi was Assistant Editor for the Economic Times from 1979 to 1980. While beginning his career in banking in 1981, he spent virtually his time in dealing rooms occupying key leadership roles such as Managing Director Global Markets at Bank of America, General Manager Global Markets at ANZ Grindlays Bank, Manager Treasury and Head of Retail Banking at HSBC India. From 2001 to 2012, he was a Wealth Advisor and Trainer in Financial Markets and Derivatives. From 2012 to 2015 he was the Managing Director and CEO of Tata Asset Management Ltd and has served as Board Director at Rabo India Finance Ltd, Canara Robeco Asset Management and currently serves as an Independent Director on the Boards of HSBC InvestDirect India Ltd, HSBC InvestDirect Financial Services (India) Ltd, Old World Hospitality and Sundaram Asset Management Ltd.

Arvind is not a Director of any company listed in Mauritius.

**Committee:**
Audit Committee (Chairman as from 27 July 2016)

### NICOLAS WEISS

**Non-Executive Director**

**Appointed: 1 November 2013**
Qualifications: ESSEC – Ingénieur Telecoms – MBA Cranfield University (UK)

Nicolas Weiss is a Telecommunications engineer. He is an Essec Business School graduated and holds an MBA from Cranfield (UK). Nicolas Weiss started his career in 1988 at Deltabanque, where he developed an interest rate risk management system. He later developed portfolio insurance and market arbitrage models. In 1991, he joined M.Philippe Oddo and helped raise the clientele of Institutional Investors for mutual funds actions, bonds and derivatives. In 1993, he joined Mr. Le Baron Edmond de Rothschild and was General Manager and Shareholder to the creation of AssMgt subsidiaries of the Rothschild Group in Europe: Rothschild Asset Management (EUR 20bn), E.de AssMgt Rothschild Investment Services (USD 4bn), and Rothschild Multi Management (EUR 5bn). Nicolas Weiss was also director and treasurer for 'Rothschild Fundations' since 1997. He left the Rothschild Group in 2010 to settle in Mauritius. Nicolas Weiss has been teaching finance at ESSEC, at Paris Dauphine and at Arts et Métiers. He is a jury member at ESSEC since 1987.

Nicolas is not a director of any company listed in Mauritius.

**Committee:**
Corporate Governance Committee

## DIRECTORS' PROFILE
(CONTINUED)

### JAMES BENOIT

**Executive Director**

**Appointed: 31 May 2007**
**Resigned: 23 September 2015**
Qualifications: Chartered Financial Analyst

James Benoit was previously a global management executive with the Hong Kong and Shanghai Banking Corporation Group for 16 years in emerging and developing markets in China, Philippines, Hong Kong, the Middle East, Canada and Mauritius. He has developed, implemented and grown leading consumer banking, wealth management, credit card and corporate banking businesses in these regions with proven ability to engage customers, regulators and staff from diverse backgrounds. He was also a co-founder of the local Chapter of the CFA Institute which has won global awards for revitalisation under his Presidency. He is a sought-after financial conference speaker and opinion leader published in media channels in South Africa, London, India, UK, Vietnam, Singapore, Philippines and Mauritius. James was the CEO of AfrAsia Bank Limited.

**Committees:**
Audit Committee*
Conduct Review Committee*
Corporate Governance Committee*
Risk Committee

** In attendance up to 23 September 2015*

### BRETT CHILDS

**Independent Non-Executive Director**

**Appointed: 27 January 2010**
**Resigned: 26 January 2016**
Qualifications: Chartered Accountant (South Africa)

Prior to moving to Mauritius, where he has been for thirteen years, Brett Childs spent fifteen years living in London during which time he was involved in the development of Equitas, the vehicle set up by Lloyds of London to acquire distressed re-insurance contracts, after which he founded and built a successful venture capital business focused on the IT industry, ultimately culminating in the listing of companies on the London Stock Exchange, Finnish HEX exchange and exiting other investments via trade sales.

**Committee:**
Audit Committee

# DIRECTORS' PROFILE
(CONTINUED)

## JEAN DE FONDAUMIÈRE

**Independent Non-Executive Director**

**Appointed: 12 January 2007**
**Resigned: 29 January 2016**
Qualifications: Chartered Accountant (Scotland)

Jean de Fondaumière acquired experience in the field of Merchant Banking with Kleinwort Benson in Australia between 1984 and 1991 before joining the Swan Group in 1992. He retired as Chief Executive Officer of the Swan Group in December 2006. He was the Chairman of the Stock Exchange of Mauritius from 2002 to 2006.

**Committees:**
Audit Committee
Risk Management/Conduct Review Committee

## LAURENT DE LA HOGUE

**Non-Executive Director**

**Appointed: 15 January 2015**
**Resigned: 1 September 2015**
Qualifications: Master's degree in Management and Finance from the "Ecole Superieure de Gestion et Finance" in Paris, France

Laurent de la Hogue joined GML in 2001 as Treasurer for the setting up of the central treasury unit and then occupied the position of Finance Executive - Corporate & Treasury in 2011 where he was involved in the development of projects. He has been nominated Head of Financial Services at IBL Ltd on the 1 July 2016. He is currently the Chairman of IBL Treasury Ltd, AfrAsia Capital Management Ltd, LCF Securities Ltd and The ConcreAte Agency Ltd and director of AfrAsia Investments Limited and a number of organisations such as The United Basalt Products Ltd, Lux Island Resorts Ltd and Mauritian Eagle Insurance Ltd among others.

**Committee:**
None

# DIRECTORS' PROFILE
(CONTINUED)

## KAMBEN PADAYACHY

**Executive Director**

**Appointed: 14 February 2011**
**Resigned: 23 September 2015**
Qualifications: Master's degree in Monetary Economics from the University of Paris Dauphine and a post-graduate degree in Banking and Finance

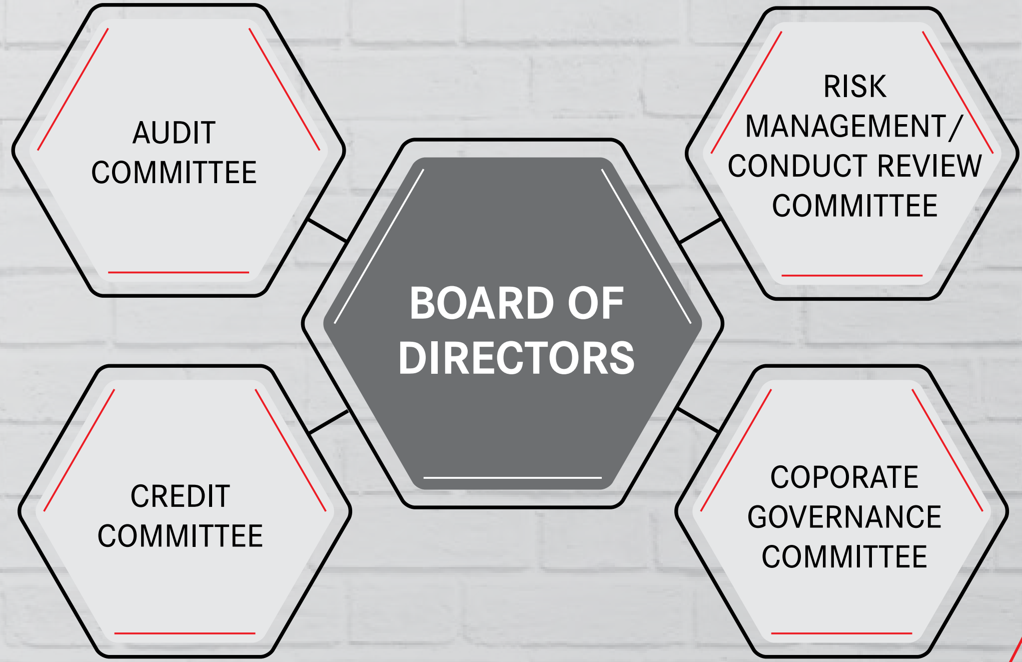
Kamben Padayachy was one of the Founding Executives of AfrAsia Bank Limited since its inception in May 2007. He has over 20 years' experience in banking, having successively worked with BNP Paribas (BNPI), Barclays Bank and Standard Bank prior to joining AfrAsia Bank Limited. He has held senior management roles at both retail and corporate levels throughout his career and has originated investment banking transactions from debt capital markets to structured trade finance. Kamben was the Deputy CEO and Head of Global Banking, Treasury and Markets at AfrAsia Bank Limited.

**Committee:**
None

# BOARD COMMITTEES

AfrAsia Bank Limited's Board Committees are used to enable the Board to discharge its powers and duties necessary for managing, directing and supervising the management of the business and affairs of the Bank. The Bank has four Board committees for more in-depth analysis and review of various issues as may be appropriate. A report is then prepared by each Board committee and presented to the Board after each meeting.

The Bank's Board committees include: an Audit Committee, a Corporate Governance Committee, a Credit Committee and a Risk Management / Conduct Review Committee as depicted here:



## BOARD COMMITTEES
(CONTINUED)

### Audit Committee

The committee consists of three independent Directors. During the year under review, the committee met at least once every quarter in line with its approved terms of reference and consistent with good governance practices. The main responsibilities of this committee include, inter alia, regular reviews and monitoring of the following:

- effectiveness of the Bank's internal control framework for identifying, monitoring, and managing risks at large;
- bank's procedures for ensuring compliance with laws and regulatory requirements;
- effectiveness of the Internal Audit Function;
- independence of the external auditors and the assessment of their performance; and
- audit plans (external and internal) to ensure that these are risk-based and address all activities over a measurable cycle, and ensure that the work of external and internal auditors is coordinated.

Furthermore the Committee reviews the annual audited financial statements before these are approved by the Board. In carrying out its responsibilities, the committee meets regularly with senior management of the Bank and regular reports are received from both internal and external auditors. The committee has satisfied its responsibilities for the year in compliance with its approved terms of reference.

**During the year under review, the Audit Committee met** 5 **times**

As at 30 June 2016, the committee comprised of the following Directors:

- Arvind Sethi
*(appointed on 20 April 2016) (Chairman as from 27 July 2016)*
- Henri Calvet
- Catherine McIlraith

Also attending this committee:

- Sanjiv Bhasin, Chief Executive Officer
*(appointed on 19 November 2015)*
- Jean-Francois Boisvenu, Head of Group Legal
- Dave Dusoruth, Head of Internal Audit who reports functionally to the committee and administratively to the Chief Executive Officer
- Loteswar Fangoo, Head of Compliance
- Bishwajit Mazumder, Head of Group Operations

## BOARD COMMITTEES
(CONTINUED)

### Corporate Governance Committee

This committee:

- deals with all Corporate Governance issues and makes recommendations to the Board accordingly;
- determines, agrees and develops the Bank's general policy on corporate governance in accordance with the recommendations of the Code of Corporate Governance Guidelines issued by the Bank of Mauritius and ensures compliance with same;
- ensures that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice;
- ensures effective communication between stakeholders;
- acts as the Nomination and Remuneration Committees and approves the nomination and remuneration of the Directors and Senior Management of the Bank;
- reviews and advises on the general remuneration policy of the Bank;
- oversees compensation, human resources and corporate social responsibility issues and related budgets;
- determines any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
- ensures a review, at least annually, of the current Directors' performance and attendance at board and committee meetings; and
- requests an annual headcount and budget plan but leaves management to execute and report thereon at regular intervals.

**During the year under review, the Corporate Governance Committee met 5 times**

As at 30 June 2016, the committee comprised of the following Directors:

- Lim Sit Chen Lam Pak Ng (Chairman)
- Sanjiv Bhasin (appointed on 19 November 2015)
- Yves Jacquot
- Nicolas Weiss

# BOARD COMMITTEES
(CONTINUED)

## Credit Committee

The Board Credit Committee performs several fundamental functions for the Bank which include:

- approving all credit proposals and counterparty limits which are above the Management Credit Committee delegation;
- approving the delegation of credit limits to management and approving any transactions exceeding those delegated authorities; and
- reviewing and recommending for Board approval the Bank's credit risk strategy at least annually.

**During the year under review, the Credit Committee met**

**3 times**

As at 30 June 2016, the committee comprised of the following Directors:

- Catherine McIlraith (Chairperson)
- Henri Calvet
- Yves Jacquot
- Lim Sit Chen Lam Pak Ng

Also attending this committee:

- Sanjiv Bhasin, Chief Executive Officer
- Joelle Ng Foong Lee, Head of Credit and Risk Management

## BOARD COMMITTEES
(CONTINUED)

### Risk Management/Conduct Review Committee

This committee:

- reviews the Bank's transactions with related parties in line with the Risk Management/Conduct Review Policy, ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius;
- ensures that transactions which could materially affect the financial stability of the Bank are identified at source; and
- reviews and approves all related party transactions with any shareholder when said dealings are above 2% of Tier 1 Capital.

**During the year under review, the Risk Management/Conduct Review Committee met 5 times**

As at 30 June 2016, the committee comprised of the following Directors:

- Henri Calvet (Chairman)
- Sanjiv Bhasin
- Yves Jacquot
- Lim Sit Chen Lam Pak Ng

Also attending this committee:

- Joelle Ng Foong Lee, Head of Credit and Risk Management

# ATTENDANCE REPORT

The attendance report of the Directors and Advisor at Board and Committee meetings for the year ended 30 June 2016, as well as their individual remuneration and benefits paid, are shown below:

| Directors | Board Meeting | Conduct Review Committee * | Risk Management/ Conduct Review Committee | Corporate Governance Committee | Audit Committee | Credit Committee | Total Directors/ Advisors fees (MUR'000) |
|---|---|---|---|---|---|---|---|
| Lim Sit Chen Lam Pak Ng | 5 out of 5 | - | 5 out of 5 | 5 out of 5 | - | 3 out of 3 | 8,262 |
| Sanjiv Bhasin<br>*(appointed on 19 November 2015)* | 2 out of 2 | - | 2 out of 2 | 3 out of 3 | - | - | 12,450 |
| Jean Claude Béga | 5 out of 5 | - | - | - | - | - | 268 |
| Henri Calvet | 5 out of 5 | 1 out of 1 | 5 out of 5 | - | 5 out of 5 | 3 out of 3 | 723 |
| Yves Jacquot | 5 out of 5 | - | 5 out of 5 | 5 out of 5 | - | 3 out of 3 | 697 |
| Catherine McIlraith | 4 out of 5 | 1 out of 1 | 1 out of 2 | - | 4 out of 5 | 3 out of 3 | 910 |
| Mark Mulroney<br>*(appointed on 1 September 2015)* | 4 out of 4 | - | 2 out of 2 | - | - | - | - |
| Graeme Robertson | 5 out of 5 | - | - | - | - | - | 470 |
| Arvind Sethi<br>*(appointed on 20 April 2016)* | 1 out of 1 | - | - | - | - | - | - |
| Nicolas Weiss | 4 out of 5 | - | - | 5 out of 5 | - | - | 680 |
| James Benoit<br>*(resigned on 23 September 2015)* | - | - | - | - | - | - | 12,677 |
| Brett Childs<br>*(resigned on 26 January 2016)* | 2 out of 3 | - | - | - | 1 out of 3 | - | 590 |
| Jean de Fondaumière<br>*(resigned on 29 January 2016)* | 3 out of 3 | 1 out of 1 | 1 out of 1 | - | 3 out of 3 | - | 900 |
| Laurent de la Hogue<br>*(resigned on 1 September 2015)* | 1 out of 1 | - | - | - | - | - | 123 |
| Kamben Padayachy<br>*(resigned on 23 September 2015)* | - | - | - | - | - | - | 8,130 |
| **Advisor** | | | | | | | |
| Jean Paul de Chazal* | - | 1 out of 1 | - | - | - | - | 120 |

* The Conduct Review Committee was discontinued on 18 November 2015 and was replaced by the Risk Management / Conduct Review Committee in line with the requirements of the updated Bank of Mauritius Guideline on Corporate Governance.

# BOARD APPRAISAL

The Board of Directors is currently undergoing a performance appraisal exercise during the year. The Directors are evaluating the Board as regards to:

- its function, size, composition and independence;
- whether the Board meetings are professional, efficient and well-structured;
- the role and function of the Chairperson; and
- the role and function of the Board Committees.

# DIRECTORS' REMUNERATION AND BENEFITS

Total remuneration and benefits received, or due and receivable, by the Directors from the Bank and its subsidiaries for the year ended 30 June 2016 were as follows:

| | YEAR ENDED 30 JUNE 2016 | | YEAR ENDED 30 JUNE 2015 | | YEAR ENDED 30 JUNE 2014 | |
|---|---|---|---|---|---|---|
| | Executive Directors (MUR'000) | Non-Executive Directors (MUR'000) | Executive Directors (MUR'000) | Non-Executive Directors (MUR'000) | Executive Directors (MUR'000) | Non-Executive Directors (MUR'000) |
| **The Bank** | | | | | | |
| AfrAsia Bank Limited | 33,257 | 13,889 | 33,456 | 33,587 | 54,959 | 2,760 |
| **The Subsidiaries** | | | | | | |
| AfrAsia Investments Limited | - | - | - | - | - | - |
| AfrAsia Holdings Limited | - | - | - | - | - | - |
| Stellar Advisers Pty Limited (formerly AfrAsia Corporate Finance (Pty) Limited) | 17,010 | - | 20,063 | - | 4,156 | 10,140 |
| AfrAsia Corporate Finance (Africa) Limited | - | - | - | - | - | - |
| AfrAsia Capital Management Limited | 9,486 | - | 3,378 | - | 5,854 | - |
| AfrAsia Corporate Finance (Pty) Limited (formerly Africa Asia Corporate Finance (Pty) Limited) | 7,000 | - | - | - | - | - |
| AfrAsia Corporate Finance Limited | - | - | - | - | - | - |
| AfrAsia Corporate Finance International Limited (formerly Africa Capital Advisors PCC) | - | - | - | - | - | - |

# DIRECTORS' SERVICE CONTRACTS WITH THE BANK AND ITS SUBSIDIARIES

- **Sanjiv Bhasin**, Executive Director of AfrAsia Bank Limited, has a service contract with the Bank for a period of five and a half years expiring on 30 June 2021 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

- **Thierry Vallet,** Director of AfrAsia Investments Limited, has a service contract with the Bank for a period of five years expiring on 30 June 2017 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

- **Jennifer Jean-Louis,** who resigned as Director of AfrAsia Investments Limited on 1 December 2015, has an undetermined term contract with AfrAsia Bank.

- **Kamben Padayachy,** who resigned as Executive Director of AfrAsia Bank Limited on 23 September 2015, had a service contract with the Bank for a period of five years expiring on 30 June 2017.

- **Rouben Chocalingum,** who resigned as Director of AfrAsia Investments Limited on 1 December 2015, had a service contract with the Bank for a period of five years expiring on 30 June 2017.

- **James Benoit,** who resigned as Executive Director of AfrAsia Bank Limited on 23 September 2015, had a service contract with the Bank for a period of five years expiring on 3 June 2017.

# DIRECTORS' SHARE INTEREST

The interests of the Directors in the securities of the Group and the Bank as at 30 June 2016 were:

| | YEAR ENDED 30 JUNE 2016 | | YEAR ENDED 30 JUNE 2015 | | YEAR ENDED 30 JUNE 2014 | |
|---|---|---|---|---|---|---|
| | Ordinary Shares held directly | % Shares held indirectly | Ordinary Shares held directly | % Shares held indirectly | Ordinary Shares held directly | % Shares held indirectly |
| Lim Sit Chen Lam Pak Ng | - | 0.2 | - | 0.2 | - | - |
| Sanjiv Bhasin (Chief Executive Officer) (appointed on 19 November 2015) | - | - | - | - | - | - |
| Arvind Sethi (appointed on 20 April 2016) | - | - | - | - | - | - |
| Catherine McIlraith | - | - | - | - | - | - |
| Graeme Robertson | 288,560 | 10.4 | - | 10.4 | - | 12.2 |
| Henri Calvet (appointed on 23 March 2015) | - | - | - | - | - | - |
| Jean Claude Béga | - | - | - | - | - | - |
| Mark Mulroney (appointed 1 September 2015) | - | - | - | - | - | - |
| Nicolas Weiss | - | - | - | - | - | - |
| Yves Jacquot (appointed on 16 January 2015) | - | - | - | - | - | - |
| Jean de Fondaumiére (resigned on 29 January 2016) | - | - | - | - | - | - |
| Brett Childs (resigned on 26 January 2016) | - | - | - | - | - | - |
| James Benoit (resigned on 23 September 2015) | 1,883,241 | - | 1,707,105 | - | 2,557,829 | - |
| Kamben Padayachy (resigned on 23 September 2015) | 902,524 | - | 814,456 | - | 895,813 | - |
| Laurent de la Hogue (resigned on 1 September 2015) | - | - | - | - | - | - |

**The Directors do not hold any shares in the subsidiaries of the Bank whether directly or indirectly.**

## CONFLICTS OF INTEREST

Conflicts of interest exist when transactions are held between the Bank/Group and its directors, significant shareholders and management.
Some of the actions that the Bank/Group and its related parties take to avoid conflicts of interest include amongst others that:

- the personal interests of a director or persons closely associated with the director must not take precedence over AfrAsia Bank Limited and its shareholders, including the minority ones;
- directors are required to avoid conflict of interest and make full and timely disclosure of any conflict of interests when exposed to same; and
- directors appointed by shareholders are aware that their duties and responsibilities are to act in the best interest of the Bank and not for the shareholders who nominated them.

All information obtained by Directors in their capacity as director to the Board of AfrAsia Bank Limited are treated as confidential matters and are divulged to any other parties without the expressed authority of the board.

### HIGHLIGHT

*The Bank's board committees are focused into more in-depth analysis and review of various issues as may be appropriate.*

# SENIOR MANAGEMENT TEAM PROFILE

## JEAN-FRANÇOIS BOISVENU

**Group Head Legal**

Jean-François joined AfrAsia Bank Limited in November 2014 as Group Head Legal. He has been involved in the legal side of the banking and financial sector for the whole of his professional career, both in Canada and in Mauritius. While in private practice, he advised banks and other financial institutions on transactional, regulatory and litigation matters at both national and international levels. Jean-François holds a law degree from Université de Montréal. He graduated from the École des Hautes Études Commerciales in Montréal (Applied Economics and Finance), where he has also taught Microeconomics.

## DAVE DUSORUTH

**Head of Internal Audit**

Dave joined AfrAsia Bank Limited in July 2015 as Head of Internal Audit. He is a Certified Internal Auditor (CIA) and a Fellow of the Association of Chartered Certified Accountant (FCCA) with extensive experience in auditing: 4 years as external auditor at De Chazal Du Mee (DCDM) and 11 years at middle management in the Internal Audit Department of The Mauritius Commercial Bank Ltd. He was responsible for audit of Business Units, Local and Overseas subsidiaries and was also involved in several key assignments in Mauritius and Africa during his tenure at MCB. Dave is a recognised Professional Accountant of the Mauritius Institute of Professional Accountants (MIPA), a registered trainer with the Mauritius Qualifications Authority (MQA), a member of the Institute of Internal Auditors (IIA Mauritius) as well as the Mauritius Institute of Directors (MIOD).

## LOTESWAR (ANIL) FANGOO

**Head of Compliance**

Anil is a Certified Anti-Money Laundering Specialist (ACAMS) and has over 25 years of experience in the banking and legal field. Prior to joining AfrAsia Bank Limited as Head of Compliance in 2009, Anil headed the Legal and Compliance Department at SBI Mauritius. His forte are legal, compliance and credit recovery and he is a member of the Mauritius Institute of Directors (MIOD) as well as associate member of the Association of Certified Fraud Examiners (ACFE).

# SENIOR MANAGEMENT TEAM PROFILE
(CONTINUED)

## YOGESH GOKOOL

**Senior Executive - Global Business**

Yogesh has extensive experience in financial management gained whilst working for International Financial Services Limited, a leading international Management Company in Mauritius and Deutsche Bank (Mauritius) where he headed the fiduciary services division. In 2008 he joined AfrAsia Bank Limited. Yogesh is a member of the Society of Trust and Estate Practitioners (STEP), the Association of International Wealth Management (AIWM) and the Mauritius Institute of Directors (MIOD). Yogesh is on the board of directors of STEP Mauritius, which liaises with the Mauritius Government on the current issues and the implementation of fiduciary legislation.

## BHUVANESH HINGORANEY

**Head of Information Communication Technology (ICT)**

Bhuvanesh joined the AfrAsia team in February 2015, he brings over 17 years of rich and global leadership experience in banking technology related areas, complemented by close proximity to business, operations and risk. Prior to joining AfrAsia Bank Limited, he was with the State Bank of Mauritius, leading complex transformation, turnkey initiatives. Previously, he has led core-banking transformations and operations on behalf of Oracle Financial Services Software across Middle East, Africa and India. He started his career at CMC Ltd (now a Tata India company) where he participated in developing a Cooperative Banking Solution from ground-up.

## JENNIFER JEAN-LOUIS

**Head of Finance and Treasury Back Office**

Jennifer joined AfrAsia Bank Limited since its inception in 2007 and is responsible for the Bank's financial management frameworks incorporating finance, taxation and treasury back office. Jennifer has more than 20 years of extensive auditing, consultancy and tax advisory experience gained on the local and international market in both practice and the industry. She holds a Master's degree in Applied Finance, is a Fellow Chartered Accountant and a Chartered Tax Advisor.

## SENIOR MANAGEMENT TEAM PROFILE
(CONTINUED)

### BISHWAJIT MAZUMDER
**Head of Group Operations**

Bishwajit is a banker of about 30 years standing and has international exposure working in various capacities. In addition to being an accomplished international speaker, he has a strong educational background, is a Chartered Accountant, MBA holder, has a Bachelor of Law as well as many other international certifications. He joined AfrAsia Bank Limited from State Bank of Mauritius Limited where he occupied the post of Head of Operations. Prior to this he held key positions at ING Vysya Bank (India), Central Bank of Oman and IDBI Bank (India).

### SUNEETA MOTALA
**Head of Marketing and Public Relations**

Suneeta has over 20 years of banking experience. She started her career at HSBC in 1994, undertaking several key responsibilities in Sales and Marketing, Credit and Risk, CRM as well as branch operations. Suneeta holds an MSc in Marketing from Salford University (UK), a Pre Associateship from the Chartered Institute of Bankers and an International Certificate for Financial Advisors from the Chartered Insurance Institute as well as a General Management Certificate from ESSEC Business School (France).

### JOELLE NG FOONG LEE
**Head of Credit and Risk**

In September 2007, Joelle left the Mauritius Commercial Bank Ltd (MCB) to join AfrAsia Bank Limited. As Head of Credit and Risk Management she is responsible for Credit Administration and overall Risk Management for the Bank. Joelle started her career in 1994 with HSBC, she has experience at middle and senior management levels, and held the role of Special Assets Manager at MCB before joining AfrAsia Bank Limited. Joelle holds an International Certificate for Financial Advisers of the Chartered Insurance Institute (CII) and a certificate in Banking Studies from the University of Mauritius.

## SENIOR MANAGEMENT TEAM PROFILE
(CONTINUED)

### GUILLAUME PASSEBECQ

**Head of Private Banking**

Guillaume, an International School of Management (IDRAC) graduate, has spent his entire career in the banking sector. He joined AfrAsia Bank Limited in 2014 to offer tailor-made solutions for European customers. He worked for Banque Transatlantique Luxembourg in 2012, prior to that he was a Portfolio Manager for BNP Paribas from 1999, before being appointed Head of Sales in 2007 at BNP Paribas Personal Investors in Luxembourg.

### DWEJENDRANATH (JEN) RAMANAH

**Head of Treasury**

Jen's banking career started in 1980 when he joined the Bank of Mauritius where he gained wide ranging experience culminating as a Senior Dealer in the Financial Markets Department. Prior to joining AfrAsia Bank Limited in September 2007, he worked for the Mauritius Commercial Bank as the Chief Money Market Trader. Jen holds a BSc (Hons) Management and an MBA from the Edinburgh Business School.

### ROBIN SMITHER

**Senior Executive - Corporate Banking**

Robin has over 14 years' experience in Africa related Corporate and Investment banking with an extensive knowledge covering global markets, transactional banking and lending products. He joined AfrAsia Bank Limited from Standard Bank where he held various positions in South Africa and Mauritius in both the Corporate (large multinational) clients and Investment Banking areas. He holds an MBA and Post Graduate Diploma in Business Management from the University of Witwatersrand South Africa and a degree in Social Science (PPE) from the University of Cape Town.

## MAUREEN TREANOR

**Head of Human Resources and Change Management**

Maureen started her career with Barclays Bank (UK) over 25 years ago; she was Head of Human Resources at Bramer Bank from 2007- 2010, before leaving to join AfrAsia Bank Limited as Head of Human Resources and Change Management in June 2010. Maureen has experience in the UK and African markets, with qualifications in Human Resources and Project Management. She is about to complete her MBA with the Edinburgh Business School and is a member of the Mauritius Institute of Directors (MIOD).

## PARIKSHAT (PARIK) GOBIND TULSIDAS

**Senior Executive – Treasury and Markets**

Parik has experience in Corporate and Investment Banking and Treasury. He joined AfrAsia Bank Limited in January 2013 from Standard Bank, where he held the position General Manager, Global Markets Advisory (China); prior to his move to Beijing, he held the post of Head of Sales - Global Markets (Mauritius). Parik holds an ACI certificate and a BA in Marketing and HR from Middlesex University London.

## THIERRY VALLET

**General Manager - Consumer Banking**

Thierry started his career as an engineer and worked for companies such as LONRHO, ILLOVO and IBL. In 2000 he went to Paris for his MBA where he specialised in International Finance. His financial career started in 2002 when he worked for Groupe Generali as an Insurance Inspector; in 2005 he returned to Mauritius to join the Mauritius Commercial Bank Limited as Corporate Banker, before leaving in 2007 to join AfrAsia Bank Limited. As one of the Founding Executives, Thierry is responsible for strategic development and is currently the General Manager of Consumer Banking.

## VIJIT YADAV

**Chief Operating Officer**

Vijit has over 27 years of experience in the banking sector including operations, infrastructure and digital implementation. Before joining AfrAsia Bank Limited, he worked for DBS Bank India as Managing Director and Chief Operating Officer and held similar positions within HSBC Group (in the USA and India). Vijit holds an MBA from the International Management Institute (IMI Geneva), New Delhi, India and a DBAM from the London School of Foreign Trade.

## COMPANY SECRETARY

The Bank's company secretary has a key role in the application of corporate governance within the Bank.
The company secretary's role includes amongst others:

- ensuring that the Bank complies with its constitution and all relevant statutory and regulatory requirements, codes of conduct and rules established by the Board;
- providing guidance to the Board as a whole and its directors individually on the performance of their duties including matters of ethics and good governance; and
- being the main point of contact to the Bank's shareholders.

The Bank has outsourced its secretarial functions to IBL Corporate Services Ltd.

# AUDITORS' REMUNERATION

The fees paid to the auditors for audit and other services were:

| | YEAR ENDED 30 JUNE 2016 | | YEAR ENDED 30 JUNE 2015 | | YEAR ENDED 30 JUNE 2014 | |
|---|---|---|---|---|---|---|
| | Audit (MUR'000) | Other (MUR'000) | Audit (MUR'000) | Other (MUR'000) | Audit (MUR'000) | Other (MUR'000) |
| **Ernst & Young** | | | | | | |
| **The Bank** | | | | | | |
| AfrAsia Bank Limited | 3,100 | 4,422 | 1,625 | 3,677 | 1,791 | 1,063 |
| **The Subsidiaries** | | | | | | |
| AfrAsia Investments Limited | 150 | 86 | 160 | - | 171 | 311 |
| AfrAsia Holdings Limited | - | - | 50 | - | 45 | 14 |
| AfrAsia Corporate Finance (Pty) Limited (formerly Africa Asia Corporate Finance (Pty) Limited) | 460 | 23 | - | - | - | - |
| Stellar Advisers Pty Limited (formerly AfrAsia Corporate Finance (Pty) Limited) | - | - | 486 | - | 390 | - |
| AfrAsia Corporate Finance (Africa) Limited | 178 | 173 | 180 | - | 151 | - |
| AfrAsia Corporate Finance Limited | 142 | 115 | 99 | - | 121 | - |
| AfrAsia Capital Management Limited | 370 | 362 | 370 | - | 334 | - |
| AfrAsia Corporate Finance International Limited (formerly Africa Capital Advisors PCC) | 71 | 6 | - | - | - | - |
| **KPMG** | | | | | | |
| **The Bank** | | | | | | |
| AfrAsia Bank Limited | - | - | 1,375 | - | 1,535 | - |

## INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Please refer to the Risk Management Report of the Annual Report.

REFER TO PAGE 107

## ANTI-MONEY LAUNDERING

Please refer to the Risk Management Report of the Annual Report.

REFER TO PAGE 107

## EQUITY-SETTLED SHARE-BASED PLAN

Please refer to the note on "Other Reserves" contained on Note 31 of the Annual Report.

REFER TO PAGE 209

## GIFTS AND DONATIONS

The Group and the Bank made MUR 0.2m of gifts and donations during the year ended 30 June 2016 (2015: MUR 1.0m / 2014: MUR 0.7m).

## DIVIDEND POLICY

The Bank's dividends are proposed by management to its Board. The amount of dividend payable is in line with the provisions of the Banking Act 2004, the Companies Act 2001 and the Bank's Constitution. Once the Board is satisfied with the Bank's recommendation along with the solvency tests being met, approval of the Bank of Mauritius is then sought for distribution of same.

### Dividend on Ordinary Shares

The Bank has achieved a satisfactory financial return to allow dividends of MUR 27.3m (MUR 0.35 per share), declared and paid during the year under review (2015: MUR 117.7m that is, MUR 1.65 per share / 2014: MUR 116m that is, MUR 1.50 per share).

### Dividend on Class A Shares

Dividend for an amount of MUR 71.7m (2015: MUR 137.8m) was paid in December 2015. Approval from the regulators was received in July 2016 for the June 2016 tranche, payment for which was effected in the same month.

## MATERIAL CLAUSES OF CONSTITUTION

Article 21.2 of the Bank's Constitution provides for a list of matters which are subject to special resolutions of the voting shareholders of the Bank and the prior approval of Société de Promotion et de la Participation pour la Coopération Economique S.A.

## SIGNIFICANT CONTRACTS

There is currently no significant contract between third parties and ABL group.

## SHAREHOLDERS AGREEMENT

The provisions of the current shareholders' agreement have for the most part been replicated in the Bank's Constitution.

The current shareholders agreement is between Société de Promotion et de la Participation pour la Coopération Economique S.A., GML Investissement Ltée (now known as IBL Ltd resulting from the amalgamation of IBL Ltd and GML Investissement Ltée), Intrasia Capital Pte Ltd, National Bank of Canada and the Bank.

## MANAGEMENT AGREEMENTS

There is currently no management agreement between third parties and ABL group.

## POLITICAL DONATIONS

The Group and the Bank made no political donations during the year ended 30 June 2016 (2015: MUR 2.5m / 2014: Nil).

## RELATED PARTY TRANSACTIONS

Please refer to the note on "Related Party Disclosures" contained on Note 36 of the Annual Report.

REFER TO PAGE 218

## SUSTAINABILITY STRATEGY

REFER TO PAGE 145

# HEALTH AND SAFETY

Health and Safety continues to be of significant importance for AfrAsia Bank Limited. Workstation Health and Safety audits and regular inspections of our offices are carried out to ensure that all risks are being managed effectively and that health and safety is embedded as part of the Bank's environment for the benefit of all stakeholders. We regularly review the number of trained fire marshals and first aiders to ensure we have ample coverage. In addition to this, health and safety refreshers are planned on a frequent basis.

The Bank's core objective is to achieve an accident free workplace, by identifying and controlling all potential hazards in the workplace, while ensuring that regular risk analysis is performed. Many of our messengers and drivers are trained in first aid and defensive driving techniques.

The level of preparedness gained from regular briefing sessions helps keep employees informed and better equipped for emergency events and when conducting evacuation drills. Employees are involved in the identification of risks, the possible impact and mitigating actions as this helps promote a culture of ownership when it comes to safety and awareness, as well as helping in terms of prevention and control.

The Health and Safety Committee, as well as other employees, participate in the decision-making process. We found that regular feedbacks, open communication, consultation and training improved the following:

# REMUNERATION PHILOSOPHY

The goal of AfrAsia Bank Limited is to be recognized as an employer of choice and as the most trusted financial partner in Mauritius and across Africa. Remuneration is a key vehicle towards achieving this goal, encouraging and enabling the Bank's 266+ employees (full time and part-time) to deliver the best possible customer experience. At the same time, remuneration practice requires a strong governance, ensuring AfrAsia Bank complies with legislation and regulatory requirements while promoting that as an organisation that remains agile and competitive.

On the path towards excellence, the best people are drawn from the broadest pool of applicants from both local and international markets. Everyone has the right to a decent workplace in which the richness of their diversity and experience are both welcomed and valued by colleagues at all levels. The Bank promotes its culture through teamwork and each team member is groomed to excel in his line of operations and expertise.

## HIGHLIGHT

*Our goal is to be recognised as an employer of choice and as the most trusted financial partner in Mauritius and across Africa, while delivering the best possible customer experience.*

## Attract and Retain Talent

All employees are assessed using the balanced scorecard as a performance management tool. The Bank recognizes those who successfully execute their responsibilities; high performance results in high rewards as this ultimately helps the Bank meet its strategic targets. Rewards, benefits, policies and procedures are reviewed on a regular basis to ensure they continue to help attract the best talent as well as ensuring they align to changes in the market and our corporate culture. Growth has allowed us to provide clearer career paths and more opportunities for young graduates and school leavers. Around 10% of employees were promoted to positions of higher responsibility over the last 12 months.

To achieve a stronger link between pay and performance, the strategy is to offer competitive remuneration and compensation packages throughout the Bank; individual rewards are a reflection of overall performance and this has proven to be a proactive way to both reward and retain our talent.

## REMUNERATION PHILOSOPHY
(CONTINUED)

### Our Reward Strategy

The Bank aims at being an undisputed leader in the industry by always improving its talent pool to foster excellence.

- ATTRACTING
- RETAINING
- MOTIVATING
- RECOGNISING

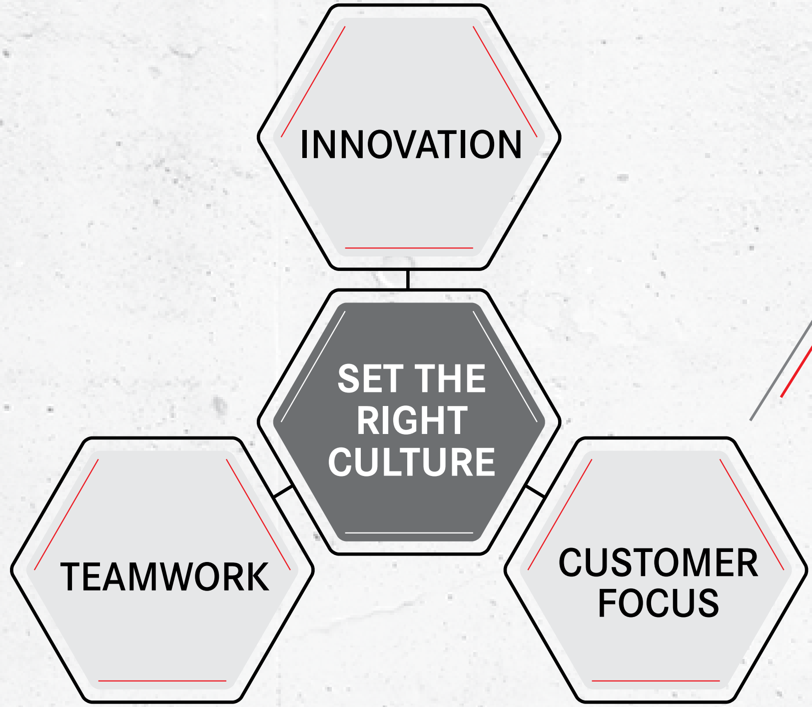
**A WINNING TEAM**

- THE PEOPLE WE NEED
- THE BEST TALENT POOL
- ACHIEVE FINANCIAL AND NON-FINANCIAL TARGETS
- ADOPT AN ORGANISATIONAL CULTURE THAT DELIVERS HIGH PERFORMANCE

## REMUNERATION PHILOSOPHY
(CONTINUED)

### Embedding culture in business, people and processes

Cultural change at AfrAsia Bank Limited is a multi-year journey, with strong senior management commitment and a clear tone from the top.




To make the values and beliefs tangible, all employees had the opportunity to transit through a dedicated workshop conducted in small groups, where participants embraced the unique and authentic AfrAsia Culture. They experienced several dynamic interactive sessions and were armed to be the visionary culture guardians of the Bank now and in the future. This platform helped explain how the values relate to the bank's vision, what the values and beliefs mean specifically for our everyday business transactions, client relationships and internal processes and most of all how each employee can implement the values to bring about change in their department.

### 2016 – 2017 HR Priorities

Everybody Matters - We recognise the value and contribution of all employees, and we treat each other as we would like to be treated, with respect, understanding, and encouragement.

Everything Counts - All employees and stakeholders within our bank are important and it is the little things that matter, as well as the big things, to improve customer experience and employee satisfaction.

Everyone is Responsible - We take responsibility for our own actions and hold each other to account for delivering the highest standard of work, and providing the best possible care to the stakeholders.

## REMUNERATION PHILOSOPHY
(CONTINUED)

| Key ongoing programmes & initiatives for 2016/2017 | Objectives |
|---|---|
| **Further develop our 'value proposition'**<br>> HR Policies & procedures to be constantly improved and benefits, incentives and rewards reviewed frequently<br>> Employee engagement survey – measure the level of engagement and develop action plans to maintain, improve & sustain this going forward | To ensure good working practices and reduced turnaround times for requests/amendments |
| **Develop robust leadership**<br>> Leadership workshop for Managers & Heads of departments<br>> Sustain the bank's Culture & Values through internal communication practices, recruitment, induction & development plans<br>> Help ensure the long-term sustainability of the business through workshops and training to increase the level of awareness & put action plans into place | To help build a positive culture throughout the organisation and strengthening the Bank's key messages and make AfrAsia a great place to work |
| **Become a learning organisation**<br>> Continuous improvement of the induction process with interactive sessions and lively content<br>> Register as a training centre & introduce Knowledge Sharing platform as new tool<br>> Improve Employee relations and internal customer service levels & reporting | To bring more value to the business and to develop knowledge & create a culture of learning/sharing to facilitate |
| **Improve internal communication**<br>> We strive to always innovate with new ways to provide relevant information via digital tools<br>> Measure our internal service levels for continuous improvement through our HR online feedback survey.<br>> An internal communications policy will standardize and formalize how we communicate | Emphasis is put on diversifying our communication channels: providing various platforms for employee storytelling and the Bank's vision<br><br>To focus on employee storytelling and share them across a variety of mediums, with the aim of demonstrating the Bank's core pillars of customer-focus, teamwork and a different organisational culture |

# SOME KEY DATES

## SHAREHOLDERS' CALENDAR

| | |
|---|---|
| Financial Year End | June |
| Annual Meeting of Shareholders | November |

## PUBLICATION OF FINANCIAL STATEMENTS

| | |
|---|---|
| 30 September quarter end | November |
| 31 December quarter end | February |
| 31 March quarter end | May |

## DIVIDENDS

**Ordinary shares Dividends**

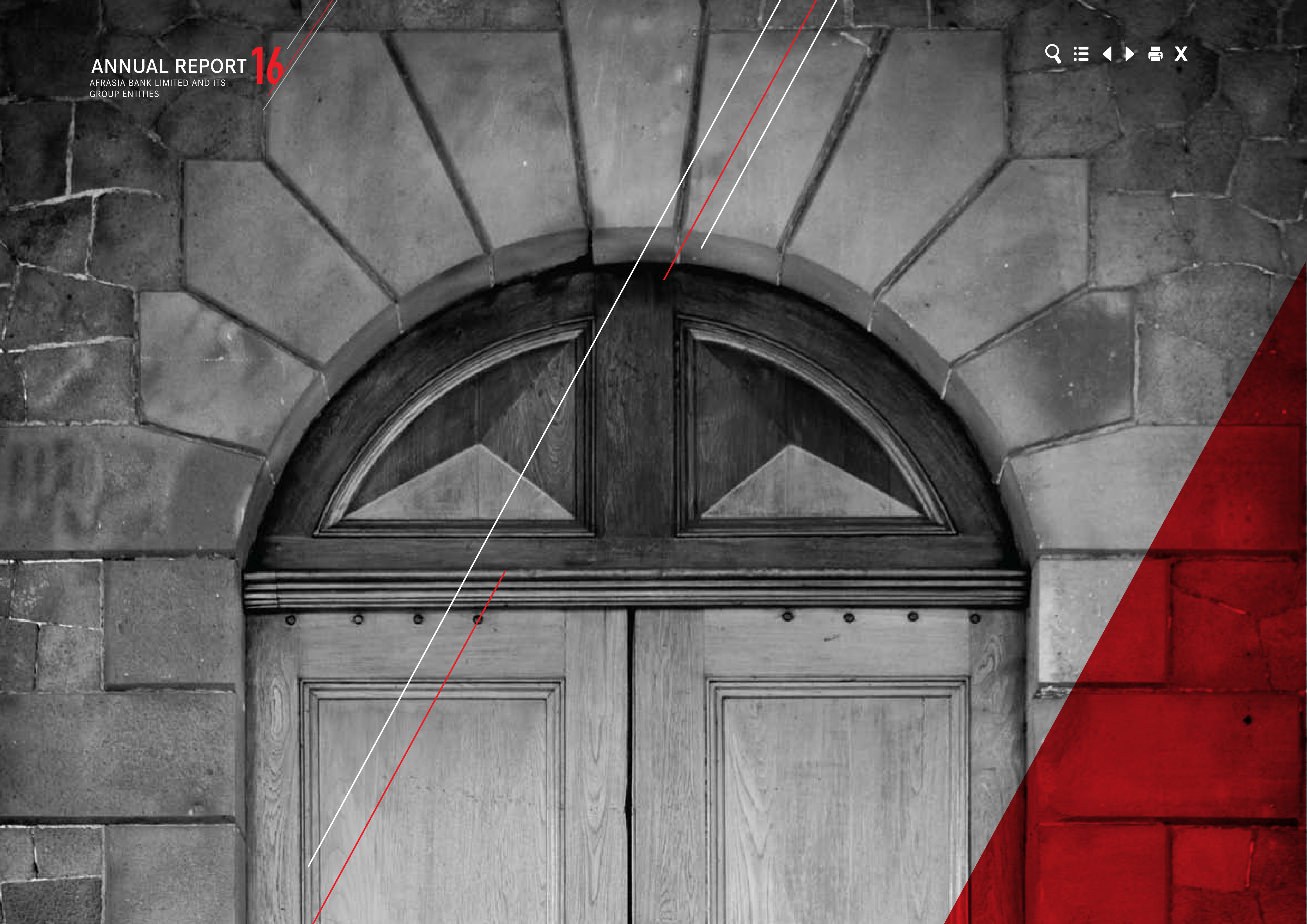
| | |
|---|---|
| Declaration | November – December |
| Payment | Upon receipt of Approval from local regulators |

**Class A shares Dividends**

| | |
|---|---|
| Payment | Upon receipt of approval from local regulators, post June and December |

## STAKEHOLDER RELATIONSHIP

REFER TO PAGE 33



# MANAGEMENT DISCUSSION AND ANALYSIS

"

We ambition to defend and broaden our footprint in the markets we serve. Therefore, it is vital to successfully uphold our essence of **proximity**, **flexibility** and **responsiveness** with our clients, understand the international market and anticipate future market dynamics to come up with innovative solutions, products and services to satisfy the needs and requirements of our clients.

**Yogesh Gokool**
Senior Executive
Global Business

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# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

AfrAsia Bank Limited (the 'Bank') was incorporated in 2007 with the aim to become a bank of reference for the corporate and private banking markets in Mauritius and the region and to capture Mauritius' potential as an International Financial Centre and the compelling opportunities Africa has to offer. Our objectives today are still aligned with the above and, as such, the Bank continues to be strategically based in Mauritius with representative offices in South Africa to serve the Africa-Asia trade and investment corridor.

The Bank offers a diversified range of financial products and a high quality of service to its customers along with flexibility and transparency through the commitment of its people towards clients. The goal is to deliver innovative products to local and international customers to enhance their banking experience. Since inception, the Bank has displayed a consistent and balanced level of growth. As at 30 June 2016, the Bank's deposits base stood at MUR 80bn while customer loans and advances stood at MUR 22bn, net of any impairment provision. As a matter of fact, the Bank has obtained a number of awards for the quality of its private banking offers and level of innovation over the years. The Bank has customers domiciled in over 120 countries and has the capability to open accounts in 30 currencies and can undertake third party payments in 100 currencies.

In the coming months, subject to shareholders' and regulatory approvals, the Bank intends to raise capital by way of a rights issue in order to meet its statutory capital requirements and as part of its strategy to strengthen its capital base to support the growth of its balance sheet. The Bank's three-year vision is based on the consolidation of its existing technological platform, enhancing the quality of its portfolio of financial assets, further improvement in its customer centricity including processes and procedures and on creating value for its people.

The financial year 2015/2016 has seen a change in senior management as well as a review of our strategy. These changes were ratified by the Board and the new operating model is now well embraced. The new strategic vision has been cascaded down through the departments to ensure a sharper focus on goals and objectives.

# ECONOMIC OUTLOOK

## The Global Context

### Global Outlook: Performance and Risks

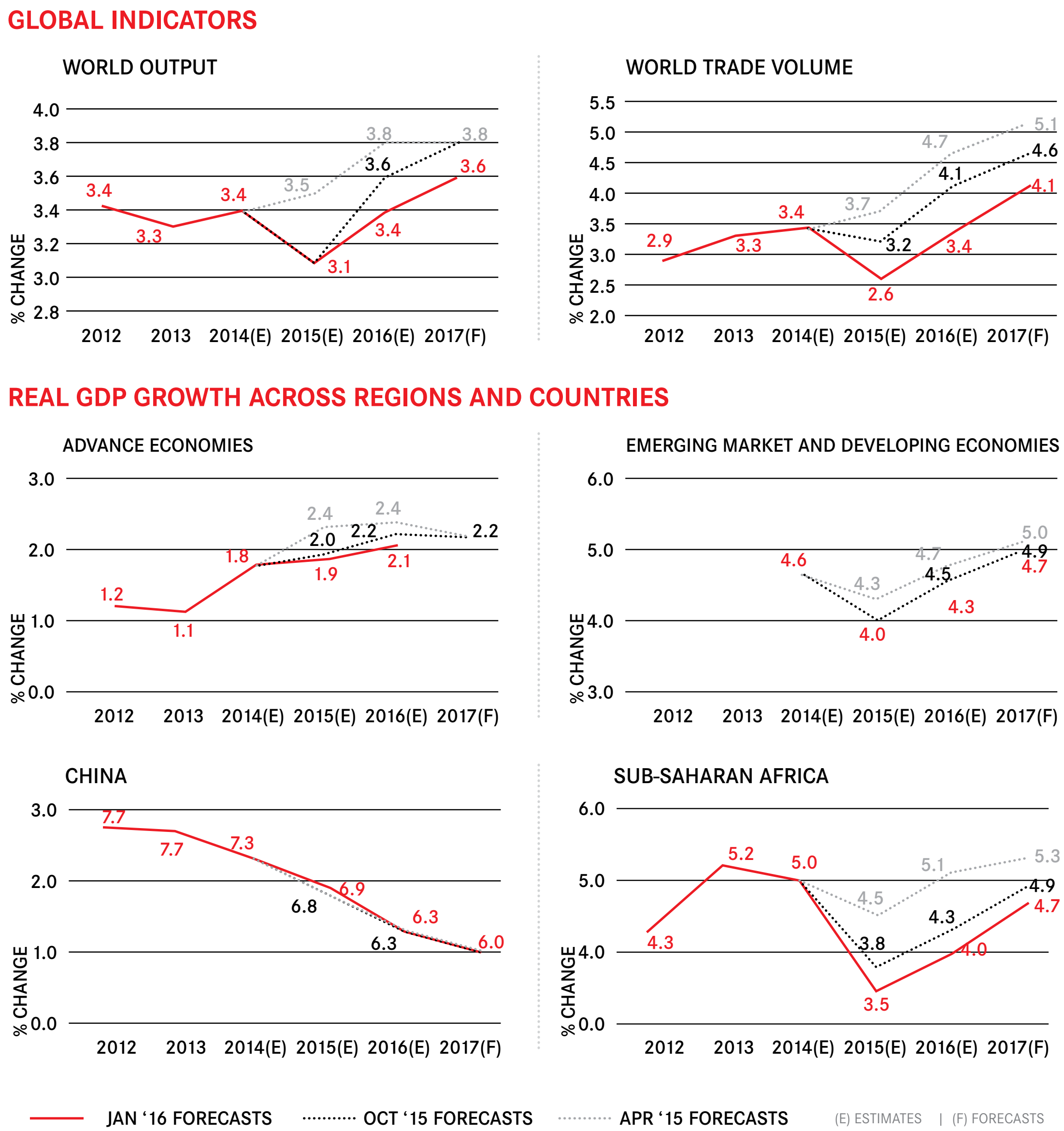
AfrAsia Bank's commercial operations, profitability and financial strength is related to different extent to performance of the global economy.

From the IMF World Economic Outlook - Oct 16 (WEO), "Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer".

The following figures put forward the recurrent changes in projections formulated by International Monetary Fund.

**These persistent downgrades highlight the continuing weaknesses that are characterising the global economy and specific groups of countries.**

**Evolution of IMF projections on the worldwide scale**




*SOURCE: IMF WORLD ECONOMIC OUTLOOK*

## ECONOMIC OUTLOOK
(CONTINUED)

The risks to the global outlook remain tilted to the downside. In its recent *World Economic Outlook, International Monetary Fund* flagged those risks, of which some have become more pronounced in the recent months. Notably, it includes:

### Risks Stemming from the Policy and Institutional Domain:

The U.K. vote to leave the European Union and the election of Donald Trump in U.S. presidential election campaign have brought to the fore issues related to labour mobility and migration, global trade integration, and cross-border regulation. Concerns about the impact of foreign competition on jobs and wages in a context of weak economic growth have enhanced the appeal of protectionist policy platforms, with potential ramifications for global trade flows. The implications for the global economy of a generalised increase in protectionism taking the form of higher tariff and non-tariff barriers result is not just a collapse in trade flows, but also a sharp decline in global output.

### China's Ongoing Adjustment and Associated Spillovers

China's economy continues to support global growth, but its adjustment to a more sustainable pace of expansion has at times turned bumpier than expected. China's transition to a services and consumption-based economy less dependent on commodity and machinery imports will continue to have an impact on prices, trade volumes, and profits across a swath of global industries, with associated effects on asset prices, international portfolio allocations, and investor sentiment.

### Adverse Turn in Financial Conditions for Emerging Markets:

Underlying vulnerabilities among some large emerging market economies (including high corporate debt, declining profitability, and weak bank balance sheets in some cases)—together with the need to rebuild policy buffers, particularly in commodity exporters—leave emerging markets and developing economies still exposed to sudden shifts in investor confidence. Such shifts could materialise, for example, if incoming inflation data for the United States point to an earlier hike in the policy interest rate than anticipated.

### Breakdown of Correspondent Banking Relationships:

In the aftermath of the crisis, large global banks have been forced to re-assess their business models as they rebuild capital buffers, strengthen their risk management practices, and face compressed net interest margins. As a consequence, correspondent banking relationships—large global banks' provision of payment and deposit-taking services on behalf of other banks, often located in smaller countries—have declined with global banks' withdrawal from transactions with smaller, vulnerable economies in Africa, the Caribbean, central Asia, and the Pacific Islands. An intensification of this trend would imperil the access of some of these economies to cross-border remittances, undermine their ability to finance activity, and weaken their response to natural disasters. Although the direct impact on global GDP might be relatively small, the social and economic ramifications could extend beyond the borders of the affected economies—for example, if they add to outward migrations.

## ECONOMIC OUTLOOK
(CONTINUED)

The election of Donald Trump as US president has materially changed the outlook for the global economy in 2017-18. Economic stimulus looks certain, boosting US GDP growth and inflation at least temporarily, but a global trade slowdown is an increasing risk. This means the following:-

The global trade framework is in jeopardy. While we doubt Trump will take some of the most radical steps that he has proposed, including withdrawing the US unilaterally from the North American Free Trade Agreement, it is very likely that the deal and others will be renegotiated, with the US calling the shots. A renegotiation of the World Trade Organisation is on the table as well. Additionally, the prospects of future free trade deals, including the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership, look dead in the water. Failure to pass the TPP would be a sea-change for US trade policy, as the US has never before failed to ratify a negotiated trade agreement. US fiscal policy is about to become much more unpredictable. Tax cuts are likely coming, as part of both Trump and the Republican Congress' plan. There is also likely to be agreement on reforming corporate taxes, and incentivising US companies to repatriate trillions of dollars currently held overseas. However, Trump has shown little interest in paring the deficit and the debt, and a profligate stance could put him at odds with congressional Republicans. A renegotiation of the federal debt, as Trump mooted at one point in the campaign, is almost certainly off the table. But all in all, fiscal policy is likely to become increasingly expansive.

In monetary policy, Trump has shown interventionist tendencies which could shake up the status quo considerably. He has commented on his preferred path of monetary policy, alternating on his position on interest rates, calling for higher rates for savers, but later suggesting that lower rates were necessary to keep federal debt costs pinned down. This is salient because he says that he will replace current Federal Reserve Chairperson, Janet Yellen at the end of her term in February 2018, but it is unclear whether one of the criteria for the next appointee would be their stance on current monetary policy. The prospect of the appointment of a 'dovish' or 'hawkish' Fed chair could become a major issue in late 2017 under Trump's presidency. In any event, our projection of no Fed rate hike in 2016 looks increasingly well-placed, with the central bank likely to stand pat given the uncertainty that this shock election result has generated.

The Republican control of Congress means that Trump will be expected to deliver on many of his promises. These include the abolition of the Affordable Care Act (ACA, or 'Obamacare'), much stronger border enforcement and tougher immigration policy, and major cuts in environmental and financial sector regulation. As with fiscal policy, he may be in conflict with Congress, for instance with his position of wanting to increase the federal minimum wage.

### HIGHLIGHT

*Economic stimulus looks certain, but a global trade slowdown is an increasing risk.*

## ECONOMIC OUTLOOK
**(CONTINUED)**

Trump is a foreign policy 'isolationist' who would put 'America First'. This would entail reduced support for US allies such as NATO states, Japan, and South Korea, along with a much more protectionist trade policy:

### GLOBAL

From Global point of view, analysts expect President-elect Donald Trump to pursue a major shake-up of the US-led international system, thus worrying allies and opponents alike with his 'America first' foreign policy. They think that Trump's presidency will portend more instability worldwide, as major powers adjust to a more unilateralist and protectionist US. His lack of foreign policy experience also presages more volatility in the near term. That said, Trump is unlikely to get his way on all foreign policy objectives, as he would face considerable resistance from career officials in the State Department and Department of Defense.

### ASIA

In Asia, President-elect Donald Trump is expected to adopt a tougher line towards China in the form of more protectionist economic policies. The overall result will be deterioration in Sino-US relations. In addition, Trump will likely reduce support to the traditional American allies such as Japan and South Korea, thus encouraging greater unilateralism.

### SUB-SAHARAN

And lastly , for Sub-Saharan African countries, a victory by Donald Trump will impact Sub-Saharan Africa most substantially through a shift in US aid policy, feeding through to weaker fiscal revenues and growth for a number of economies in the region. A shift toward more isolationist US foreign policy is also likely to impact SSA's trade flows, remittances and security outlook, though the negative impact will be mitigated given that Africa plays a relatively limited role in the US national discourse.

## ECONOMIC OUTLOOK
(CONTINUED)

### Key Themes for Emerging Markets (EM) to consider for AfrAsia Bank

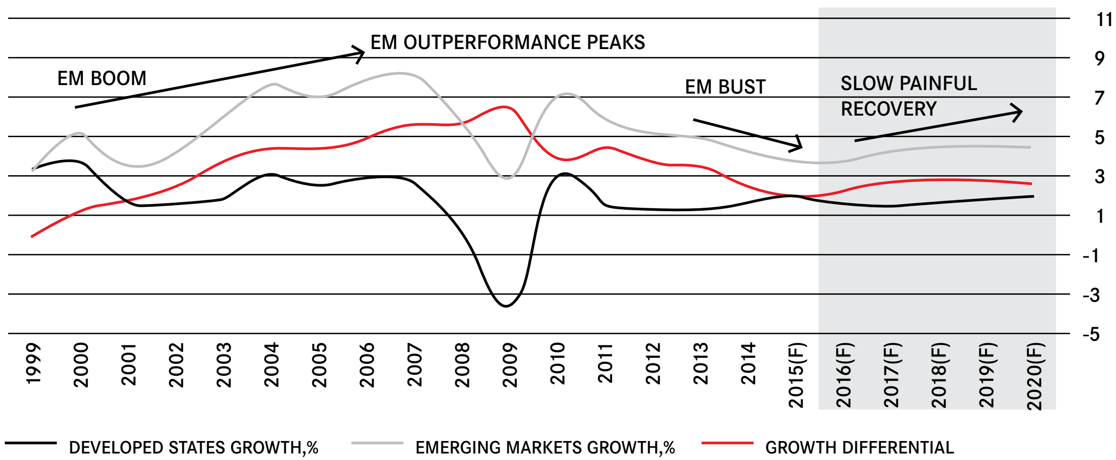
The Bank attracts clients located into, trading with or investing into Emerging Countries. Moreover, a reasonable part of the asset book is invested, after rigorous risk assessment processes, into emerging countries such as India, South Africa, Mozambique.

Consequently, AfrAsia's commercial operations are linked, to some various extents, to development and changes of economic conditions of the EM sphere.

### A Slow and Painful Recovery

Despite the Trump victory and its implications, analysts are holding the view that EM economies will continue to pick up pace following the 'EM bust' of 2015-2016, but the recovery is expected to be slow and painful. The global growth environment remains fragile, commodities will rise only gradually, debt servicing burdens amongst EMs are generally high, and in most cases, economic reform is happening at a sluggish pace.

**NON SUDDEN REGURGENCE IN GROWTH**
**EMERGING MARKETS AND DEVELOPED STATE REAL GDP GROWTH,%**




*SOURCE: BMI*

## HIGHLIGHT

*The global growth environment remains fragile, commodities will rise only gradually, debt servicing burdens amongst Emerging Markets are generally high.*

# ECONOMIC OUTLOOK
(CONTINUED)

## Key themes to play out over the coming quarters, Winners and Losers

While Emerging Markets are now slowly recovering following extremely testing times in recent years, analysts expect several key themes to play out over the coming quarters:

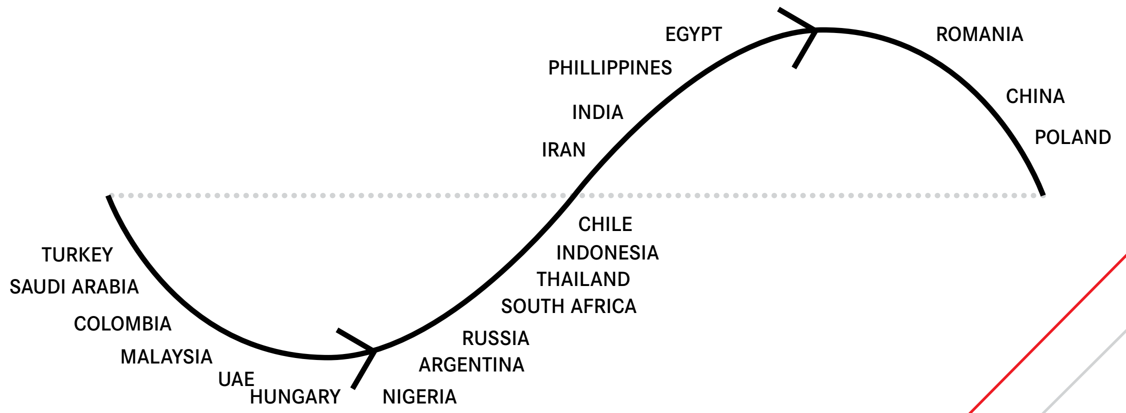
- Mexico and China to be the key 'losers' under the new Trump presidency while Russia will be the main 'winner' among EMs.
- Lower-income, reform-oriented economies such as India and Indonesia are set to outperform within the EM sphere.
- Commodity exporters to gain tailwinds from rising commodity prices, although the recovery will be slow and painful. Commodity-driven inflation will return across the board.
- Russian assets will outperform on account of rising oil prices, the loosening of sanctions, and a rapprochement with the US under a Trump presidency.
- Corporate debt levels have surged and pose a risk to growth, particularly in China.

### Reformers Outperforming

As ever, economic performance across EMs is varying a great deal. For instance, India, Indonesia and Chile have experienced flagging growth in recent months, but they remain in an upswing phase of the economic cycle and will gain tailwinds from structural economic reforms over a multi-year horizon.

Meanwhile, the commodity exporters and reform laggards such as South Africa, Brazil and Russia are only just emerging from economic troughs. The oil exporters are suffering severely from depleted government budgets and debt issuance is being ramped up as a consequence.

**COMMODITY EXPORTERS TURNING THE CORNER**
**WHERE MAJOR EMERGING MARKETS ARE IN THE GROWTH CYCLE**




*Source: BMI – This diagram is a stylised representation of where economies are in the economic cycle, based on consultation with BMI analysts. It is about where economies are in their own growth cycle, rather than relative to any particular quantitative metric. The diagram should be read as a continuous line that circles back upon itself.*

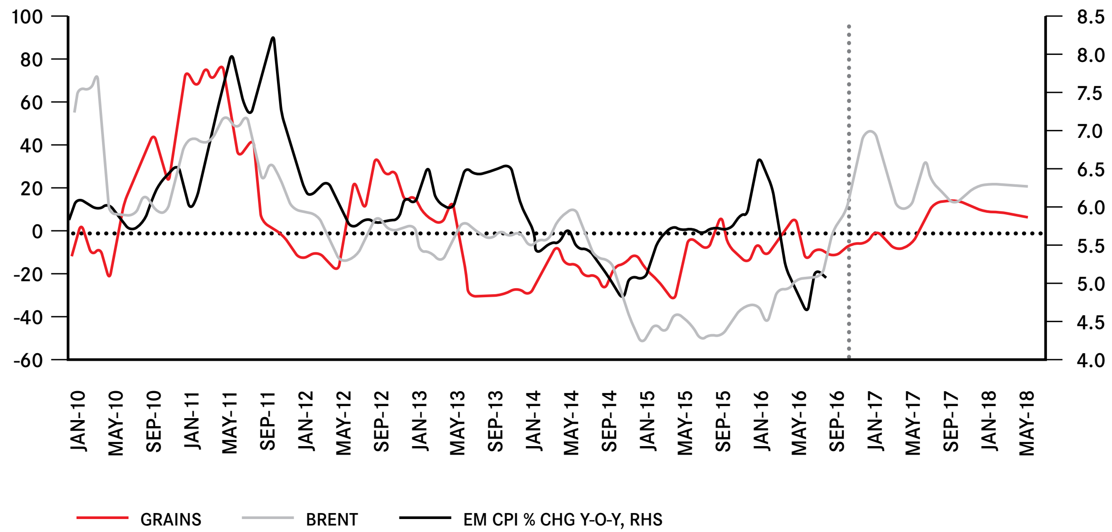
### Commodity-Driven Inflation Returning

Commodity prices will head higher over coming quarters, owing to tightening markets and large-scale infrastructure investments in many developed and emerging markets. As a result, the impact of commodities on inflation around the world is turning from a drag to a boost. This is especially the case for EM commodity importers, where food and fuel tend to constitute a high proportion of consumer spending baskets. We highlight Central and Eastern Europe (CEE), where commodity-driven inflation will be compounded by price pressures stemming from strong private consumption and expansive fiscal policy.

Although we do not expect inflationary pressures in CEE to become a problem, we believe that they are under-appreciated by the market.

# ECONOMIC OUTLOOK
(CONTINUED)

## RISING COMMODITY PRICES WILL DRIVE UP INFLATION
## EM CPI, FRONT-MOUTH BRENT CRUDE AND CBOT CORN PRICE, % CHG Y-O-Y




Corporate Debt: Diverging Trends, China A Key Concern
Corporate debt continues to rise across EMs in aggregate, but the latest quarterly data from the Bank for International Settlements point to a divergence in trends in Q1 2016. On the one hand, countries such as China, India and South Africa saw an increase in corporate leverage, and on the other, countries such as Russia, Turkey and Brazil have seen some deleveraging.

China remains a key concern, with its total debt load standing at 255% of GDP in Q1 2016. The bulk of this is non-financial corporate debt, which equates to 169% of GDP. We expect to see a continued rise in Chinese government and corporate debt levels in Q2 2016 when the data is released, given the large fiscal impulse this year.

# ECONOMIC OUTLOOK
(CONTINUED)

## India: Headwinds For Growth But Still An Outperformer

India posted a real GDP growth rate of 7.1% y-o-y in Q1FY2015/16 (quarter ending June), maintaining its status as the fastest growing major emerging market, despite decelerating from 7.9% y-o-y in Q4FY2015/16. Although reforms are proceeding steadily in some key areas, India's growth will remain below potential over the coming quarters due to ongoing headwinds in the form of weak investment spending, deteriorating asset quality in the banking sector and a poor external outlook. In addition, big bangs reforms such as fiscal and land reforms are proving challenging for the government to implement (see 'Narrow Economic Gains From Proposed GST Reforms', November 1). We maintain our forecast for real GDP growth to slow to 7.2% in FY2016/17, from 7.6% in FY2015/16. Growth will be supported by an expanding manufacturing sector, which has benefited from a favourable policy environment and improving business conditions. Meanwhile, service industries will remain resilient due to healthy levels of domestic consumption.

## China: Yuan To Weaken Gradually Amid Growth Slowdown

The ongoing sell-off in the Chinese yuan has further room to run. The currency has already broken a key level of support at CNY6.700/USD, and we believe that it will remain under pressure over the coming months. The real effective exchange rate (REER) is still elevated, and the currency will therefore continue to face capital outflow pressures. Meanwhile, the People's Bank of China (PBoC) will be willing to steer the yuan weaker as a form of monetary easing, as it attempts to cushion the extent of the domestic economic slowdown. There is currently little risk of large-scale PBoC intervention to strengthen the currency as the ongoing depreciation is in line with the central bank's aims of a weaker yuan.

## South Africa: Flirting With Junk Status

All eyes will be on ratings agencies S&P and Fitch, which are due to release their decisions on South Africa's foreign currency debt in December 2016.

Sluggish growth and sclerotic policymaking suggest that a downgrade to junk status could be on the cards. Key risks to the budget include the potential move away from fiscal consolidation mooted by high-ranking African National Congress officials; President Jacob Zuma's new direct oversight of the financially troubled state-owned enterprises which could stymie efforts to cut spending; and allegations of fraud directed at Finance Minister, Pravin Gordhan, which could potentially result in his removal from office. Although markets have partially priced in the risk of a downgrade, there would nevertheless be a sell-off of the rand and South African bonds if investment grade status is lost. Over a multi-quarter time horizon, the resultant higher borrowing costs and weaker growth would exacerbate pressure on South Africa's already challenging fiscal dynamics.

*(Source = BMI Research Nov 2016)*

# THE MAURITIAN ECONOMY

## Macro-Economic Outlook

With regards to 2016, economic growth is likely to remain in sub-par territories:

- Real GDP is set to increase in the medium term (2016 to 2019) driven by public sector investment. However, the downward trend in private sector investments is not likely to help GDP growth.
- Being the fifth highest paid country in the Sub Saharan Africa, this puts Mauritius in a distinctive disadvantage for lower-end manufacturing.
- Lower inflation and a small improvement in employment will encourage an increase in disposable income for most households.
- The Government plans to increase spending on healthcare and social welfare programs.
- Government debt to GDP is currently at 61.60% and can see a small improvement if GDP increases. With a sustained economic growth, this high debt ratio is not seen as a major risk.

Mauritius Economic Forecasts – 2016 - 2020

| Overview | Actual | Q4/16 | Q1/17 | Q2/17 | Q3/17 | 2020 | |
|---|---|---|---|---|---|---|---|
| GDP Growth Rate | 0.90 | 0.7 | 0.9 | 0.5 | 1.1 | 0.9 | Percent |
| Unemployment Rate | 7.10 | 7.4 | 7.8 | 7.5 | 7.3 | 6.5 | Percent |
| Inflation Rate | 1.50 | 1.5 | 1.7 | 2.1 | 2.5 | 2 | Percent |
| Interest Rate | 4.00 | 4 | 4 | 4 | 4 | 2.75 | Percent |
| Balance of Trade | -6665.00 | -6617 | -6334 | -6525 | -6361 | -6514 | MUR Million |
| Government Debt to GDP | 61.60 | 60.81 | 60.95 | 61.09 | 61.23 | 61.07 | Percent |

*Source: IMF, 2016*

## Risks Assessment

### Activity is highly dependent on European demand

The Mauritian economy, organised around four key sectors (tourism, textile, sugar, finance) is outweighed by services (more than 70% of GDP). The island's activity is highly dependent on that of European countries, where two-thirds of the tourists come from. The moderate growth in Europe should continue to boost the tertiary sector moderately, while the efforts to diversify aimed at attracting travelers from other countries, especially from Asia, are slow in producing their effects. The manufacturing sector is likely to remain hampered by the energy supply problems as well as by the rise in wages which is weighing on the competitiveness of local industry.

However, the relatively expansionary fiscal policy should boost household demand. Private and public investments, encouraged by government measures, should also contribute to vigorous growth. The huge plan to create smart cities, aimed at creating urban zones that combine workplaces, housing and leisure, could in particular attract local and foreign private investors.

The inflation rate could accelerate slightly in 2016 under the combined effect of stronger local demand, a more flexible monetary policy (rate cut in November 2015) and a slight increase in food prices. The price control measures for certain products, and the fall in the price of petrol decided end-2015, should nevertheless dampen the pace of the price rises.

## THE MAURITIAN ECONOMY
(CONTINUED)

### The fiscal and current account deficits could increase but remain moderate

The fiscal deficit should worsen in 2016 because of the increase in spending announced by the government. The commitment regarding a reduction in inequalities will in particular be reflected in an increase in welfare payments and the introduction of a minimum wage. An increase in spending on education is also among the priorities of the new government and infrastructure needs remain significant. The government nevertheless encourages the use of private financing for these projects in order to avoid an excessive deterioration in public finances, given its commitment to reduce the public debt (56% of GDP in 2015) to 50% by 2018. The objective remains ambitious, but the debt profile, predominantly concessional, sharply limits the risk of excessive debt.

The current account balance should also deteriorate in 2016. The increase in demand in the countries receiving Mauritian exports (two-thirds European) is likely to be muted, like the trend in tourist flows. Prices of food and energy products, which weigh heavily on the island's imports, will probably not decline. Demand for consumer goods should be sustained by the increase in household consumption and the implementation of infrastructure projects will require imports of capital goods. The Mauritian economy should continue to attract significant FDI flows mainly from European countries (France), but also from South Africa and China. Moreover, the efforts to eliminate the double taxation and the protection of investors will continue to attract deposits from non-residents in the business centers, which provide an additional financing source.

### Political stability is likely to continue after the return to power of the previous president Jugnauth on the island which is among the best-ranked countries in Africa in terms of governance

Mauritius is a well-established democracy. The general elections in December 2014 brought Sir Anerood Jugnauth (85 years) back to the post of Prime Minister. He held this function in the past (1982-1995 and 2000-2003) and was also president (2003-2012). He will have a comfortable parliamentary majority thanks to the resounding victory of the People's Alliance (Lepep, 51 seats out of 69) that he represented. However, there are disagreements within this tri-party coalition, casting doubts on his ability to implement reforms. The population's expectations are strong given the inequalities and a lack of progress in this area could cause discontent, nevertheless without calling into question the country's political and social stability.

Lastly, Mauritius enjoys efficient governance and a favorable business climate. Its ranking according to the World Bank's governance indicators is one of the best in Sub-Saharan Africa and Mauritius ranks first among African countries (32nd at a worldwide level) in the Doing Business ranking.

*(Source = Coface.fr Jan-16)*

### HIGHLIGHT

*Mauritius is ranked 1st in Africa according World Bank Doing Business Survey 2016 and Mo Ibrahim Index 2016 for good governance.*

# BUSINESS SEGMENTS REVIEW

# CORPORATE BANKING

BACK TO PAGE 23

## OUR STRATEGY

- To consolidate our position on financing of conglomerates and increase our share of business on the overall corporate market (including the SME segment), with key focus on trade finance and foreign exchange capabilities respectively.

- To lay emphasis on excellent service quality and to have a diversified assets book from origination and syndications businesses across Africa, while diversifying our international asset exposure in Asia.

## OUR PROPOSITION

In general, the global market continues to be volatile and this has had a consequent negative impact on emerging markets. Whilst the Bank continues to focus on growth, it has also adopted a prudent market risk approach. Our corporate strategy is geared towards securing our market position in chosen business segments originating primarily from the domestic and international markets while ensuring that the customer remains at the heart of the offer. Our local market focuses around 3 core client-facing units, “Large Corporates”, “Mid Corporates” and “Small and Medium Enterprises (SME)”. Each of these client-facing units deploy specific strategies in line with the needs of the respective niches.

On the international front, our emphasis remains primarily on Africa and Asia. Income is derived from business sourced out of client origination, bank syndications and bilateral agreements with financial institutions. Client solutions relative to product offerings emanate from our corporate lending, treasury and transactional banking divisions.


CLICK TO PLAY VIDEO

https://www.youtube.com/watch?v=B14pvLVLjK4&t=7s

## OUR CLIENT-CENTRIC APPROACH

| Manage Opportunities Across Geographies (Domestic + International) | Develop Strategic Client Management Capability | Define & Deliver Client Value Proposition |
|---|---|---|

## CORPORATE BANKING
(CONTINUED)

### OUR ACHIEVEMENTS

The asset base has continued to grow, driven by significant demand in foreign currency loans, both on the domestic and international markets. Loans in the local currency (MUR) which are predominantly to the local market have remained constant over the financial year 2015/2016.

### THE FUTURE

The Bank continues to see significant growth both locally and internationally and intends to consolidate its position towards the larger corporate base in Mauritius as well as build new offerings to the Mid Corporates and SME sectors.

On the international business scene, the Bank will continue to play a niche role in the African market whereby it will selectively acquire assets through syndications, bilateral loans and organically. Multinational clients using Mauritius as a platform for their offshore investments remain key targets. During the course of financial year 2016/2017, we will look to diversify our asset exposure into new markets, primarily in Asia.

# GLOBAL BANKING

BACK TO PAGE 23

## OUR STRATEGY

- To capture the maximum cross-border trade and investment flows routed via the Mauritius IFC.
- To be the reference bank and partner of choice for intermediaries based in Mauritius and in other reputable IFCs.

## OUR PROPOSITION

Our Global Business cluster was notably taken aback by the decision of the Indian Government to amend the historical Double Taxation Avoidance Agreement (DTAA) that has been in existence between India and Mauritius for more than 30 years. The tax treatment of capital gains was a hallmark of the India-Mauritius DTAA. Post 2017, Mauritius may no longer be the preferred jurisdiction for equity investment into India.

Whilst the DTAA changes pose serious challenges for Mauritius going forward, they also present to Mauritius certain structuring opportunities namely in terms of debt and quasi-debt investments into India. During the year, the Bank's global business desk carried out an impact analysis on the DTAA protocol changes and the conclusion was encouraging with results indicating that the Bank was likely to be marginally affected.

Furthermore, the Bank of Mauritius issued a communiqué on 13 May 2016 to confirm the robustness of the domestic banking system such that the banking sector will be able to withstand significant withdrawals following the DTAA renegotiation. In the long run, however, Mauritius has to change its business model and aim for a drastic diversification. A Moody's report dated 11 May 2016 also confirmed the resilience of the Mauritian economy but highlighted the vulnerability to the risks posed by the large Global Business segment.


CLICK TO PLAY VIDEO

https://www.youtube.com/watch?v=j_nzLxvLo9k&t=4s

## OUR CLIENT-CENTRIC APPROACH

Dedicated Relationship Managers

Professional, efficient and confidential service

Flexibility in procedures and quick decision making

## GLOBAL BANKING
(CONTINUED)

### OUR ACHIEVEMENTS

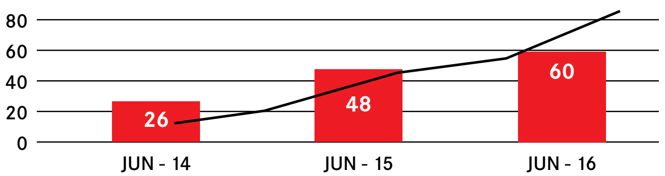
The bulk of total global business deposits, which stood at MUR 49bn as at 30 June 2016 was mainly from Segment B deposits. The Bank indeed posted a robust growth, with respect to the Global Business activities, by reaping the benefits of past and ongoing business development initiatives to capture global business clients managed by the Management Companies (MCs) in Mauritius and abroad.

Our global business desk is committed to reinforce its relationship with the network of MCs in order to more effectively cater for the banking needs and requirements of the global business clients. The significant growth during this financial year was supported by focusing on deepening customer relationships, extending the Bank's market visibility as well as strengthening internal capacity.

Concurrently, the Bank continued its brand franchise promotion journey by engaging in targeted promotional and image-building endeavours. Notably, the Bank's presence at the African Private Equity conferences in Accra and Addis Ababa and the Africa CEO Forum 2016 in Ivory Coast was prominent. These high profile events provided the Bank with a unique networking space to nurture business relationships as well as further showcase its value proposition to key stakeholders.

The Bank is registered as a Foreign Financial Institution since April 2014 for US FATCA purposes and the first reporting was successfully effected on 31 August 2015. In line with the Automatic Exchange of Information (AEOI) of the Organisation for Economic Co-operation and Development and its Common Reporting Standards, the Bank is gearing itself for the first reporting by Mauritius, targeted for 30 September 2018. During the year, the desk assisted Internal Compliance with a review of the account opening forms, streamlining the list of eligible introducers and preparing the action plan for the AEOI.

**TOTAL DEPOSIT SEGMENT B (MUR bn)**

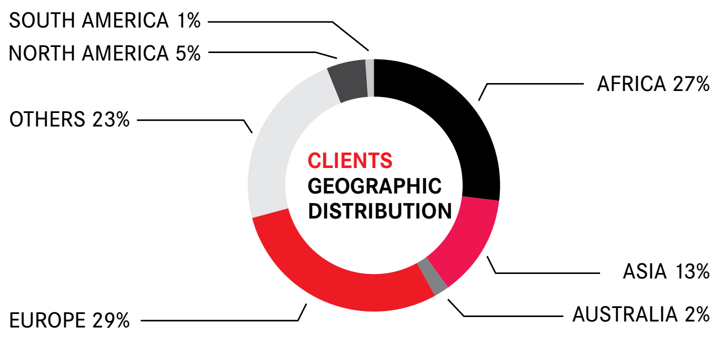



### THE FUTURE

The basics driving the African private equity success story are very clear and include mainly high economic growth rates, a growing middle class and a young population. The interest of global investors to invest into Africa and achieve high returns is reflected through the number of private equity deals reported in Africa over the period 2010-2015.

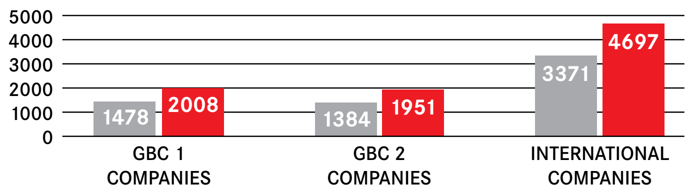
Boasting over a thousand funds, a collective assets under management in excess of USD 80bn, and a sizeable number of them from development finance institutions and sovereign wealth funds, Mauritius is noted as the gold standard for fund management and administration. Most of the funds raised for Africa have transited through Mauritius and we do not see this trend changing. With Africa being the flavour of the moment, we are likely to see more African funds being domiciled in Mauritius. Our global business desk has strongly positioned itself in order to capture the maximum flows from this segment.

Going forward, our global business desk is expected to focus more on consolidation, cross-selling and relationship banking in order to keep pace with the fast-changing operating environment and rising sophistication of the needs of global business clients.




**NUMBER OF CLIENTS**

AS AT JUNE 2015 | AS AT JUNE 2016



# CONSUMER BANKING

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## OUR STRATEGY

- To position AfrAsia Bank Limited as the leading private bank for HNWI & UHNWI locally and in the African region while expanding its global reach
- To craft tailor-made products and services through the Bank's open architecture approach, all adapted to clients' financial aspirations
- Provide tailored products and services to professionals, managers, executives and micro-SMEs of the Personal Banking portfolio

## OUR PROPOSITION AND THE WAY FORWARD

The cluster comprises Personal Banking, Private Banking, External Asset Manager desk and Global Custody and was structured in order to optimise each segment of the consumer banking department and provide our clients with the best-in-class service based on their needs. The cluster has a renewed focus on the high-net-worth segment with the aim of maximising the potential of our existing portfolio of clients and increasing the profitability per client.

As a testimonial of its level of service and quality of its offer, the Bank has been awarded the "Best Private Bank in Mauritius" by Professional Wealth Management and The Banker at the Global Private Banking Awards 2015 as well as the "Best Investment Bank in Mauritius" by Banker Africa Magazine in 2016.

"The Bank has a team of experienced investment professionals who offer proactive investment proposals to suit the needs of the underlying clients.

Thierry Vallet
General Manager
Consumer Banking

## OUR CLIENT-CENTRIC APPROACH

Onboarding of private clients

Personalised approach to address clients' needs

Client retention through best in class service

## CONSUMER BANKING
(CONTINUED)

During the last year, the external asset manager desk has grown significantly in size. The deposit base as well as the assets under custody from clients has increased by nearly 100%. This further reiterates the growth potential that exists in this field as we continue to sign new agreements with asset managers. The external asset manager desk provides an open architecture investment platform to asset managers thus giving access to both major fund houses and niche funds. The Bank has a team of experienced investment professionals who offer proactive investment proposals to suit the needs of the underlying clients. Moreover, the external asset manager desk has a number of collaborative agreements with leading investments organisations to cover all asset classes and geographies. Through the external asset manager desk, the Bank is able to leverage on the credibility and financial soundness of Mauritius as a financial centre while strengthening its existing network of wealth professionals and thus enhancing its image in the segment.

Our global desk aims at facilitating clients' investments in more than 50 countries and provides access to specialised fund houses. In line with the Bank's strategy, the desk is able to provide tailor-made services to high-net-worth individuals and asset managers and acts as a one-stop shop in terms of investment purposes through its capacity to trade with plain vanilla products such as bonds, exchange-traded funds, equities, to more structured products and funds. Its ability to provide access to a wide range of brokers across geographical areas ensures that the client is able to obtain the best execution prices. Customers can pledge their holdings against banking facilities to allow a more efficient use of their investments. In line with its level of service, the Bank partnered with Euroclear, one of the largest custodians in the world. We are the only local bank offering online view access to clients' investment portfolios. All transactions effected and fees levied are reflected in the clients' cash statements for enhanced transparency. We are currently further developing our custody and internet banking portals and are targeting to have a world-class platform by the end of the year.

Our new Resident desk has been set up to better serve our clients who choose to settle in Mauritius. The main objective of the desk is to facilitate the administrative procedures for resident permits, school admissions, purchase of properties and conciergerie services. The Bank has an exclusive partnership in Mauritius with Quintessentially Lifestyle, the world's leading luxury lifestyle group.

Our Private Bankers are regulated by the Financial Services Commission (Investment Advisor - Unrestricted) and have the discretion to offer a full range of investment services providing our clients to informed advice, in line with their risk profile and investment horizon. We lay more emphasis on building the long-term relationship rather than short-term profits.

# TREASURY AND MARKETS

BACK TO PAGE 23

## OUR STRATEGY

- Be the preferred provider of FX and Interest Rate instruments as well as structured solutions to our clients in Mauritius and the region
- Strengthen our position in the Debt Capital Market base by helping institutions raise funds in an alternative way
- Broaden and leverage relationships with financial institutions in Africa, the Middle East,India and other selected markets in Asia while acting as Lead Arrangers for FI in target markets

## OUR PROPOSITION

Our trading desk manages the FX and Interest Rate exposures of the Bank within the parameters set by the Bank of Mauritius and our Credit Committee, while our money market desk manages the assets and liabilities of the Bank on a proactive basis and ensures that we maximise returns, while providing competitive rates to clients.

In line with our objective of offering tailor-made solutions to help clients achieve better yields on local and foreign placements, we provide a series of products ranging from FX spots to non-deliverable forwards for specific African and Asian currencies including treasury bills and bonds yield enhancement products. Our experienced FX strategists provide regular market updates to our clients while also sharing their views on the future path of G7 currencies based on their technical studies.  In addition, we provide regular FX strategy commentary at the start of the week which is published in specialised newspapers. Ad hoc updates on G7 currency pairs are also provided when there are major market movements or important economic events. Our in-house FX research and forecasts together with our structured solutions aims at helping clients make informed decisions.


CLICK TO PLAY VIDEO

https://www.youtube.com/watch?v=VC16omjvxSw&t=69s

## OUR CLIENT-CENTRIC APPROACH

Develop an attractive product suite to cater for domestic and international clients

Understand client risk profiles and identify appropriate hedging portfolios

Advise Corporates & FIs on alternative funding solutions

# TREASURY AND MARKETS
(CONTINUED)

## OUR ACHIEVEMENTS

For the financial year ended 30 June 2016, our Trading Income amounted to MUR 595m, a 26% year-on-year growth. Revenue on FX spots and forwards amounted to MUR 398m, representing a 11% increase from the previous year. We have seen a significant increase on the income generated from client FX derivatives transactions which amounted to MUR 70m compared to MUR 40m in last year. We have also witnessed a significant increase in money market/financial institutions trading income which amounted to MUR 97m as compared to MUR 40m the previous year.

In terms of FX turnover, we have seen a significant increase in our domestic banking volume to USD 1.3bn, representing a 22% increase year-on-year; which has helped us achieve a market share of 15% in the local market.

## THE FUTURE

Our aim is to be the preferred provider of Treasury products in Mauritius and in the region and as such, our Treasury sales team spends a lot of time discussing with clients about their FX needs and this approach has helped us gain around 15% of FX volume in the local market. However, the banking sector is becoming increasingly competitive and therefore, it is important to provide innovative solutions to our clients to ensure that we remain ahead of the curve. While we continue to cater for the day-to-day FX spot volumes, we invest in understanding our clients' FX, Interest Rates and Commodity exposures and structuring the best derivatives solutions to help them. Some of the products that we offer to our clients are:

- Commodity Futures and Swaps;
- FX Structured Forwards;
- Cross Currency Swaps – in major currencies; and
- Interest Rate Swaps – in most G7 currencies.

Our goal is to be a one-stop shop for Treasury requirements both for local and international clients. We feel that Mauritius has all the capabilities of being the funding centre for the rest of Africa. However, with the level of sophistication that we are bringing, we aim to become the centre of excellence in terms of Treasury and Markets solutions for the continent.

# SOUTH AFRICAN REPRESENTATIVE OFFICE (SAREPO)

In addition to its local consolidation, the Bank seeks to continuously position itself to capture opportunities while ensuring that risks are well-managed and mitigated. The Bank plans on enhancing its footprint in Africa through durable partnerships with key players on the continent including private equity funds as well as banks.

During the past financial year, our SAREPO continued to promote Mauritius as an international financial and business destination and AfrAsia Bank Limited as the banking brand of choice to our target markets. Weak commodity prices, lacklustre demand from main trading partners and depreciating national currencies weighed heavily on the Sub-Saharan African economy with overall inflows of foreign direct investment declining 7% to USD 54bn according to the latest World Investment Report. Even the South African economy whose growth managed to stay barely positive during the last two quarters of 2015 collapsed to decline by 1.2% in the first quarter of 2016.

Despite this, the SAREPO managed to grow new business, from its South African and global client base, by approximately 30% over the previous year. This is testimony of the deep network which has been developed over the years by the South African staff focusing on the trend towards:

- continued corporate interest in expanding into African markets;
- managers of private equity funds continuing to be attracted to Mauritius as a base for their operations; and
- individuals seeking international diversification.

Given the subdued outlook for world commodity prices, it is unlikely that economic growth in Africa will show any significant rebound in 2016/17. However, the long-term trends of urbanisation, industrialisation, boosting agriculture production as well as eliminating the infrastructure backlog remain in place. We foresee multinational companies continuing to seek out a range of opportunities. It is also noteworthy that ZAR 19.6bn of undrawn commitments in the South African private equity market alone is available for investment in Pan-Africa. This number could be increased by multiples for the world's private equity market.

# NON-BANKING SUBSIDIARY

## AfrAsia Capital Management

Founded in 1991, and with over 24 years of solid investment management experience, AfrAsia Capital Management Ltd (ACM) continues to be one of the leading asset managers in Mauritius. Over the years, ACM has acquired and consolidated its capabilities by managing various investment strategies and delivering be-spoke investment solutions.

ACM is regulated by the Financial Services Commission and currently holds three licences, namely Investment Advisor (unrestricted), CIS Manager and Distribution of Financial Products.

ACM caters to the needs of High Net Worth Individuals (HNWIs) through its comprehensive portfolio management service which encompasses investment advisory and monitoring to assist clients in meeting their financial goals on both a discretionary and non-discretionary basis, and by providing access to global markets, various asset classes and innovative products. ACM continues to pursue its expansion while endeavouring to offer a quality service to clients.

Under its CIS Manager license, ACM manages seven in-house funds, and strives to cater for different risk profiles by having each CIS focus on a different region and by offering both equity, bond and mixed funds. ACM also has a long history in constructing and managing pension portfolios and delivering consistent above average returns. ACM boasts of a client base that includes major companies in different sectors of the economy.

To offer a holistic service, ACM also regularly engineers many structured product investment ideas, and has embraced an open architecture platform to provide clients access to different asset classes, regions and investment products from reputed international asset managers and niche players.

## Financial Highlights

ACM has been subject to much upheavals over the period, and the figures are a reflection of major restructuring together with medium-to-long term strategic changes put in place at the company.

Despite major changes in the company over the last quarter with the resignation of the CEO, after 18 years of service, ACM has consistently delivered appreciable growth over the years. Indeed, Revenues and Assets under Management (AUM) have posted an annual growth of 20% and 14% respectively, resulting in a cumulative growth of 148% and 91% respectively over the last five years.

## OUR CLIENT-CENTRIC APPROACH

Access to high caliber global research and knowledge via our international partners and in-house team

Offers a wide range of opportunities (across asset classes, regions, sectors, etc)

Tailor-made portfolios according to clients' needs, objectives and risk profile

## NON- BANKING SUBSIDIARY
(CONTINUED)

Mr Thierry Vallet was appointed as Acting Chief Executive Officer, pending the recruitment of a new Chief Executive Officer. He has headed the team of ACM, which comprises 10 investment specialists with several years of experience in the field of investment and financial services, backed by a solid operations and finance team.

### Developments Over The Financial Year

ACM is wholly-owned by AfrAsia Bank Limited. During the period under review, positive changes at Group level have started to spill over and have been bringing encouraging and promising amendments at ACM. Notwithstanding the difficult year, ACM continues on its path of a restructuring venture with the Board in the process of finalising the appointment of a new CEO. To this end, ACM shall continue on its path of long-term growth and remains one of the leading asset management companies in Mauritius.
Drawing on the expertise and experience of the investment team, ACM has managed to successfully steer its funds amidst accrued volatility in the financial markets over the past year.

ACM has continued to build its product offering and in this respect, the company has continued to team up with several renowned asset management houses. ACM maintains regular contact with these fund managers via conference calls and shared access to their research database, thereby enhancing the portfolio management expertise of ACM and assisting in delivering appreciable performance.

### Looking Forward

ACM is now embarking on a new phase of restructuring and development by leveraging on its shareholder and Group resources and network. The goal of ACM is to always ensure that the interests of clients come first. The company is thus aiming to conquer new market ground and to maintain its reputation in providing innovative and tailor-made investment solutions whilst taking into consideration each client's appetite and tolerance for risks.

# FINANCIAL HIGHLIGHTS – YEAR UNDER REVIEW

Operating in a highly competitive environment coupled with the changes in its senior management team along with a realignment of its core strategies, AfrAsia Bank Limited (the "Bank") closed its 2016 financial year with a Net Profit after Tax of MUR 433.6m as compared to MUR 175m in the previous financial year representing a 148% growth.

The Bank reported a steady growth across all its business segments with its net interest income increasing from MUR 860.6m to MUR 965.7m in the year under review, along with net fee income growth of 11% as compared to the same period in the last year.

The Bank's focus on the lending side is to adopt a conservative and disciplined approach, and this is reflected in the loan book growing by 1% across both segments to reach MUR 22bn, net of any impairment charge.

On the other hand, we continue to serve a greater market share across segments which is reflected by the deposit base growing by 20% over the last year to reach MUR 80.4bn (2015: MUR 66.9bn).

Overall, the Bank is reasonably satisfied with the results achieved for the year ended 30 June 2016. With a stable loan book and steady growth in clients deposits of 20% reflected in steady growth in Net Interest Income of 12% and Net Fees Income of 11% year-on-year, along with a continued noticeable growth in treasury income of 26%, along with a disciplined approach towards spending, AfrAsia Bank Limited is confident that it has set the right base for the future.

# CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

| OBJECTIVES FOR 2015/16 | PERFORMANCE FOR 2015/16 | OBJECTIVES FOR 2016/17 |
|---|---|---|
| **Statement of Comprehensive Income – Operating Income** | | |
| The Bank's aim is to achieve an operating income of at least MUR 1.9bn for 2015/16 | Objective has been attained with operating income closing on MUR 1.9bn for the year ended 30 June 2016 | The objective for 2016/17 is to achieve MUR 2.7bn of operating income |
| **Statement of Comprehensive Income – Operating Expenses** | | |
| While continuing to invest in IT infrastructure, premises and human resources, operating expenses are expected to remain as low as MUR 768m, that is, an increase of 30% from 2014/15 | The Bank closed its financial year with operating expenses of MUR 696.1m, indicative of a close cost monitoring policy | The Bank expects to continue spending in the core areas of IT and human capital over this financial year and end with total operating expense of MUR 1bn for 2016/17 |
| **Statement of Financial Position – Loans and Advances** | | |
| The Bank will seek to increase its very conservative current loans-to-deposits ratio from 32% in 2015 to reach 43% in 2016, that is, with an aim to achieve customer loans and advances of MUR 32.9bn by the end of June 2016 | A subdued growth in loans and advances of 1% with customer deposits increasing by 20% resulting in the Bank closing on a loans-to-deposits ratio of 27% as at 30 June 2016 | It is envisaged that the Bank will close the next financial year on a loans-to-deposits ratio of 41% |
| **Statement of Financial Position – Deposits Growth** | | |
| While maintaining its existing customer base and gaining on market share, the Bank aims to increase its deposit base to MUR 77.1bn by the end of June 2016 | The Bank closed on MUR 80.4bn of Customer Deposits, that is, 4% above target set at beginning of the financial year | The bank is on the right track and is expected to increase its customer portfolio to MUR 84bn for the next financial year |
| **Statement of Financial Position – Asset Quality** | | |
| The Bank expects its non-performing loans to be 3% of its gross loans | Non-performing loans as a percentage of gross loans was at 11% end of June 2016, reflective of a disciplined approach to assets classification and provisioning | The Bank target is to close with a non-performing loans as a percentage gross loans at 5% |
| **Statement of Financial Position – Capital Management** | | |
| The Bank will achieve a capital adequacy ratio above the minimum regulatory capital requirements under the Basel III provisions | The Bank capital adequacy ratio stood at 11.7% for year ended 30 June 2016 | The Bank undertakes to ensure that the Bank meets its capital adequacy ratio as required under requirements under the Basel III provisions. |
| **Performance Ratio – Return on Average Equity** | | |
| Return on average equity for the Bank is targeted to be above 20% | The Bank's return on average equity stood at 13% as at end June 2016 | The target is to achieve a minimum return on average equity of at least that of the previous year |
| **Performance Ratio – Cost to Income** | | |
| The Bank will continue to maintain a cost control policy while continue to investment in core resources | The cost to income ratio was at 37% compared to 36% for 2014/15 | It is intended to achieve a cost to income of 34% for 2015/16 |

# REVENUE GROWTH

## Net Interest Income

Net Interest Income grew steadily from MUR 860.6m to MUR 965.7m, that is, a growth of 12% from 2015 to 2016. This growth is to be noted across both segment A and B, 20% and 7% respectively.

Total interest income grew by 8% reaching MUR 1.7bn compared to previous year out of, which MUR 1.2bn is related to interest income from customers on loans and advances which represented 70% of total interest income.

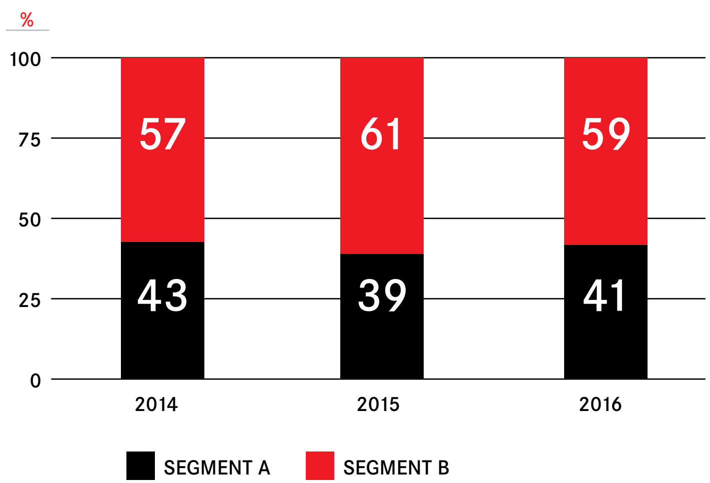
On the other hand, the Bank paid MUR 774.9m compared to MUR 748.6m last year representing a rise of 4% in interest expense. 87% of the total interest expense is attributed to customer deposits amounting to MUR 675m.

## Non-Interest Income

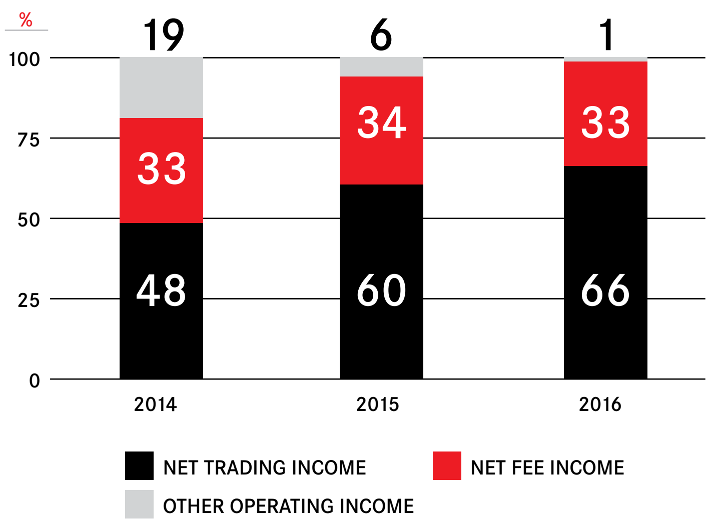
Non-interest income is derived from three components mainly the net fees and commission income of MUR 297.8m, net trading income of MUR 594.7m and other operating income of MUR 6m.

Non-interest income reached MUR 898.5m (2015: MUR 786.2m) this financial year representing 14% growth mainly due to a satisfactory upswing of almost 17% in credit related fees and commission income of MUR 321.6m as compared to MUR 274m in 2015 and a remarkable growth of 15% in foreign exchange gain income.

### NET-INTEREST INCOME




### NON-INTEREST INCOME



## COST CONTROL

While continuing to invest in IT system, physical infrastructure and human capital, the Bank successfully adapted a conservative approach towards cost control to see its cost-to-income ratio maintained at the same level as last financial year, that is, 37% as compared to 36% for last financial year.

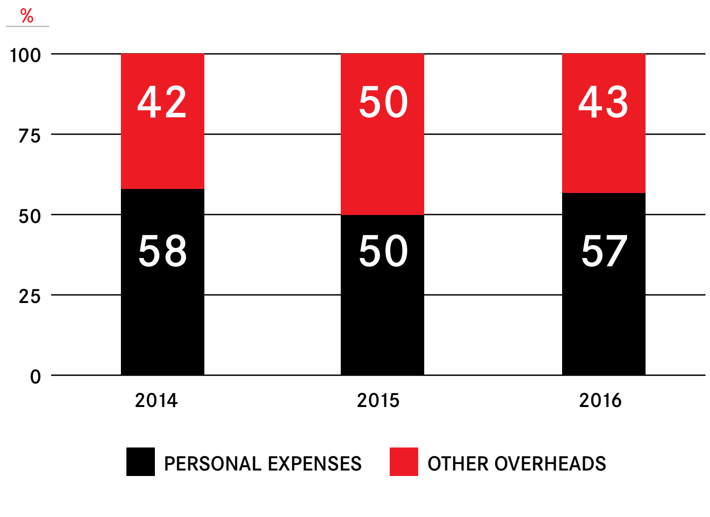
For the financial year 2016, personnel expenses represented 57% of the Bank's total costs while other overheads represented 43%.

## ASSET MIX

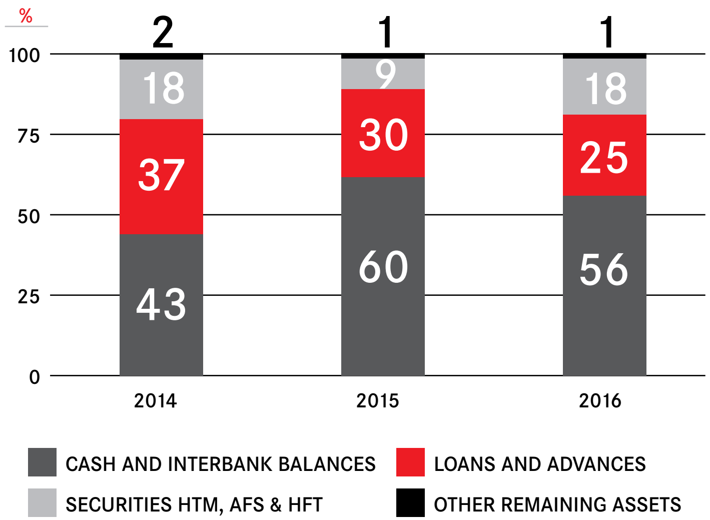
The Bank's total assets showed MUR 87.1bn (2015: MUR 73bn) representing an increase of 19% compared to previous financial year. The Bank managed to maintain a well diversified assets mix represented by:

- Cash and balances with the Central Bank and due from banks of MUR 49bn;
- Customer loans and advances to customers of MUR 22bn;
- Financial investments held-for-trading, available-for-sale and held-to-maturity of MUR 15.4bn; and
- Other remaining assets of MUR 0.7bn.

### TOTAL OPERATING EXPENSES




### ASSET MIX



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# DEPOSITS

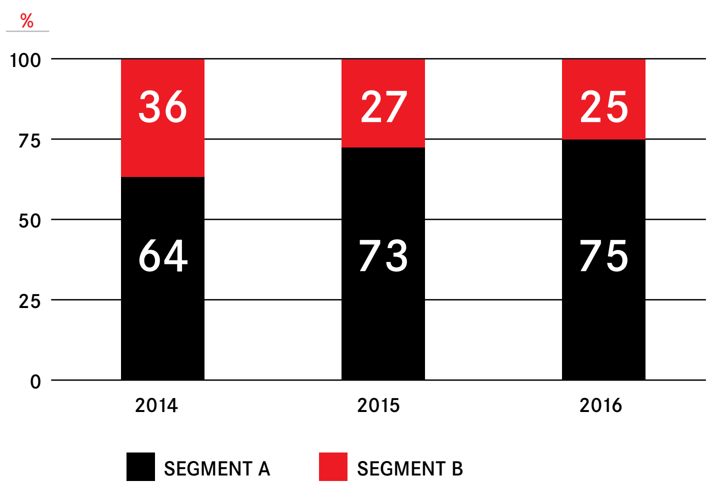
Total deposits base grew by MUR 13.5bn to reach MUR 80.4bn (2015: MUR 66.9bn) reflecting customers continued confidence in the Bank while no major variances were noted in the appropriation between segments.

The bulk of the deposit base growth is represented by a remarkable boost of 47% in current accounts under the business sector.

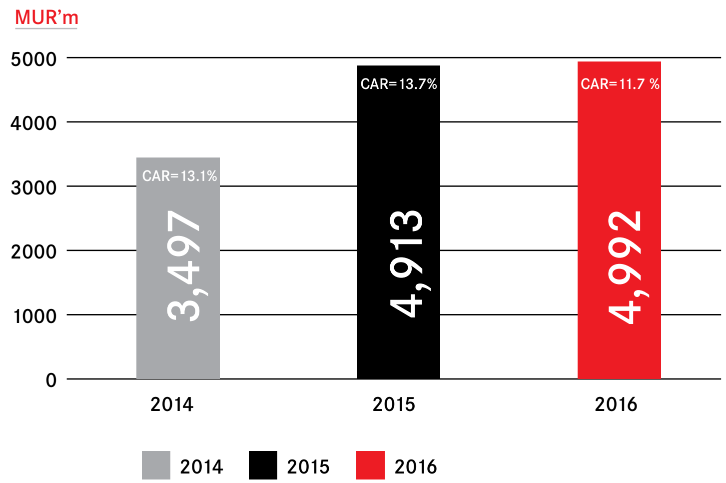
# CAPITAL RESOURCES

The Bank's capital base under Basel III stands at nearly MUR 5bn with no significant change compared to last year. As at 30 June 2016, the capital adequacy ratio stood at 11.7%. The Bank fully recognised its Class A shareholders' entitlement to their dividends according to the terms and conditions of the Class A shares programme memorandum and paid its Ordinary shareholders an amount of MUR 0.35 per share during the year ended June 2016.

**DEPOSITS**




**CAPITAL RESOURCES**



# RISK MANAGEMENT REPORT

"

Our clients remain at the heart of everything we do. Demonstrating our **customer-focused** approach and drive for quality allows us to attract and retain customers through highly relevant and personalised experiences as well as compete with the new entrants and disrupters in the market.

**Thierry Vallet**
General Manager
Consumer Banking

# RISK MANAGEMENT REPORT

This section outlines AfrAsia Bank Limited's (the "Bank") strategy for managing risk and how a risk culture has been developed to ensure that there is a set of objectives and practices which are shared across the Bank. It provides details of the Bank's governance, specific information on policies that the Bank determines to be of particular significance in the current operating environment, committee structures and how responsibilities are assigned.

The Bank manages risk by identifying, assessing and mitigating risks that could compromise the fulfilment of its responsibilities and the achievement of the strategic objectives and desired outcomes that are set out in the medium-term plan. The Bank's enterprise risk management framework (ERMF) has been in place since 2008.

## RISK MANAGEMENT PRINCIPLES

- Integration of the risk culture and involvement of senior management in managing and taking decisions on risks.
- An independent risk function.
- Comprehensive approach to all risks.
- Formulating the risk appetite of the Group and its subsidiaries.
- Clear definition of attributions and decision making via collegiate bodies.

# RISK MANAGEMENT STRATEGY

AfrAsia Bank Ltd has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes.

At a strategic level, the Bank's risk management objectives are to:

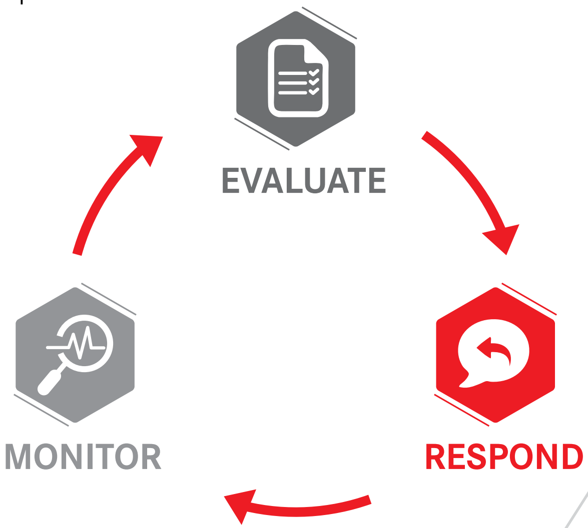
- identify the significant risks to the Bank;
- formulate the Bank's risk appetite and to ensure that business profiles and plans are consistent with it;
- optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- ensure that business growth plans are properly supported by effective risk infrastructure;
- manage the risk profile to ensure that specific financial deliverables remain achievable under a range of adverse business conditions; and
- help executives improve the control and coordination of risk-taking across the business.

## RISK MANAGEMENT STRATEGY
(CONTINUED)

A key element in the setting of clear management objectives is the ERMF, which sets out key activities, tools, techniques and organisational arrangements so that material risks facing the Bank are identified and understood, and that appropriate responses are in place to protect AfrAsia Bank Ltd and prevent any loss at the detriment of its customers, employees or community. This will help the Bank meet its goals and enhance its ability to respond to new opportunities.

The ERMF covers those risks faced by the Bank that are foreseeable, continuous and material enough to merit establishing specific Bank-wide control frameworks. These are known as Principal and Key Risks.

The aim of the risk management process is to provide a structured, practical and easily understood set of three steps, Evaluate, Respond and Monitor (the E-R-M process), that enables management to identify and assess risks, determine the appropriate risk response, and then monitor the effectiveness of the response and changes to the risk profile.




### EVALUATE

Risk evaluation must be carried out by those individuals, teams and departments who manage the underlying operational or business process, and so are best placed to identify and assess the potential risks, and also include those responsible for delivering the objectives under review.

### RESPOND

The appropriate risk response effectively and efficiently ensures that risks are kept within appetite, which is the level of risk that the Bank is prepared to accept while pursuing its business strategy. There are three types of response:

(i) accept the risk but take necessary mitigating actions such as use of risk controls;

(ii) stop the existing activity/do not start the proposed activity; or

(iii) continue the activity but transfer risks to another party via the use of insurance.

### MONITOR

Once risks have been identified and measured, and controls put in place, progress towards objectives must be tracked. Monitoring must be ongoing and can prompt re-evaluation of the risks and/or changes in responses. Monitoring must be carried out proactively. In addition to 'reporting', it includes ensuring risks are maintained within risk appetite, and checking that controls are functioning as intended and remain fit for purpose.

The process is orientated around material risks impacting delivery of objectives, and is used to promote an efficient and effective approach to risk management. This three-step Risk Management Process:

- can be applied to every objective at every level in the Bank, both top-down or bottom-up;
- is embedded into the business-decision making process; and
- guides the Bank's response to changes in the external or internal environment in which existing activities are conducted and which involves all staffs and all three lines of defence.

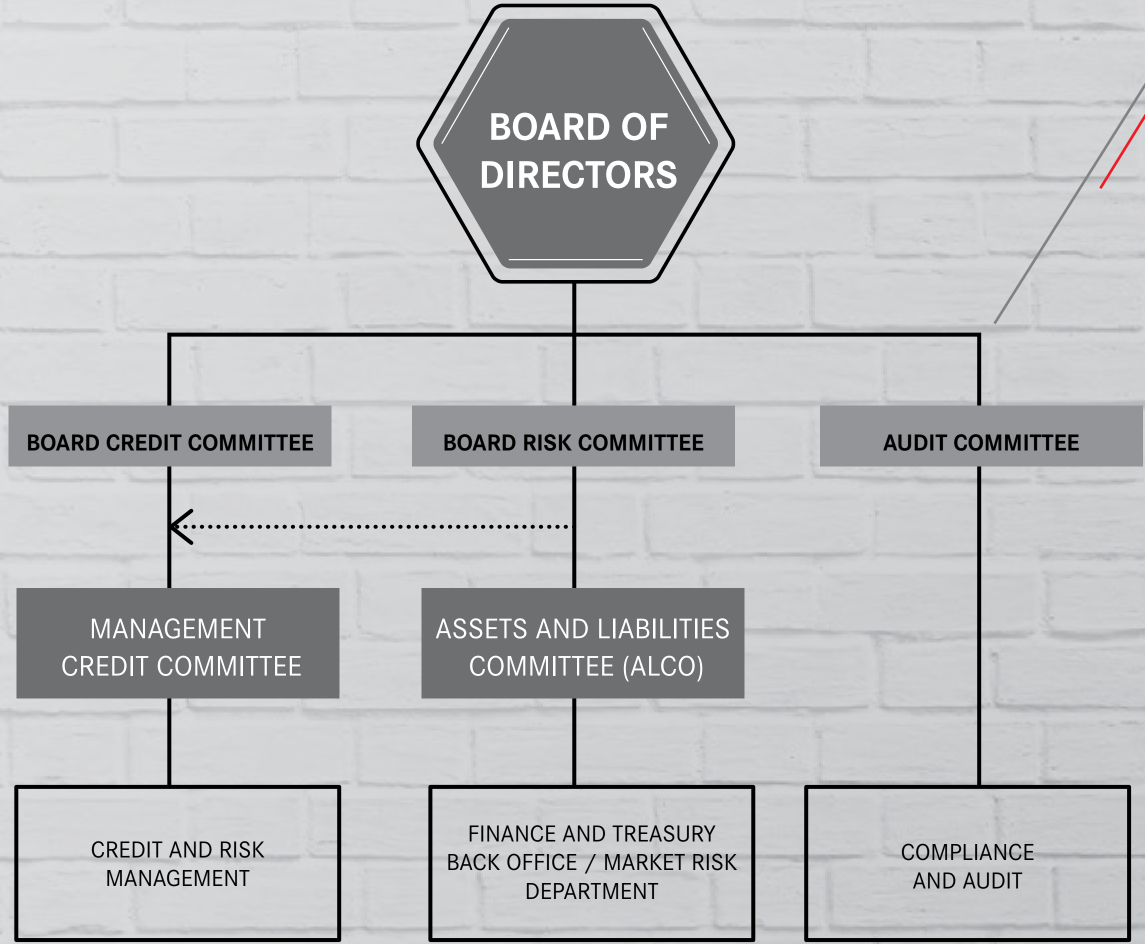
# GOVERNANCE STRUCTURE

Risk exists when the outcome of taking a particular decision or course of action is uncertain and could potentially impact whether, or how well, the Bank delivers on its objectives.

The Bank faces risks throughout its business, every day, in everything it does. Some risks are taken after appropriate consideration – such as lending money to a customer. Other risks may arise from unintended consequences of internal actions, for example an IT system failure or poor sales practices. Finally, some risks are the result of events outside the Bank's control but which impact its business – such as major exposure through trading or lending to a market counterparty which later fails.

All employees must play their part in the Bank's risk management, regardless of position, function or location. All employees are required to be familiar with risk management policies that are relevant to their activities, know how to escalate actual or potential risk issues, and have appropriate level of awareness of the ERMF, risk management process and governance arrangements.

The Board has delegated some of its functions to a number of committees and departments as follows:



## GOVERNANCE STRUCTURE
(CONTINUED)

The Board Credit Committee performs several fundamental functions for the Bank which include:

- approving the delegation of credit limits to management and approving any transactions exceeding those delegated authorities;
- reviewing and recommending for Board approval the Bank's Risk Appetite Framework at least annually and reviewing the alignment of the Bank's strategic plan with the Risk Appetite Framework;
- reviewing and approving risk management policies recommended by Bank management for identifying, accepting, monitoring, managing and reporting on the significant risks to which the Bank is exposed; as part of such reviews, satisfy itself with the manner in which material exceptions to such policies are identified, monitored, measured and controlled, as well as the remedial actions taken when exceptions are identified; and
- reviewing and recommending for Board approval the Bank's credit risk strategy at least annually.

The Board Risk Committee duties are:

- reviewing, monitoring and recommending to the Board for approval of risk related policies, procedures and standards as required by regulatory agencies;
- Overseeing the risk management function, having regard to its independence; by periodically reviewing the results of independent reviews of the risk management function and reporting such results to the Board; and overseeing that deficiencies identified related to the risk management function are remedied within an appropriate time frame and reporting to the Board on the progress of necessary corrective actions;
- reviewing on a quarterly basis management's report on the Bank's lending profile, and discuss with management identified material risks and emerging risk issues and trends;
- reviewing quarterly reports on the Bank's enterprise-wide risk profile (including credit, market, operational and liquidity risks) and reviewing against its risk appetite;
- reviewing and approving country limits in line with the Bank's strategy and country appetite; and
- reviewing and approving any other matters required by regulators from time to time.

Regular reporting enables the Board of Directors to monitor whether the overall risk policies and authorities are being complied with and whether they meet the Bank's needs. In addition, the Board regularly reviews reports analysing the Bank's portfolio, including data on industry concentrations.

### HIGHLIGHT

*The Board of Directors has oversight for risk management, to ensure that the Bank is executing according to its strategic goals and that it only accept risks which are adequately compensated.*

## Committees established by the Board of Directors

### Board Credit Committee

- The Board Credit Committee (BCC) is made up of three independent non-executive directors, one non-executive director and the Chief Executive Officer. The independent directors are experienced risk professionals with extensive experience in emerging markets and Mauritius.
- The BCC is a consultative as well as an approval panel for facilities exceeding the Management Credit Committee's lending authority as defined in the Credit Risk Policy. In this capacity, the BCC examines and approves large credit applications where global exposures exceed MUR 50m.

### Board Risk Committee/ Conduct Review Committee

- The Board Risk Committee (BRC) is composed of two independent non-executive directors, one non-executive director and the Chief Executive Officer, which met four times during the year under review.
- BRC reviews the Bank's transactions with related parties ensuring that the latter is in compliance with all reporting and/ or approval procedures of the Bank of Mauritius and all related party transaction with any shareholder when said dealings are above 2% of Tier 1 capital.
- BRC ensures that transactions which could materially affect the financial stability of the Bank are identified at source.

### Audit Committee

- The Audit Committee is composed of the three independent non-executive directors, which met four times during the year under review.
- The Audit Committee's principal responsibilities are to ensure that the Bank implements and maintains appropriate accounting, internal control and financial disclosure procedures, evaluating and approving the related procedures. It can also have consultations with both the Bank's internal and external auditors, as required.

### Management Credit Committee

- The Management Credit Committee (MCC) assists the Board to formulate, approve and implement loan policies, guidelines and credit practices of the Bank. It is also responsible for the implementation and maintenance of the Bank's credit risk management framework. Key objective of the MCC is to evaluate, review and sanction credit applications up to and including MUR 50m and those referred by lower mandates or, which cannot be sanctioned at lower levels.
- MCC reports to the BCC and comprises eight permanent members among whom are three voting members (the CEO, the Head of Finance & Treasury Back Office and the Head of Credit & Risk). The other five members are "in attendance" (the General Manager, Head of Banking Treasury and Markets, the Head of Domestic Banking Relationships & Sales, the Head of Strategic Development and the Credit Risk Managers - International Business & Domestic Corporate).

### Assets and Liabilities Committee (ALCO)

- The Bank's Asset and Liability Committee's overall responsibility is to ensure that the Bank's overall asset and liability structure including its liquidity, currency and interest rate risks are managed within limits and targets set by the Board Risk Committee (BRC).
- This committee, which comprises the CEO, the COO, Head of Consumer Banking, Senior Executive: Treasury and Markets, Senior Executive: Corporate Banking, the Head of Finance, the Head of Credit & Risk, the Money Market Executive, the Market Risk Executive and the Head of Global Business & Structured Trade meets at least once a month.

# MANAGEMENT OF KEY RISK AREAS

## Overview

The granting of credit is one of the Bank's major sources of income and, as a Principal Risk, the Bank dedicates considerable resources to its control.

## Credit Risk

The risk of suffering financial loss should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank.

The credit risk that the Bank faces, arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts with clients. Other sources of credit risk arise from trading activities, including: debt securities, settlement balances with market counterparties, amongst others.

Credit risk management objectives are to:

- maintain a framework of controls to ensure credit risk taking is based on sound credit risk management principles;
- identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio;
- control and plan credit risk taking in line with external stakeholder expectations and avoiding undesirable concentrations;
- monitor risk portfolio against agreed limits; and
- maximise the stake holder's value.

## Organisation and Structure

The Bank has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring that there are an adequate internal control mechanism and up-to-date and comprehensive risk policies which adherence to legal and regulatory requirements.

In designing credit policies and the credit process, due consideration is given to the Bank's commitment to:

- create, monitor and manage credit risk in a manner that complies with the Bank of Mauritius guidelines and AfrAsia Bank's credit risk policy;
- identify credit risk in each investment, loan or other activity of the Bank;
- utilise appropriate, accurate and timely tools to measure credit risk; and
- set acceptable risk parameters.

The responsibilities of the credit risk management teams in the businesses include: sanctioning new sources of risk; monitoring risk against limits and other parameters; ensuring all elements of post sanction fulfilment are completed in line with terms of the sanction; maintaining robust systems, data gathering, quality, storage and reporting methods for effective credit risk management; and performing effective turnaround and workout scenarios via dedicated restructuring and recoveries teams.

Credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with the head of the department and the Chief Executive Officer being entrusted with the higher levels of delegated authority.

An overview of the credit approval process and procedures is depicted below:

## CREDIT APPROVAL PROCESS

FRONT OFFICE | RELATIONSHIP MANAGEMENT | CREDIT MANAGEMENT | APPROVAL PROCESS

| CSA/CSO | RELATIONSHIP MANAGER | CREDIT MANAGER | CREDIT ADMIN. & LEGAL | CREDIT RISK MANAGEMENT | MCC/BRC/CRC |
|---|---|---|---|---|---|
| Account Opening; KYC Perfection; | Operational Evaluation Provide details on Background and deals | Collect and review data; credit analysis and submission of credit proposal | Vetting and advice on proposed security structure | Credit Recommendation Industry Analysis; Country Analysis | Approval by Management Credit Committee or Board Risk Committee |
| > Establishes contact<br>> Evaluates first customer information<br>> Customer meeting<br>> Shareholding structure<br>> Segmental information | > Performs Operational Evaluation on the credit request<br>> Provides details on the deal and rationale for financing<br>> Provides details on client's background, client base and products base and markets<br>> Highlights the key business risks<br>> Reviews MCIB and searches reports | > Requests supporting documents<br>> Proposes facility structuring<br>> Obtains information<br>> Completeness and plausibility review<br>> Financial spreading and Financial Analysis<br>> Provides recommendations to RM and to GM (Domestic Banking or Global Business) | > Provides in-depth advice on appropriate security structure;<br>> Vetting of documentation<br>> Reviews of existing securities (and advises on flaws or pending documentations if any) | > Checks compliance with authority structure and Credit Risk Policy<br>> Reviews documents and facility structure<br>> Assesses credit-related factors linked to lending<br>> Assesses Loan to Value<br>> Evaluates exposure<br>> Formulates recommendation on the credit request<br>> Industry/Country analysis | > Approval by decision-makers and depending on authority structure |

# CREDIT RISK

## Roles and Responsibilities

The responsibilities of the credit risk management teams in the businesses, the sanctioning team and other shared services include: sanctioning new credit agreements; setting policies for approval of transactions; setting risk appetite; monitoring risk against limits and other parameters; maintaining robust processes, data gathering, quality, storage and reporting methods for effective credit risk management; performing effective turnaround and workout scenarios for our portfolio via dedicated restructuring and recoveries teams; maintaining robust collections and recovery processes/units and review and validation of credit risk measurement models.

The Board has ultimate control and oversight of the credit risk policies for the Bank and these policies are reviewed on at least an annual basis. The policies are designed to provide effective internal control within the bank. Any developments in the customers' financial situation are closely monitored by the Bank thus enabling it to assess whether the basis for granting the credit facility has changed. However, a new review is triggered when changes happen in regulations and guidelines. Credit facilities are generally granted on the basis of an understanding of customers' individual financial circumstances, cash flows assessments of market conditions and security procedures. The facilities should match the customers' creditworthiness, capital position and assets to a reasonable degree, and customers should be able to substantiate their repayment ability. In order to reduce credit risk, the Bank generally requires collateral that corresponds to the risk for the product segment.

## Credit Rating

As per Basel II Capital Accord, a Rating System must have 2-Dimensions and provide for a separate assessment of borrower and transaction characteristics to provide for a meaningful differentiation of risk. In that respect, over the reporting financial period, the Bank implemented CRISIL Risk Solutions which provide a suite of software that is critical for ensuring compliance with regulatory guidelines, such as Basel II. CRISIL's Risk Assessment Model (RAM) is the largest deployed internal risk rating solution in India. This model as well as CRISIL Retail Scoring Solution (CRESS) has been implemented to assist the Bank in complying with the requirements under the internal ratings-based approach of the Basel II Accord. Both models now facilitate credit risk appraisal of a borrower through a judicious mix of objective and subjective methodologies and act as a comprehensive database for all borrower-specific information.

CRISIL's rating grades and description for each grade is as follows:

| Rating Grades | Description | Definition |
|---|---|---|
| AAA | Investment Grade-Highest Safety | Borrowers rated AAA are judged to offer highest safety of timely payment. |
| AA+ | Investment Grade-High Safety | Borrowers rated AA+ are judged to offer high safety of timely payment. |
| AA | Investment Grade-High Safety | Borrowers rated AA are judged to offer high safety of timely payment. They differ in safety from AA+ only marginally. |
| A | Investment Grade-Adequate Safety | Borrowers rated A are judged to offer adequate safety of timely payment. |
| BBB | Investment Grade-Moderate Safety | Borrowers rated BBB are judged to offer moderate safety of timely payment of interest and principal for the present. |
| BB | Investment Grade-Moderate Safety | Borrowers rated BB are judged to offer moderate safety of timely payment of interest and principal for the present. There is only a marginal difference in the degree of safety provided by borrowers rated BBB. |
| B | Investment Grade-Minimum Safety | Borrowers rated B are judged to carry minimum safety of timely payment of interest and principal for the present. |
| CC | Sub-Investment Grade-Inadequate Safety | Borrowers rated CC are judged to carry inadequate safety of timely payment. |
| C | Sub-Investment Grade – High Risk | Borrowers rated C have a greater susceptibility to default. |
| D | Highly Susceptible to Default/ Default | Borrowers rated D are in default or are expected to default on maturity. |

## CREDIT RISK
(CONTINUED)

# Credit Monitoring

### Monitoring weaknesses in portfolios
Credit risk exposures and weaknesses are in fact managed through the robust credit assessment, structuring and regular monitoring process. The latter under the responsibility of the Credit Recovery Unit, involves the monitoring of daily credit excesses on accounts as well as the review of all potential credit losses on a timely basis. Those exposures showing signs of deterioration are put on watch list, the files are reviewed at least monthly to ensure prompt actions are taken. The basis to provisioning and loan assessment is based on the Guideline on Credit Impairment and Income Recognition issued by the Bank of Mauritius (BOM).

### Corporate portfolios
Corporate accounts that are showing signs of deterioration or a likelihood of potential credit losses risk are recorded on the watchlists (WL) comprising two categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default.

These lists are updated monthly and circulated to the relevant recovery manager. Once an account has been placed on WL, the exposure is carefully monitored and, where appropriate, exposure reductions are effected. When an account becomes impaired, it will normally, but not necessarily, have passed through each of the two categories, which reflect the need for increasing caution and control. Where a borrower's financial health gives grounds for concern, it is immediately placed into the appropriate category. While all borrower, regardless of financial health, are subject to a full review of all facilities on at least an annual basis, more frequent interim reviews may be undertaken should circumstances dictate.

### Retail portfolios
Within the retail portfolios, the approach is consistent with the Bank's policy of raising a specific impairment allowance as soon as objective evidence of impairment is identified. Retail accounts can be classified according to specified categories of arrears status, which reflects the level of contractual payments which are overdue. The probability of default increases with the number of contractual payments missed, thus raising the associated impairment requirement. Once a loan has passed through a prescribed number of statuses and downgrades, it will enter recovery status where the file shall be classified and monitored by the recovery unit.

## CREDIT RISK
(CONTINUED)

### Asset Credit Quality

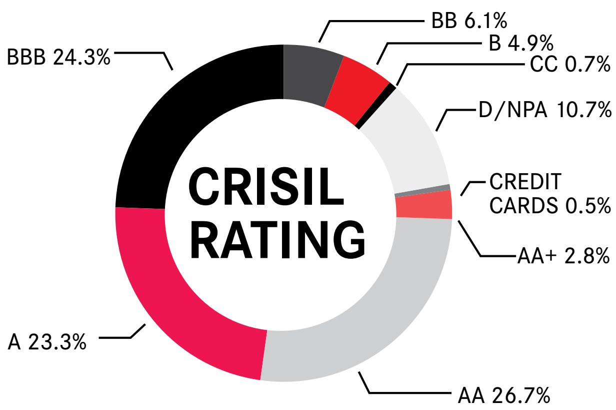
All loans and advances are categorised as neither past due nor impaired; past due but not impaired; or impaired, which includes restructured loans.

- A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract;
- The impairment allowance includes specific allowances against financial assets that have been individually impaired and financial assets that are not impaired but that are subject to collective impairment; and
- Loans neither past due nor impaired consist predominantly of loans that are performing.

In carrying out credit transactions, AfrAsia Bank strives not only to improve its volume growth, but also keeps in mind the quality of its loan portfolio.

| CRISIL Rating | Description | OVERALL CRISIL RATING | % |
|---|---|---|---|
| | | MUR'000 | |
| AAA | Investment Grade – Highest safety | - | 0.0% |
| AA+ | Investment Grade – High safety | 639,683 | 2.8% |
| AA | Investment Grade – High safety | 6,118,929 | 26.7% |
| A | Investment Grade – Adequate safety | 5,350,398 | 23.3% |
| BBB | Investment Grade – Moderate safety | 5,577,263 | 24.3% |
| BB | Investment Grade – Moderate safety | 1,366,185 | 6.1% |
| B | Investment Grade – Minimum safety | 1,132,541 | 4.9% |
| CC | Sub- Investment Grade – Inadequate safety | 156,624 | 0.7% |
| C | Sub-Investment Grade – High Risk | - | 0.0% |
| D/NPA* | Default | 2,463,557 | 10.7% |
| Sub-Total | | 22,805,179 | |
| Credit Cards | | 125,664 | 0.5% |
| **Grand-Total** | | **22,930,843** | **100.0%** |

*NPA Balance Outstanding includes NPA Credit Cards of MUR 12.11m.*




As at 30 June 2016, 88% of the Bank's asset book (excluding Credit Cards) was in the range AA+ to B, thus, reflective of investment grade status of the borrowers. The remaining 12% were either sub-investment grade (facilities being on the "watchlist" where there are arrears and borrowings classified as non-performing).

Total Non-Performing Assets (NPA) (including credit cards NPA of MUR 12.1m) were MUR 2.5bn representing 11% of total asset book. This has increased from the last financial year from 5%. The Bank has classified a few large corporates as NPA over this financial year base on the automatic classification of any facility as from 90 days arrears.

Total provision held by the Bank as at 30 June 2016 stood at MUR 972.5m, an increase from the previous financial year and at 4% of our total loan book. The Bank has adopted a conservative approach to impairment provisioning and on asset quality/credit risk.

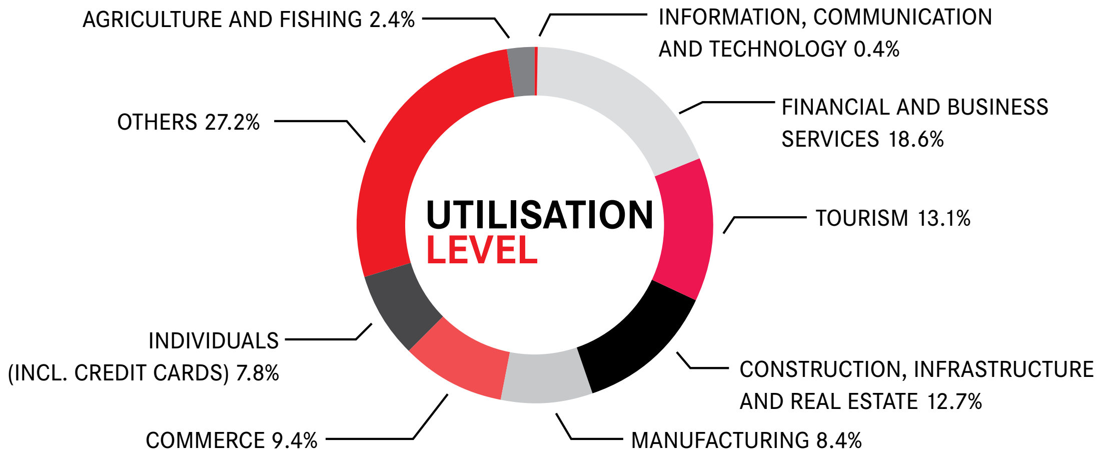
## CREDIT RISK
(CONTINUED)

### Credit Exposure

The Bank manages portfolios for individual industries by determining the credit appetite and limit for each industry on the basis of total exposure, credit quality and industry outlook. The portfolio monitoring and reporting system enables the Group to manage portfolios and to focus on specific industries and business units.

Exposure risk arises due to the over-dependency on a particular sector of the economy, geographical area, industry, currency and exposure for a single party or a group is managed through sector limits with monitoring and approval on a monthly basis to the MCC and BCC.

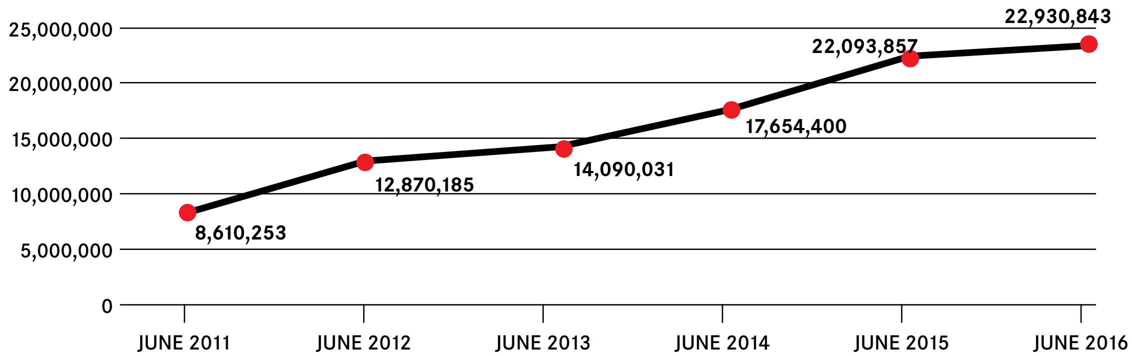
The Bank's key portfolio concentrations by industry are set out below:




#### OUTSTANDING BALANCE

| SECTOR | 30-Jun-16 (MUR'000) | 30-Jun-15 (MUR'000) |
|---|---|---|
| Financial and Business Services | 4,268,189 | 3,856,234 |
| Tourism | 3,012,701 | 2,800,971 |
| Construction, Infrastructure and Real Estate | 2,915,291 | 2,288,266 |
| Manufacturing | 1,916,741 | 2,636,013 |
| Commerce | 2,149,004 | 1,803,152 |
| Individuals (incl. Credit Cards) | 1,779,351 | 1,847,212 |
| Agriculture and Fishing | 555,911 | 927,736 |
| Information, Communication and Technology | 96,694 | 161,460 |
| Others | 6,236,962 | 5,772,814 |
| Total Exposure | 22,930,843 | 22,093,858 |

#### OUTSTANDING BALANCE PAST 5 YEARS




During the financial year 2015/16, AfrAsia Bank Limited has taken active steps in prudently managing its exposures and ensuring that its loan book is judiciously diversified, while periodically conducting stress tests to assess the resilience of its portfolio in case of unfavourable events. Over the years, the Bank has been keeping a close attention on its credit concentration to ensure it meets regulatory requirements.

# CONCENTRATION OF RISK / LARGE EXPOSURES

The Bank of Mauritius Guidelines on Credit Concentration (revised November 2013) restrict the granting of credit facilities to non-financial institutions and other related parties, to:

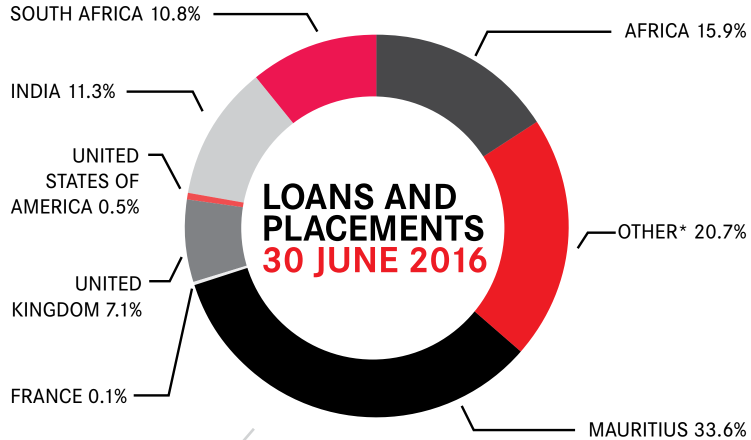
- a maximum exposure to any single customer of 25% of the Bank's capital base;
- to related group of companies to 40% of the Bank's capital base; and
- in aggregate, any individual exposure of 15% above of the Bank's capital base shall not exceed 800% of its capital base.

Key focus of the Bank's macro credit risk management approach is to avoid any undue concentrations in its credit portfolio, whether in terms of counterparty, group, portfolio, product, country, sovereign, or currency. The Bank has always kept its large exposures within these limits. For instance, our concentration ratio of large exposures above 15% was 130% as at 30 June 2016, well within the regulatory limit as shown below:

| CAPITAL BASE AS AT 30 JUNE 2016 | MUR'000 |
|---|---|
| Tier I | 4,328,220 |
| Tier II | 663,332 |
| Capital Base | 4,991,552 |
| Total Large Exposures (15% above) | 6,494,882 |
| % Large exposure v/s Capital Base (Limitation 600%) | 130% |

ABL's portfolio management supports a comprehensive assessment of concentrations within its credit risk portfolio for provision of subsequent risk mitigating actions and diversification across various geographical boundaries, sectors, borrower groups and products, with the main objectives of maximising shareholder value. To manage industry risk, AfrAsia Bank also prepares economic and industry reports, which are submitted to the Board Risk Committee, that highlight industry developments and risks to the Bank's credit portfolio. These reports are used to define strategies for both our industry portfolio, and individual counterparties within the portfolio.

## Country Risk




**Includes Cambodia, Dubai, Hong Kong and Singapore.*

The Board of Directors is responsible for setting the Bank's tolerance for country risks. It has delegated authority for the day to day management of the country risk policy to MCC.
This policy will also ensure effective oversight by the Board of Directors and Senior Management in ensuring that country risk is managed satisfactorily.

The Bank regularly compares its internal risk ratings with the ratings of the major international rating agencies. Country risk limits are reviewed regularly, in conjunction with the review of country risk ratings. Country risk limits are set by the Board Risk Committee.

# CONCENTRATION OF RISK / LARGE EXPOSURES
(CONTINUED)

## Risk Assessment

Assessment of country risk involves the determination of the nature of risks associated with individual country exposure and the evaluation of country conditions. In this connexion, the Bank conducts a thorough evaluation of risks associated with its cross-border operation and which have the potential to adversely affect its risk profile.

The aim is to identify the risk of a shock, such as an economic crisis or a sudden change in the political environment that would affect those conducting business within a country.

The Bank utilises two types of approach:

- a bottom-up approach; analysis of the country risk pertaining in each cross-border credit files, placements, financial products, ...
- a top-down approach:
  - analysis of the concentration / diversification of country risk in the Bank's portfolio; and
  - analysis of the global or regional economic and politic movements and their adverse impacts on the country risk profiles.

Risk team analyses the following elements:

- The short and long term **Economic Risk:** The aim is to assess the degree to which the country approximates the ideal of non-inflationary growth, contained fiscal and external deficits, and manageable debt ratios. The analysis takes into account GDP growth, unemployment, inflation, real interest rates, exchange rates, the fiscal balance, the current account balance, external debt and a number of other structural factors; and

- The short and long term **Political Risk:** The political risk assessment compares the state against a theoretical ideal state, essentially a liberal state and a homogenous society in terms of ethnicity and income equality, with the premise that democracies are more able to contain and manage direct threats to the political system and offers template for greater long-term stability.

## Limits

An appropriate structure of limits is set for each individual country exposure.

The determination of limits is based on the following:

- The overall strategy and commercial opportunities;
- The relation with  Bank's capital base;
- The perceived economic strength and stability of the borrowing country;
- The degree of perceived risk; and
- The diversification of the Bank's international lending and investment portfolio.

Board of Directors validates the structure and value of the limits.

The Bank's operations are performed strictly within the approved limits.

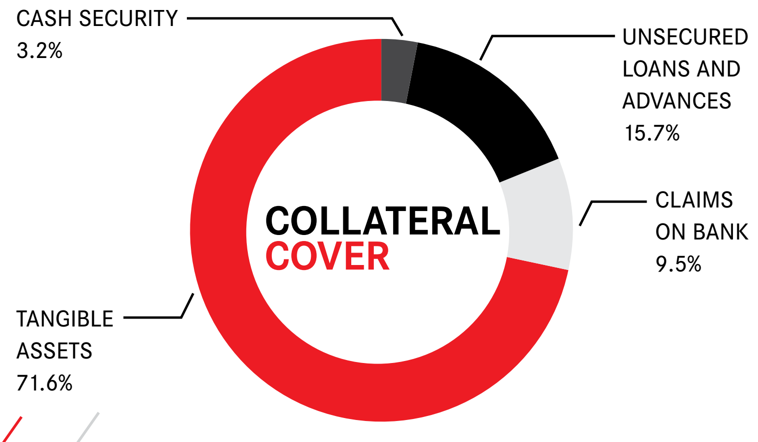
# CREDIT RISK MITIGATION

As a fundamental credit principle, the Bank does not generally grant credit facilities solely on the basis of the collateral provided. All credit facilities are also based on the credit rating, source of repayment and debt-servicing ability of the borrower. Collaterals are taken whenever possible to mitigate the credit risk. The collateral is monitored on a regular basis with the frequency of the valuation depending on the liquidity and volatility of the collateral value. Enforcement legal certainty of enforceability and effectiveness is another techniques used to enforce the risk mitigation.

Where a claim on counterparty is secured against eligible collateral, the secured portion of the claim is weighted according to the risk weight of the collateral and the unsecured portion against the risk weight of the counterparty. To mitigate counterparty risk, the Bank also requires closeout netting agreements. This enables the Bank to net the positive and negative replacement values of contracts if the counterparty defaults. The Bank's policy is to promote the use of closeout netting agreements and mutual collateral management agreements with an increasing number of products and counterparties in order to reduce counterparty risk.

As an indication, claims secured by cash which has been netted off against exposure is 3% of the asset book, whilst 9% of total asset book was for claims on banks.

| Collateral Chart | MUR |
|---|---|
| Cash Security | 711,881 |
| Unsecured Loans and Advances | 3,607,941 |
| Claims on Bank | 2,188,517 |
| Tangible Assets | 16,422,504 |
| **Total Loans and Advances** | **22,930,843** |



# MARKET AND LIQUIDITY RISK

## INTEREST RATE, LIQUIDITY AND CURRENCY RISKS

Apart from Credit Risk, the Bank is exposed to the risks inherent in its core businesses. Given the diversity and changes in the Bank's activities, its risk management focuses on the following main categories of risks, any of which could adversely affect its business, results of operations and financial situation:

### Structural interest and exchange rate risk

Structural interest and exchange rate risk are the risk of loss or write- downs in the Bank's assets arising from variations in interest or exchange rates.

Structural interest and exchange rate risk arises from commercial activities and from transactions entered in the Balance Sheet.

The general principle for the Bank is to minimise structural interest rate and exchange rate risks as much as possible.

Assets & Liabilities are immunised against interest rate by keeping duration of assets close to duration of liabilities. Any residual structural interest rate risk exposure is contained by sensitivity limits set for each sub-portfolio of the Bank in accordance with the structural risk appetite as validated by the ALCO Committee.

As for exchange rates, the Bank's policy is to immunise its Common Equity Tier 1 against fluctuations of the major currencies in which it operates; in line with the Bank of Mauritius Guidelines.

### Liquidity risk

Risk of the Bank not being able to meet its cash or collateral requirements as they arise and at reasonable cost.

Given that liquidity is a scarce resource, the Bank's objective is to finance its activities at the best possible rates under normal conditions whilst maintaining adequate buffers to cover outflows in periods of stress. Targets are validated by the Board of Directors in accordance with Risk Appetite.

### Market risk

Risk of decline in the value of financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include, but are not limited to exchange rates, interest rates, and the price of securities (bonds), and derivatives.

## MARKET AND LIQUIDITY RISK
(CONTINUED)

## RISK FACTORS

### 1 Changes in interest rates may adversely affect the Bank

The Bank's performance is influenced by changes and fluctuations in interest rates in Mauritius, the US or Europe. The amount of net interest earned during any given period may affect the Bank's revenues and profitability. Any mismatch between interest owed by the Bank and interest due to it (in the absence of suitable protection against such mismatch) could have adverse material effects on the Bank's business, financial situation and results of operations.

### 2 Fluctuations in exchange rates could adversely affect the Bank's results of operations

The Bank's operating currency is the Mauritian Rupee. However, a significant portion of the Bank's business is carried out in currencies other than the Mauritian Rupee, such as, the US Dollar, the British Pound Sterling, the Euro, and the South African Rand.

The Bank is exposed to exchange rate movements to the extent its revenues and expenses or its assets and liabilities are recorded in different currencies.

### 3 The Bank is exposed to counterparty risk for its Over-The-Counter (OTC) derivatives business

The Bank is exposed to counterparty credit risk with respect to numerous counterparties in the ordinary course of its trading, lending, deposit-taking, clearance and settlement, and other activities. These counterparties include institutional clients, brokers, and commercial and investment banks. The Bank may realise losses if a counterparty defaults on its obligations and the collateral that it holds does not represent a value equal to, or is liquidated at prices not sufficient to recover the full amount of the derivative exposure it is intended to cover. Many of the Banks's hedging and other risk management strategies also involve transactions with financial services counterparties. The weakness or insolvency of these counterparties may impair the effectiveness of the Bank's hedging and other risk management strategies, which could in turn materially adversely affect its business, results of operations and financial situation.

### 4 The volatility of the financial markets may cause the Bank to suffer some losses on its trading and investment activities

Market volatility could adversely affect the Bank's trading and investment positions in the money, government securities and currency markets in the trading book.

# RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

## Assets and Liabilities Management (ALM)

The Bank's ALM function covers both a prudential component (management of all possible risks and rules and regulation) and an optimisation role (management of funding costs, generating results on balance sheet position), within the limits of compliance (implementation and monitoring with internal rules and regulatory set of rules).

## ALM Committee (ALCO) and Board of Directors

ALCO sets liquidity risk management policies approved by the Board of Directors which are consistent with the Bank's standards and which ensure that funding requirements and payment obligations can be met at all times under normal and stressed situations.

On a monthly basis, the Asset and Liability Committee (ALCO) reviews the risk ratios and limits for these areas wherein the Bank has exposure together with sensitivity analysis/stress tests done to monitor impact of potential changes in interest rates or currency movements.

The Bank's Board Risk Committee delegates the implementation and monitoring of the Bank's ALCO strategy, policies and procedures to Management ALCO, which is composed of some of the Executive Committee members. ALCO meets at least once monthly to review the ALCO risk ratios, financials and other relevant information.

## Management of Market Risk

Market risk exposure for different types of transactions is managed within risks limits and guidelines approved by the Board of Directors and monitored through Asset and Liability Committee (ALCO).

The risk limits comprise a combination of sensitivity analysis and historical simulation approach. All open positions are subject to daily mark-to-market valuations.

Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system is based on an independent structure, the Market Risk Department of the Risk Division. Specific actions are instituted to ensure the market risks of the overall outstanding portfolio are managed within the Bank's appetite. Any exceptions are reviewed and sanctioned by the appropriate level of Management or by the Board of Directors.

## Limits Structure and Control

Risk is controlled primarily through a series of limits, whether set internally by management in the context of the market environment and business strategy and/or set by regulators.

In setting limits, the Bank takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience.

The Bank maintains limits at different levels, of which:

- Dealers limits;
- Counterparty limits;
- Products limits; and
- Forex exposure limits.

## RISK MANAGEMENT FRAMEWORK AND GOVERNANCE
(CONTINUED)

### Focus on Interest Rate Risk

With regards to its commercial activities, AfrAsia Bank Limited is exposed to rate fluctuations in several currencies. The structural interest rate risk arises mainly from the residual gaps (surplus or deficit) of the Money Market & Fixed Income Desk fixed-rate forecasted positions.

The Bank uses several indicators to measure its interest rate risk. The three most important indicators are:

- **Interest rate gap analysis** (the difference between outstanding fixed-rate assets and liabilities by maturity): the schedule of fixed rate positions is the main indicator for assessing the characteristics of the hedging operations required, it is calculated on a static basis;
- the **net interest income sensitivity** to variations in interest rates in various stress scenarios over a 1-year rolling horizon; and
- the **economic value sensitivity** is a supplementary and synthetic indicator. It is calculated as the sensitivity of the economic value of the statement of financial position to variations in interest rates. This measurement is calculated for all currencies to which the Group and the Bank is exposed.

The following observations can be made with regards to the Bank's major exposure to interest rate risk:

Note that interest rate simulation model is based on the repricing schedule of assets and liabilities.

Net Interest Income Sensitivity - (MUR) *as of Jun-16*

| Change in (bp) | Sensitivity | | | Scenario 1 | Scenario 2 | Scenario 3 |
|---|---|---|---|---|---|---|
| Govt Secu.Yield Curve | 1 | 0 | 0 | 0 | (20) | (40) |
| PLR | 0 | 1 | 0 | (35) | (35) | (35) |
| Saving Rate | 0 | 0 | 1 | (35) | (35) | (35) |
| Impact on NII *(In MUR millions)* | 0.4 | 0.7 | (1.1) | 12.4 | 5.4 | (1.7) |

*For MUR, assets have almost the same duration as liabilities, which immunised the profit against rate fluctuations.*

Net Interest Income Sensitivity - (USD) *as of Jun-16*

| Change in (bp) | Sensitivity | | | Scenario 1 | Scenario 2 | Scenario 3 |
|---|---|---|---|---|---|---|
| Market Rate (Libor,Fed) | 1 | 0 | 0 | 25 | 25 | 25 |
| Current Account Rate | 0 | 1 | 0 | - | - | 10 |
| Deposit Rate | 0 | 0 | 1 | - | 25 | 25 |
| Impact on NII *(In MUR millions)* | 3.4 | (3.0) | (1.3) | 86.2 | 54.8 | 24.4 |

*For USD, assets are mainly indexed to market rates and the Bank will profit from the expected increase of the Fed rates in the coming months.*

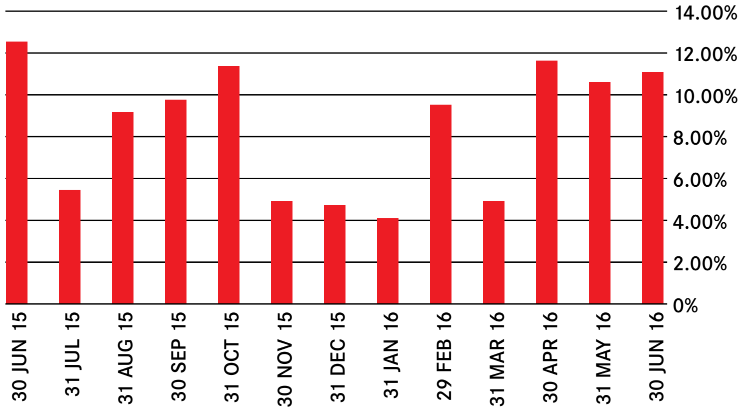
## RISK MANAGEMENT FRAMEWORK AND GOVERNANCE
(CONTINUED)

### Focus on Currency Risk

The following observations can be made with regard to the Bank's currency risk:

- The Bank's net open, either overbought/oversold, position against the Rupee have been no more than 15% of Tier I capital, throughout the financial year ended 30 June 2016, which is in compliance to the Bank of Mauritius requirements.

**FOREIGN EXCHANGE EXPOSURE ON A MONTHLY BASIS JUNE 2015 TILL JUNE 2016**




The following table presents the sensitivity of net profit to the fluctuation of the major currencies traded by the Bank. A 5% movement has been used against each currency.

| CURRENCY | % change in Currency Rate | Assets | Liabilities | Net Position | Sensitivity of net income and equity |
|---|---|---|---|---|---|
| | | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| AUD | +5% | 1,038,606 | 1,039,790 | (1,184) | (59) |
| | -5% | | | | 59 |
| EUR | +5% | 16,117,092 | 15,923,729 | 193,363 | 9,668 |
| | -5% | | | | (9,668) |
| GBP | +5% | 5,073,860 | 5,026,173 | 47,687 | 2,384 |
| | -5% | | | | (2,384) |
| USD | +5% | 49,061,484 | 48,881,683 | 179,801 | 8,990 |
| | -5% | | | | (8,990) |
| ZAR | +5% | 619,612 | 615,106 | 4,509 | 225 |
| | -5% | | | | (225) |

## RISK MANAGEMENT FRAMEWORK AND GOVERNANCE
(CONTINUED)

### Focus on Liquidity Risk

Liquidity risk is managed in line with the new guidelines on Liquidity Risk Management issued by the Bank of Mauritius (BOM).

In this respect, the Bank set up funding requirement forward looking indicators, which are built using:

- Assets and Liabilities' maturity ladders constructed for selected maturity dates on a day-to-day basis and on a much longer period; and
- Behavioral patterns for non-maturing items. The patterns are derived using conservative statistical models, which are back-tested on regular basis.

As a result, any abnormal fund shortage (or excess) at selected maturity is pointed out and actions are taken accordingly.

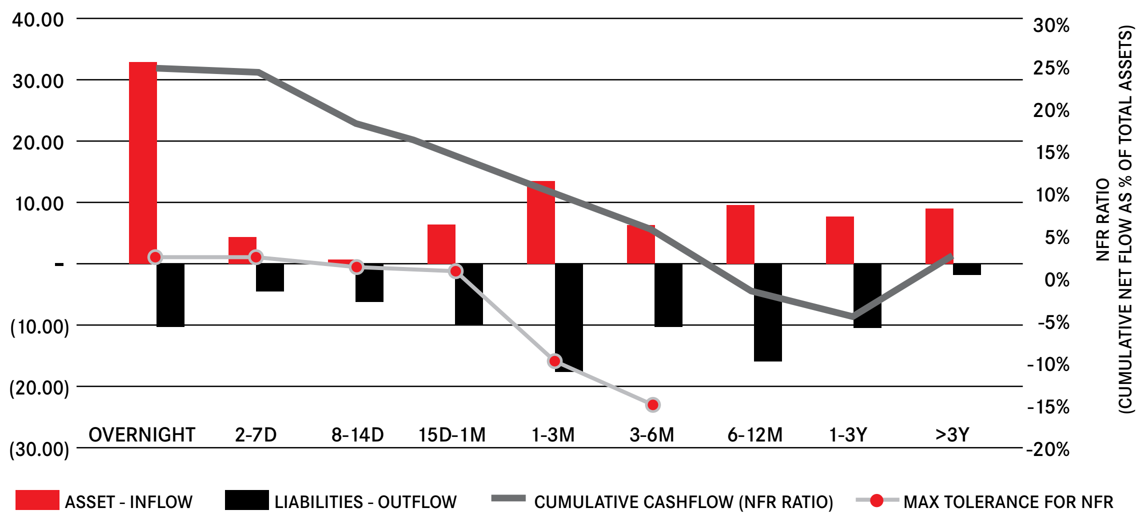
The Bank monitors also other indicators, such as Liquidity Ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Requirement (NSFR) required by Basel III.

As at 30 June 2016, no funding stress point was foreseen beyond our risk tolerance limit.

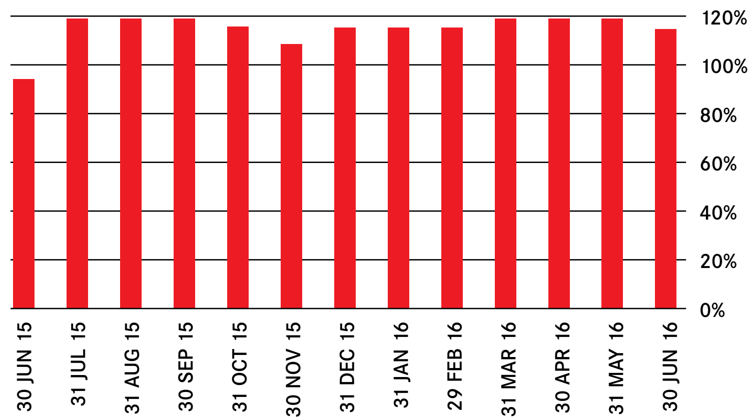
Please note that the model for Cash flow survival horizon (Liquidity Gap Analysis) differs from the IFRS Liquidity models and assumptions. From an ALM perspective, we focus on the Bank of Mauritius requirements. The purpose is to lay emphasis on the risks and to manage the medium and long-term financing needs. These models are constructed in accordance with Bank of Mauritius guidelines and reviewed by the Asset and Liability Committee.

The liquidity ratio assesses the extent to which assets can be readily converted into cash or cash substitutes to meet financial obligations. AfrAsia Bank Limited's liquidity ratio reflects a strong liquidity position, adequate to absorb the impact of a stressed liquidity and funding environment. The table below shows the month end liquidity ratio maintained during the financial year ended 30 June 2016 against the limit approved by the Board Risk Committee.

**AFRASIA'S CASHFLOW SURVIVAL HORIZON - MUR+FCY**




**LIQUIDITY RATIO - JUNE 2015 TO JUNE 2016**



# OPERATIONAL RISKS INFORMATION RISK MANAGEMENT

The management of operational risk is a key feature of sound risk management practice in modern financial markets precisely in Banking. The recognition of operational risk as a specific category next to market and credit risk by the Basel Committee on Banking Supervision in the Revised International Capital Framework demonstrates its growing importance. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework  is coordinated by a dedicated and independent team to achieve operational excellence and to ensure alignment with best market practice.

Operational risks include risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The Bank limits its operational risks with business procedures and internal controls that were updated and adjusted to its current business conditions on an on-going basis. The Bank has been computing its operational risk capital computation in line with Bank of Mauritius Guidelines under the Basel II Basic Indicator Approach where the capital charge for Operational Risk is taken at 15% of average gross income over the past 3 years.

The Bank's operational risk management process involves a structured and uniform approach across the Bank. It includes risk identification and assessments, the monitoring of risk indicators, controls and risk mitigation plans for key operational risks.


On an annual basis, the Bank performs a complete review of all its processes and its procedures across all the areas of operation to mitigate the risk arising from the fast growing operations. Each subsidiary, business unit and resource area is now responsible for the day-to-day monitoring of its operational risks and for reducing and preventing losses caused by operational risks.

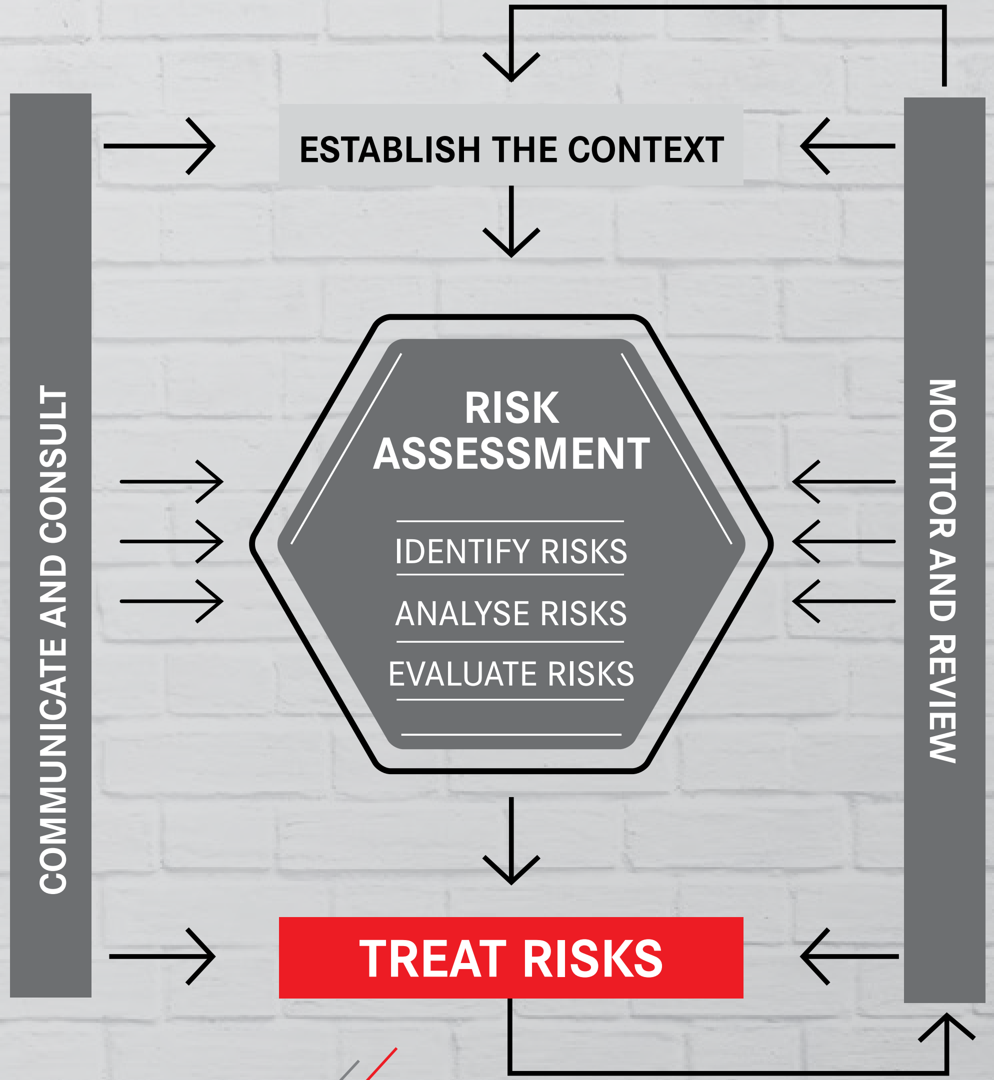
## OPERATIONAL RISKS INFORMATION

## RISK MANAGEMENT
(CONTINUED)

To that end, all Head of Departments have participated in this review using methods adapted from the ISO 31000 standard which provides a structured approach to management risk and each department/ Risk unit has nominated an Operational Risk Business Coordinator (ORBC) who worked closely with risk management. Procedures and processes have been updated accordingly and action plans designed for each department.

The review conducted during the financial year ended June 2016 showed that risk ranges from low to medium. The overall results were unchanged from last financial year end. Additional controls have been put in place, additional staffs have been recruited and some departments have been restructured in financial year 2016 to ensure higher controls.

We note improvements in the Business Operations department in the various Inherent Level of Risk, overall. In another area where we have seen some Inherent Level of Risk increasing, namely the Treasury Department, the Bank tested several systems and a new Treasury system (Front Office) is currently being implemented to cater for the higher volume of trades and also based on new products we are offering to clients. A new ALM (Asset & Liability Management) system is under testing for implementation and will go live after implementation of the Treasury system.



# BUSINESS CONTINUITY MANAGEMENT (BCM)

Business Continuity Management Policy has been put in place, with appropriate plans to mitigate operational risks, and as a commitment to continue business with our shareholders, customers and employees. The BCM framework has been implemented to provide for a Disaster Recovery site with data being updated as per preset recovery time objectives. This minimises operational, financial, legal, reputational and other material consequences arising from any disruption to the primary IT infrastructure.

The management team of the Bank is committed to the following statement:

> *"We will take all necessary measures to ensure the continuity of business operations and to minimise recovery time in the case of disaster (natural or otherwise) or in the event of an emergency.*

The BCM Framework in place has the following in-built principles:

- Responsibility rests on the Bank's Board of Directors and Senior Management;
- Explicitly consider and plan for major operational disruptions;
- Recovery objectives are in line with the criticality of the operation of the banking system;
- In the "worst case scenario", the recovery time objective (RTO) is set as 4 hours for the core banking application with a Recovery Point Objective (RPO) of 15 minutes;
- Certain non-critical functions may be recovered within a maximum threshold of 24 hours (RTO) after declaring the crisis. The RPO for these systems is set to the state of business as of previous end of day;
- Preparation for clear and regular communication during a major operational disruption;
- Highlights on cross-border communications during a major operational disruption, as the Bank has global reach;
- Ensuring that business continuity plans are effective and identify necessary modifications through periodic testing; and
- Ensuring that appropriate procedures for business continuity management reflecting that recovery objectives are adopted and reviewed periodically.

The Bank has in place a BCM Steering Committee to review the processes after each testing exercise and to review the policy every year with a view to continuously improving resilience. The ultimate objective is to cater for any eventual disruption of operations to be restored within a minimum lapse of time such that the Bank resumes to normal operations within a reasonable time frame.

The Bank currently has its data centre at Ebène and the Disaster Recovery (DR) site in its premises at Port Louis with a Work Area Recovery (WAR) arrangement at both sites to cater for Business Continuity.

## BUSINESS CONTINUITY MANAGEMENT (BCM)
**(CONTINUED)**

A BCM test is performed annually for all critical infrastructure involving all functions and user groups of the Bank to ensure the effectiveness of the processes and the readiness of the infrastructure and people. The last BCP Functional test was carried in May 2016 and following BCP reviews and training sessions with the coordinators of respective departments. Overall, the DR testing was successful with minor issues that were addressed accordingly during and after the tests.

To continuously improve on the BCM and attain an efficient and acceptable result we will adopt a cyclical approach. Rigorous administration and maintenance, as well as any event experienced, will necessitate revisions and/or plan additions. This approach resides on the four pillars: Readiness, Prevention, Response and Recovery /Resumption. The guru mantra adopted for an efficient BCM is to continuously test, train, evaluate and maintain the BCP.

The BCM policy is in place for moving towards a better resilient framework to protect the interest of all stakeholders of the Bank.

# INTERNAL AUDIT

The main highlights of the year under review have been categorised under the following themes:

## Reorganisation of the Internal Audit Function

Significant and profound changes have been brought to the Internal Audit Function in line with the approved 3-year strategic plan. These changes were necessary for setting the appropriate building block to enable this function to progressively position itself as a strategically-focused unit as defined by the Institute of Internal Auditors (IIA)*. The Head of Internal Audit maintains a direct reporting line with the Audit Committee for direction and accountability and to the Chief Executive Officer for administrative interface and support in line with good governance practices. We are therefore pleased to provide a status summary of the key initiatives as per the 3-year road map:

| | KEY INITIATIVES | STATUS |
|---|---|---|
| STRATEGY | Vision and Mission (IA Charter) | Completed |
| | 3-Year Risk-Based Audit Plan | Completed |
| | Advisory and Assurance services | Completed |
| | Synergy with other control functions (including External Auditors) | Completed |
| PEOPLE | Promote knowledge growth, hard & soft skills and discipline | In Progress |
| | Recruitment of appropriate professionals | Completed |
| | Development and retention of professionals | In Progress |
| | Establish Key Performance Indicators | In Progress |
| IT | IT Audits: | |
| | > General Controls | In Progress |
| | > Application Controls | In Progress |
| | Use of Computer Aided Audit Tools | In Progress |
| PROCESS | Audit methodology in line with IIA standards | Completed |
| | Revised communication protocol (including risk-based grading of issues) | Completed |
| | Implementing an Internal Audit Manual | Completed |

## Execution of approved risk based audit plan

A total number of 50 assignments (operational and IT) have been completed during the year (June 2015: 29) representing key areas as per the risk-based audit plan and other adhoc projects. We are pleased to report that, as at date, the lion's share of issues categorised as "critical" and "major" have been satisfactorily addressed by Senior Management through the implementation of audit recommendations. We also wish to highlight that the Internal Audit Function will continue to provide relevant stakeholders of the Bank with more value added solutions to help the organisation accomplish its set objectives in line with IIA and other relevant frameworks.

**Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

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# COMPLIANCE

The Compliance function monitors and overviews the following:

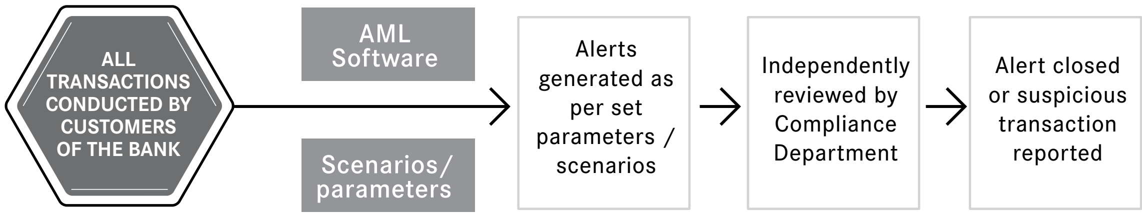
- Regulatory Compliance and Regulatory Interaction.
- Anti-Money laundering and Combating the Financing of Terrorism including:
  - Customer Acceptance – Know Your Customer / Customer Due Diligence;
  - Transaction monitoring;
  - Compliance monitoring and testing;
  - Investigation and reporting;
  - Fraud identification, investigation and reporting; and
  - AML Training.
- Policies and Procedures of the Bank.
- Corporate Governance.

Internal control and risk mitigation measures are put in place and implemented to ensure compliance with the relevant laws, regulations and internal policies and procedures. As per the approved Compliance Plan, Compliance reviews of department are conducted and reports are duly submitted to Senior Management, Audit Committee of the Board and the Board of Directors. Other functions of the Compliance Department are as per image on the right:

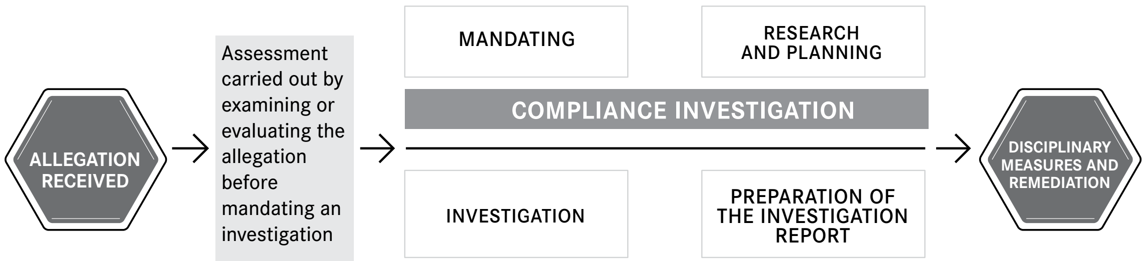
## COMPLIANCE FUNCTION

| PREVENT | DETECT | RESPOND |
|---|---|---|
| 1 Compliance Risk Management | 1 Monitoring - AML Software/Transaction Monitoring | 1 Report compliance issues |
| 2 Review of Policies & Procedures | 2 Financial Crime and Investigations of Suspicious Transactions - File Suspicious Transactions | 2 Ensure implementation of recommendations and regulatory changes |
| 3 Advisories to Senior Management and Sales Departments | 3 Swift Sanction Screening monitoring | 3 Assisting investigative authorities in conducting investigations |
| 4 KYC software – risk classification of customers | 4 Compliance Control and Testing - conduct KYC checks and other checks | 4 Replying to Request for Information from investigative/ regulatory authorities |
| 5 AML Training/Compliance workshop and circulation of regulatory changes, issuing Compliance Digest | 5 Frauds/Attempted Frauds –reporting to BOM | 5 Reply to queries from Correspondent banks |
| 6 FATCA and CRS implementation | | 6 FATCA reporting |

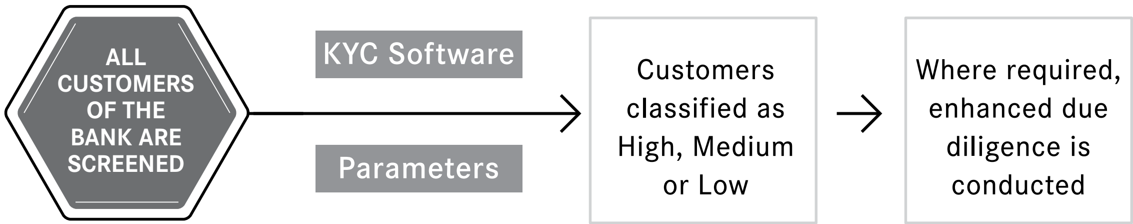
With the implementation of a fully automated AML Software, Compliance Department independently reviews transactions and the AML alerts generated based on agreed parameters, transaction amounts and frequency. The transaction monitoring system in place also assists in the independent investigations of suspicious cases. Consequently appropriate decisions and actions are taken by the MLRO.




## Compliance investigation process

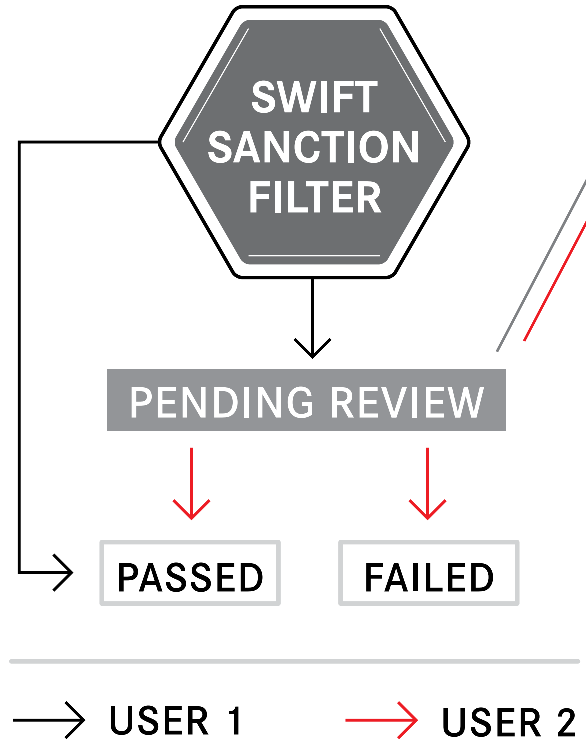



Furthermore the KYC software in place allows KYC profiling, which is improved through enhanced due diligence, customer identification, screening and customer risk scoring.




The SWIFT Sanction Screening system of the Bank, which screens all details contained in incoming and outgoing swift messages, ensures that the Bank is not facilitating payments for individuals and organisations blacklisted under the US, EU, OFAC and UN Sanction Lists.

The below decision workflow is the internal process that the Bank applies for investigation and instruction on alerted messages. In the case of a false positive and no issue is found, User 1 takes the Pass decision and releases the message. In the case of a possible true hit, User 1 escalates the alert to User 2. This action moves the alert to a Pending Review state. User 2 then decides to Pass or Fail the message.



# CAPITAL STRUCTURE AND ADEQUACY

## RISK WEIGHTED ASSETS

| AFRASIA BANK LIMITED | BASEL III 2016 | BASEL III 2015 | BASEL II 2014 |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Share Capital | 2,555,363 | 2,511,291 | 3,133,884 |
| Share premium (from issue of ordinary shares included in CET1) | 13,923 | 13,923 | 14,283 |
| Statutory reserve | 217,161 | 152,116 | 125,861 |
| Retained earnings | 493,282 | | |
| Accumulated other comprehensive income and other disclosed reserves | 82,468 | 182,164 | 332,175 |
| **Common Equity Tier 1 capital before regulatory adjustments** | 3,362,197 | 2,859,494 | 3,606,203 |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Treasury (Own Shares) | - | - | (405,776) |
| Other intangible assets | (111,840) | (48,018) | (37,667) |
| Deferred Tax | (60,441) | (19,607) | (8,897) |
| Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | (94,781) | (94,781) | (356,045) |
| **Total regulatory adjustments to Common Equity Tier 1 capital** | **(267,062)** | **(162,406)** | **(808,385)** |
| **Common Equity Tier 1 capital (CET1)** | **3,095,135** | **2,697,087** | **2,797,818** |
| **Additional Tier 1 capital: instruments** | | | |
| Instruments issued by the Bank that meet the criteria for inclusion in Additional Tier 1 capital (not included in CET1) | 1,233,085 | 1,319,420 | - |
| **Additional Tier 1 capital before regulatory adjustments** | **1,233,085** | **1,319,420** | **-** |
| **Additional Tier 1 capital: regulatory adjustments** | | | |
| **Total regulatory adjustments to Additional Tier 1 capital** | **-** | **-** | **-** |
| **Additional Tier 1 capital (AT1)** | **1,233,085** | **1,319,420** | **-** |
| **Tier 1 capital (T1 = CET1 + AT1)** | **4,328,220** | **4,016,507** | **2,797,818** |

## CAPITAL STRUCTURE AND ADEQUACY
(CONTINUED)

# RISK WEIGHTED ASSETS

| AFRASIA BANK LIMITED | | BASEL III 2016 MUR'000 | BASEL III 2015 MUR'000 | BASEL II 2014 MUR'000 |
|---|---|---|---|---|
| **Tier 2 capital: instruments and provisions** | | | | |
| Instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital) | | 484,112 | 684,463 | 836,345 |
| 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) | | 274,001 | 307,117 | 219,363 |
| **Tier 2 capital before regulatory adjustments** | | **758,113** | **991,580** | **1,055,708** |
| **Tier 2 capital: regulatory adjustments** | | | | |
| Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | | (94,781) | (94,781) | (356,045) |
| Other Adjustments to Tier 2 capital (please specify) | | | | |
| **Total regulatory adjustments to Tier 2 capital** | | **(94,781)** | **(94,781)** | **(356,045)** |
| **Tier 2 capital (T2)** | | **663,332** | **896,799** | **699,663** |
| **Total Capital (capital base) (TC = T1 + T2)** | | **4,991,552** | **4,913,306** | **3,497,481** |
| Risk weighted assets | | | | |
| Credit Risk | | 39,946,865 | 33,646,596 | 25,170,144 |
| Market Risk | | 522,049 | 491,320 | 418,328 |
| Operational Risk | | 2,343,740 | 1,743,573 | 1,168,809 |
| **Total risk weighted assets** | | **42,812,654** | **35,881,489** | **26,757,280** |
| **Capital ratios (as a percentage of risk weighted assets)** | **Regulatory Limits under Basel III** | | | |
| CET1 capital ratio | 6.8% | 7.2% | 7.5% | N/A |
| Tier 1 capital ratio | 8.3% | 10.1% | 11.2% | N/A |
| Total capital ratio | 10.3% | 11.7% | 13.7% | 13.1% |

## CAPITAL STRUCTURE AND ADEQUACY
(CONTINUED)

## RECONCILIATION WITH AFRASIA BANK'S AUDITED FINANCIAL STATEMENTS

| | 30 JUNE 2016 | |
|---|---|---|
| | Statement of Financial Position as in published financial statements | Statement of Financial Position as per Basel III |
| **Assets** | **MUR'000** | **MUR'000** |
| Cash and cash equivalent | 3,029,129 | 3,029,129 |
| Trading assets | 3,858,103 | 3,858,103 |
| Pledged assets | - | - |
| Derivative assets held for risk management | - | - |
| Loans and advances to banks | 46,000,675 | 46,000,675 |
| Loans and advances to customers | 21,958,342 | 21,958,341 |
| Derivative financial instruments | 33,644 | 33,644 |
| Financial investments-held for maturity | 11,538,879 | 11,538,879 |
| Investment securities | | |
| of which: Insignificant capital investments in financial sector entities exceeding 10% threshold | - | - |
| of which: Significant capital investments in financial sector entities exceeding 10% threshold | 189,563 | 189,563 |
| Property, plant and equipment | 135,990 | 135,991 |
| Intangible assets | | |
| of which: Goodwill | - | - |
| of which: Other intangible assets | 111,840 | 111,841 |
| Deferred tax assets | 60,441 | 60,441 |
| Other assets of which: Defined benefit pension fund assets | 206,184 | 206,184 |
| **Total assets** | **87,122,789** | **87,122,791** |

## CAPITAL STRUCTURE AND ADEQUACY
(CONTINUED)

# RECONCILIATION WITH AFRASIA BANK'S AUDITED FINANCIAL STATEMENTS

| | 30 JUNE 2016 | |
|---|---|---|
| | Statement of Financial Position as in published financial statements | Statement of Financial Position as per Basel III |
| | MUR'000 | MUR'000 |
| **Liabilities** | | |
| Deposits from banks | 173,510 | 173,510 |
| Deposits from customers | 80,378,976 | 80,378,976 |
| Derivative financial instruments | 127,914 | 127,914 |
| Trading liabilities | - | - |
| Derivatives liabilities held for risk management | - | - |
| Debt securities issues | - | - |
| Other borrowed funds | - | - |
| Subordinated liabilities | | |
| of which: Subordinated debt not eligible for inclusion in regulatory capital | 626,920 | 626,920 |
| of which: Subordinated debt eligible for inclusion in regulatory capital | 484,112 | 484,112 |
| Current tax liabilities | 84,379 | 84,379 |
| Deferred tax liabilities | - | - |
| Provisions | | |
| of which: Provision reflected in regulatory capital | - | - |
| Other liabilities | 407,504 | 407,506 |
| **Total liabilities** | **82,283,316** | **82,283,316** |
| **Shareholders' Equity** | | |
| Share capital and share premium | 3,981,131 | 3,981,131 |
| of which amount eligible for CET1 | 2,555,363 | 2,555,363 |
| of which amount eligible for AT1 | 1,233,085 | 1,233,085 |
| Retained earnings | 493,282 | 493,283 |
| Other reserves | 365,060 | 365,060 |
| Accumulated other comprehensive income | - | - |
| **Total shareholders equity** | **4,839,474** | **4,839,474** |

## CAPTIAL STRUCTURE AND ADEQUACY

**(CONTINUED)**

Total Risk Weighted Assets as at 30 June 2016 was at MUR 43bn versus capital base of MUR 5bn. Analysis by risk type:

| Credit Risk ** | Market Risk | Operational Risk |
|---|---|---|
| **MUR 40bn** | **MUR 0.5bn** | **MUR 2.3bn** |

** *Includes counterparty credit risk, that is, placements at risk weights assigned under Basel III.*


### Supervisory Review Process and Stress Testing

In line with the Bank of Mauritius (BOM) Guideline on Supervisory Review Process, stress tests are performed on AfrAsia Bank's risk portfolio at least annually in order to assess the impact of possible adverse events on key profit or loss and balance sheet ratios as well as on the Bank's ability to meet capital requirements at distinct stages of the economic cycle. The Supervisory Review Process recognises the responsibility of the Bank's management in developing a sound Internal Capital Adequacy Assessment Process (ICAAP) and setting up capital targets that are commensurate with the Bank's risk profile.

Stress testing is one of the main elements of the ICAAP and is performed on a monthly basis via ALCO to measure impact of changes on interest rate (negative and positive interest rate shocks of 100bps across all maturity buckets), foreign currency (5% variance in exchange rates) and liquidity position. On at least an annual basis, stress tests are done on the Bank's portfolio to assess any impact on key performance indicators such as asset downgrade, decline in specific sectors, deposit withdrawal and defaulting counterparties as well as on the Bank's ability to meet capital requirements on the targeted plans. The ICAAP process is to ensure that the capital base reflects the risk and return profile of its business operations while adhering to all regulatory and statutory requirements and good corporate governance.

ICAAP certificate for the financial year 2015 had been prepared in line with the guidelines and showed that the Bank has adequate capital to sustain targeted growth. This ICAAP exercise for the financial year 2015 had taken into account all unexpected scenarios to assess the impact of various operational risks on capital and potential risks associated with the Bank's strategy. This report also showed that the Bank's capital adequacy ratios compare well with those of domestic peers, and the highlighted growth in risk-weighted assets will support the Bank in complying with further regulatory requirements, as well as in maintaining investor confidence. It also demonstrates that chosen internal capital targets are well founded and those targets are consistent with the Bank's overall risk profile and current operating environment.

### Basel III

BASEL III is a new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision in December 2010. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. It proposes many newer capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking sector. The capital standards and new capital buffers will require banks to hold more capital and higher quality of capital than under current Basel II rules. The new leverage and liquidity ratios introduce a non-risk based measure to supplement the risk-based minimum capital requirements and measures to ensure that adequate funding is maintained in case of crisis. Our local supervisor has issued proposed guidelines and recommendations as to measures to be taken by banks in line with Basel III. The Bank has already set its reporting in line with Bank of Mauritius requirements.

## CAPITAL STRUCTURE AND ADEQUACY
(CONTINUED)

### RELATED PARTY TRANSACTIONS, POLICIES AND PRACTICES

The Bank adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius in January 2009. In line with this Guideline, the Board of Directors appointed a Board Risk Committee to review and approve related party transactions. The Board has also adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the Board Risk Committee.

The Board Risk Committee ("BRC") comprises four independent directors and the Chief Executive Officer. This Committee is responsible for the approval of all Category 1 and Category 2 related party transactions, which are not exempted as per BOM guidelines (falling below 2% of Tier 1 capital).

All related party transactions are reviewed at the level of the BRC, which ensures that market terms and conditions are applied to such transactions. Those exceeding the 2% of Tier 1 capital, as and when request is sent for approval and for those exempted transactions i.e. below the 2% of Tier 1 capital; these are reviewed in the quarterly meetings. Furthermore, all facilities granted to minority shareholders of AfrAsia Bank and exceeding 2% of Tier 1 capital, even not classified as Related Party as per BOM guidelines, are reviewed by the BRC on a quarterly basis.

During the normal course of business throughout the year, the Bank entered into a number of banking transactions with its related parties. These include placements or loans to/from banks, deposits as well as other normal banking transactions. As at 30 June 2016, related party exposure was within regulatory guidelines at 47% (Cat 1 and Cat 2).

The Bank has complied in all respects to the Bank of Mauritius Guideline on Related Party Transactions. Related party reporting to the Bank of Mauritius is made on a quarterly basis. Moreover, all related party transactions (including those transactions which are exempted as per the Guideline on Related Party Transactions) are monitored and reported to the Board Risk Committee on a quarterly basis.

# EMBRACING THE SUSTAINABILITY PATH

**Teamwork** is at the core of AfrAsia's 'Bank Different' philosophy, where our talented people come together and each contributes their unique abilities. We aim at having the right talent in the right seats at the right time to win the battle of top line growth, all aligned to our strategic priorities.

Maureen Treanor
Head of Human Resources
and Change Management

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# EMBRACING THE SUSTAINABILITY PATH

Our main objective is to align AfrAsia's overall Sustainability strategy with the general strategy and Nation Vision 2030, whilst moving towards the UN Sustainable Development Goals (SDGs). As a guide, AfrAsia Bank Limited has set some SDGs goals to be achieved by 2020.

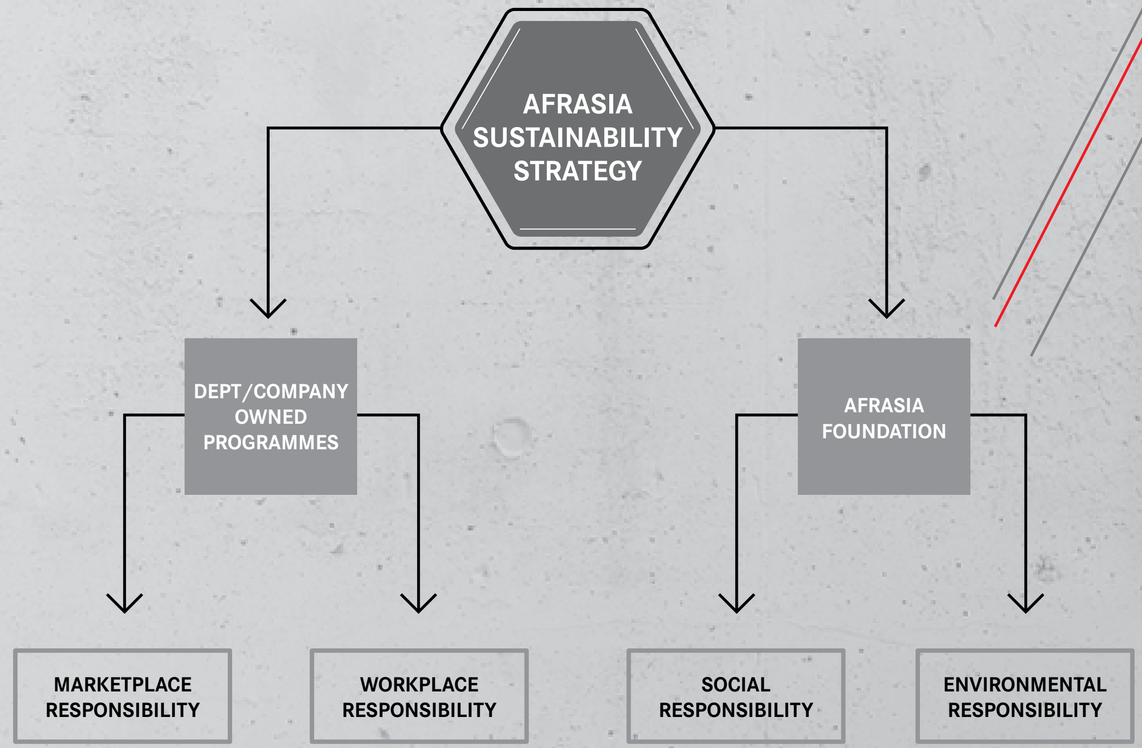
UN Sustainable Development Goals programme, contains 17 goals with 169 targets covering a broad range of sustainable development issues. These include ending poverty and hunger, improving health and education, making cities more sustainable, combating climate change, and protecting oceans and forests.

The Bank keeps on embracing Economic, Social and Environmental considerations to align with its corporate strategy and uphold its sustainability structure across society, workplace and the communities it serves.

AfrAsia Bank's sustainability approach also takes into consideration that of the Bank's asset management house, AfrAsia Capital Management which aims at financing innovative projects.

We are taking the commitment to work towards 9 SDGs by 2020. Our Sustainability structure will also involve commitment around voluntary reporting initiatives.

# OUR SUSTAINABILITY STRUCTURE



# MARKETPLACE RESPONSIBILITY

AfrAsia Bank Limited continues to act responsibly meanwhile providing the best banking solution to its actual and potential clients.

## Business Principles and Code of Ethics

In order to implement anti-corruption within the workplace, the bank provides annual training related to Anti Money Laundering (AML); this includes an explanation of what money laundering is, how it works, how it impacts our business and what actions can be taken to fight against financial crime. AML is an extremely important issue for all financial institutions and it is essential to protect our clients and our business and failure to abide to the regulations around Money Laundering can lead to sanctions.

Ethical standards of AfrAsia Bank Limited are based on the following legislations and regulations:

- Financial Intelligence and Anti Money Laundering Act 2002 (FIAML Act 2002);
- Financial Intelligence and Anti Money Laundering Regulations 2003 (FIAML Reg 2003);
- Bank of Mauritius Guidance Notes;
- National Code of Corporate Governance;
- AfrAsia Bank Limited Anti Money Laundering Policies and Procedures; and
- BOM Guideline on Corporate Governance.

## Develop and provide financial products and services responsibly

The Bank is committed to a business exclusion list highlighting areas that it will not invest in, nor provide financing for. The areas identified are:

| Business Exclusion List |
|---|
| Hazardous and radioactive materials |
| Waste or waste products not in accordance with the Basel Convention |
| Drift net fishing using excess length of fish nets |
| Pharmaceuticals, pesticides, chemicals and ozone depleting substances |
| Destruction of Critical Habitat |
| Wildlife or wildlife products which do not respect the Convention on International Trade in Endangered Species of Wild Fauna and Flora. |
| Activities restricted as per Mauritian Acts, Regulations and the Bank's internal Policies and Procedures. |

In line with the UN Global Compact requirements, the Bank has a precautionary approach towards environmental challenges and encourages the development and practices of environmental-friendly technologies.

The bank therefore aims to work with stakeholders that are respecting these green and eco-friendly practices and this will be implemented as part of our three-year environmental programme.

# WORKPLACE RESPONSIBILITY

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Employees are the most valuable asset for the Bank and thus, AfrAsia Bank Limited keeps on investing on their development either in terms of training, health, recreational activities among others.

These are anchored through:

## Culture of Excellence

The Bank continues to inspire employees to become brand advocates, while remaining motivated and focusing on customer service excellence. AfrAsia Bank Limited aims at improving its employee retention strategy and a dedicated resource has been recruited to focus on talent, rewards, learning and growth.

| | YEAR ENDED 30 JUNE 2014 | YEAR ENDED 30 JUNE 2015 | YEAR ENDED 30 JUNE 2016 |
|---|---|---|---|
| No. of Full time Employees | 153 | 195 | 219 |
| Staff Turnover rate % | 12 | 13 | 14 |

## People Development

During the year, various training programmes were provided to the staff of AfrAsia Bank Limited.

**6900+Training hours:**

**3900+**

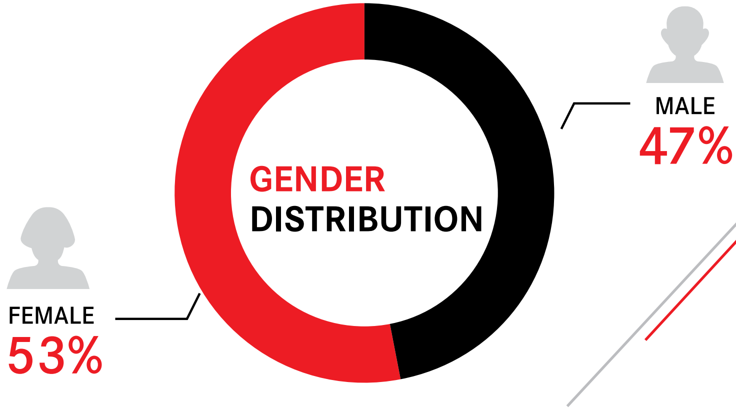
for local and international training

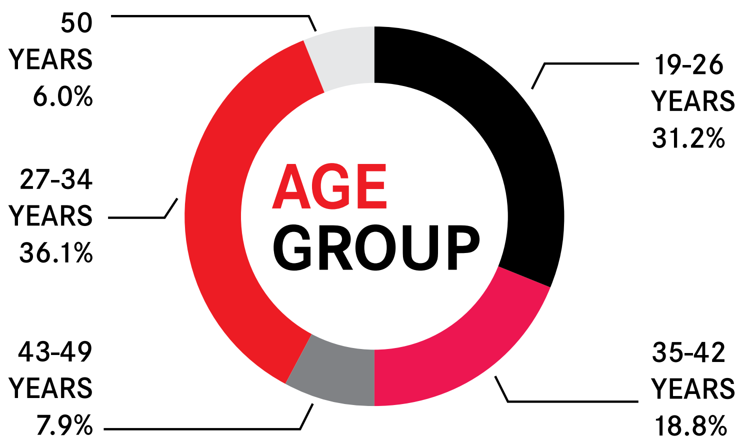
**3000 Hours**

3000 hours of self-study for employees undertaking the Chartered Institute of Bankers (Scotland)

## Diversity

Leveraging diverse backgrounds and experiences while respecting all people is key to the Bank.



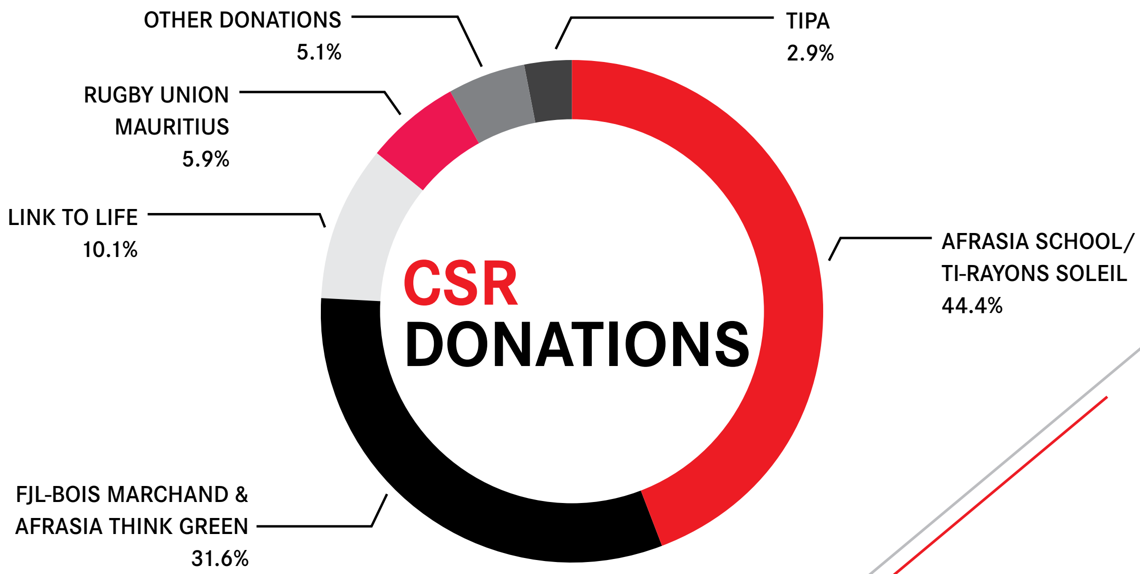
# SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

## Creation of the AfrAsia Foundation

To bring Corporate Responsibility to a higher level, the AfrAsia Foundation was created and registered as a foundation in May 2016; its status as a charitable institution was approved in June 2016. The main focus areas are: Children's Education, Health and Environment Protection and other overall objectives include:

- To make a meaningful and measurable impact in the lives of economically, physically and socially challenged communities by supporting initiatives aimed at creating conditions suitable for sustainable livelihood; and
- To promote initiatives that preserve, restore and enhance environment, the ecological balance, natural resources and improve sanitation and hygiene.

## Local Initiatives




## AfrAsia Golf Academy

The AfrAsia Golf Academy is a project in collaboration with the Mauritius Golf Federation and Ti Rayons Soleil which aims to provide children from vulnerable groups, access to golf. This project comprises 3 phases.

| | |
|---|---|
| PHASE 1 | 45 children went through a selection process |
| PHASE 2 | Continuous training of the selected children |
| PHASE 3 | Integration of children at the age of 15 in the world of pro-golfers |

## Health

As part of its health initiatives, AfrAsia Capital Management organised the ACM Movember Charity Dinner in November 2015 targeting 200 guests. In collaboration with a local NGO, Link to Life, ACM raised over MUR 1.3m during this event to fund patients suffering from Lymphedema.

In addition to this, over 60 female and male employees benefited from breast, cervical, lung and prostate cancer screening during the AfrAsia Women's Health month in April and the Men's Health Month in November.

# AFRASIA THINK GREEN PROGRAMME

AfrAsia takes an integrated approach to environmental issues, whether creating environmental products and services, assessing the environmental risk of the Bank's lending portfolio or reducing paper and energy consumption.

AfrAsia works towards reducing the negative effects and increasing the positive effects that it may have on the environment through internal and external programmes.

Our 2020 environmental strategy involves lowering by half our carbon footprint by increasing the share of renewable energy, improving energy efficiency and steering travelling towards more environmentally friendly alternatives.

AfrAsia Bank Limited, in collaboration with ABAX, UBP and Fondation Joseph Lagesse, is working towards the creation of a 1.1km health track and the embellishment of a local river in Ebene by reviewing the biodiversity and the replantation of endemic trees and shrubs.

Amongst the different environmental commitments:

- refurbish old laptops and phones;
- review our waste segregation system;
- reduce our paper consumption;
- find alternative Green Suppliers; and
- survey of our electricity consumption.

In June 2016, AfrAsia Bank Limited sponsored, through the initiative of Agence Française de Developpement (AFD), Fondation Joseph Lagesse (FJL) and Porteurs d'Images, the Avant-Premiere of the film 'DEMAIN', winner of Cesar Award for Best Documentary Film 2016. The film identifies initiatives that have proven themselves in ten countries around the world: concrete examples of solutions to environmental and social challenges of the twenty-first century, be it agriculture, energy, economy, education and governance.

# KEY INITIATIVES FOR 2016/2017

| Key initiatives for 2016/2017 | Objectives |
|---|---|
| Creation of the AfrAsia Ti Rayons Soleil School<br>› Submitted a project to the Decentralised Cooperation Programme to obtain a grant of Rs 4m;<br>› Worked on an internal project which involves staff participation in the school and the Bank's contribution in kind through audit, legal and accounting services; | To create a pre-primary school for vulnerable children of the society and ensure that follow up is done on both psychological and academic basis. |
| Continue in our endeavor in fighting cancer<br>› Provide cancer screening for women in April and for men in November;<br>› Create awareness about cancer through workshops and campaigns;<br>› Raise funds in favour of Link to Life for treatment and projects related to cancer; | Raise awareness about cancer amongst the public and help fight the disease. |
| Re-commit to reporting of the United Nations Global Compact (UNGC)<br>› Show our involvement in the 10 principles of the UNGC;<br>› Help ensure the long term sustainability of the business through proper reporting, good corporate governance and proper values of the bank;<br>› Contribute to the UNGC Foundation; | Help provide information about transparency of our practices. |
| Engage in Global Reporting Initiative<br>› Sustain best practices;<br>› Show good corporate governance practices;<br>› Improve communication to stakeholders and the public in general. | We aim at showing transparency in all banking transactions through detailed reporting systems. |

# REPORTING

We are committed and will be engaging by 2020 in different sustainable reporting activities: United Nations Global Compact, GML Developpement Durable and the Global Reporting Initiative.

Since October 2015, AfrAsia Bank Limited has been committed to the UNGC. The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially-responsible policies, and to report on their implementation. With over 3,100 participating companies and hundreds of other stakeholders from more than 100 countries, the UN Global Compact is the world's largest voluntary corporate citizenship initiative.


"

We believe that **branding** is an **emotional** experience that people want to be a part of, felt through both our physical and digital touchpoints. Our goal is to further humanise our brand while using data insights to drive service personalisation, loyalty and a seamless **customer experience**.

Suneeta Motala
Head of Marketing &
Public Relations

# 2015-2016 AT A GLANCE

## Growing the brand through local and international events


CLICK TO PLAY VIDEO

https://www.youtube.com/watch?v=R-oK98mJxFI

### AfrAsia Bank Mauritius Open 2016

The second edition of the AfrAsia Bank Mauritius Open, the only worldwide tri-sanctioned tournament endorsed by the European, Sunshine and Asian Tours, was held at the Four Seasons Golf Club Mauritius at Anahita.

### Ebene Human Chain

3000+ participants, including 100 AfrAsians, participated in a 3 Km Human Chain in Ebene to raise awareness on the importance of regular cancer screening in collaboration with the NGO Link to Life and Minerva Fiduciary Services.

CLICK TO PLAY VIDEO

https://www.youtube.com/watch?v=8EktJ-uta44


CLICK TO PLAY VIDEO

goo.gl/cMSPwo

### AfrAsia Bank Cape Wine Auction 2016

The AfrAsia Bank Cape Wine Auction celebrates, on a global stage, South Africa's vinous offering in line with uniting the industry around a common philanthropic goal. The 2016 edition raised an astounding R15 million for children's education in South Africa's winelands.

## AfrAsia International 7's Rugby Tournament 2015

Rugby Union Mauritius, in collaboration with AfrAsia Bank and Vision Sport Mauritius, hosted the third consecutive 'AfrAsia International 7's Rugby Tournament' at the Dodo Club.

## AfrAsia Bank Duke Of York Cup 2015

AfrAsia Bank sponsored the AfrAsia Duke of York Cup, a day also marked by the presence of Miss Jane Constance, winner of 'The Voice Kids 2015' who performed live at the event.

## Movember 2015

The Movember movement is an initiative which challenges men to grow their moustache for the 30-days of November, and become ambassadors of cancer awareness. AfrAsia Capital Management organised a Charity Gala Dinner to raise funds to sponsor a centre specialised in lymphedema treatment, a side effect of cancer – A cheque of MUR1.36m was remitted to Link to Life.

## AfrAsia Tecoma Award 2015

Held in collaboration with Eco Austral, AfrAsia Tecoma Award honors the best of the local business community whose courage, foresight and determination have created and sustained successful, growing business ventures. The winner of the 2015 edition was Vincent Lagarde.

CLICK TO PLAY VIDEO

https://www.youtube.com/watch?v=8PcvkLJQU9Q

## Porlwi by Light

With the objective of promoting local heritage and citizenship, we participated in the Porlwi by Light cultural festival, a first in Mauritius, in collaboration with IBL, LUX* Resorts and ABAX, to propose a ballet of illuminated canoes in the harbor.

CLICK TO PLAY VIDEO

https://www.youtube.com/watch?v=vgmAgmPrtWw

## Yannick Noah Concert & Tennis Exhibition Show

In line with providing our clients with unique lifestyle experiences, a tennis exhibition with Yannick Noah as well as a private concert was held, upholding thus our ‘Bank Different’ approach.

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated and separate financial statements of the Group's and 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 of the International Accounting Standards Board as well as the requirements of the Mauritius Companies Act 2001, Banking Act 2004 and the guidelines issued thereunder, have been applied in the preparation and fair presentation of the financial statements for the year ended 30 June 2016 and management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee, Risk Management / Conduct Review Committee and Credit Committee, which comprise independent directors who are not officers or employees of the Bank, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

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

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

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

Lim Sit Chen
LAM PAK NG

**Chairman**

Sanjiv
BHASIN

**Chief Executive Officer**

Arvind
SETHI

**Director**

**Date: 22 September 2016**

# ADMINISTRATIVE INFORMATION

## HEAD OFFICE

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AFRASIA
bank

# FINANCIAL STATEMENTS 2016

# CERTIFICATE FROM THE COMPANY SECRETARY

In terms of Section 166 (d) of the Mauritius Companies Act 2001, we certify that to the best of our knowledge and belief, AfrAsia Bank Limited (the "Bank") has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001.

IBL CORPORATE SERVICES LTD
COMPANY SECRETARY

Date: 22 September 2016

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF AFRASIA BANK LIMITED

**Report on the Financial Statements**

We have audited the financial statements of AfrAsia Bank Limited (the "Bank") and its subsidiaries (the "Group") on pages 167 to 256, which comprise the statements of financial position as at 30 June 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Directors' Responsibility for the Financial Statements*

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

*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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 give a true and fair view of the financial position of the Group and the Bank as at 30 June 2016 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Companies Act 2001.

*Other matter*

This report has been prepared solely for the Bank's members, 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 that 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 Other Legal and Regulatory Requirements**

*Companies Act 2001*

We have no relationship with or interests in the Group and the Bank other than in our capacity as auditors and tax advisors, and dealings in the ordinary course of business.

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

In our opinion, proper accounting records have been kept by the Group and 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 consistent basis 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.

*Financial Reporting Act 2004*

The Directors are responsible for preparing the corporate governance report.

Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

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

ERNST & YOUNG
Ebène, Mauritius

ANDRE LAI WAN LOONG, A.C.A.
Licensed by FRC

Date: 27 September 2016

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2016

| | | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|---|
| | | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **Notes** | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Interest income | 3 | **1,745,056** | 1,603,346 | 1,362,484 | **1,740,611** | 1,609,153 | 1,353,358 |
| Interest expense | 4 | **(797,206)** | (756,260) | (701,314) | **(774,912)** | (748,564) | (694,338) |
| **Net interest income** | | **947,850** | 847,086 | 661,170 | **965,699** | 860,589 | 659,020 |
| Fees and commission income | 5 | **581,849** | 563,837 | 341,432 | **457,243** | 341,006 | 207,383 |
| Fees and commission expense | 5 | **(159,458)** | (73,071) | (36,193) | **(159,440)** | (72,768) | (38,043) |
| **Net fees and commission income** | 5 | **422,391** | 490,766 | 305,239 | **297,803** | 268,238 | 169,340 |
| **Net trading income** | 6a | **590,892** | 7,485 | 248,816 | **594,683** | 471,082 | 245,815 |
| **Other operating income** | 6b | **4,170** | 45,008 | 9,875 | **5,975** | 46,844 | 102,386 |
| **Total operating income** | | **1,965,303** | 1,390,345 | 1,225,100 | **1,864,160** | 1,646,753 | 1,176,561 |
| Net allowance for credit impairment | 7 | **(644,557)** | (236,980) | (67,711) | **(644,557)** | (500,279) | (175,711) |
| **Net operating income** | | **1,320,746** | 1,153,365 | 1,157,389 | **1,219,603** | 1,146,474 | 1,000,850 |
| Personnel expenses | 8 | **(452,346)** | (371,877) | (341,434) | **(396,790)** | (294,044) | (288,877) |
| Depreciation of equipment | 23 | **(22,788)** | (15,888) | (8,592) | **(20,504)** | (13,536) | (6,878) |
| Amortisation of intangible assets | 24 | **(33,145)** | (64,546) | (48,459) | **(9,224)** | (8,729) | (6,624) |
| Other operating expenses | 9 | **(343,440)** | (329,643) | (213,474) | **(269,564)** | (273,373) | (192,259) |
| **Total operating expenses** | | **(851,719)** | (781,954) | (611,959) | **(696,082)** | (589,682) | (494,638) |
| **Operating profit** | | **469,027** | 371,411 | 545,430 | **523,521** | 556,792 | 506,212 |
| Loss on disposal of subsidiary | 18 | **(4,185)** | - | - | **-** | - | - |
| Share of profit of joint venture | 21 | **-** | - | 2,664 | **-** | - | - |
| Fair value gain on acquisition of subsidiaries | 19 | **-** | - | 125,846 | **-** | - | - |
| Impairment loss on subsidiary | 18 | **-** | - | - | **-** | (302,554) | (217,000) |
| Impairment loss on associate | 22 | **-** | (118,565) | (144,247) | **-** | - | - |
| Impairment of intangible assets | 24 | **(100,514)** | - | - | **-** | - | - |
| Impairment of available-for-sale investment | 17 | **-** | (327,647) | - | **-** | - | - |
| Share of loss of associate | 22 | **-** | - | (129,175) | **-** | - | - |
| Gain on liquidation of subsidiaries | 18 | **372,447** | - | - | **-** | - | - |
| **Profit/(loss) before tax** | | **736,775** | (74,801) | 400,518 | **523,521** | 254,238 | 289,212 |
| Tax expense | 10 | **(97,036)** | (101,267) | (75,994) | **(89,885)** | (79,207) | (66,567) |
| **Profit/(loss) for the year** | | **639,739** | (176,068) | 324,524 | **433,636** | 175,031 | 222,645 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent period:** | | | | | | | |
| Net (loss)/gain on available-for-sale investments | | **(6,867)** | 1,999 | 1,978 | **(579)** | - | - |
| Movement in other reserves | | **(1,309)** | - | (814) | **-** | - | - |
| Exchange differences on translation of foreign operations | | **(17,165)** | (678) | (9,630) | **-** | - | - |
| Net gain on hedge of a net investment | | **-** | - | 7,008 | **-** | - | - |
| **Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent period** | | **(25,341)** | 1,321 | (1,458) | **(579)** | - | - |
| **Total comprehensive income/(loss) for the year** | | **614,398** | (174,747) | 323,066 | **433,057** | 175,031 | 222,645 |

The notes on pages 167 to 256 form an integral part of these financial statements.
Auditors' report on page 161.

# STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

| | | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|---|
| | | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | Notes | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| **ASSETS** | | | | | | | |
| Cash and balances with the Central Bank | 12 | **3,029,129** | 2,514,213 | 2,021,272 | **3,029,129** | 2,512,469 | 2,019,625 |
| Due from banks | 13 | **46,009,527** | 41,447,016 | 18,265,309 | **46,000,675** | 41,434,529 | 18,251,138 |
| Derivative financial instruments | 14 | **138,647** | 217,383 | 860,845 | **33,644** | 68,527 | 76,088 |
| Financial investments - held-for-trading | 15 | **4,893,741** | 3,045,474 | 2,636,145 | **3,542,070** | 1,967,124 | 1,911,412 |
| Loans and advances to customers | 16 | **21,958,341** | 21,772,735 | 17,227,455 | **21,958,341** | 21,707,868 | 17,397,055 |
| Financial investments - available-for-sale | 17a | **350,798** | 41,049 | 341,340 | **316,033** | - | - |
| Financial investments - held-to-maturity | 17b | **11,538,879** | 5,071,692 | 6,836,837 | **11,538,879** | 5,071,692 | 6,836,837 |
| Investment in subsidiaries | 18 | **-** | - | - | **189,563** | 189,563 | 409,801 |
| Investment in joint venture | 21 | **-** | - | - | **-** | - | - |
| Investment in associates | 22 | **-** | - | 118,565 | **-** | - | - |
| Equipment | 23 | **140,101** | 103,496 | 71,207 | **135,991** | 98,955 | 66,310 |
| Intangible assets | 24 | **300,804** | 356,071 | 401,507 | **111,841** | 48,018 | 37,667 |
| Other assets | 25 | **130,207** | 263,743 | 197,071 | **206,184** | 288,150 | 174,217 |
| Deferred tax assets | 10 | **60,441** | 24,060 | 12,644 | **60,441** | 19,607 | 8,897 |
| **TOTAL ASSETS** | | **88,550,615** | 74,856,932 | 48,990,197 | **87,122,791** | 73,406,502 | 47,189,047 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| Due to banks | 26 | **173,510** | 227,418 | 1,015,350 | **173,510** | 227,411 | 1,015,350 |
| Derivative financial instruments | 14 | **232,917** | 555,094 | 857,442 | **127,914** | 54,775 | 72,685 |
| Deposits from customers | 27 | **80,012,268** | 66,437,716 | 40,413,544 | **80,378,976** | 66,928,651 | 41,089,955 |
| Debts issued | 28 | **1,489,943** | 1,655,238 | 1,108,517 | **1,111,032** | 1,094,275 | 1,033,574 |
| Other liabilities | 29 | **1,770,876** | 1,627,871 | 2,091,923 | **407,506** | 531,787 | 599,510 |
| Current tax liabilities | 10 | **84,510** | 67,836 | 53,040 | **84,379** | 51,327 | 44,739 |
| Deferred tax liabilities | 10 | **125** | 114 | - | **-** | - | - |
| **TOTAL LIABILITIES** | | **83,764,149** | 70,571,287 | 45,539,816 | **82,283,317** | 68,888,226 | 43,855,813 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | | | | | | |
| Ordinary shares | 30 | **2,595,363** | 2,590,959 | 1,747,639 | **2,595,363** | 2,590,959 | 1,747,639 |
| Class A shares | 30 | **1,399,768** | 1,399,768 | 1,400,244 | **1,385,768** | 1,385,768 | 1,386,244 |
| Treasury shares | 30 | **-** | - | (405,776) | **-** | - | (405,776) |
| Share application monies | | **-** | 17,261 | - | **-** | 17,261 | - |
| Retained earnings/(Accumulated losses) | | **448,491** | (142,091) | 434,096 | **493,283** | 107,086 | 332,174 |
| Other reserves | 31 | **342,844** | 419,748 | 274,178 | **365,060** | 417,202 | 272,953 |
| **TOTAL EQUITY** | | **4,786,466** | 4,285,645 | 3,450,381 | **4,839,474** | 4,518,276 | 3,333,234 |
| **TOTAL LIABILITIES AND EQUITY** | | **88,550,615** | 74,856,932 | 48,990,197 | **87,122,791** | 73,406,502 | 47,189,047 |

The financial statements have been approved for issue by the Board of Directors on 22 September 2016.

| **LIM SIT CHEN LAM PAK NG** | **SANJIV BHASIN** | **ARVIND SETHI** |
|---|---|---|
| **Chairman** | Chief Executive Officer | Director |

The notes on pages 167 to 256 form an integral part of these financial statements.
Auditors' report on page 161.

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

## (a) THE GROUP

| | Notes | Ordinary shares | Treasury shares | Class A shares | Share application monies | Retained earnings / (Accumulated losses) | Other reserves | Total |
|---|---|---|---|---|---|---|---|---|
| | | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| At 1 July 2013 | | 1,694,593 | - | - | - | 290,050 | 212,751 | 2,197,394 |
| Profit for the year | | - | - | - | - | 324,524 | - | 324,524 |
| Other comprehensive income | | - | - | - | - | - | (1,458) | (1,458) |
| Total comprehensive income for the year | | - | - | - | - | 324,524 | (1,458) | 323,066 |
| Issue of shares | 30 | 53,046 | - | 1,400,244 | - | - | - | 1,453,290 |
| Acquisition of shares | 30 | - | (405,776) | - | - | - | - | (405,776) |
| Share-based payments | 31 | - | - | - | - | - | (1,566) | (1,566) |
| Appropriation of reserves | 31 | - | - | - | - | (64,451) | 64,451 | - |
| Dividends | 11 | - | - | - | - | (116,027) | - | (116,027) |
| At 30 June 2014 | | 1,747,639 | (405,776) | 1,400,244 | - | 434,096 | 274,178 | 3,450,381 |
| At 1 July 2014 | | 1,747,639 | (405,776) | 1,400,244 | - | 434,096 | 274,178 | 3,450,381 |
| Loss for the year | | - | - | - | - | (176,068) | - | (176,068) |
| Other comprehensive income | | - | - | - | - | - | 1,321 | 1,321 |
| Total comprehensive income/(loss) for the year | | - | - | - | - | (176,068) | 1,321 | (174,747) |
| Issue of shares | 30 | 843,320 | 405,776 | - | - | - | - | 1,249,096 |
| Incidental cost on issue of shares | | - | - | (476) | - | - | - | (476) |
| Acquisition of shares | 30 | - | - | - | - | - | - | - |
| Share application monies | | - | - | - | 17,261 | - | - | 17,261 |
| Share-based payments | 31 | - | - | - | - | - | (360) | (360) |
| Appropriation of reserves | 31 | - | - | - | - | (144,609) | 144,609 | - |
| Dividends | 11 | - | - | - | - | (255,510) | - | (255,510) |
| At 30 June 2015 | | 2,590,959 | - | 1,399,768 | 17,261 | (142,091) | 419,748 | 4,285,645 |
| **At 1 July 2015** | | **2,590,959** | **-** | **1,399,768** | **17,261** | **(142,091)** | **419,748** | **4,285,645** |
| **Profit for the year** | | **-** | **-** | **-** | **-** | **639,739** | **-** | **639,739** |
| **Other comprehensive income** | | **-** | **-** | **-** | **-** | **-** | **(25,341)** | **(25,341)** |
| **Total comprehensive income/(loss) for the year** | | **-** | **-** | **-** | **-** | **639,739** | **(25,341)** | **614,398** |
| **Issue of shares** | **30** | **17,261** | **-** | **-** | **(17,261)** | **-** | **-** | **-** |
| **Indemnity costs** | **30** | **(12,857)** | **-** | **-** | **-** | **-** | **-** | **(12,857)** |
| **Consolidation adjustment** | | **-** | **-** | **-** | **-** | **(1,718)** | **-** | **(1,718)** |
| **Appropriation of reserves** | **31** | **-** | **-** | **-** | **-** | **51,563** | **(51,563)** | **-** |
| **Dividends** | **11** | **-** | **-** | **-** | **-** | **(99,002)** | **-** | **(99,002)** |
| **At 30 June 2016** | | **2,595,363** | **-** | **1,399,768** | **-** | **448,491** | **342,844** | **4,786,466** |

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

## (a) THE BANK

| | Notes | Ordinary shares | Treasury shares | Class A shares | Share application monies | Retained earnings / (Accumulated losses) | Other reserves | Total |
|---|---|---|---|---|---|---|---|---|
| | | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| At 1 July 2013 | | 1,694,593 | - | - | - | 290,007 | 210,068 | 2,194,668 |
| Profit for the year | | - | - | - | - | 222,645 | - | 222,645 |
| Other comprehensive income | | - | - | - | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - | 222,645 | - | 222,645 |
| Issue of shares | 30 | 53,046 | - | 1,386,244 | - | - | - | 1,439,290 |
| Acquisition of shares | 30 | - | (405,776) | - | - | - | - | (405,776) |
| Share-based payments | 31 | - | - | - | - | - | (1,566) | (1,566) |
| Appropriation of reserves | 31 | - | - | - | - | (64,451) | 64,451 | - |
| Dividends | 11 | - | - | - | - | (116,027) | - | (116,027) |
| At 30 June 2014 | | 1,747,639 | (405,776) | 1,386,244 | - | 332,174 | 272,953 | 3,333,234 |
| At 1 July 2014 | | 1,747,639 | (405,776) | 1,386,244 | - | 332,174 | 272,953 | 3,333,234 |
| Profit for the year | | - | - | - | - | 175,031 | - | 175,031 |
| Other comprehensive income | | - | - | - | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - | 175,031 | - | 175,031 |
| Issue of shares | 30 | 843,320 | 405,776 | - | - | - | - | 1,249,096 |
| Incidental cost on issue of shares | | - | - | (476) | - | - | - | (476) |
| Share application monies | | - | - | - | 17,261 | - | - | 17,261 |
| Share-based payments | 31 | - | - | - | - | - | (360) | (360) |
| Appropriation of reserves | 31 | - | - | - | - | (144,609) | 144,609 | - |
| **Dividends** | 11 | - | - | - | - | **(255,510)** | - | **(255,510)** |
| **At 30 June 2015** | | **2,590,959** | - | **1,385,768** | **17,261** | **107,086** | **417,202** | **4,518,276** |
| **At 1 July 2015** | | **2,590,959** | - | **1,385,768** | **17,261** | **107,086** | **417,202** | **4,518,276** |
| **Profit for the year** | | - | - | - | - | **433,636** | - | **433,636** |
| **Other comprehensive income** | | - | - | - | - | - | **(579)** | **(579)** |
| **Total comprehensive income/(loss) for the year** | | - | - | - | - | **433,636** | **(579)** | **433,057** |
| Issue of shares | 30 | 17,261 | - | - | (17,261) | - | - | - |
| Indemnity costs | 30 | (12,857) | - | - | - | - | - | (12,857) |
| Appropriation of reserves | 31 | - | - | - | - | 51,563 | (51,563) | - |
| Dividends | 11 | - | - | - | - | (99,002) | - | (99,002) |
| At 30 June 2016 | | 2,595,363 | - | 1,385,768 | - | 493,283 | 365,060 | 4,839,474 |

The notes on pages 167 to 256 form an integral part of these financial statements.
Auditors' report on page 161.

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | THE GROUP Year ended 30 June 2016 MUR'000 | THE GROUP Year ended 30 June 2015 MUR'000 | THE GROUP Year ended 30 June 2014 MUR'000 | THE BANK Year ended 30 June 2016 MUR'000 | THE BANK Year ended 30 June 2015 MUR'000 | THE BANK Year ended 30 June 2014 MUR'000 |
|---|---|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | | | |
| Profit/(loss) before tax | | **736,775** | (74,801) | 400,518 | **523,521** | 254,238 | 289,212 |
| **Adjustments for:** | | | | | | | |
| Change in operating assets | **33(b)** | **(5,740,790)** | (12,738,312) | (8,182,496) | **(5,627,759)** | (13,662,319) | (7,214,283) |
| Change in operating liabilities | **33(c)** | **13,105,528** | 25,007,791 | 16,126,764 | **13,291,390** | 25,017,056 | 14,702,516 |
| Non-cash items included in profit before tax | **33(d)** | **1,155,062** | 606,033 | 186,163 | **1,024,496** | 1,150,817 | 329,478 |
| Tax paid | | **(116,730)** | (97,773) | (55,409) | **(97,667)** | (83,326) | (44,843) |
| **Net cash flows from operating activities** | | **9,139,845** | 12,702,938 | 8,475,540 | **9,113,981** | 12,676,466 | 8,062,080 |
| **INVESTING ACTIVITIES** | | | | | | | |
| Purchase of equipment | **23** | **(76,808)** | (48,858) | (46,705) | **(69,330)** | (46,868) | (44,734) |
| Purchase of investment in associates | **22** | **-** | - | (144,693) | **-** | - | - |
| Purchase of intangible assets | **24** | **(78,392)** | (19,110) | (29,383) | **(73,047)** | (19,081) | (28,870) |
| Investment in subsidiaries | **18** | **-** | - | - | **-** | - | (250,693) |
| Purchase of available-for-sale financial investments | | **(316,615)** | (25,357) | (300,576) | **(316,612)** | - | - |
| Acquisition of subsidiaries, net of cash acquired | **19** | **-** | - | (225,689) | **-** | - | - |
| **Net cash flows used in investing activities** | | **(471,815)** | (93,325) | (747,046) | **(458,989)** | (65,949) | (324,297) |
| **FINANCING ACTIVITIES** | | | | | | | |
| Issue of shares | | **-** | 820,436 | 1,453,290 | **-** | 820,436 | 1,439,290 |
| Indemnity paid on shares issued | | **(12,857)** | - | - | **(12,857)** | - | - |
| Disposal/(acquisition) of treasury shares | **30** | **-** | 405,776 | (405,776) | **-** | 405,776 | (405,776) |
| Dividends paid | | **(99,002)** | (185,649) | (116,027) | **(99,002)** | (185,649) | (116,027) |
| **Net cash flows (used in)/from financing activities** | | **(111,859)** | 1,040,563 | 931,487 | **(111,859)** | 1,040,563 | 917,487 |
| **Net cash flows for the year** | | **8,556,171** | 13,650,176 | 8,659,981 | **8,543,133** | 13,651,080 | 8,655,270 |
| **Movement in cash and cash equivalents** | | | | | | | |
| Cash and cash equivalents at 1 July | | **31,288,032** | 17,638,539 | 8,967,489 | **31,273,801** | 17,622,721 | 8,967,451 |
| Net increase in cash and cash equivalents | | **8,556,171** | 13,650,176 | 8,659,981 | **8,543,133** | 13,651,080 | 8,655,270 |
| Net foreign exchange difference | | **(18,417)** | (683) | 11,069 | **-** | - | - |
| **Cash and cash equivalents at 30 June** | **33(a)** | **39,825,786** | 31,288,032 | 17,638,539 | **39,816,934** | 31,273,801 | 17,622,721 |
| **Operational cash flows from interest** | | | | | | | |
| Interest paid | | **(867,855)** | (695,169) | (567,016) | **(845,561)** | (687,473) | (560,040) |
| Interest received | | **1,535,327** | 1,506,181 | 1,311,306 | **1,530,882** | 1,511,988 | 1,302,180 |

The notes on pages 167 to 256 form an integral part of these financial statements.
Auditors' report on page 161.

# NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 JUNE 2016

## 1. CORPORATE INFORMATION

AfrAsia Bank Limited ('the Bank') is a public company incorporated and domiciled in the Republic of Mauritius. The principal activity of the Bank and those of its group entities ('the Group') is the provision of financial services in the Indian Ocean Region. Its registered office is at 10, Dr Ferrière Street, Port Louis, Mauritius.

The financial statements for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 22 September 2016.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and the Bank ('the Group'') have been prepared on a historical cost basis, except for available-for-sale investments, financial assets held-for-trading and derivative financial instruments, all of which have been measured at fair value. The financial statements are presented in Mauritian Rupees ('MUR') and all values are rounded to the nearest rupee except when otherwise indicated.

**Statement of compliance**

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the Companies Act 2001 and the Guidelines and Guidance Notes issued by Bank of Mauritius.

**Presentation of financial statements**

The Group and the Bank present their statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 34.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expense will not be offset in the statements of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee;
(ii) Rights arising from other contractual arrangements;
(iii) The Group's voting rights and potential voting rights; and
(iv) A combination of (i) – (iii).

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

### 2.2 Significant accounting judgements and estimates

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

**(a) Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

**Going concern**

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. On this basis, the financial statements continue to be prepared on the going concern basis.

# 2. ACCOUNTING POLICIES (Continued)

## 2.2 Significant accounting judgements and estimates (Continued)

### (b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based their assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Further details in respect of the fair valuation of financial instruments are included in Note 32 to the financial statements.

**Impairment losses on loans and advances**

The Group reviews their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group make judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in Note 16.

**Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGU's, including sensitivity analysis, are disclosed and further explained in Note 20.

## 2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. There were no new standards and interpretations which were effective for this financial year.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Accounting standards and interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Group has not early adopted them:

**New or revised standards and interpretations:**

| | Effective for accounting period beginning on or after |
|---|---|
| **New or revised standards** | |
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| **Amendments** | |
| Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) | 1 January 2016 |
| Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | 1 January 2016 |
| Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) | 1 January 2016 |
| Equity Method in Separate Financial Statements (Amendments to IAS 27) | 1 January 2016 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Effective date deferred indefinitely |
| Annual Improvements 2012 – 2014 Cycle | 1 January 2016 |
| Disclosure Initiative (Amendments to IAS 1) | 1 January 2016 |
| Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | 1 January 2016 |
| Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) | 1 January 2017 |
| Disclosure Initiative (Amendment to IAS 7) | 1 January 2017 |
| Clarification to IFRS 15 'Revenue from contracts with customers' | 1 January 2018 |
| Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) | 1 January 2018 |

Where the standards and interpretations may have an impact at a future date, they have been discussed below:

**New or revised standards**

**IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition - effective 1 January 2018**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

***Classification and measurement of financial assets***

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL).

Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

***Classification and measurement of financial liabilities***

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

***Impairment***

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Accounting standards and interpretations issued but not yet effective (Continued)

***Hedge accounting***

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable.

The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

The impact of the new standard is currently being assessed.

**IFRS 14 Regulatory Deferral Accounts - effective 1 January 2016**

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

This new standard will not have an impact, as the Group is not a first time adopter of IFRS.

**IFRS 15 Revenue from Contracts with Customers - effective 1 January 2017**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The Group is still assessing the impact of this new standard, but it is not expected to have a significant effect on financial position of the Group. There may be an impact on the level of disclosure provided.

**IFRS 16 Leases - effective 1 January 2019**

The IASB has redrafted this new leasing standard that would require lessees to recognise assets and liabilities for most leases. Lessees applying IFRS would have a single recognition and measurement model for all leases (with certain exemptions). Lessors applying IFRS would classify leases using the principle in IAS 17; in essence, lessor accounting would not change. The IASB and the FASB have made different decisions about lease classification and the recognition, measurement and presentation of leases for lessees and lessors.

The Group is still assessing the impact of this new standard.

**Amendments**

**Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) - effective 1 January 2016**

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11; and
- Disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendment will not have an impact since the Group does not have any interests in joint operations.

**Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) - effective 1 January 2016**

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicat`e the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendment will not have an impact since the Group does not use a depreciation method based on revenue for its plant and equipment.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Accounting standards and interpretations issued but not yet effective (Continued)

**Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) - effective 1 January 2016**

Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16;
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; and
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

The amendment will not have an impact as the Group does not recognise 'bearer plants'.

**Amendments to IAS 27: Equity Method in Separate Financial Statements – 1 January 2016**

Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The Group is still assessing the impact of this new standard.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - Effective date deferred indefinitely**

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

This amendment will not have an impact on the Group as it does not hold investment in associates or joint venture.

**Annual Improvements 2012 – 2014 Cycle - 1 July 2016**

The following amendments were made to these standards:

- IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 19 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

The Group is still evaluating the effect of these new or revised standards and interpretations on the presentation of its financial statements.

**Disclosure Initiative (Amendments to IAS 1) - 1 January 2016**

The amendment will address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The Group is still evaluating the effect of these new or revised standards and interpretations on the presentation of its financial statements.

**Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – 1 January 2016**

The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) will address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendment will not have an impact as the Group is not an investment entity or a subsidiary of an investment entity.

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Accounting standards and interpretations issued but not yet effective (Continued)

**Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)**

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Group is still assessing the impact of this new standard, but it is not expected to have a significant effect on financial position of the Group.

**Disclosure Initiative (Amendments to IAS 7)**

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Group is still evaluating the effect of these new or revised standards and interpretations on the presentation of its financial statements.

**Clarifications to IFRS 15 'Revenue from Contracts with Customers' - effective 1 January 2018**

IASB amended IFRS 15 'Revenue from Contracts with Customers' to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The Group is still assessing the impact of this new standard.

**Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) – effective 1 January 2018**

IASB has issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas:

- The effects of vesting conditions on the measurement of a cash-settled sharebased payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The Group is still assessing the impact of this new standard.

### 2.5 Summary of significant accounting policies

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

**(a) Foreign currency translation**

The financial statements are presented in Mauritian Rupees ('MUR'). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

***(i) Transactions and balances***

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences are taken to 'Net trading income' in the statements of profit or loss and other comprehensive income, with the exception of differences in foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. The differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

***(ii) Group Companies***

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in 'Other comprehensive income'. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statements of profit or loss and other comprehensive income in 'Other operating expenses' or 'Other operating income'. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

# 2. ACCOUNTING POLICIES (Continued)

## 2.5 Summary of significant accounting policies (Continued)

### (b) Financial instruments - initial recognition and subsequent measurement

### *(i) Date of recognition*

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group become a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

### *(ii) Initial measurement of financial instruments*

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

### *(iii) Derivatives recorded at fair value through profit or loss*

The Group use derivatives such as forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value are included in Net trading income.

### *(iv) Financial assets or financial liabilities held-for-trading*

Financial assets or financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the income /make the payment has been established.

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

### *(v) 'Day 1' profit or loss*

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statements of profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognised.

### *(vi) Held-to-maturity financial investments*

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and have fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statements of profit or loss and other comprehensive income. The losses arising from impairment of such assets are recognised in profit or loss.

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

### *(vii) Available-for-sale financial investments*

Available-for-sale investments include equity securities and investment in preference shares. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss.

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

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

Unrealised gains and losses are recognised directly in equity ('Other comprehensive income') in the available-for-sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statements of profit or loss and other comprehensive income in 'Other operating income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Dividends earned whilst holding available-for-sale financial investments are recognised in the statements of profit or loss and other comprehensive income as 'Other operating income' when the right to receive the income has been established. The losses arising from impairment of such investments are recognised in the statements of profit or loss and other comprehensive income and removed from the available-for-sale reserve.

### *(viii) Due from banks and loans and advances to customers*

'Due from banks' and 'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intend to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss;
- Those that the Group upon initial recognition, designates as available-for-sale;
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statements of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statements of profit or loss and other comprehensive income in 'Net allowance for credit impairment'.

The Group may enter into certain lending commitments where the loan on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

# 2. ACCOUNTING POLICIES (Continued)

## 2.5 Summary of significant accounting policies (Continued)

### (b) Financial instruments - initial recognition and subsequent measurement (Continued)

***(ix) Debts issued***

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'Debts issued' where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debts issued and other borrowed funds are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. An analysis of the Group's and the Bank's issued debt is disclosed in Note 28 to the financial statements.

***(x) Reclassification of financial assets***

Effective from 1 July 2008, the Group is permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

The Group may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in 'Other comprehensive income' is recycled to profit or loss.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

### (c) Derecognition of financial assets and financial liabilities

***(i) Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the asset have expired;
- the Group or the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

a. the Group or the bank has transferred substantially all the risks and rewards of the asset, or

b. the Group or the Bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

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

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

***(ii) Financial liabilities***

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

### (d) Fair value measurement

The Group measure financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

# 2. ACCOUNTING POLICIES (Continued)

## 2.5 Summary of significant accounting policies (Continued)

### (d) Fair value measurement (Continued)

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

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

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

### (e) Impairment of financial assets

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

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

#### *(i) Financial assets carried at amortised cost*

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss and other comprehensive income in 'Net allowance for credit impairment'. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group or the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

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

## 2. ACCOUNTING POLICIES (Continued)

### 2.5 Summary of significant accounting policies (Continued)

**(e) Impairment of financial assets (Continued)**

***(ii) Available-for-sale financial investments***

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

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Group treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in the fair value after impairment are recognised in 'Other comprehensive income'.

***(iii) Renegotiated loans***

Where possible, the Group seek to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

**(f) Hedge accounting**

The Group makes use of non-derivative instruments to manage exposures to foreign currency risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the statements of profit or loss and other comprehensive income in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

**Fair value hedges**

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statements of profit or loss in 'Net trading income'. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statements of financial position and is also recognised in the statements of profit or loss and other comprehensive income in 'Net trading income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For a hedged item recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated effective interest rate (EIR) method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

**Hedges of a net investment**

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as 'Other comprehensive income' while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

**(g) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position.

**(h) Recognition of income and expenses**

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

***(i) Interest income and expenses***

For all financial instruments measured at amortised cost, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group or the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income for financial assets and interest expense for financial liabilities.

# 2. ACCOUNTING POLICIES (Continued)

## 2.5 Summary of significant accounting policies (Continued)

### (h) Recognition of income and expenses (Continued)

***(i) Interest income and expenses (Continued)***

However, for a reclassified financial asset for which the Group or the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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

***(ii) Fees and commission income***

The Group earn fees and commission income from a diverse range of services it provides to its customers. Fee income can be categorised into the following two categories:

***Fee income earned from services that are provided over a certain period of time***

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

***Fee income from providing transaction services***

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

***(iii) Dividend income***

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

***(iv) Net trading income***

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading.

***(v) Fees and commission expenses***

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received – Please refer to Note 5 of the financial statements.

### (i) Operating leases

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

### (j) Cash and cash equivalents

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

### (k) Interest in joint venture

**The Group**

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using the equity method.

Under the equity method, the interest in joint venture is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statements of profit or loss and other comprehensive income reflect the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit of the joint venture is shown on the face of the statements of profit or loss and other comprehensive income. This is the profit attributable to equity holders of the joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interest in joint venture. The Group determines at each reporting date whether there is any objective evidence that the interest in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

**The Bank**

Investment in joint venture is accounted for at cost in the Bank's separate financial statement, less any accumulated impairment in value.

## 2. ACCOUNTING POLICIES (Continued)

### 2.5 Summary of significant accounting policies (Continued)

#### (l) Investment in an associate

**The Group**

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statements of profit or loss and other comprehensive income reflect the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statements of profit or loss and other comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the statements of profit or loss and other comprehensive income.

**The Bank**

Investment in associate is accounted for at cost in the Bank's separate financial statement, less any accumulated impairment in value.

#### (m) Investment in a subsidiary

**The Bank**

Investment in a subsidiary is accounted at cost in the Bank's separate financial statements, less any accumulated impairment in value, except for investment in subsidiary that is designated as a hedged item that is measured at fair value.

#### (n) Equipment

Equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated using the straight-line method to write down the cost of equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

| | Rate |
|---|---|
| Improvement to building | 10% |
| Furniture and fittings | 10% |
| Office equipment | 10% - 20% |
| Motor vehicle | 14.29% - 20% |
| Computer equipment | 25% - 33 1/3% |

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

Residual values and useful lives are reviewed at least at each financial year end.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

#### (o) Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group or the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statements of profit or loss and other comprehensive income.

## 2. ACCOUNTING POLICIES (Continued)

### 2.5 Summary of significant accounting policies (Continued)

**(o) Intangible assets (Continued)**

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

| | Rate |
|---|---|
| Computer software | 25% - 33 1/3% |
| Banking software | 14.29% |
| Customer relationship | 13% - 20% |
| Non-compete agreement | 50% |
| Licence | 50% |
| Other | 33 1/3% |

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

**(p) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

**(q) Financial guarantees**

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

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

**(r) Deposit from banks and customers' accounts**

For the purpose of estimating fair value, deposits by banks and customer accounts are grouped by remaining contractual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

**(s) Pension benefits**

**Defined contribution pension plan**

The Group operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

**(t) Equity reserves**

The reserves recorded in equity on the statement of financial position include:

- 'Equity–settled share-based payments' reserve relates to expenses arising from equity-settled share-based payment transactions;
- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004; and
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk.
- 'Foreign currency translation reserve' which arises on retranslation of foreign operations on consolidation.

Further details are included in Note 31.

# 2. ACCOUNTING POLICIES (Continued)

## 2.5 Summary of significant accounting policies (Continued)

### (u) Share-based payment transactions

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

***Equity-settled transactions***

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period is recorded in 'Personnel expenses' and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in 'Personnel expenses' is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

### (v) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### (w) Taxes

***(i) Current tax***

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

The Bank is liable to pay a special levy as follows:

| Segment A | Segment B |
|---|---|
| 10% on chargeable income | 3.4% on accounting profit<br>1.0% on total operating income |

Please refer to part (x) Segmental reporting.

The special levy is included in the income tax expense and current tax liability in the financial statements.

The Bank is subject to the Advance Payment System (APS) whereby it pays income tax on a quarterly basis.

# 2. ACCOUNTING POLICIES (Continued)

## 2.5 Summary of significant accounting policies (Continued)

### (w) Taxes (Continued)

#### *(ii) Value Added Tax*

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

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

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

#### *(iii) Deferred tax*

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in profit or loss.

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

#### *(iv) Corporate Social Responsibility*

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

The required CSR fund for the year is recognised in tax expense in the statements of profit or loss and other comprehensive income.

The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

### (x) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

The Bank has prepared its separate financial statements in line with the requirements of the Bank of Mauritius Guideline on 'Segmental Reporting under a Single Banking Licence Regime' which requires that segment information should be provided by Segment A and Segment B banking businesses.

***Segment A***

Segment A activity relates to all banking business other than Segment B activity. The financial services provided under Segment A may be funded and/or non-fund based. Segment A business will essentially consist of transactions with residents of Mauritius, both on the liability side and asset side.

***Segment B***

Segment B activity essentially relates to the provision of international financial services that give rise to 'foreign source income'. Such services may be fund based and/or non-fund based. Segment B assets will generally consist of placements with and advances to foreign resident companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or entities holding Global Business Licence ('GBLs'). Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs.

# 2. ACCOUNTING POLICIES (Continued)

## 2.5 Summary of significant accounting policies (Continued)

### (y) Equity and dividends

***(i) Equity instruments and treasury shares***

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

Ordinary shares are classified as equity.

The Bank's Class A shares are classified as equity as they are redeemable at the option of the Bank. These shares carry non-cumulative dividends which are payable at the discretion of the board.

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Treasury shares are own equity instruments that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

***(ii) Dividends on ordinary shares and Class A shares***

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

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

### (z) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

# 3. INTEREST INCOME

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Interest income on: | | | | | | |
| - Due from banks | **265,308** | 194,445 | 118,770 | **261,991** | 188,263 | 118,770 |
| - Loans and advances to customers | **1,225,153** | 1,118,296 | 945,882 | **1,224,025** | 1,130,285 | 936,756 |
| - Financial investments - held-to-maturity | **242,770** | 288,332 | 297,832 | **242,770** | 288,332 | 297,832 |
| - Placements with the Central Bank | **11,825** | 2,273 | - | **11,825** | 2,273 | - |
| | **1,745,056** | 1,603,346 | 1,362,484 | **1,740,611** | 1,609,153 | 1,353,358 |

# 4. INTEREST EXPENSE

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Interest expense on: | | | | | | |
| - Due to banks | **41,534** | 12,183 | 18,834 | **19,240** | 7,076 | 15,059 |
| - Deposits from customers | **675,035** | 662,731 | 603,587 | **675,035** | 662,731 | 603,587 |
| - Other | **80,637** | 81,346 | 78,893 | **80,637** | 78,757 | 75,692 |
| | **797,206** | 756,260 | 701,314 | **774,912** | 748,564 | 694,338 |

# 5. NET FEES AND COMMISSION INCOME

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| **Fees and commission income** | | | | | | |
| Credit related fees and commission income | **321,640** | 274,018 | 182,454 | **321,640** | 274,018 | 182,454 |
| Subscription fees | **4,795** | 30,327 | 16,699 | **-** | - | - |
| Management and performance fees | **61,404** | 89,404 | 45,726 | **-** | - | - |
| Consulting and advisory fees | **33,387** | 62,713 | 69,839 | **-** | - | - |
| Trading commission | **20,795** | 31,326 | 3,662 | **-** | - | - |
| Custody fees income | **118,220** | 55,019 | 10,719 | **118,220** | 55,019 | 10,719 |
| Other fees received | **21,608** | 21,030 | 12,333 | **17,383** | 11,969 | 14,210 |
| **Total fees and commission income** | **581,849** | 563,837 | 341,432 | **457,243** | 341,006 | 207,383 |
| **Fees and commission expense** | | | | | | |
| Commission to other banks | **(60,098)** | (37,248) | (29,418) | **(60,098)** | (37,248) | (29,418) |
| Credit card expenses | **(38,289)** | (22,381) | (3,346) | **(38,289)** | (22,380) | (3,346) |
| Custody fees expense | **(45,429)** | (1,619) | (742) | **(45,429)** | (1,619) | (742) |
| Other fees paid | **(15,642)** | (11,823) | (2,687) | **(15,624)** | (11,521) | (4,537) |
| **Total fees and commission expense** | **(159,458)** | (73,071) | (36,193) | **(159,440)** | (72,768) | (38,043) |
| **Net fees and commission income** | **422,391** | 490,766 | 305,239 | **297,803** | 268,238 | 169,340 |

# 6a. NET TRADING INCOME

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Net gain on financial investments - held-for-trading | **98,446** | 12,740 | 36,532 | **97,488** | 39,771 | 39,822 |
| Foreign exchange gain | **492,446** | 346,208 | 212,284 | **497,195** | 431,311 | 205,993 |
| Loss on derivatives - Put option (Note 14) | **-** | (351,463) | - | **-** | - | - |
| | **590,892** | 7,485 | 248,816 | **594,683** | 471,082 | 245,815 |

Net gain on financial investments held-for-trading includes both realised and unrealised gain.
Foreign exchange gain includes realised and unrealised gains and losses from spot and forward contracts and other currency derivatives.

# 6b. OTHER OPERATING INCOME

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Dividend income | **-** | - | - | **-** | 45,000 | 100,000 |
| Bad debts recovered | **-** | - | 4,546 | **-** | - | - |
| Transaction and other related fees | **4,170** | 45,008 | 5,329 | **5,975** | 1,844 | 2,386 |
| | **4,170** | 45,008 | 9,875 | **5,975** | 46,844 | 102,386 |

# 7. NET ALLOWANCE FOR CREDIT IMPAIRMENT

Portfolio and specific provisions on loans and advances to customers:

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| - Retail and personal | **55,305** | 4,996 | 1,083 | **55,305** | 4,996 | 1,083 |
| - Business | **272,636** | 55,696 | 5,948 | **272,636** | 55,696 | 5,948 |
| - Entities outside Mauritius | **312,496** | 173,509 | 60,882 | **312,496** | 436,808 | 168,882 |
| - Credit cards | **4,120** | 2,779 | (202) | **4,120** | 2,779 | (202) |
| | **644,557** | 236,980 | 67,711 | **644,557** | 500,279 | 175,711 |

Please refer to Note 16 for more details.

# 8. PERSONNEL EXPENSES

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Salaries | **273,492** | 264,881 | 194,225 | **223,348** | 189,029 | 142,694 |
| Staff benefits | **162,503** | 94,706 | 139,478 | **158,855** | 94,188 | 139,248 |
| Pension cost - defined contribution scheme | **9,819** | 8,967 | 6,483 | **8,107** | 7,505 | 5,688 |
| Training expenses | **6,532** | 3,323 | 1,248 | **6,480** | 3,322 | 1,247 |
| | **452,346** | 371,877 | 341,434 | **396,790** | 294,044 | 288,877 |

Please refer to Note 31 for more details on share based payments.

# 9. OTHER OPERATING EXPENSES

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Advertising and marketing expenses | **64,967** | 72,236 | 50,458 | **64,640** | 71,794 | 50,224 |
| Administrative expenses | **211,838** | 180,215 | 119,528 | **155,301** | 133,598 | 105,496 |
| Equipment written off | **1,582** | 686 | 535 | **1,582** | 686 | 302 |
| Professional fees | **65,053** | 76,506 | 42,953 | **48,041** | 67,295 | 36,237 |
| | **343,440** | 329,643 | 213,474 | **269,564** | 273,373 | 192,259 |

# 10. TAXATION

**(a) Statements of financial position**

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Corporate tax liability: | | | | | | |
| Current year | **85,273** | 75,266 | 55,319 | **82,575** | 54,494 | 43,008 |
| Tax paid under advance payment scheme | **(48,907)** | (36,949) | (23,996) | **(46,340)** | (32,686) | (19,986) |
| | **36,366** | 38,317 | 31,323 | **36,235** | 21,808 | 23,022 |
| Special levy | **48,144** | 29,519 | 21,717 | **48,144** | 29,519 | 21,717 |
| **Current tax liabilities** | **84,510** | 67,836 | 53,040 | **84,379** | 51,327 | 44,739 |

**Corporate Social Responsibility fund**

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

**Special levy**

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

**(b) Statements of profit or loss and other comprehensive income**

The components of income tax expense for the years ended 30 June 2016, 2015 and 2014 are as follows:

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Current tax | | | | | | |
| -Current income tax | **85,273** | 75,266 | 55,319 | **82,575** | 54,494 | 43,008 |
| -Adjustment in respect of current income tax of prior period | **-** | (478) | - | **-** | - | - |
| Corporate social responsibility fund | **-** | 8,262 | 3,547 | **-** | 5,904 | 2,684 |
| Special levy | **48,144** | 29,519 | 21,717 | **48,144** | 29,519 | 21,717 |
| Deferred tax | **-** | - | - | **-** | - | - |
| -Adjustment in respect of deferred tax of prior period | **-** | - | (199) | **-** | - | (199) |
| -Relating to origination and reversal of temporary differences | **(36,381)** | (11,302) | (4,390) | **(40,834)** | (10,710) | (643) |
| **Tax expense reported in the statements of profit or loss and other comprehensive income** | **97,036** | 101,267 | 75,994 | **89,885** | 79,207 | 66,567 |

# 10. TAXATION (continued)

**(c) Reconciliation of the total tax expense**

A reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 30 June 2016, 2015 and 2014 is as follows:

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 | **Year ended 30 June 2016** | Year ended 30 June 2015 | Year ended 30 June 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| **Accounting profit/(loss) before tax** | **736,775** | (74,801) | 400,518 | **523,521** | 254,238 | 289,212 |
| At statutory income tax rate of 15% | **110,516** | (11,220) | 60,078 | **78,528** | 38,136 | 43,382 |
| Deemed credit on Segment B profits | **(91,800)** | (43,708) | (45,348) | **(91,800)** | (40,859) | (41,732) |
| Over provision of deferred tax asset in prior year | **-** | - | (199) | **-** | - | (199) |
| Under-provision in corporate tax in prior year | **-** | (478) | - | **-** | - | - |
| Non deductible expenses | **30,176** | 126,551 | 55,940 | **55,013** | 53,257 | 55,715 |
| Non taxable income | **-** | (7,659) | (20,366) | **-** | (6,750) | (15,000) |
| Withholding tax | **-** | - | 625 | **-** | - | - |
| Corporate social responsibility fund | **-** | 8,262 | 3,547 | **-** | 5,904 | 2,684 |
| Special levy | **48,144** | 29,519 | 21,717 | **48,144** | 29,519 | 21,717 |
| **Tax expense reported in the statements of profit or loss and other comprehensive income** | **97,036** | 101,267 | 75,994 | **89,885** | 79,207 | 66,567 |

**(d) Deferred tax**

| THE GROUP | **Deferred tax assets** | **Deferred tax liabilities** | **Statement of Profit or loss and other comprehensive income** | Deferred tax assets | Deferred tax liabilities | Statement of Profit or loss and other comprehensive income | Deferred tax assets | Statement of Profit or loss and other comprehensive income |
|---|---|---|---|---|---|---|---|---|
| | **2016** | **2016** | **2016** | 2015 | 2015 | 2015 | 2014 | 2014 |
| | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Impairment allowances on loans and advances to customers | **(75,960)** | **-** | **(48,846)** | (27,114) | - | (11,212) | (15,902) | 6,249 |
| Accelerated capital allowances | **15,519** | **-** | **8,012** | 7,507 | - | 3,980 | 3,527 | (1,929) |
| Other temporary differences | **-** | **125** | **4,453** | (4,453) | 114 | (4,070) | (269) | 269 |
| | **(60,441)** | **125** | **(36,381)** | (24,060) | 114 | (11,302) | (12,644) | 4,589 |

| THE BANK | **Deferred tax assets** | **Deferred tax liabilities** | **Statement of Profit or loss and other comprehensive income** | Deferred tax assets | Deferred tax liabilities | Statement of Profit or loss and other comprehensive income | Deferred tax assets | Statement of Profit or loss and other comprehensive income |
|---|---|---|---|---|---|---|---|---|
| | **2016** | **2016** | **2016** | 2015 | 2015 | 2015 | 2014 | 2014 |
| | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Impairment allowances on loans and advances to customers | **(75,960)** | **-** | **(48,846)** | (27,114) | - | (14,690) | (12,423) | 2,771 |
| Accelerated capital allowances | **15,519** | **-** | **8,012** | 7,507 | - | 3,980 | 3,526 | (1,929) |
| | **(60,441)** | **-** | **(40,834)** | (19,607) | - | (10,710) | (8,897) | 842 |

# 11. DIVIDENDS

| | THE GROUP AND THE BANK | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 |
| **Dividends on Ordinary shares:** | | | |
| Dividend for 2016: Rs 0.35 per share (2015: Rs 1.65 and 2014: Rs 1.50) | **27,261** | 117,719 | 116,027 |
| **Dividends on Class A shares:** | | | |
| Dividend paid for December 2014: Series 1 & Series 2 | **-** | 67,930 | - |
| Dividend payable for June 2015: Series 1 & Series 2* | **-** | 69,861 | - |
| Dividend paid for December 2015: Series 1 & Series 2 | **71,741** | - | - |
| | **71,741** | 137,791 | - |
| **Total dividends** | **99,002** | 255,510 | 116,027 |

*Provision for dividend payable was accounted for since regulatory approval was obtained by end of financial year.

# 12. CASH AND BALANCES WITH THE CENTRAL BANK

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Cash in hand (Note 33(a)) | **9,425** | 20,631 | 8,002 | **9,425** | 18,887 | 6,355 |
| Unrestricted balances with the Central Bank (Note 33(a)) | **977,455** | 749,827 | 1,086,078 | **977,455** | 749,827 | 1,086,078 |
| Mandatory balances with the Central Bank | **1,233,593** | 1,118,588 | 927,192 | **1,233,593** | 1,118,588 | 927,192 |
| Placements with the Central Bank | **808,656** | 625,167 | - | **808,656** | 625,167 | - |
| | **3,029,129** | 2,514,213 | 2,021,272 | **3,029,129** | 2,512,469 | 2,019,625 |

Mandatory balances with the Central Bank are not available for use in the Bank's day-to-day operations. Mandatory balances with the Central Bank are based on the daily ratio applied for the maintenance of minimum rupee and foreign currency balances as at 30 June 2016.

# 13. DUE FROM BANKS

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Short term placements with other banks (Note 33(a)) | **8,993,560** | 3,043,568 | 5,237,601 | **8,993,560** | 3,043,568 | 5,237,601 |
| Medium term placements with other banks | **7,170,621** | 10,929,442 | 1,720,850 | **7,170,621** | 10,929,442 | 1,720,850 |
| Current accounts with other banks (Note 33(a)) | **29,843,852** | 27,471,232 | 11,304,367 | **29,835,000** | 27,458,745 | 11,290,196 |
| Other amounts due (Note 33(a)) | **1,494** | 2,774 | 2,491 | **1,494** | 2,774 | 2,491 |
| | **46,009,527** | 41,447,016 | 18,265,309 | **46,000,675** | 41,434,529 | 18,251,138 |

# 14. DERIVATIVE FINANCIAL INSTRUMENTS

The table on next page shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, disclosed gross, are the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.
The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

| (a) THE GROUP | Assets | Liabilities | Notional amount | Assets | Liabilities | Notional amount | Assets | Liabilities | Notional amount |
|---|---|---|---|---|---|---|---|---|---|
| | **2016** | **2016** | **2016** | 2015 | 2015 | 2015 | 2014 | 2014 | 2014 |
| | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Options Linked Notes | **105,003** | **(105,003)** | **598,078** | 148,856 | (148,856) | 738,515 | 166,315 | (166,315) | 740,068 |
| Index Linked Notes | **-** | **-** | **-** | - | - | - | 618,442 | (618,442) | 654,886 |
| Put Option (Note 6a) | **-** | **-** | **-** | - | (351,463) | (351,463) | - | - | - |
| Foreign exchange option contracts | **8,147** | **(8,147)** | **16,365,970** | 17,224 | (17,224) | 12,835,526 | 8,239 | (8,239) | 8,661,329 |
| Forward foreign exchange contracts | **25,497** | **(119,767)** | **7,413,567** | 51,303 | (37,551) | 6,371,802 | 67,849 | (64,446) | 8,134,679 |
| | **138,647** | **(232,917)** | **24,377,615** | 217,383 | (555,094) | 19,594,380 | 860,845 | (857,442) | 18,190,962 |

| (b) THE BANK | Assets | Liabilities | Notional amount | Assets | Liabilities | Notional amount | Assets | Liabilities | Notional amount |
|---|---|---|---|---|---|---|---|---|---|
| | **2016** | **2016** | **2016** | 2015 | 2015 | 2015 | 2014 | 2014 | 2014 |
| | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Foreign exchange option contracts | **8,147** | **(8,147)** | **16,365,970** | 17,224 | (17,224) | 12,835,526 | 8,239 | (8,239) | 8,661,329 |
| Forward foreign exchange contracts | **25,497** | **(119,767)** | **7,413,567** | 51,303 | (37,551) | 6,371,802 | 67,849 | (64,446) | 8,134,679 |
| | **33,644** | **(127,914)** | **23,779,537** | 68,527 | (54,775) | 19,207,328 | 76,088 | (72,685) | 16,796,008 |

As at 30 June 2016, the Group and the Bank have positions in the following types of derivatives:

**Forward contracts**
Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forward are customised contracts transacted in the over-the-counter market.

**Options**
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

# 15. FINANCIAL INVESTMENTS - HELD-FOR-TRADING

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Government of Mauritius debt securities | **2,923,763** | 1,465,219 | 1,071,625 | **2,923,763** | 1,465,219 | 1,071,625 |
| Bank of Mauritius bonds and notes | **344,663** | 234,518 | 585,736 | **344,663** | 234,518 | 585,736 |
| Unquoted equity investments | **1,351,671** | 1,072,421 | 724,733 | **-** | - | - |
| Listed equity shares | **-** | 5,929 | - | **-** | - | - |
| Corporate debt securities | **273,644** | 267,387 | 254,051 | **273,644** | 267,387 | 254,051 |
| | **4,893,741** | 3,045,474 | 2,636,145 | **3,542,070** | 1,967,124 | 1,911,412 |

# 16. LOANS AND ADVANCES TO CUSTOMERS

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Retail and personal | **1,206,113** | 1,723,244 | 1,471,553 | **1,206,113** | 1,723,244 | 1,471,553 |
| Business | **9,835,012** | 8,817,332 | 6,619,062 | **9,835,012** | 8,831,053 | 6,623,339 |
| Entities outside Mauritius | **11,751,946** | 11,494,181 | 9,209,664 | **11,751,946** | 11,415,593 | 9,482,987 |
| Credit cards | **137,772** | 123,968 | 76,522 | **137,772** | 123,968 | 76,522 |
| Gross core loans and advances to customers | **22,930,843** | 22,158,725 | 17,376,801 | **22,930,843** | 22,093,858 | 17,654,401 |
| Less: Allowance for impairment losses | **(972,502)** | (385,990) | (149,346) | **(972,502)** | (385,990) | (257,346) |
| | **21,958,341** | 21,772,735 | 17,227,455 | **21,958,341** | 21,707,868 | 17,397,055 |

# 16. LOANS AND ADVANCES TO CUSTOMERS (Continued)

**Impairment allowance for loans and advances to customers**

(a) A reconciliation of the allowance for impairment losses for loans and advances by class is as follows:

| THE GROUP | Retail and Personal | Business | Entities outside Mauritius | Credit cards | Total |
|---|---|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| At 1 July 2013 | 6,191 | 46,339 | 21,871 | 7,877 | 82,278 |
| Amount written off against allowance | (381) | (188) | - | (74) | (643) |
| Charge/Reversal for the year | 1,083 | 5,948 | 60,882 | (202) | 67,711 |
| At 30 June 2014 | 6,893 | 52,099 | 82,753 | 7,601 | 149,346 |
| At 30 June 2014: | | | | | |
| Specific impairment | 409 | 19,159 | 38,871 | 4,536 | 62,975 |
| Collective impairment | 6,484 | 32,940 | 43,882 | 3,065 | 86,371 |
| | 6,893 | 52,099 | 82,753 | 7,601 | 149,346 |
| Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance | 13,498 | 75,385 | 73,903 | 4,964 | 167,750 |
| At 1 July 2014 | 6,893 | 52,099 | 82,753 | 7,601 | 149,346 |
| Amount written off against allowance | - | (210) | - | (126) | (336) |
| Charge for the year | 4,996 | 55,696 | 173,510 | 2,778 | 236,980 |
| At 30 June 2015 | 11,889 | 107,585 | 256,263 | 10,253 | 385,990 |
| At 30 June 2015: | | | | | |
| Specific impairment | 3,156 | 55,722 | 191,100 | 4,980 | 254,958 |
| Collective impairment | 8,733 | 53,344 | 63,682 | 5,273 | 131,032 |
| | 11,889 | 109,066 | 254,782 | 10,253 | 385,990 |
| Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance | 85,573 | 881,473 | 173,686 | 7,402 | 1,148,134 |
| **At 1 July 2015** | **3,683** | **107,585** | **264,469** | **10,253** | **385,990** |
| **Amount written off against allowance** | **-** | **-** | **(58,045)** | **-** | **(58,045)** |
| **Charge for the year** | **55,305** | **272,636** | **312,496** | **4,120** | **644,557** |
| **At 30 June 2016** | **58,988** | **380,221** | **518,920** | **14,373** | **972,502** |
| **At 30 June 2016:** | | | | | |
| **Specific impairment** | **44,821** | **279,585** | **417,687** | **7,915** | **750,008** |
| **Collective impairment** | **14,167** | **100,636** | **101,233** | **6,458** | **222,494** |
| | **58,988** | **380,221** | **518,920** | **14,373** | **972,502** |
| **Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance** | **240,118** | **1,384,923** | **826,408** | **12,108** | **2,463,557** |

# 16. LOANS AND ADVANCES TO CUSTOMERS (Continued)

**Impairment allowance for loans and advances to customers (Continued)**

| THE BANK | Retail and Personal | Business | Entities outside Mauritius | Credit cards | Total |
|---|---|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| At 1 July 2013 | 6,191 | 46,339 | 21,871 | 7,877 | 82,278 |
| Amount written off against allowance | (381) | (188) | - | (74) | (643) |
| Charge/Reversal for the year | 1,083 | 5,948 | 168,882 | (202) | 175,711 |
| At 30 June 2014 | 6,893 | 52,099 | 190,753 | 7,601 | 257,346 |
| At 30 June 2014: | | | | | |
| Specific impairment | 409 | 19,159 | 146,871 | 4,536 | 170,975 |
| Collective impairment | 6,484 | 32,940 | 43,882 | 3,065 | 86,371 |
| | 6,893 | 52,099 | 190,753 | 7,601 | 257,346 |
| Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance | 13,498 | 75,385 | 375,903 | 4,964 | 469,750 |
| At 1 July 2014 | 6,893 | 52,099 | 190,753 | 7,601 | 257,346 |
| Amount written off against allowance | - | (210) | (371,298) | (126) | (371,634) |
| Charge for the year | 4,996 | 55,696 | 436,808 | 2,778 | 500,278 |
| At 30 June 2015 | 11,889 | 107,585 | 256,263 | 10,253 | 385,990 |
| At 30 June 2015: | | | | | |
| Specific impairment | 3,156 | 55,722 | 191,100 | 4,980 | 254,958 |
| Collective impairment | 8,733 | 53,344 | 63,682 | 5,273 | 131,032 |
| | 11,889 | 109,066 | 254,782 | 10,253 | 385,990 |
| Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance | 85,573 | 881,473 | 173,686 | 7,402 | 1,148,134 |
| **At 1 July 2015** | **3,683** | **107,585** | **264,469** | **10,253** | **385,990** |
| **Amount written off against allowance** | **-** | **-** | **(58,045)** | **-** | **(58,045)** |
| **Charge for the year** | **55,305** | **272,636** | **312,496** | **4,120** | **644,557** |
| **At 30 June 2016** | **58,988** | **380,221** | **518,920** | **14,373** | **972,502** |
| **At 30 June 2016:** | | | | | |
| **Specific impairment** | **44,821** | **279,585** | **417,687** | **7,915** | **750,008** |
| **Collective impairment** | **14,167** | **100,636** | **101,233** | **6,458** | **222,494** |
| | **58,988** | **380,221** | **518,920** | **14,373** | **972,502** |
| **Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance** | **240,118** | **1,384,923** | **826,408** | **12,108** | **2,463,557** |

# 16. LOANS AND ADVANCES TO CUSTOMERS (Continued)

**Impairment allowance for loans and advances to customers (Continued)**

(b) The following is a reconciliation of the allowance for impairment losses for loans and advances:

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | Specific impairment | Collective impairment | **Total** | Specific impairment | Collective impairment | **Total** |
| | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** |
| At 1 July 2013 | 13,962 | 68,316 | 82,278 | 13,962 | 68,316 | 82,278 |
| Amount written off against allowance | (643) | - | (643) | (643) | - | (643) |
| Charge for the year | 49,656 | 18,055 | 67,711 | 157,656 | 18,055 | 175,711 |
| At 30 June 2014 | 62,975 | 86,371 | 149,346 | 170,975 | 86,371 | 257,346 |
| At 1 July 2014 | 62,975 | 86,371 | 149,346 | 170,975 | 86,371 | 257,346 |
| Amount written off against allowance | (336) | - | (336) | (371,635) | - | (371,635) |
| Charge for the year | 192,319 | 44,661 | 236,980 | 455,618 | 44,661 | 500,279 |
| At 30 June 2015 | 254,958 | 131,032 | 385,990 | 254,958 | 131,032 | 385,990 |
| **At 1 July 2015** | **254,969** | **131,021** | **385,990** | **254,969** | **131,021** | **385,990** |
| **Amount written off against allowance** | **(58,045)** | **-** | **(58,045)** | **(58,045)** | **-** | **(58,045)** |
| **Charge for the year** | **553,084** | **91,473** | **644,557** | **553,084** | **91,473** | **644,557** |
| **At 30 June 2016** | **750,008** | **222,494** | **972,502** | **750,008** | **222,494** | **972,502** |

# 17. FINANCIAL INVESTMENTS

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| **(a) AVAILABLE-FOR-SALE** | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Bank of Mauritius bonds and notes | **316,033** | - | - | **316,033** | - | - |
| Investment in equity shares | **34,765** | 41,049 | 39,040 | **-** | - | - |
| Investment in preference shares | **-** | - | 302,300 | **-** | - | - |
| | **350,798** | 41,049 | 341,340 | **316,033** | - | - |

THE GROUP

Available-for-sale investments for an amount of MUR 18.5m (2015 and 2014: MUR 18.5m) are stated at cost since their fair value cannot be reliably measured due to no active market and an absence of track record for such or similar investments. In 2015, the Group recognised an impairment loss of MUR 327.6m on its investment in preference shares which was held by AfrAsia Holdings Limited.

| | THE GROUP AND THE BANK | | |
|---|---|---|---|
| **(a) HELD-TO-MATURITY** | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 |
| Government of Mauritius debt securities | **4,474,740** | 2,685,114 | 4,372,367 |
| Bank of Mauritius bonds and notes | **1,207,513** | 1,344,574 | 1,523,856 |
| Other corporate debt securities | **5,856,626** | 1,042,004 | 940,614 |
| | **11,538,879** | 5,071,692 | 6,836,837 |

# 18. INVESTMENT IN SUBSIDIARIES

| | THE BANK | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Cost | **MUR'000** | MUR'000 | MUR'000 |
| **At start** | **189,563** | 409,801 | 383,116 |
| Acquisition during the year | **-** | - | 250,693 |
| | **189,563** | 409,801 | 633,809 |
| Impairment loss | **-** | (302,554) | (217,000) |
| Fair value hedge movement | **-** | 82,316 | (7,008) |
| **At 30 June** | **189,563** | 189,563 | 409,801 |

The details of the subsidiaries are as follows:

| | Country of Incorporation | Class of Shares | Effective % Holdings | | |
|---|---|---|---|---|---|
| | | | **2016** | 2015 | 2014 |
| | | | **%** | % | % |
| **Direct Subsidiaries** | | | | | |
| AfrAsia Investments Limited | Mauritius | Ordinary | **100** | 100 | 100 |
| AfrAsia Holdings Limited (Note (a & b)) | Mauritius | Ordinary | **-** | 100 | 100 |
| **Indirect Subsidiaries** | | | | | |
| AfrAsia Capital Management Limited | Mauritius | Ordinary | **100** | 100 | 100 |
| AfrAsia Corporate Finance (Africa) Limited | Mauritius | Ordinary | **100** | 100 | 100 |
| Stellar Advisers (Pty) Limited (Formerly known as AfrAsia Corporate Finance (Pty) Limited) (Note (c)) | South Africa | Ordinary | **-** | 100 | 100 |
| AfrAsia Corporate Finance (Pty) Ltd (Formerly known as "Africa Asia Corporate Finance (Pty) Ltd") (Note (d)) | South Africa | Ordinary | **100** | - | - |
| AfrAsia Corporate Finance International Limited (Formerly known as "Africa Capital Advisors PCC") (Note (d)) | Mauritius | Ordinary | **100** | - | - |
| AfrAsia Corporate Finance Limited | Mauritius | Ordinary | **100** | 100 | 100 |
| "AfrAsia Kingdom Holdings Limited (""AKHL"") (Note (a & b)) | Mauritius | Ordinary | **-** | 100 | 52 |

(a) During the year these entities went into liquidation thereby resulting in a gain of MUR 372.4m as reported in the Group statement of profit or loss and other comprehensive income

(b) Previously accounted under Investment in associates and joint venture.
The Bank invested USD 9.7m and USD 4.8m in AfrAsia Holdings Limited ("AHL") in 2012 and 2014 respectively. The investment was financed by borrowings denominated in United States Dollars (USD) and the Bank classified the transaction as a fair value hedge. At the end of 2014 and 2015, the Bank adjusted the value of its investment in AfrAsia Holdings Limited for any movement in exchange rate.

The impairment loss in both 2014 and 2015 relate to the full write off of the Bank's investment in AHL. AHL was incorporated for the purpose of holding the Bank's investment in Zimbabwe. On 24 February 2015, the Registrar of Banking Institutions of Zimbabwe cancelled the licence of AfrAsia Bank Zimbabwe Limited in terms of section 14 (4) of the Banking Act [Chapter 24:20]. The cancellation followed board resolutions by AfrAsia Zimbabwe Holdings Limited (the shareholder) and AfrAsia Bank Zimbabwe Limited to voluntarily surrender the banking licence. The Registrar determined that the banking institution was no longer in a safe and sound condition in that the institution was grossly undercapitalised and was facing chronic liquidity challenges. All efforts by the shareholders to recapitalize the institution in order to comply with the minimum capital requirements have failed and in addition, the board of directors advised that AfrAsia Bank Limited was constrained in availing any further support to the Zimbabwe operations. The Reserve Bank of Zimbabwe accordingly applied for the liquidation of the institution in terms of section 57 of the Zimbabwe Banking Act.

(c) The company was sold on 29 January 2016 and the loss on disposal of MUR 4.2m is reported in the Group statement of profit or loss.

(d) The Group made the acquisition of two subsidiaries during the financial year, namely Africa Asia Corporate Finance (Pty) Ltd and Africa Capital Advisors PCC. Refer to note 19 for more details.

# 19(a). BUSINESS COMBINATION

**2016**

On 25 August 2015, AfrAsia Investments Limited acquired 70% of the share capital of Africa Asia Corporate Finance Pty Ltd and 70% of the share capital of Africa Capital Advisors PCC. Africa Asia Corporate Finance Pty Ltd and Africa Capital Advisors PCC were renamed to AfrAsia Corporate Finance Pty Ltd and AfrAsia Corporate Finance International Limited respectively during the year. As at 30 June 2016, AfrAsia Investments Limited became the sole shareholder of these entities following the cancellation of the shares held by the minority shareholders. These companies operate as investment advisory firms, providing corporate finance, structured finance, investment and alternative funding solutions.

Since the activities of AfrAsia Corporate Finance Pty Limited and AfrAsia Corporate Finance International Limited are similar, both entities have been grouped into one cash generating unit ("CGU") and are referred to as the "New ACF Group".

The following tables summarise the consideration paid for each entity, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

| Name of Entity | Principal activity | Date of acquisition | Effective % holdings | Consideration transferred |
|---|---|---|---|---|
| | | | | MUR'000 |
| AfrAsia Corporate Finance Pty Limited (formerly known as "Africa Asia Corporate Finance Pty Limited") | Investment advisory | 25-Aug-15 | 100% | 20,100 |
| AfrAsia Corporate Finance International Limited (formerly known as "Africa Capital Advisors PCC") | Global business | 25-Aug-15 | 100% | 2 |

**Assets acquired and liabilities assumed**

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

| | Fair value recognised on acquisition | |
|---|---|---|
| | **AfrAsia Corporate Finance Pty Ltd** | **AfrAsia Corporate Finance International Limited** |
| | **MUR'000** | **MUR'000** |
| **Assets** | | |
| Property and equipment | **56** | - |
| Debtors | **97** | - |
| Shareholder loans receivable | **7,998** | - |
| Cash and cash equivalents | **20,103** | **2** |
| | **28,254** | **2** |
| **Liabilities** | | |
| VAT payable | **28** | - |
| Salaries payable | **7,276** | - |
| | **7,304** | - |
| **Fair value of identifiable net assets acquired** | **20,950** | **2** |

# 19(a). BUSINESS COMBINATION (Continued)

| | AfrAsia Corporate Finance Pty Ltd | AfrAsia Corporate Finance International Limited | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Fair value of consideration transferred | 20,010 | 2 | 20,012 |
| Non-controlling interest measured as the share of fair value of identifiable net assets | 6,285 | 1 | 6,286 |
| Less fair value of identifiable net assets | (20,950) | (2) | (20,952) |
| **Goodwill arising on acquisition** | 5,345 | 1 | 5,346 |

Summarised statement of profit or loss of subsidiaries acquired:

**For the period 25 August 2015 (date of acquisition) to 30 June 2016**

| | AfrAsia Corporate Finance Pty Ltd | AfrAsia Corporate Finance International Limited | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Revenue (disclosed under fees and commission income) | 7,187 | 3,371 | 10,558 |
| (Loss)/profit before tax | (2,428) | 2,724 | 296 |
| (Loss)/profit after tax | (2,428) | 2,720 | 292 |

**For the year 1 July 2015 to 30 June 2016**

| | AfrAsia Corporate Finance Pty Ltd | AfrAsia Corporate Finance International Limited | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Revenue (disclosed under fees and commission income) | 7,389 | 3,371 | 10,760 |
| (Loss)/profit before tax | (2,887) | 2,724 | (163) |
| (Loss)/profit after tax | (2,887) | 2,720 | (167) |

**Analysis of cash flows on acquisition:**

| | AfrAsia Corporate Finance Pty Ltd | AfrAsia Corporate Finance International Limited | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Cash consideration to acquire 70% stake in the subsidiaries | 20,010 | 2 | 20,012 |
| Cash balance acquired on acquisition of subsidiaries | 126 | - | 126 |
| **Net cash flow on acquisition** | 20,136 | 2 | 20,138 |

# 19(a). BUSINESS COMBINATION (Continued)

**2014**

On 1 October 2013, the Group acquired the remaining 50% of the ordinary shares of AfrAsia Capital Management Limited ("ACML"), AfrAsia Corporate Finance (Africa) Limited and AfrAsia Corporate Finance (Pty) Ltd.

Since the activities of AfrAsia Corporate Finance (Africa) Limited and AfrAsia Corporate Finance Pty Ltd are similar, both entities have been grouped into one cash generating unit ("CGU") and are referred to as the "ACF Group".

**Assets acquired and liabilities assumed**

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

| | Fair value recognised on acquisition | | |
|---|---|---|---|
| | ACML | ACF Group | Total |
| | MUR'000 | MUR'000 | MUR'000 |
| **Assets** | | | |
| Property, plant and equipment | 565 | 4,481 | 5,046 |
| Cash and cash equivalents | 12,601 | 1,506 | 14,107 |
| Trade receivables | 29,676 | 16,296 | 45,972 |
| Investment held on behalf of client | 1,770,872 | - | 1,770,872 |
| Financial assets at fair value through profit or loss | 2,722 | - | 2,722 |
| Loan and receivables | - | 77,634 | 77,634 |
| Other financial assets | - | 33,011 | 33,011 |
| Financial investments Available-for-sale | 42 | - | 42 |
| Investment in associates | - | 74,611 | 74,611 |
| Patents, licences and customer relations | 82,243 | 116,148 | 198,391 |
| | 1,898,721 | 323,687 | 2,222,408 |

| | Fair value recognised on acquisition | | |
|---|---|---|---|
| | ACML | ACF Group | Total |
| | MUR'000 | MUR'000 | MUR'000 |
| **Liabilities** | | | |
| Trade payables | 9,471 | 6,458 | 15,929 |
| Financial liabilities | - | 27,949 | 27,949 |
| Deferred tax liabilities | 26 | 384 | 410 |
| Long term borrowings | - | 24,424 | 24,424 |
| Current tax liabilities | - | 5,690 | 5,690 |
| Bank overdraft | - | 25,310 | 25,310 |
| Amount due to related party | - | 74,611 | 74,611 |
| Dividend payable | 30,000 | 13,624 | 43,624 |
| Client current accounts | 1,770,858 | - | 1,770,858 |
| | 1,810,355 | 178,450 | 1,988,805 |
| **Total identifiable net assets at fair value** | 88,366 | 145,237 | 233,603 |
| Purchase consideration transferred | 105,935 | 108,552 | 214,487 |
| Less subsequent dividend to be received | (15,000) | - | (15,000) |
| Fair value of existing 50% interest previously held (Note (a)) | 105,935 | 108,552 | 214,487 |
| Fair value of option derecognised | 26,400 | - | 26,400 |
| Fair value of total consideration | 223,270 | 217,104 | 440,374 |
| **Goodwill arising on acquisition** | 134,904 | 71,867 | 206,771 |

# 19(a). BUSINESS COMBINATION (Continued)

**Note (a) - Fair value of existing 50% interest previously held**

The fair value of existing 50% held in ACML and ACF Group, at the acquisition date, is summarised as follows:

| | ACML | ACF Group | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Carrying amount of 50% equity interest | 57,841 | 30,800 | 88,641 |
| Fair value gain | 48,093 | 77,752 | 125,845 |
| Fair value of 50% equity interest | 105,934 | 108,552 | 214,486 |

On acquisition of the above subsidiaries, management has fair valued the businesses and the carrying value of assets and liabilities as per the financial statements of the investees who also owned various contracts and licences which were not accounted for in the respective financial statements. Management has assessed the fair value of these intangible assets at the acquisition date.

**Note (b) - Intangible assets on acquisition**

Intangible assets recognised at the acquisition on the entities at the acquisition date is as follows:

| | ACML | ACF Group | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Customer relations | 82,243 | 42,366 | 124,609 |
| Non-compete agreement | - | 41,195 | 41,195 |
| Licence | - | 32,587 | 32,587 |
| **Total intangible assets recognised on acquisition** | **82,243** | **116,148** | **198,391** |

**Customer relations**
Customer relations represent that income stream that both investees are expected to generate based on the good relations that were previously developed and maintained with their customers.

**Non-compete agreement**
Non-compete agreement relates to a contract which prevents key management personnel of ACF Group from competing with the Group anywhere in Africa for a period of two years from the date of acquisition. Management has valued the non-compete agreement based on the direct valuation of economic damages approach.

**Licence**
The Financial Services Provider licence from the Financial Services Board ("FSB") in South Africa enables Africa Corporate Finance (Pty) Ltd ("ACF Pty") to deliver certain services to listed entities on the Johannesburg Stock Exchange ("JSE"). Although this type of work represents a small proportion of the revenue of ACF Pty (the majority of the fees of ACF Pty is generated from mergers and acquisitions work), the licence is an important asset for ACF Pty in conveying the professionalism and quality of work that it can produce.

Summarised statement of profit or loss of subsidiaries acquired:

**For the period 1 October 2013 (date of acquisition) to 30 June 2014**

| | ACML | ACF Group | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Revenue (disclosed under fees and commission income) | 63,839 | 91,372 | 155,211 |
| Profit before tax | 39,791 | 34,094 | 73,885 |
| Profit after tax | 33,244 | 32,787 | 66,031 |

**For the period 1 July 2013 to 30 June 2014**

| | ACML | ACF Group | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| Revenue (disclosed under fees and commission income) | 76,450 | 104,840 | 181,290 |
| Profit before tax | 46,210 | 36,910 | 83,120 |
| Profit after tax | 38,572 | 35,527 | 74,099 |

| **Analysis of cash flows on acquisition:** | ACML | ACF Group | Total |
|---|---|---|---|
| | MUR | MUR | MUR |
| Cash consideration to acquire remaining 50% in the subsidiaries | 105,935 | 108,552 | 214,487 |
| (Cash)/overdraft balance acquired on acquisition of subsidiaries | (12,601) | 23,804 | 11,203 |
| **Net cash flow on acquisition** | **93,334** | **132,356** | **225,690** |

# 19(b). IMPAIRMENT OF INTANGIBLE ASSETS

The below proivdes a summary of movement in Goodwill and Other Intangible Assets :

| Goodwill | ACML | ACF Group | New ACF Group | Total |
|---|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Goodwill on acquisition | 134,904 | 71,867 | 5,345 | 212,116 |
| Goodwill written off during the year (Note 24(a)) | - | (71,867) | (5,345) | (77,212) |
| **Goodwill as at 30 June 2016** | 134,904 | - | - | 134,904 |

| Other intangible assets | ACML | ACF Group | New ACF Group | Total |
|---|---|---|---|---|
| **Other intangible assets recognised at acquisition:** | | | | |
| Customer relations | 82,243 | 42,366 | - | 124,609 |
| Non-compete agreement | - | 41,195 | - | 41,195 |
| Licence | - | 32,587 | - | 32,587 |
| | 82,243 | 116,148 | - | 198,391 |
| **Amortisation of intangible assets** | | | | |
| Customer relations | (28,271) | (19,065) | - | (47,336) |
| Non-compete agreement | - | (41,195) | - | (41,195) |
| Licence | - | (32,587) | - | (32,587) |
| | (28,271) | (92,847) | - | (121,118) |
| **Intangible written off due to disposal** | | | | |
| Customer relations | - | (23,301) | - | (23,301) |
| Non-compete agreement (Note 24(a)) | - | - | - | - |
| Licence | - | - | - | - |
| | - | (23,301) | - | (23,301) |
| **Net book value of intangible assets as at 30 June 2016** | 53,972 | - | - | 53,972 |

# 20. IMPAIRMENT TESTING OF GOODWILL

| Carrying amount of goodwill allocated to each of the CGUs: | ACML | ACF Group | Total |
|---|---|---|---|
| | MUR'000 | MUR'000 | MUR'000 |
| 30 June 2014 & 2015 | 206,771 | 71,867 | 278,638 |
| 30 June 2016 | 134,904 | - | 134,904 |

The Group performed its annual impairment test in June 2016.

The recoverable amount of the ACML Group is MUR 415m as at 30 June 2016, which has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Based on the performance achieved by each investee from the acquisition date and the value in use of each investee, management did not identify any impairment for the CGUs.

The recoverable amount of the ACML Group and ACF Group CGU was MUR 415m and MUR 429m respectively as at 30 June 2015.

The following assumptions have been used in the assessment of intangible assets with indefinite life:

| | ACML | | ACF Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | % | % | % | % |
| Discount rates | **19.0%** | 19.0% | - | 23.8% |

# 20. IMPAIRMENT TESTING OF GOODWILL (Continued)

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity.

| Sensitivity to changes in assumptions | ACML | | ACF Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **MUR'000** | MUR'000 | **MUR'000** | MUR'000 |
| 1% increase in discount rates (WACC) | **(15,710)** | (15,710) | **-** | (12,433) |
| 1% decrease in discount rates (WACC) | **16,713** | 16,713 | **-** | 12,930 |

# 21. INVESTMENT IN JOINT VENTURE

In prior years the Group, through AfrAsia Investments Limited, held a 50% interest in AfrAsia Capital Management Limited ("ACML"), a jointly-controlled entity which is engaged in the business of fund management. ACML is a private limited company incorporated in Mauritius. It manages several funds and structured products from which it derives the bulk of its revenues. The Group acquired the remaining 50% equity in ACML on 1 October 2013 and from which date ACML became a subsidiary entity of the Group.

The following table illustrates summarised financial information of the Group's investment in the joint venture:

| | THE GROUP | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Share of the joint venture's statement of financial position: | **MUR'000** | MUR'000 | MUR'000 |
| Current assets | **-** | - | - |
| Non-current assets | **-** | - | - |
| Current liabilities | **-** | - | - |
| Non-current liabilities | **-** | - | - |
| Equity | **-** | - | - |
| Share of the joint venture's revenue and profit: | | | |
| Revenue | **-** | - | 6,306 |
| Administrative expenses | **-** | - | (3,169) |
| Other income | **-** | - | 30 |
| Net finance revenue | **-** | - | 43 |
| Income tax expense | **-** | - | (546) |
| Profit after tax | **-** | - | 2,664 |
| **Carrying amount of the investment** | **-** | - | - |

# 22. INVESTMENT IN ASSOCIATES

## THE GROUP

| The investment in associates are as follows: | Country of incorporation | % Holding | | |
|---|---|---|---|---|
| | | **2016** | 2015 | 2014 |
| AfrAsia Zimbabwe Holdings Limited ("AZHL") | Zimbabwe | **-** | 46.2% | 47.0% |
| AfrAsia Corporate Finance (Africa) Limited | Mauritius | **-** | 100.0%** | 100.0%** |
| AfrAsia Corporate Finance (Pty) Limited | South Africa | **-** | 100.0%** | 100.0%** |
| AfrAsia Kingdom Holdings Limited ("AKHL") | Mauritius | **-** | 100.0%** | 52.0% |

Since AZHL is being liquidated, the Group interest is no more accounted as an investment in associate. Refer to note 18 for further explanation as to those factors that led to the impairment loss.
AKHL is a private limited company incorporated in Mauritius. Its principal activity is to act as an investment holding company.
In prior years, AfrAsia Bank Limited did not consider AKHL as its subsidiary as it was not exposed to or have rights to variability in returns from its involvement with AKHL and did not have the ability to affect those returns through its power over the entity pursuant to the shareholder's agreement with the other investor. Accordingly, the financial statements of these entities were not consolidated in the group financial statements. In 2015, the Group obtained control over AKHL as the latter bought back the shares held by the other shareholder. Refer to note 18 for further explanation to those factors that led to loss of control.
AfrAsia Corporate Finance (Pty) Ltd and AfrAsia Corporate Finance (Africa) Ltd are independent corporate finance advisers based in South Africa and Mauritius respectively. Both are private entities and are not listed on any public exchange. Their advisory services include mergers and acquisitions, debt advisory, restructuring, equity advisory and Black Economic Empowerment ('BEE') Advisory. The Group acquired the remaining 50% equity on 1 October 2013 and from which date both entities became subsidiaries of the Group.
** Accounted under investment in subsidiaries.

# 22. INVESTMENT IN ASSOCIATES (Continued)

The following table illustrates summarised financial information of the Group's investment in the associates:

| | THE GROUP | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **AfrAsia Zimbabwe Holdings Limited** | **MUR'000** | MUR'000 | MUR'000 |
| Opening balance | - | 118,565 | 179,688 |
| Additions | - | - | 144,693 |
| Acquisition of subsidiaries | - | - | 74,611 |
| Share of loss after tax | - | - | (130,621) |
| Foreign exchange movement | - | - | (4,746) |
| Impairment loss | - | (118,565) | (144,247) |
| Share of other reserves | - | - | (814) |
| Closing balance | - | - | 118,565 |

| | THE GROUP | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **AfrAsia Corporate Finance (Pty) Ltd** | **MUR'000** | MUR'000 | MUR'000 |
| Opening balance | - | - | 39,641 |
| Share of loss | - | - | (1,262) |
| Dividend received | - | - | (12,330) |
| Carrying amount on acquisition of remaining 50% equity interest | - | - | (26,048) |
| Closing balance | - | - | - |

| | THE GROUP | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **AfrAsia Corporate Finance (Africa) Ltd** | **MUR'000** | MUR'000 | MUR'000 |
| Opening balance | - | - | 5,985 |
| Share of profit after tax | - | - | 2,709 |
| Dividend received | - | - | (3,942) |
| Carrying amount on acquisition of remaining 50% equity interest | - | - | (4,751) |
| Closing balance | - | - | - |
| **Statements of financial position** | | | |
| Investment in associates | - | - | 118,565 |
| **Statements of comprehensive income** | | | |
| Share of loss of associates | - | - | (129,175) |

The following table illustrates summarised financial information of investment in associates:

| | THE GROUP | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 |
| Share of the associates' statement of financial position: | | | |
| Assets | - | - | 1,475,821 |
| Liabilities | - | - | (1,169,672) |
| Equity | - | - | 306,149 |
| Share of the associates' revenue and profit: | | | |
| Revenue | - | - | 431,033 |
| Loss after tax | - | - | (129,175) |

# 23. EQUIPMENT

## (a) THE GROUP

| | Improvement to buildings | Furniture and fittings | Office equipment | Motor vehicles | Computer equipment | Assets under work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| **COST** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| At 1 July 2013 | 10,647 | 13,227 | 9,105 | 671 | 11,220 | - | 44,871 |
| Acquisition of subsidiary | 1,105 | 2,162 | - | - | 1,779 | - | 5,046 |
| Additions | 8,154 | 23,409 | 3,474 | 459 | 11,209 | - | 46,705 |
| Exchange loss | (45) | (86) | (2) | (9) | (141) | - | (283) |
| Disposals | - | (107) | (347) | - | (916) | - | (1,370) |
| At 30 June 2014 | 19,861 | 38,605 | 12,230 | 1,121 | 23,151 | - | 94,969 |
| At 1 July 2014 | 19,861 | 38,605 | 12,230 | 1,121 | 23,151 | - | 94,968 |
| Additions | 15,978 | 11,891 | 2,811 | 1,064 | 17,114 | - | 48,858 |
| Exchange gain | 3 | 5 | - | 1 | 2 | - | 11 |
| Disposals | - | - | (945) | - | (387) | - | (1,332) |
| At 30 June 2015 | 35,842 | 50,501 | 14,096 | 2,186 | 39,880 | - | 142,505 |
| **At 1 July 2015** | **35,842** | **50,501** | **14,096** | **2,186** | **39,880** | **-** | **142,505** |
| **Additions** | **12,733** | **26,902** | **2,795** | **21,902** | **12,465** | **11** | **76,808** |
| **Exchange loss** | **(270)** | **(25)** | **(439)** | **(297)** | **(740)** | **-** | **(1,771)** |
| **Disposals** | **(3,712)** | **(112)** | **(3,542)** | **(11,242)** | **(5,706)** | **-** | **(24,314)** |
| **At 30 June 2016** | **44,593** | **77,266** | **12,910** | **12,549** | **45,899** | **11** | **193,228** |
| **DEPRECIATION** | | | | | | | |
| At 1 July 2013 | 2,368 | 3,254 | 3,592 | 564 | 6,329 | - | 16,107 |
| Charge for the year | 1,666 | 2,274 | 1,487 | 142 | 3,023 | - | 8,592 |
| Exchange loss | (21) | (23) | (1) | (2) | (54) | - | (101) |
| Assets written off | - | (107) | (118) | - | (611) | - | (836) |
| At 30 June 2014 | 4,013 | 5,398 | 4,960 | 704 | 8,687 | - | 23,762 |
| At 1 July 2014 | 4,013 | 5,398 | 4,960 | 704 | 8,687 | - | 23,762 |
| Charge for the year | 3,102 | 4,533 | 2,013 | 221 | 6,019 | - | 15,888 |
| Exchange gain | 1 | 1 | - | - | 2 | - | 4 |
| Assets written off | - | - | (417) | - | (228) | - | (645) |
| At 30 June 2015 | 7,116 | 9,932 | 6,556 | 925 | 14,480 | - | 39,009 |
| **At 1 July 2015** | **7,116** | **9,932** | **6,556** | **925** | **14,480** | **-** | **39,009** |
| **Charge for the year** | **4,019** | **6,164** | **2,489** | **1,354** | **8,762** | **-** | **22,788** |
| **Exchange gain** | **-** | **-** | **-** | **-** | **8** | **-** | **8** |
| **Disposals** | **(1,136)** | **(88)** | **(1,877)** | **(379)** | **(5,198)** | **-** | **(8,678)** |
| **At 30 June 2016** | **9,999** | **16,008** | **7,168** | **1,900** | **18,052** | **-** | **53,127** |
| **NET CARRYING AMOUNT** | | | | | | | |
| **At 30 June 2016** | **34,594** | **61,258** | **5,742** | **10,649** | **27,847** | **11** | **140,101** |
| At 30 June 2015 | 28,726 | 40,569 | 7,540 | 1,261 | 25,400 | - | 103,496 |
| At 30 June 2014 | 15,848 | 33,207 | 7,270 | 417 | 14,464 | - | 71,207 |

# 23. EQUIPMENT (Continued)

| (b) THE BANK | Improvement to buildings | Furniture and fittings | Office equipment | Motor vehicles | Computer equipment | Assets under work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| **COST** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| At 1 July 2013 | 10,647 | 13,227 | 9,093 | 671 | 11,184 | - | 44,822 |
| Additions | 8,154 | 23,312 | 3,473 | 63 | 9,732 | - | 44,734 |
| Disposals | - | - | (347) | - | (237) | - | (584) |
| At 30 June 2014 | 18,801 | 36,539 | 12,219 | 734 | 20,679 | - | 88,972 |
| At 1 July 2014 | 18,801 | 36,539 | 12,219 | 734 | 20,679 | - | 88,972 |
| Additions | 15,978 | 11,846 | 2,811 | 61 | 16,172 | - | 46,868 |
| Disposals | - | - | (945) | - | (387) | - | (1,332) |
| At 30 June 2015 | 34,779 | 48,385 | 14,085 | 795 | 36,464 | - | 134,508 |
| **At 1 July 2015** | **34,779** | **48,385** | **14,085** | **795** | **36,464** | **-** | **134,508** |
| **Additions** | **9,695** | **26,474** | **2,795** | **18,212** | **12,143** | **11** | **69,330** |
| **Disposals** | **-** | **(26)** | **(2,011)** | **(10,207)** | **(2,999)** | **-** | **(15,243)** |
| **At 30 June 2016** | **44,474** | **74,833** | **14,869** | **8,800** | **45,608** | **11** | **188,595** |
| **DEPRECIATION** | | | | | | | |
| At 1 July 2013 | 2,368 | 3,254 | 3,589 | 563 | 6,293 | - | 16,067 |
| Charge for the year | 1,214 | 1,832 | 1,482 | 115 | 2,235 | - | 6,878 |
| Disposals | - | - | (122) | - | (160) | | (282) |
| At 30 June 2014 | 3,582 | 5,086 | 4,949 | 678 | 8,368 | - | 22,663 |
| At 1 July 2014 | 3,582 | 5,086 | 4,949 | 678 | 8,368 | - | 22,663 |
| Charge for the year | 2,725 | 4,055 | 2,013 | 10 | 4,733 | - | 13,536 |
| Disposals | - | - | (417) | - | (228) | - | (645) |
| At 30 June 2015 | 6,307 | 9,141 | 6,545 | 688 | 12,873 | - | 35,554 |
| **At 1 July 2015** | **6,307** | **9,141** | **6,545** | **688** | **12,873** | **-** | **35,554** |
| **Charge for the year** | **3,976** | **6,025** | **2,319** | **491** | **7,693** | **-** | **20,504** |
| **Disposals** | **-** | **(5)** | **(781)** | **-** | **(2,668)** | **-** | **(3,454)** |
| **At 30 June 2016** | **10,283** | **15,161** | **8,083** | **1,179** | **17,898** | **-** | **52,604** |
| **NET CARRYING AMOUNT** | | | | | | | |
| **At 30 June 2016** | **34,191** | **59,672** | **6,786** | **7,621** | **27,710** | **11** | **135,991** |
| At 30 June 2015 | 28,472 | 39,244 | 7,540 | 107 | 23,591 | - | 98,955 |
| At 30 June 2014 | 15,219 | 31,453 | 7,270 | 56 | 12,311 | - | 66,310 |

# 24. INTANGIBLE ASSETS

## (a) THE GROUP

| | Computer software | Banking software | *Other | Assets under progress | Goodwill | Non-compete agreement | Licence | Customer relations | Total |
|---|---|---|---|---|---|---|---|---|---|
| **COST** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| At 1 July 2013 | 14,058 | 17,119 | 7,743 | - | - | - | - | - | 38,920 |
| Acquisition of subsidiary | - | - | - | - | 206,771 | 41,195 | 32,587 | 124,609 | 405,162 |
| Additions | 818 | 28,565 | - | - | - | - | - | - | 29,383 |
| At 30 June 2014 | 14,876 | 45,684 | 7,743 | - | 206,771 | 41,195 | 32,587 | 124,609 | 473,465 |
| At 1 July 2014 | 14,876 | 45,684 | 7,743 | - | 206,771 | 41,195 | 32,587 | 124,609 | 473,465 |
| Additions | 3,266 | 13,660 | 2,184 | - | - | - | - | - | 19,110 |
| At 30 June 2015 | 18,142 | 59,344 | 9,927 | - | 206,771 | 41,195 | 32,587 | 124,609 | 492,575 |
| **At 1 July 2015** | **18,142** | **59,344** | **9,927** | **-** | **206,771** | **41,195** | **32,587** | **124,609** | **492,575** |
| **Transfer from other assets** | **-** | **-** | **-** | **35,805** | **-** | **-** | **-** | **-** | **35,805** |
| **Additions** | **2,920** | **18,960** | **-** | **15,362** | **5,345** | **-** | **-** | **-** | **42,587** |
| **At 30 June 2016** | **21,062** | **78,304** | **9,927** | **51,167** | **212,116** | **41,195** | **32,587** | **124,609** | **570,967** |
| **AMORTISATION** | | | | | | | | | |
| At 1 July 2013 | 6,693 | 12,921 | 3,885 | - | - | - | - | - | 23,499 |
| Charge for the year | 2,504 | 3,563 | 659 | - | - | 15,448 | 12,220 | 14,065 | 48,459 |
| At 30 June 2014 | 9,197 | 16,484 | 4,544 | - | - | 15,448 | 12,220 | 14,065 | 71,958 |
| At 1 July 2014 | 9,197 | 16,484 | 4,544 | - | - | 15,448 | 12,220 | 14,065 | 71,958 |
| Charge for the year | 2,564 | 5,258 | 1,079 | - | - | 20,598 | 16,293 | 18,754 | 64,546 |
| At 30 June 2015 | 11,761 | 21,742 | 5,623 | - | - | 36,046 | 28,513 | 32,819 | 136,504 |
| **At 1 July 2015** | **11,761** | **21,742** | **5,623** | **-** | **-** | **36,046** | **28,513** | **32,819** | **136,504** |
| **Charge for the year** | **2,257** | **6,271** | **877** | **-** | **-** | **5,149** | **4,074** | **14,517** | **33,145** |
| **Impairment charge for the year (note 19b)** | **-** | **-** | **-** | **-** | **77,213** | **-** | **-** | **23,301** | **100,514** |
| **At 30 June 2016** | **14,018** | **28,013** | **6,500** | **-** | **77,213** | **41,195** | **32,587** | **70,637** | **270,163** |
| **NET CARRYING AMOUNT** | | | | | | | | | |
| **At 30 June 2016** | **7,044** | **50,291** | **3,427** | **51,167** | **134,903** | **-** | **-** | **53,972** | **300,804** |
| At 30 June 2015 | 6,381 | 37,602 | 4,304 | - | 206,771 | 5,149 | 4,074 | 91,790 | 356,071 |
| At 30 June 2014 | 5,679 | 29,200 | 3,199 | - | 206,771 | 25,747 | 20,367 | 110,544 | 401,507 |

*Other intangible assets consist of corporate lifetime membership and credit card related assets.

# 24. INTANGIBLE ASSETS (Continued)

**(b) THE BANK**

| | Computer software | Banking software | *Other | Assets under progress | Total |
|---|---|---|---|---|---|
| **COST** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| At 1 July 2013 | 14,057 | 17,120 | 7,742 | | 38,919 |
| Additions | 305 | 28,565 | - | - | 28,870 |
| At 30 June 2014 | 14,362 | 45,685 | 7,742 | - | 67,789 |
| At 1 July 2014 | 14,362 | 45,685 | 7,742 | | 67,789 |
| Additions | 3,237 | 13,660 | 2,184 | - | 19,081 |
| At 30 June 2015 | 17,599 | 59,345 | 9,926 | - | 86,870 |
| **At 1 July 2015** | **17,599** | **59,345** | **9,926** | **-** | **86,870** |
| **Transfer from other assets** | **-** | **-** | **-** | **35,805** | **35,805** |
| **Additions** | **2,920** | **18,960** | **-** | **15,362** | **37,242** |
| **At 30 June 2016** | **20,519** | **78,305** | **9,926** | **51,167** | **159,917** |
| **AMORTISATION** | | | | | |
| At 1 July 2013 | 6,693 | 12,921 | 3,885 | | 23,499 |
| Charge for the year | 2,402 | 3,563 | 659 | - | 6,624 |
| At 30 June 2014 | 9,095 | 16,484 | 4,544 | - | 30,123 |
| At 1 July 2014 | 9,095 | 16,484 | 4,544 | - | 30,123 |
| Charge for the year | 2,392 | 5,258 | 1,079 | - | 8,729 |
| At 30 June 2015 | 11,487 | 21,742 | 5,623 | - | 38,852 |
| **At 1 July 2015** | **11,487** | **21,742** | **5,623** | **-** | **38,852** |
| **Charge for the year** | **2,076** | **6,271** | **877** | **-** | **9,224** |
| **At 30 June 2016** | **13,563** | **28,013** | **6,500** | **-** | **48,076** |
| **NET CARRYING AMOUNT** | | | | | |
| **At 30 June 2016** | **6,956** | **50,292** | **3,426** | **51,167** | **111,841** |
| At 30 June 2015 | 6,112 | 37,603 | 4,303 | - | 48,018 |
| At 30 June 2014 | 5,267 | 29,201 | 3,198 | - | 37,667 |

*Other intangible assets consist of corporate lifetime membership and credit card related assets.

# 25. OTHER ASSETS

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Dividend receivable | **-** | - | - | **112,000** | 145,000 | 100,000 |
| Trade receivables | **13,552** | 63,694 | 39,088 | **-** | - | - |
| Due from associates | **-** | 40,292 | 34,575 | **-** | - | - |
| Advance payment | **588** | 36,011 | 22,511 | **345** | 36,011 | 22,511 |
| Unpaid share capital (Note 30) | **-** | 39,669 | - | **-** | 39,669 | - |
| Indirect taxes receivable | **35,288** | 24,999 | 15,755 | **34,951** | 24,999 | 15,755 |
| Redemption monies receivable | **-** | - | 16,968 | **-** | - | - |
| Due from financial institution | **18,714** | 15,044 | 13,569 | **18,714** | 15,044 | 13,569 |
| Prepaid expenses | **20,190** | 7,307 | 8,391 | **11,442** | 4,688 | 4,272 |
| Other receivables | **41,875** | 36,727 | 46,214 | **28,732** | 22,739 | 18,110 |
| | **130,207** | 263,743 | 197,071 | **206,184** | 288,150 | 174,217 |

Dividend income is receivable from a subsidiary and is receivable within one year.

The ageing of trade receivables is as follows:

| THE GROUP | **< 30 days** | **31 - 60 days** | **61 - 90 days** | **> 90 days** | **Total** |
|---|---|---|---|---|---|
| | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **2016** | **12,084** | **1,240** | **-** | **228** | **13,552** |
| 2015 | 40,804 | 3,229 | 4,142 | 15,519 | 63,694 |
| 2014 | 29,028 | 4,545 | 364 | 5,151 | 39,088 |

During the year, there was no impairment at the group level (2015: MUR 12.7m and 2014: nil).

Redemption monies receivable represents amount receivables from the custodian bank in respect of equity linked notes matured.

# 26. DUE TO BANKS

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Borrowings from the Central Bank | **173,510** | 227,411 | 895,115 | **173,510** | 227,411 | 895,115 |
| Deposits from other banks | **-** | 7 | 120,235 | **-** | - | 120,235 |
| | **173,510** | 227,418 | 1,015,350 | **173,510** | 227,411 | 1,015,350 |

The borrowings from the Central Bank are secured by the Bank's cash balances held with the Central Bank

# 27. DEPOSITS FROM CUSTOMERS

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| **Personal** | | | | | | |
| - Current accounts | **7,865,503** | 6,698,762 | 4,165,514 | **7,865,503** | 6,698,762 | 4,165,514 |
| - Savings accounts | **3,706,128** | 3,298,553 | 2,214,327 | **3,706,128** | 3,298,553 | 2,214,327 |
| - Term deposits | **6,237,983** | 5,760,491 | 5,079,793 | **6,237,983** | 5,760,491 | 5,079,793 |
| **Business** | | | | | | |
| - Current accounts | **42,854,973** | 29,169,754 | 18,018,077 | **43,115,449** | 29,333,507 | 18,340,582 |
| - Savings accounts | **640,621** | 381,479 | 490,322 | **640,621** | 381,479 | 490,322 |
| - Term deposits | **18,696,901** | 21,092,069 | 10,360,960 | **18,803,133** | 21,419,251 | 10,714,866 |
| **Government institutions** | | | | | | |
| - Current accounts | **-** | - | - | **-** | - | - |
| - Savings accounts | **10,159** | 9,817 | 4,774 | **10,159** | 9,817 | 4,774 |
| - Term deposits | **-** | 26,791 | 79,777 | **-** | 26,791 | 79,777 |
| | **80,012,268** | 66,437,716 | 40,413,544 | **80,378,976** | 66,928,651 | 41,089,955 |

Included in 'Deposits from customers' accounts are deposits of MUR 711.9m (2015: MUR 800.7m and 2014: MUR 359.4m) held as collateral against loans and advances to the respective customers.

# 28. DEBTS ISSUED

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| (i) Loan notes | **197,317** | 739,911 | 366,021 | **-** | - | - |
| (ii) Unsecured subordinated bonds | **1,292,626** | 915,327 | 742,496 | **1,111,032** | 1,094,275 | 1,033,574 |
| | **1,489,943** | 1,655,238 | 1,108,517 | **1,111,032** | 1,094,275 | 1,033,574 |

(i) *Loan notes*

The loan notes issued represent the discounted value of capital guaranteed to investors on the structured products issued by the Group.

| | THE GROUP | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **The notes are due as follows:** | **MUR'000** | MUR'000 | MUR'000 |
| Within 1 year | **91,085** | 242,424 | 271,139 |
| After 5 years | **106,232** | 497,487 | 94,882 |
| | **197,317** | 739,911 | 366,021 |

Loan notes bear interest at 7.50% per annum on average (2015: 8.50% and 2014: 8.50%).

(ii) *Unsecured subordinated bonds*

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| The bonds are due as follows: | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Within 1 year | **3,893** | - | - | **-** | - | - |
| After 1 year but before 5 years | **1,288,733** | 915,327 | 583,535 | **1,111,032** | 1,094,275 | 874,613 |
| After 5 years | **-** | - | 158,961 | **-** | - | 158,961 |
| | **1,292,626** | 915,327 | 742,496 | **1,111,032** | 1,094,275 | 1,033,574 |

Interest on unsecured bonds denominated in MUR ranges between 6.75% to 8.90% (2015: between 7.00% to 9.15% and 2014: between 7.00% to 9.15%) while USD-denominated bonds bear interest that ranges between 4.20% to 5.20% (2015: between 4.20% to 5.23% and 2014: between 4.20% to 5.23%).

# 29. OTHER LIABILITIES

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Customer custody payable | **123,320** | 251,982 | 419,674 | **123,320** | 251,982 | 419,674 |
| Advance commission | **70,172** | 82,379 | 64,052 | **70,172** | 82,379 | 64,052 |
| Personnel expenses related accruals | **104,896** | 71,973 | 83,451 | **104,617** | 36,904 | 67,079 |
| Dividend payable | **165** | 69,861 | - | **165** | 69,861 | - |
| Redemption monies payable | **-** | - | 16,968 | **-** | - | - |
| Unsecured bank loan | **-** | - | 90,180 | **-** | - | - |
| Other financial liabilities | **1,348,157** | 1,036,333 | 1,325,424 | **-** | - | - |
| Other payables | **124,166** | 115,343 | 92,174 | **109,232** | 90,661 | 48,705 |
| | **1,770,876** | 1,627,871 | 2,091,923 | **407,506** | 531,787 | 599,510 |

Customer custody payable relates to fund received from deposit clients as at 30 June which has not yet been allocated to the respective client accounts.
Advance commission relates to upfront fees received on credit advances.
Unsecured bank loan bears interest of LIBOR + 3% and has been classified within other liabilities in prior year, as the loan had already matured and was repayable on demand.

# 30. ORDINARY SHARES, TREASURY SHARES AND CLASS A SHARES

| | THE GROUP AND THE BANK | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 |
| **Ordinary shares of no par value** | | | |
| Issued and fully paid | **2,595,363** | 2,551,290 | 1,747,639 |
| Issued and not yet paid (Note 25) | **-** | 39,669 | - |
| | **2,595,363** | 2,590,959 | 1,747,639 |

| **Analysed as follows:**<br>**Issued and fully paid** | THE GROUP AND THE BANK | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | 2015 | | 2014 | |
| | **Number of shares** | **Amount** | Number of shares | Amount | Number of shares | Amount |
| | | **MUR'000** | | MUR'000 | | MUR'000 |
| At 1 July | **96,672,088** | **2,590,959** | 77,889,488 | 1,747,639 | 76,999,195 | 1,694,593 |
| Issue of ordinary shares | **352,272** | **17,261** | 17,973,036 | 803,651 | 890,293 | 53,046 |
| Issued and not yet paid (Note 25) | **-** | **-** | 809,564 | 39,669 | - | - |
| Indemnity costs | **-** | **(12,857)** | - | - | - | - |
| **At 30 June** | **97,024,360** | **2,595,363** | 96,672,088 | 2,590,959 | 77,889,488 | 1,747,639 |

| **Treasury shares** | THE GROUP AND THE BANK | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | 2015 | | 2014 | |
| | **Number of shares** | **Amount** | Number of shares | Amount | Number of shares | Amount |
| | | **MUR'000** | | MUR'000 | | MUR'000 |
| At 1 July | **-** | **-** | 6,544,778 | 405,776 | - | - |
| Acquired during the year | **-** | **-** | - | - | 6,544,778 | 405,776 |
| Issue of ordinary shares | **-** | **-** | (6,544,778) | (405,776) | - | - |
| At 30 June | **-** | **-** | - | - | 6,544,778 | 405,776 |

Indemnity costs relate to issue costs paid to National Bank of Canada as per deed of indemnity dated 27 November 2014.

# 30. ORDINARY SHARES, TREASURY SHARES AND CLASS A SHARES (Continued)

**Class A shares**

**THE GROUP**

| Issued and fully paid | 2016 Number of shares | 2016 Amount MUR'000 | 2015 Number of shares | 2015 Amount MUR'000 | 2014 Number of shares | 2014 Amount MUR'000 |
|---|---|---|---|---|---|---|
| USD 20,000,000 Class A Series 1 Shares | **2,000,000** | **604,580** | 2,000,000 | 604,580 | 2,000,000 | 604,580 |
| MUR 800,000,000 Class A Series 2 Shares | **8,000,000** | **800,000** | 8,000,000 | 800,000 | 8,000,000 | 800,000 |
| Transaction costs | **-** | **(4,812)** | - | (4,812) | - | (4,336) |
| | **10,000,000** | **1,399,768** | 10,000,000 | 1,399,768 | 10,000,000 | 1,400,244 |

| **Analysed as follows:** | 2016 Number of shares | 2016 Amount MUR'000 | 2015 Number of shares | 2015 Amount MUR'000 | 2014 Number of shares | 2014 Amount MUR'000 |
|---|---|---|---|---|---|---|
| USD 20,000,000 Class A Series 1 Shares | | | | | | |
| At 1 July | **2,000,000** | **604,580** | 2,000,000 | 604,580 | - | - |
| Issued during the year | **-** | **-** | - | - | 2,000,000 | 604,580 |
| **At 30 June** | **2,000,000** | **604,580** | 2,000,000 | 604,580 | 2,000,000 | 604,580 |

| | 2016 Number of shares | 2016 Amount MUR'000 | 2015 Number of shares | 2015 Amount MUR'000 | 2014 Number of shares | 2014 Amount MUR'000 |
|---|---|---|---|---|---|---|
| MUR 800,000,000 Class A Series 2 Shares | | | | | | |
| At 1 July | **8,000,000** | **800,000** | 8,000,000 | 800,000 | - | - |
| Issued during the year | **-** | **-** | - | - | 8,000,000 | 800,000 |
| **At 30 June** | **8,000,000** | **800,000** | 8,000,000 | 800,000 | 8,000,000 | 800,000 |

**THE BANK**

| Issued and fully paid | 2016 Number of shares | 2016 Amount MUR'000 | 2015 Number of shares | 2015 Amount MUR'000 | 2014 Number of shares | 2014 Amount MUR'000 |
|---|---|---|---|---|---|---|
| USD 20,000,000 Class A Series 1 Shares | **2,000,000** | **604,580** | 2,000,000 | 604,580 | 2,000,000 | 604,580 |
| MUR 800,000,000 Class A Series 2 Shares | **8,000,000** | **800,000** | 8,000,000 | 800,000 | 8,000,000 | 800,000 |
| Transaction costs | **-** | **(18,812)** | - | (18,812) | - | (18,336) |
| | **10,000,000** | **1,385,768** | 10,000,000 | 1,385,768 | 10,000,000 | 1,386,244 |

| **Analysed as follows:** | 2016 Number of shares | 2016 Amount MUR'000 | 2015 Number of shares | 2015 Amount MUR'000 | 2014 Number of shares | 2014 Amount MUR'000 |
|---|---|---|---|---|---|---|
| USD 20,000,000 Class A Series 1 Shares | | | | | | |
| At 1 July | **2,000,000** | **604,580** | 2,000,000 | 604,580 | - | - |
| Issued during the year | **-** | **-** | - | - | 2,000,000 | 604,580 |
| **At 30 June** | **2,000,000** | **604,580** | 2,000,000 | 604,580 | 2,000,000 | 604,580 |

| | 2016 Number of shares | 2016 Amount MUR'000 | 2015 Number of shares | 2015 Amount MUR'000 | 2014 Number of shares | 2014 Amount MUR'000 |
|---|---|---|---|---|---|---|
| MUR 800,000,000 Class A Series 2 Shares | | | | | | |
| At 1 July | **8,000,000** | **800,000** | 8,000,000 | 800,000 | - | - |
| Issued during the year | **-** | **-** | - | - | 8,000,000 | 800,000 |
| **At 30 June** | **8,000,000** | **800,000** | 8,000,000 | 800,000 | 8,000,000 | 800,000 |

The Class A shares do not carry any general voting right at any shareholders meeting of the Bank other than an irrevocable right to vote on any proposal to amend the Class A shares Terms and Conditions.

# 31. OTHER RESERVES

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| OTHER RESERVES | THE GROUP | | | | | | | THE BANK | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity-settled share-based payment reserve | Statutory reserve | General banking reserve | Foreign currency translation reserve | Available-for-sale reserve | Associates other reserve | Total | Equity-settled share-based payment reserve | Available-for-sale reserve | Statutory reserve | General banking reserve | Total |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| At 1 July 2013 | 15,849 | 92,464 | 101,755 | 561 | - | 2,123 | 212,752 | 15,849 | - | 92,464 | 101,755 | 210,068 |
| Appropriation from retained earnings | - | 33,397 | 31,054 | - | - | - | 64,451 | - | - | 33,397 | 31,054 | 64,451 |
| Expense arising from equity-settled share-based payment transactions | (1,566) | - | - | - | - | - | (1,566) | (1,566) | - | - | - | (1,566) |
| Net gain on available-for-sale financial assets | - | - | - | - | 1,978 | - | 1,978 | - | - | - | - | - |
| Movement in revaluation reserve | - | - | - | - | - | (814) | (814) | - | - | - | - | - |
| Net investment hedging | - | - | - | 7,008 | - | - | 7,008 | - | - | - | - | - |
| Foreign currency translation | - | - | - | (9,631) | - | - | (9,631) | - | - | - | - | - |
| At 30 June 2014 | 14,283 | 125,861 | 132,809 | (2,062) | 1,978 | 1,309 | 274,178 | 14,283 | - | 125,861 | 132,809 | 272,953 |
| At 1 July 2014 | 14,283 | 125,861 | 132,809 | (2,062) | 1,978 | 1,309 | 274,178 | 14,283 | - | 125,861 | 132,809 | 272,953 |
| Appropriation from retained earnings | - | 26,255 | 118,354 | - | - | - | 144,609 | - | - | 26,255 | 118,354 | 144,609 |
| Expense arising from equity-settled share-based payment transactions | (360) | - | - | - | - | - | (360) | (360) | - | - | - | (360) |
| Net gain on available-for-sale financial assets | - | - | - | - | 1,999 | - | 1,999 | - | - | - | - | - |
| Foreign currency translation | - | - | - | (678) | - | - | (678) | - | - | - | - | - |
| At 30 June 2015 | 13,923 | 152,116 | 251,163 | (2,740) | 3,977 | 1,309 | 419,748 | 13,923 | - | 152,116 | 251,163 | 417,202 |
| **At 1 July 2015** | **13,923** | **152,116** | **251,163** | **(2,740)** | **3,977** | **1,309** | **419,748** | **13,923** | **-** | **152,116** | **251,163** | **417,202** |
| **Appropriation from retained earnings** | **-** | **65,045** | **(116,608)** | **-** | **-** | **-** | **(51,563)** | **-** | **-** | **65,045** | **(116,608)** | **(51,563)** |
| **Net loss on available-for-sale financial assets** | **-** | **-** | **-** | **-** | **(6,867)** | **-** | **(6,867)** | **-** | **(579)** | **-** | **-** | **(579)** |
| **Movement in revaluation reserve** | **-** | **-** | **-** | **-** | **-** | **(1,309)** | **(1,309)** | **-** | **-** | **-** | **-** | **-** |
| **Foreign currency translation** | **-** | **-** | **-** | **(17,165)** | **-** | **-** | **(17,165)** | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2016** | **13,923** | **217,161** | **134,555** | **(19,905)** | **(2,890)** | **-** | **342,844** | **13,923** | **(579)** | **217,161** | **134,555** | **365,060** |

**EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE**

Movement in equity-settled share-based payment reserve relates to expense recognised for employee services received during the year. The share-based payment plans are described below.

**(a) Senior executives plan**

**(i) Ordinary shares of no par value**

621,224 ordinary shares of no par value were granted to the founding executives of the Bank in 2009. The shares, fair valued at MUR 17.36 per share based on a valuation performed by independent professional advisors, were issued for a consideration of MUR 11.85 per share payable in three instalments at the following dates: 50% on 15 September 2008, 25% on 15 July 2009 and 25% on 15 December 2009. There was no vesting period.

**(ii) Founding Executives shares**

1,175,694 non-voting shares at a fair value of MUR 7 per share were issued to Founding Executives during the financial years 2009 to 2011. The vesting of the shares is subject to founding executives remaining in service for three years since date of employment failing which entitlement to the shares are forfeited. The shares carry equal rights to dividends and distribution and to surplus on winding up as the Bank's existing ordinary shares of no par value but do not have voting rights.

**(iii) Founding Executives shares scheme**

An option to subscribe for a maximum of 1,761,360 ordinary shares of the Bank ('share option') was granted to the Founding Executives on November 29, 2012. The Bank granted the share option to the Founding Executives for a consideration of MUR 1 per option. The Founding Executives may exercise the option in respect of up to 20 percent of the option shares granted on each Exercise Date being on each 30 June starting as from 30 June 2013 and ending on 30 June 2017 (inclusive). The share option vest if the Founding Executives remain in employment at the Bank pursuant to the contract on the Exercise Date and neither the Founding Executives nor the Bank must have issued a notice to terminate the Contract on or before the Exercise Date. The fair value of the share options is based on the price at the Exercise Date. The expense arising from equity-settled share-based payment transactions amounted to nil (2015: MUR 8.2m; 2014: MUR 20.1m). No share option was granted during the year (2015: 352,272; 2014: 704,544). The average price per share was MUR 23.13 as at 30 June 2015 and MUR 33.13 as at 30 June 2014. 88,068 share options at an average price of MUR 44.00 per share are outstanding at 30 June 2016 (2015: 704,544 at MUR 23.13; 2014: 1,056,816 at MUR 33.13). The average remaining contractual life of the share options outstanding as at 30 June 2016 is 1 year (2015: 2 years; 2014: 3 years). No share option was bought back by the Bank in 2016 (2015: MUR 8.6m; 2014: MUR 21.7m), hence, the net movement of nil for the year ended 30 June 2016 (2015: MUR (0.4m); 2014: MUR (1.6m)).

# 31. OTHER RESERVES (Continued)

**(b) General employee plan**

Other employees were granted 240,057 Employee (non-voting) shares in February 2009. The shares, the fair value of which was estimated at MUR 17.36, were issued for a consideration of MUR 11.85 per share, half of which was paid on 6 February 2009 with the second half on 6 February 2010. The vesting of the shares is subject to the employee remaining in service for a period of two years from the date of grant. The shares carry equal rights to dividends and distribution and to surplus on winding up as the Bank's existing ordinary shares of no par value but do not have voting rights.

**STATUTORY RESERVE**

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

**GENERAL BANKING RESERVE**

This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision including country risk.

**ASSOCIATES OTHER RESERVE**

This reserve relates to the Group's share of available-for-sale reserve in associates.

**FOREIGN CURRENCY TRANSLATION RESERVE**

This reserve arises on retranslation of foreign operations on consolidation.

# 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

**(a) Financial instruments recorded at fair value**

**Determination of fair value and fair value hierarchy**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

# 32. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

**(a) Financial instruments recorded at fair value (Continued)**

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| THE GROUP | | 2016 | | | 2015 | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total fair value** | Level 1 | Level 2 | Total fair value | Level 1 | Level 2 | Total fair value |
| **Financial assets** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| **Derivatives held-for-trading** | | | | | | | | | |
| Forward foreign exchange contracts | - | 25,497 | 25,497 | - | 51,303 | 51,303 | - | 67,849 | 67,849 |
| Foreign exchange option contracts | - | 8,147 | 8,147 | - | 17,224 | 17,224 | - | 8,239 | 8,239 |
| Options linked notes | - | 105,003 | 105,003 | - | 148,856 | 148,856 | - | 166,315 | 166,315 |
| Index linked notes | - | - | - | - | - | - | - | 618,442 | 618,442 |
| | - | 138,647 | 138,647 | - | 217,383 | 217,383 | - | 860,845 | 860,845 |
| **Financial investments - held-for-trading** | | | | | | | | | |
| Government of Mauritius debts securities | - | 2,923,763 | 2,923,763 | - | 1,465,219 | 1,465,219 | - | 1,071,625 | 1,071,625 |
| Bank of Mauritius bonds and notes | - | 344,663 | 344,663 | - | 234,518 | 234,518 | - | 585,736 | 585,736 |
| Unquoted equity investments | - | 1,351,671 | 1,351,671 | - | 1,072,421 | 1,072,421 | - | 724,733 | 724,733 |
| Listed equity shares | - | - | - | 5,929 | - | 5,929 | - | - | - |
| Corporate debt securtities | - | 273,644 | 273,644 | - | 267,387 | 267,387 | - | 254,051 | 254,051 |
| | - | 4,893,741 | 4,893,741 | 5,929 | 3,039,545 | 3,045,474 | - | 2,636,145 | 2,636,145 |
| **Financial investments - available-for-sale** | | | | | | | | | |
| Equity shares | - | 16,255 | 16,255 | - | 22,539 | 22,539 | - | 20,530 | 20,530 |
| Bank of Mauritius bonds and notes | | 316,033 | 316,033 | - | - | - | - | - | - |
| Preference shares | - | - | - | - | - | - | - | 302,300 | 302,300 |
| | - | 332,288 | 332,288 | - | 22,539 | 22,539 | - | 322,830 | 322,830 |
| | - | 5,364,676 | 5,364,676 | 5,929 | 3,279,467 | 3,285,396 | - | 3,819,820 | 3,819,820 |
| **Financial liabilities** | | | | | | | | | |
| **Derivatives held-for-trading** | | | | | | | | | |
| Forward foreign exchange contracts | - | (119,767) | (119,767) | - | (37,551) | (37,551) | - | (64,446) | (64,446) |
| Foreign exchange option contracts | - | (8,147) | (8,147) | - | (17,224) | (17,224) | - | (8,239) | (8,239) |
| Options linked notes | - | (105,003) | (105,003) | - | (148,856) | (148,856) | - | (166,315) | (166,315) |
| Index linked notes | - | - | - | - | - | - | - | (618,442) | (618,442) |
| Put Option | - | - | - | - | (351,463) | (351,463) | - | - | - |
| | - | (232,917) | (232,917) | - | (555,094) | (555,094) | - | (857,442) | (857,442) |

# 32. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

**(a) Financial instruments recorded at fair value (Continued)**

| THE BANK | | 2016 | | | 2015 | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total fair value** | Level 1 | Level 2 | Total fair value | Level 1 | Level 2 | Total fair value |
| **Financial assets** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| **Derivatives held-for-trading** | | | | | | | | | |
| Forward foreign exchange contracts | - | 25,497 | 25,497 | - | 51,303 | 51,303 | - | 67,849 | 67,849 |
| Foreign exchange option contracts | - | 8,147 | 8,147 | - | 17,224 | 17,224 | - | 8,239 | 8,239 |
| | - | 33,644 | 33,644 | - | 68,527 | 68,527 | - | 76,088 | 76,088 |
| **Financial investments - held-for-trading** | | | | | | | | | |
| Government of Mauritius debts securities | - | 2,923,763 | 2,923,763 | - | 1,465,219 | 1,465,219 | - | 1,071,625 | 1,071,625 |
| Bank of Mauritius bonds and notes | - | 344,663 | 344,663 | - | 234,518 | 234,518 | - | 585,736 | 585,736 |
| Corporate debt securities | - | 273,644 | 273,644 | - | 267,387 | 267,387 | - | 254,051 | 254,051 |
| | - | 3,542,070 | 3,542,070 | - | 1,967,124 | 1,967,124 | - | 1,911,412 | 1,911,412 |
| **Financial investments - available-for-sale** | | | | | | | | | |
| Bank of Mauritius bonds and notes | | 316,033 | 316,033 | - | - | - | - | - | - |
| | - | 316,033 | 316,033 | - | - | - | - | - | - |
| | - | 3,891,747 | 3,891,747 | - | 2,035,651 | 2,035,651 | - | 1,987,500 | 1,987,500 |
| **Financial liabilities** | | | | | | | | | |
| **Derivatives held-for-trading** | | | | | | | | | |
| Forward foreign exchange contracts | - | (119,767) | (119,767) | - | (37,551) | (37,551) | - | (64,446) | (64,446) |
| Foreign exchange option contracts | - | (8,147) | (8,147) | - | (17,224) | (17,224) | - | (8,239) | (8,239) |
| | - | (127,914) | (127,914) | - | (54,775) | (54,775) | - | (72,685) | (72,685) |
| | - | (127,914) | (127,914) | - | (54,775) | (54,775) | - | (72,685) | (72,685) |

**Valuation techniques**
**Financial investments - held-for-trading**
*(i) Unquoted equity investments*
Unquoted equity investments relate to investments in equity funds. The fair value of these investments has been based on their published share price used for trading.
*(ii) Government debts securities and Bank of Mauritius bonds and notes*
Those investments are valued based on the market yield of similar instruments as made publicly available by the local regulator.
*(iii) Corporate debt securities*
Those investments are valued based on the market yield of similar instruments which is publicly available.

**Financial investments - available-for-sale**
The investment in equity shares has been fair valued at year end based either on the net assets value of the investee or are based on the market yield of similar instruments as made publicly available by the local regulator.

**Derivatives**
Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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

# 32. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

**(b) Fair value of financial assets and liabilities not carried at fair value**
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

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

**Fixed rate financial instruments**
The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining terms to maturity and credit spreads.

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

| THE GROUP | 30 June 2016 | | 30 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total fair value** | Carrying amount | Total fair value | Carrying amount | Total fair value |
| **Financial assets** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | **3,029,129** | **3,029,129** | 2,514,213 | 2,514,213 | 2,021,272 | 2,021,272 |
| Due from banks | **46,009,527** | **46,009,527** | 41,447,016 | 41,447,016 | 18,265,309 | 18,265,309 |
| Loans and advances to customers | **21,958,341** | **21,999,481** | 21,772,735 | 21,913,775 | 17,227,455 | 17,469,252 |
| Financial investments - available-for-sale | **18,510** | **18,510** | 18,510 | 18,510 | 18,510 | 18,510 |
| Financial investments - held-to-maturity | **11,538,879** | **11,589,356** | 5,071,692 | 5,295,321 | 6,836,837 | 7,045,147 |
| Other assets (excluding prepayments, accrued income and stock) | **91,423** | **91,423** | 182,385 | 182,385 | 161,601 | 161,601 |
| | **82,645,809** | **82,737,426** | 71,006,551 | 71,371,220 | 44,530,984 | 44,981,091 |
| **Financial liabilities** | | | | | | |
| Due to banks | **(173,510)** | **(173,510)** | (227,418) | (227,418) | (1,015,350) | (1,015,350) |
| Deposits from customers | **(80,012,268)** | **(81,036,861)** | (66,437,716) | (66,517,489) | (40,413,544) | (40,149,650) |
| Debts issued | **(1,489,943)** | **(1,945,288)** | (1,655,238) | (1,694,663) | (1,108,517) | (1,156,230) |
| Other liabilities | **(1,770,876)** | **(1,770,876)** | (1,627,871) | (1,627,871) | (2,091,923) | (2,091,923) |
| | **(83,446,597)** | **(84,926,535)** | (69,948,243) | (70,067,441) | (44,629,334) | (44,413,153) |

| THE BANK | 30 June 2016 | | 30 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total fair value** | Carrying amount | Total fair value | Carrying amount | Total fair value |
| **Financial assets** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | **3,029,129** | **3,029,129** | 2,512,469 | 2,512,469 | 2,019,625 | 2,019,625 |
| Due from banks | **46,000,675** | **46,000,675** | 41,434,529 | 41,434,529 | 18,251,138 | 18,251,138 |
| Loans and advances to customers | **21,958,341** | **21,999,481** | 21,707,868 | 21,848,908 | 17,397,055 | 17,701,128 |
| Financial investments - held-to-maturity | **11,538,879** | **11,589,356** | 5,071,692 | 5,295,321 | 6,836,837 | 7,045,147 |
| Other assets (excluding prepayments, accrued income and stock) | **64,727** | **64,727** | 209,411 | 209,411 | 142,866 | 142,866 |
| | **82,591,751** | **82,683,368** | 70,935,969 | 71,300,638 | 44,647,521 | 45,159,904 |
| **Financial liabilities** | | | | | | |
| Due to banks | **(173,510)** | **(173,510)** | (227,411) | (227,411) | (1,015,350) | (1,015,350) |
| Deposits from customers | **(80,378,976)** | **(81,425,242)** | (66,928,651) | (67,008,423) | (41,089,955) | (40,821,898) |
| Debts issued | **(1,111,032)** | **(1,566,376)** | (1,094,275) | (1,133,700) | (1,033,574) | (1,082,126) |
| Other liabilities | **(407,506)** | **(407,506)** | (531,787) | (531,787) | (599,510) | (599,510) |
| | **(82,071,024)** | **(83,572,634)** | (68,782,124) | (68,901,321) | (43,738,389) | (43,518,884) |

**Fair value of financial assets and liabilities not carried at fair value**
Below are the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

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

# 32. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

**(b) Fair value of financial assets and liabilities not carried at fair value (Continued)**

***Fixed rate financial instruments***

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

The fair value of all the above instruments would be classified as Level 3 in the fair value hierarchy.

# 33. ADDITIONAL CASH FLOW INFORMATION

| | | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|---|
| | | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| **(a) Cash and cash equivalents** | **Notes** | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Cash in hand | 12 | **9,425** | 20,631 | 8,002 | **9,425** | 18,887 | 6,355 |
| Unrestricted balances with the Central Bank | 12 | **977,455** | 749,827 | 1,086,078 | **977,455** | 749,827 | 1,086,078 |
| Short term placements with other banks | 13 | **8,993,560** | 3,043,568 | 5,237,601 | **8,993,560** | 3,043,568 | 5,237,601 |
| Current accounts with other banks | 13 | **29,843,852** | 27,471,232 | 11,304,367 | **29,835,000** | 27,458,745 | 11,290,196 |
| Other amounts due | 13 | **1,494** | 2,774 | 2,491 | **1,494** | 2,774 | 2,491 |
| | | **39,825,786** | 31,288,032 | 17,638,539 | **39,816,934** | 31,273,801 | 17,622,721 |
| **(b) Change in operating assets** | | | | | | | |
| Net change in mandatory balances with the Central Bank | | **(115,005)** | (191,397) | (274,242) | **(115,005)** | (191,397) | (274,242) |
| Net change in placement with the Central Bank | | **(183,489)** | (625,167) | - | **(183,489)** | (625,167) | - |
| Net change in medium term placements with other banks | | **3,758,822** | (9,208,592) | (732,729) | **3,758,822** | (9,208,592) | (732,729) |
| Net change in derivative financial instruments | | **78,737** | 643,461 | (818,663) | **34,884** | 7,561 | (50,451) |
| Net change in loans and advances to customers | | **(1,097,938)** | (4,685,430) | (3,268,388) | **(1,162,805)** | (5,279,891) | (3,616,835) |
| Net change in financial investments - held-to-maturity | | **(6,467,187)** | 1,765,145 | (1,029,034) | **(6,467,187)** | 1,765,145 | (1,029,034) |
| Net change in financial investments - held-for-trading | | **(1,848,267)** | (409,329) | (2,070,449) | **(1,574,945)** | (55,713) | (1,378,727) |
| Net change in other assets | | **133,537** | (27,003) | 11,009 | **81,966** | (74,265) | (132,265) |
| | | **(5,740,790)** | (12,738,312) | (8,182,496) | **(5,627,759)** | (13,662,319) | (7,214,283) |
| **(c) Change in operating liabilities** | | | | | | | |
| Net change in due to banks | | **(53,908)** | (787,932) | 133,442 | **(53,901)** | (787,938) | 133,442 |
| Net change in derivative financial instruments | | **(322,178)** | (302,347) | 791,200 | **73,139** | (17,910) | 22,987 |
| Net change in amount due to subsidiary | | **-** | - | - | **-** | - | (57,254) |
| Net change in debts issued | | **(153,944)** | 258,748 | 1,495,937 | **28,108** | 61,819 | 152,824 |
| Net change in deposits from customers | | **13,492,553** | 26,084,144 | 13,321,183 | **13,368,327** | 25,898,668 | 13,989,318 |
| Net change in other liabilities | | **143,005** | (244,822) | 385,002 | **(124,283)** | (137,583) | 461,199 |
| | | **13,105,528** | 25,007,791 | 16,126,764 | **13,291,390** | 25,017,056 | 14,702,516 |
| **(d) Non-cash items included in profit before tax** | | | | | | | |
| Depreciation of equipment | | **22,788** | 15,888 | 8,592 | **20,504** | 13,536 | 6,878 |
| Amortisation of intangible assets | | **33,145** | 64,546 | 48,459 | **9,224** | 8,729 | 6,624 |
| Disposal of equipment | | **15,636** | 687 | 534 | **11,789** | 687 | 302 |
| Intangible assets written off | | **100,514** | - | - | **-** | - | - |
| Impairment loss on available-for-sale financial asset | | **-** | 327,647 | - | **-** | - | - |
| Fair value hedge | | **-** | - | - | **-** | (82,316) | 7,008 |
| Bad debts written off | | **58,045** | 336 | 643 | **58,045** | 371,634 | 643 |
| Net interest payable/(receivable) | | **280,377** | (158,256) | (83,122) | **280,377** | 36,074 | (83,122) |
| Fair value gain on consolidation | | **-** | - | (125,846) | **-** | - | - |
| Employee shares scheme | | **-** | (360) | (1,566) | **-** | (360) | (1,566) |
| Share of net profit in joint venture | | **-** | - | (2,664) | **-** | - | - |
| Impairment loss on subsidiary | | **-** | - | - | **-** | 302,554 | 217,000 |
| Impairment loss on associates | | **-** | 118,565 | 144,247 | **-** | - | - |
| Share of loss of associate | | **-** | - | 129,175 | **-** | - | - |
| Net allowance for credit impairment | | **644,557** | 236,980 | 67,711 | **644,557** | 500,279 | 175,711 |
| | | **1,155,062** | 606,033 | 186,163 | **1,024,496** | 1,150,817 | 329,478 |

# 34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank classify an asset or liability as current when:

- they expect to realise the asset/settle the liability within 12 months after the reporting period;
- they expect to settle the liability in its normal operating cycle;
- they hold the asset or liability primarily for the purpose of trading;
- they expect to realise the asset, or intend to sell or consume it, in its normal operating cycle;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period; or
- they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Bank classify all other assets and liabilities as current.

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

| (a) THE GROUP | | 2016 | | | 2015 | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|
| | **Current** | **Non-current** | **Total** | Current | Non-current | Total | Current | Non-current | Total |
| **ASSETS** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | **3,029,129** | **-** | **3,029,129** | 2,262,709 | 251,504 | 2,514,213 | 1,757,106 | 264,166 | 2,021,272 |
| Due from banks | **46,009,527** | **-** | **46,009,527** | 41,447,016 | - | 41,447,016 | 18,265,309 | - | 18,265,309 |
| Derivative financial instruments | **59,844** | **78,803** | **138,647** | 115,898 | 101,485 | 217,383 | 73,860 | 786,985 | 860,845 |
| Financial investments - held-for-trading | **2,783,528** | **2,110,213** | **4,893,741** | 2,374,492 | 670,982 | 3,045,474 | 2,537,003 | 99,142 | 2,636,145 |
| Loans and advances to customers | **10,731,774** | **11,226,567** | **21,958,341** | 10,647,132 | 11,125,603 | 21,772,735 | 5,951,060 | 11,276,395 | 17,227,455 |
| Financial investments - available-for-sale | **34,765** | **316,033** | **350,798** | - | 41,049 | 41,049 | - | 341,340 | 341,340 |
| Investment in associates | **-** | **-** | **-** | - | - | - | - | 118,565 | 118,565 |
| Financial investments - held-to-maturity | **6,465,225** | **5,073,654** | **11,538,879** | 2,482,717 | 2,588,975 | 5,071,692 | 3,849,196 | 2,987,641 | 6,836,837 |
| Equipment | **-** | **140,101** | **140,101** | - | 103,496 | 103,496 | - | 71,207 | 71,207 |
| Intangible assets | **-** | **300,804** | **300,804** | - | 356,071 | 356,071 | - | 401,507 | 401,507 |
| Deferred tax assets | **-** | **60,441** | **60,441** | - | 24,060 | 24,060 | - | 12,644 | 12,644 |
| Other assets | **130,207** | **-** | **130,207** | 263,743 | - | 263,743 | 197,071 | - | 197,071 |
| **TOTAL ASSETS** | **69,243,999** | **19,306,616** | **88,550,615** | 59,593,707 | 15,263,225 | 74,856,932 | 32,630,605 | 16,359,592 | 48,990,197 |
| **LIABILITIES** | | | | | | | | | |
| Due to banks | **-** | **173,510** | **173,510** | 7 | 227,411 | 227,418 | 724,826 | 290,524 | 1,015,350 |
| Derivative financial instruments | **154,114** | **78,803** | **232,917** | 453,609 | 101,485 | 555,094 | 849,203 | 8,239 | 857,442 |
| Deposits from customers | **76,224,800** | **3,787,468** | **80,012,268** | 62,230,526 | 4,207,190 | 66,437,716 | 36,137,541 | 4,276,003 | 40,413,544 |
| Debts issued | **94,978** | **1,394,965** | **1,489,943** | 976,854 | 678,384 | 1,655,238 | 274,152 | 834,365 | 1,108,517 |
| Current tax liabilities | **84,510** | **-** | **84,510** | 67,836 | - | 67,836 | 53,040 | - | 53,040 |
| Deferred tax liabilities | **-** | **125** | **125** | - | 114 | 114 | - | - | - |
| Other liabilities | **1,115,817** | **655,059** | **1,770,876** | 591,538 | 1,036,333 | 1,627,871 | 766,499 | 1,325,424 | 2,091,923 |
| **TOTAL LIABILITIES** | **77,674,219** | **6,089,930** | **83,764,149** | 64,320,370 | 6,250,917 | 70,571,287 | 38,805,261 | 6,734,555 | 45,539,816 |

# 34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

| (b) THE BANK | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total | Current | Non-current | Total |
| ASSETS | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 3,029,129 | - | 3,029,129 | 2,260,965 | 251,504 | 2,512,469 | 1,755,459 | 264,166 | 2,019,625 |
| Due from banks | 46,000,675 | - | 46,000,675 | 41,434,529 | - | 41,434,529 | 18,251,138 | - | 18,251,138 |
| Derivative financial instruments | 33,644 | - | 33,644 | 68,527 | - | 68,527 | 63,685 | 12,403 | 76,088 |
| Financial investments - held-for-trading | 2,084,088 | 1,457,982 | 3,542,070 | 1,603,974 | 363,150 | 1,967,124 | 1,812,270 | 99,142 | 1,911,412 |
| Loans and advances to customers | 10,731,774 | 11,226,567 | 21,958,341 | 10,582,265 | 11,125,603 | 21,707,868 | 5,876,581 | 11,520,474 | 17,397,055 |
| Financial investments - available-for-sale | - | 316,033 | 316,033 | - | - | - | - | - | - |
| Financial investments held-to-maturity | 6,465,225 | 5,073,654 | 11,538,879 | 2,482,717 | 2,588,975 | 5,071,692 | 3,849,196 | 2,987,641 | 6,836,837 |
| Investment in subsidiaries | - | 189,563 | 189,563 | - | 189,563 | 189,563 | - | 409,801 | 409,801 |
| Equipment | - | 135,991 | 135,991 | - | 98,955 | 98,955 | - | 66,310 | 66,310 |
| Intangible assets | - | 111,841 | 111,841 | - | 48,018 | 48,018 | - | 37,667 | 37,667 |
| Deferred tax assets | - | 60,441 | 60,441 | - | 19,607 | 19,607 | - | 8,897 | 8,897 |
| Other assets | 206,184 | - | 206,184 | 288,150 | - | 288,150 | 174,217 | - | 174,217 |
| TOTAL ASSETS | 68,550,719 | 18,572,072 | 87,122,791 | 58,721,127 | 14,685,375 | 73,406,502 | 31,782,546 | 15,406,501 | 47,189,047 |
| LIABILITIES | | | | | | | | | |
| Due to banks | - | 173,510 | 173,510 | - | 227,411 | 227,411 | 724,826 | 290,524 | 1,015,350 |
| Derivative financial instruments | 127,914 | - | 127,914 | 54,775 | - | 54,775 | 64,446 | 8,239 | 72,685 |
| Deposits from customers | 76,485,276 | 3,893,700 | 80,378,976 | 62,581,371 | 4,347,280 | 66,928,651 | 36,460,045 | 4,629,910 | 41,089,955 |
| Debts issued | - | 1,111,032 | 1,111,032 | - | 1,094,275 | 1,094,275 | - | 1,033,574 | 1,033,574 |
| Current tax liabilities | 84,379 | - | 84,379 | 51,327 | - | 51,327 | 44,739 | - | 44,739 |
| Other liabilities | 407,506 | - | 407,506 | 531,787 | - | 531,787 | 599,510 | - | 599,510 |
| TOTAL LIABILITIES | 77,105,075 | 5,178,242 | 82,283,317 | 63,219,260 | 5,668,966 | 68,888,226 | 37,893,566 | 5,962,247 | 43,855,813 |

# 35. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the statement of financial position they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

| | THE GROUP AND THE BANK | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Contingent liabilities** | MUR'000 | MUR'000 | MUR'000 |
| Financial guarantees | 636,691 | 506,252 | 959,130 |
| Letters of credit | 172,676 | 602,223 | 26,596 |
| | 809,367 | 1,108,475 | 985,726 |
| **Commitments** | | | |
| Undrawn commitments to lend | 3,640,180 | 2,813,291 | 1,911,470 |
| Total | 4,449,547 | 3,921,766 | 2,897,196 |

# 35. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

**Contingent liabilities**

Letters of credit and guarantees (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

**Undrawn commitments to lend**

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**Operating lease**

The Group and the Bank have entered into commercial leases on premises, vehicles and equipment. These leases have an average life that ranges between three and five years with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering the leases.

Future minimum lease payments under the non-cancellable operating leases at 30 June are as follows:

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Within one year | **27,496** | 30,823 | 25,328 | **27,496** | 30,823 | 25,328 |
| After one year but not more than five years | **23,766** | 55,661 | 57,917 | **23,766** | 55,661 | 57,917 |
| | **51,262** | 86,484 | 83,245 | **51,262** | 86,484 | 83,245 |

**Legal claims**

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group and the Bank have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and the Bank make adjustments to account for any adverse effects which the claims may have on its financial standing.

# 36. RELATED PARTY DISCLOSURES

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| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| **Compensation of key management personnel of the Group and the Bank** | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Short-term employee benefits | **115,823** | 123,089 | 132,570 | **93,345** | 95,647 | 121,242 |
| Share-based payments | **8,574** | 8,574 | 18,583 | **8,574** | 8,574 | 18,583 |
| | **124,397** | 131,663 | 151,153 | **101,919** | 104,221 | 139,825 |

**Transactions with directors and key management personnel of the Group and the Bank**
The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year:

| THE GROUP | **2016** | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| | **Balances as at 30 June 2016** | **Income from / (expense to)** | Balances as at 30 June 2015 | Income from / (expense to) | Balances as at 30 June 2014 | Income from / (expense to) |
| **Directors of the Group:** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Loans and advances | **21,241** | **2,453** | 59,109 | 5,807 | 159,770 | 2,821 |
| Deposits from customers: | | | | | | |
| - Term deposits | **397** | **(14)** | 7,453 | (344) | 6,034 | (144) |
| - Savings and current accounts | **34,649** | **(371)** | 24,375 | (686) | 33,042 | (909) |
| | **35,046** | **(385)** | 31,828 | (1,030) | 39,076 | (1,053) |
| Class A shares | **-** | **(50)** | - | - | - | - |
| Directors' fees | **-** | **(5,627)** | - | (2,890) | - | (2,152) |
| Other fees | **-** | **-** | - | (29,047) | - | - |
| | **35,046** | **(6,062)** | 31,828 | (32,967) | 39,076 | (3,205) |

# 36. RELATED PARTY DISCLOSURES (Continued)

**THE BANK**

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| | **Balances as at 30 June 2016** | **Income from / (expense to)** | Balances as at 30 June 2015 | Income from / (expense to) | Balances as at 30 June 2014 | Income from / (expense to) |
| **Directors of the Bank:** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Loans and advances | **6,572** | **808** | 58,079 | 5,807 | 159,714 | 2,762 |
| Deposits from customers: | | | | | | |
| - Term deposits | **397** | **(14)** | 7,453 | (344) | 6,034 | (144) |
| - Savings and current accounts | **19,212** | **(186)** | 24,284 | (681) | 32,463 | (895) |
| | **19,609** | **(200)** | 31,737 | (1,025) | 38,497 | (1,039) |
| Class A shares | **-** | **(4)** | - | - | - | - |
| Directors' fees | **-** | **(5,627)** | - | (2,890) | - | (2,152) |
| Other fees | **-** | **-** | - | (29,047) | - | - |
| | **19,609** | **(5,831)** | 31,737 | (32,962) | 38,497 | (3,191) |

**THE GROUP AND THE BANK**

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| | **Balances as at 30 June 2016** | **Income from / (expense to)** | Balances as at 30 June 2015 | Income from / (expense to) | Balances as at 30 June 2014 | Income from / (expense to) |
| **Key management personnel of the Bank:** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Loans and advances | **17,151** | **670** | 34,254 | 1,818 | 43,290 | 1,229 |
| Deposits from customers: | | | | | | |
| - Term deposits | **6,810** | **(343)** | 6,481 | (338) | 7,159 | (339) |
| - Savings and current accounts | **26,558** | **(106)** | 19,572 | (284) | 16,516 | (283) |
| | **33,368** | **(449)** | 26,053 | (622) | 23,675 | (622) |
| Class A shares | **14,218** | **(1,038)** | - | (395) | - | - |
| | **47,586** | **(1,487)** | 26,053 | (1,017) | 23,675 | (622) |

# 36. RELATED PARTY DISCLOSURES (Continued)

**Transactions with other related parties**

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with entities with significant influence over the Group and the Bank. The following table shows the outstanding balance and the corresponding transaction during the year.

| (a) THE GROUP | Fees from related parties | Fees to related parties | Interest from related parties | Interest to related parties | Amount owed by related parties | Amount owed to related parties |
|---|---|---|---|---|---|---|
| **2016** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| **Entities with significant influence over the Group** | **3,611** | **59,508** | **34,354** | **25,469** | **572,463** | **846,822** |
| 2015 | | | | | | |
| Entities with significant influence over the Group | 1,580 | 55,592 | 30,292 | 24,667 | 692,903 | 461,394 |
| Associates | 394 | - | - | - | 173 | - |
| | 1,974 | 55,592 | 30,292 | 24,667 | 693,076 | 461,394 |
| 2014 | | | | | | |
| Entities with significant influence over the Group | 24 | 35,354 | 37,602 | 6,850 | 766,441 | 222,309 |
| Associates | 1,193 | - | - | - | - | 67 |
| | 1,217 | 35,354 | 37,602 | 6,850 | 766,441 | 222,376 |

| (b) THE BANK | Fees from related parties | Fees to related parties | Interest from related parties | Interest to related parties | Amount owed by related parties | Amount owed to related parties |
|---|---|---|---|---|---|---|
| **2016** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| **Entities with significant influence over the Bank** | **3,609** | **51,090** | **33,413** | **25,464** | **551,461** | **842,367** |
| **Subsidiary companies** | **2,765** | **361** | **275** | **28,984** | **123,793** | **743,399** |
| | **6,374** | **51,451** | **33,688** | **54,448** | **675,254** | **1,585,766** |
| 2015 | | | | | | |
| Entities with significant influence over the Bank | 1,580 | 55,592 | 30,292 | 24,667 | 692,903 | 461,394 |
| Subsidiary companies | 2,369 | 6,783 | 20,729 | 33,131 | 14,249 | 851,911 |
| Associates | 394 | - | - | - | 173 | - |
| | 4,343 | 62,375 | 51,021 | 57,798 | 707,325 | 1,313,305 |
| 2014 | | | | | | |
| Entities with significant influence over the Bank | 24 | 35,354 | 37,602 | 6,850 | 766,441 | 222,309 |
| Subsidiary companies | 100,000 | 21,325 | 2,523 | 32,179 | 431,708 | 977,112 |
| Associates | 1,193 | - | - | - | - | 67 |
| | 101,217 | 56,679 | 40,125 | 39,029 | 1,198,149 | 1,199,488 |

**Terms and conditions of transactions with related parties**

The above mentioned outstanding balances arose in the ordinary course of business. For the year ended 30 June 2016, the Group and the Bank have not made any provision for doubtful debts relating to amounts owed by related parties (2015: MUR 132.2m and 2014: MUR 108m). At 30 June 2016, none of the facilities to related parties was non-performing (2015: Loan facility of MUR 56.3m and 2014: MUR 302.4m). In addition, for the year ended 30 June 2016 the Bank has written off MUR 58m as amount owed by related party (2015: MUR 371.6m : 2014: Nil).

The total on and off balance sheet exposure to the related parties amounted to MUR 2.3bn (2015: MUR 1.1bn and 2014: MUR 923.1m) representing 10% (2015: 5% and 2014: 5%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to MUR 876.8m (2015: MUR 754.3m and 2014: MUR 864.7m) representing 18% (2015: 18% and 2014: 31%) of the Tier 1 capital and all the related party transactions were within the regulatory limit as recommended in the Bank of Mauritius Guideline on Related Party Transactions issued in January 2009.

The Bank had no letter of guarantee on behalf of related parties as at 30 June 2016 (2015: MUR 64.6m and 2014: MUR 106.2m).

The Bank acts as custodian for AfrAsia Capital Management Ltd. The latter has deposits in Kingdom Bank Limited amounting to USD 1.2m (2015: USD 1.2m and 2014: USD 1.5m).

# 37. FINANCIAL RISK MANAGEMENT

**Introduction**

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

**Risk management structure**

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

**Board of Directors**

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

**Risk Management/Counduct Review Committee**

The Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Committee is responsible for managing risk decisions and monitoring risk levels.

**Bank Treasury**

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

**Internal Audit**

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

**(a) Risk measurement and reporting systems**

The Group's and the Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group and the Bank also run worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the Head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

**Risk mitigation**

As part of its overall risk management, the Group and the Bank use derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Group and the Bank actively use collaterals to reduce its credit risks.

**Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's and the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

**(b) Credit risk**

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

The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group and the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

**Derivative financial instruments**

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

**Credit-related commitments risks**

The Group and the Bank make available to its customers guarantees which may require that the Group and the Bank make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group and the Bank to similar risks to loans and are mitigated by the same control process and policies.

**Country risk**

Credit risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

In accordance with the Bank of Mauritius guideline on country risk management, the Bank has provided an amount of MUR 21.8m in respect of country risk for the year 30 June 2016 (2015 : MUR 8.1m and 2014: MUR 7m ). This is included in Tier 2 capital as part of 'general banking reserves and portfolio provisions'.

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(b) Credit risk (Continued)**

**Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

The Group's and the Bank's concentrations of risk are managed by client/counterparty (excluding government), by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2016 was MUR 3.3bn (2015: MUR 3.1bn and 2014: MUR 2.2bn) before taking account of collateral or other credit enhancements.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| **Financial assets** | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | **3,029,129** | 2,514,213 | 2,021,272 | **3,029,129** | 2,512,469 | 2,019,625 |
| Due from banks | | | | | | |
| Placement with other banks | **16,164,181** | 13,973,010 | 6,958,451 | **16,164,181** | 13,973,010 | 6,958,451 |
| Current accounts | **29,843,852** | 27,471,232 | 11,304,367 | **29,835,000** | 27,458,745 | 11,290,196 |
| Other amounts due | **1,494** | 2,774 | 2,491 | **1,494** | 2,774 | 2,491 |
| | **46,009,527** | 41,447,016 | 18,265,309 | **46,000,675** | 41,434,529 | 18,251,138 |
| Derivative financial instruments | **138,647** | 217,383 | 860,845 | **33,644** | 68,527 | 76,088 |
| Financial investments - held-for-trading (excluding equity investment) | **3,542,070** | 1,967,124 | 1,911,412 | **3,542,070** | 1,967,124 | 1,911,412 |
| Loans and advances to customers | | | | | | |
| Retail and personal | **1,206,113** | 1,723,244 | 1,471,553 | **1,206,113** | 1,723,244 | 1,471,553 |
| Business | **9,835,012** | 8,817,332 | 6,619,061 | **9,835,012** | 8,831,053 | 6,623,339 |
| Entities outside Mauritius | **11,751,946** | 11,494,181 | 9,209,664 | **11,751,946** | 11,415,593 | 9,482,987 |
| Credit cards | **137,772** | 123,968 | 76,522 | **137,772** | 123,968 | 76,522 |
| | **22,930,843** | 22,158,725 | 17,376,800 | **22,930,843** | 22,093,858 | 17,654,401 |
| Financial investments - available-for-sale (excluding equity investment) | **316,033** | - | - | **316,033** | - | - |
| Financial investments - held-to-maturity | **11,538,879** | 5,071,692 | 6,836,837 | **11,538,879** | 5,071,692 | 6,836,837 |
| Other assets (excluding prepayments, accrued income and stock) | **91,423** | 182,385 | 161,601 | **64,727** | 209,411 | 142,866 |
| | **87,596,551** | 73,558,538 | 47,434,076 | **87,456,000** | 73,357,610 | 46,892,367 |

The Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements, can be analysed as follows by the following geographical regions:

**GROSS MAXIMUM EXPOSURE**

| | THE GROUP | | | THE BANK | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Mauritius | **27,908,976** | 21,868,223 | 19,668,926 | **27,777,017** | 21,913,743 | 19,742,601 |
| France | **5,538,384** | 1,361,557 | 1,109,042 | **5,538,384** | 1,361,557 | 1,109,042 |
| United Kingdom | **8,563,341** | 4,632,364 | 5,879,404 | **8,563,341** | 4,632,364 | 5,862,436 |
| United States of America | **13,349,040** | 15,576,502 | 4,688,982 | **13,349,040** | 15,576,502 | 4,688,982 |
| India | **4,506,469** | 4,960,384 | 3,695,292 | **4,506,469** | 4,960,384 | 3,695,292 |
| Other | **27,730,341** | 25,159,508 | 12,392,430 | **27,721,749** | 24,913,060 | 11,794,014 |
| | **87,596,551** | 73,558,538 | 47,434,076 | **87,456,000** | 73,357,610 | 46,892,367 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(b) Credit risk (Continued)**

An industry sector analysis of the Group's and the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

| | GROSS MAXIMUM EXPOSURE | | | | | |
|---|---|---|---|---|---|---|
| | THE GROUP | | | THE BANK | | |
| | **2016** | 2015 | 2014 | **2016** | 2015 | 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Agriculture | **1,416,959** | 1,782,761 | 1,512,607 | **1,416,959** | 1,782,761 | 1,512,607 |
| Construction, infrastructure and real estate | **2,915,291** | 2,288,266 | 2,001,323 | **2,915,291** | 2,288,266 | 1,999,749 |
| Financial and business services | **65,581,239** | 51,457,246 | 23,980,649 | **65,553,421** | 51,294,695 | 23,443,199 |
| Government | **2,479,580** | 355,794 | 7,859,098 | **2,479,580** | 355,794 | 7,859,098 |
| Information, communication and technology | **135,312** | 225,665 | 190,809 | **135,312** | 225,665 | 190,809 |
| Manufacturing | **1,916,741** | 2,636,025 | 2,669,885 | **1,916,741** | 2,636,025 | 2,669,885 |
| Personal | **1,779,351** | 1,847,212 | 1,548,093 | **1,779,351** | 1,847,212 | 1,548,093 |
| Tourism | **3,012,701** | 2,807,936 | 2,099,398 | **3,012,701** | 2,807,936 | 2,099,398 |
| Traders | **2,149,004** | 1,803,567 | 1,659,414 | **2,149,004** | 1,803,567 | 1,659,414 |
| Others | **6,210,373** | 8,354,066 | 3,912,800 | **6,097,640** | 8,315,689 | 3,910,115 |
| | **87,596,551** | 73,558,538 | 47,434,076 | **87,456,000** | 73,357,610 | 46,892,367 |

**Collateral and other credit enhancements**

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

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

The fair value of collateral and other credit enhancements received on loans and advances as at 30 June 2016 is MUR 28bn (2015: MUR 23.5bn and 2014: MUR 29.9bn). All other financial assets are unsecured.

**Credit quality per class of financial assets**

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Group's credit rating system which is as follows:

- High grade (1-3) : High grade are all performing loans secured by adequate collateral.

- Standard grade (4-5) : Standard grade loans are those which are monitored by management.

- Past due not impaired : These are default loans but adequately secured.

The amounts presented are gross of impairment allowances.

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(b) Credit risk (Continued)**

**THE GROUP**

| | Neither past due nor impaired | | | | |
|---|---|---|---|---|---|
| | **High Grade (1-3)** | **Standard Grade (4-5)** | **Past due but not impaired** | **Individually impaired** | **Total** |
| **30 June 2016** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **Cash and balances with the Central Bank** | **3,029,129** | **-** | **-** | **-** | **3,029,129** |
| **Due from banks** | **46,009,527** | **-** | **-** | **-** | **46,009,527** |
| **Derivative financial instruments** | **138,647** | **-** | **-** | **-** | **138,647** |
| **Financial investments - held-for-trading (excluding equity investment)** | **3,542,070** | **-** | **-** | **-** | **3,542,070** |
| **Loans and advances to customers** | **19,382,404** | **304,254** | **780,628** | **2,463,557** | **22,930,843** |
| **- Corporate lending** | **12,722,154** | **67,177** | **379,554** | **1,812,344** | **14,981,229** |
| **- Business banking** | **5,433,424** | **29,991** | **304,270** | **398,987** | **6,166,672** |
| **- Private/personal** | **1,226,826** | **207,086** | **96,804** | **252,226** | **1,782,942** |
| **Financial investments - available-for-sale (excluding equity investment)** | **316,033** | **-** | **-** | **-** | **316,033** |
| **Financial investments - held-to-maturity** | **11,538,879** | **-** | **-** | **-** | **11,538,879** |
| **Other assets (excluding prepayments, accrued income and stock)** | **91,423** | **-** | **-** | **-** | **91,423** |
| | **84,048,112** | **304,254** | **780,628** | **2,463,557** | **87,596,551** |
| 30 June 2015 | | | | | |
| Cash and balances with the Central Bank | 2,514,213 | - | - | - | 2,514,213 |
| Due from banks | 41,447,016 | - | - | - | 41,447,016 |
| Derivative financial instruments | 217,383 | - | - | - | 217,383 |
| Financial investments - held-for-trading | 1,967,124 | - | - | - | 1,967,124 |
| Loans and advances to customers | 19,566,857 | 593,212 | 850,522 | 1,148,134 | 22,158,725 |
| - Corporate lending | 12,426,788 | 329,462 | 519,209 | 925,619 | 14,201,078 |
| - Business banking | 5,540,658 | 214,647 | 220,341 | 129,540 | 6,105,186 |
| - Private/personal | 1,599,411 | 49,103 | 110,972 | 92,975 | 1,852,461 |
| Financial investments - held-to-maturity | 5,071,692 | - | - | - | 5,071,692 |
| Other assets (excluding prepayments, accrued income and stock) | 182,385 | - | - | - | 182,385 |
| | 70,966,670 | 593,212 | 850,522 | 1,148,134 | 73,558,538 |
| 30 June 2014 | | | | | |
| Cash and balances with the Central Bank | 2,021,272 | - | - | - | 2,021,272 |
| Due from banks | 18,265,309 | - | - | - | 18,265,309 |
| Derivative financial instruments | 860,845 | - | - | - | 860,845 |
| Financial investments - held-for-trading | 1,911,412 | - | - | - | 1,911,412 |
| Loans and advances to customers | 15,835,740 | 419,893 | 953,417 | 167,751 | 17,376,801 |
| - Corporate lending | 10,307,218 | 206,935 | 841,822 | 117,965 | 11,473,940 |
| - Business banking | 4,158,127 | 106,128 | 52,981 | 31,324 | 4,348,560 |
| - Private/personal | 1,370,395 | 106,830 | 58,614 | 18,462 | 1,554,301 |
| Financial investments - held-to-maturity | 6,836,837 | - | - | - | 6,836,837 |
| Other assets (excluding prepayments, accrued income and stock) | 161,601 | - | - | - | 161,601 |
| | 45,893,016 | 419,893 | 953,417 | 167,751 | 47,434,077 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(b) Credit risk (Continued)**

**Credit quality per class of financial assets**

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Bank's credit rating system:

| THE BANK | Neither past due nor impaired | | | | |
|---|---|---|---|---|---|
| | High Grade (1-3) | Standard Grade (4-5) | Past due but not impaired | Individually impaired | Total |
| **30 June 2016** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **Cash and balances with the Central Bank** | **3,029,129** | **-** | **-** | **-** | **3,029,129** |
| **Due from banks** | **46,000,675** | **-** | **-** | **-** | **46,000,675** |
| **Derivative financial instruments** | **33,644** | **-** | **-** | **-** | **33,644** |
| **Financial investments - held-for-trading** | **3,542,070** | **-** | **-** | **-** | **3,542,070** |
| **Loans and advances to customers** | **19,382,404** | **304,254** | **780,628** | **2,463,557** | **22,930,843** |
| **- Corporate lending** | **12,722,154** | **67,177** | **379,554** | **1,812,344** | **14,981,229** |
| **- Business banking** | **5,433,424** | **29,991** | **304,270** | **398,987** | **6,166,672** |
| **- Private/personal** | **1,226,826** | **207,086** | **96,804** | **252,226** | **1,782,942** |
| **Financial investments - available for sale** | **316,033** | **-** | **-** | **-** | **316,033** |
| **Financial investments - held-to-maturity** | **11,538,879** | **-** | **-** | **-** | **11,538,879** |
| **Other assets (excluding prepayments, accrued income and stock)** | **64,727** | **-** | **-** | **-** | **64,727** |
| | **83,907,561** | **304,254** | **780,628** | **2,463,557** | **87,456,000** |
| 30 June 2015 | | | | | |
| Cash and balances with the Central Bank | 2,512,469 | - | - | - | 2,512,469 |
| Due from banks | 41,434,529 | - | - | - | 41,434,529 |
| Derivative financial instruments | 68,527 | - | - | - | 68,527 |
| Financial investments - held-for-trading | 1,967,124 | - | - | - | 1,967,124 |
| Loans and advances to customers | 19,501,990 | 593,212 | 850,522 | 1,148,134 | 22,093,858 |
| - Corporate lending | 12,361,921 | 329,462 | 519,209 | 925,619 | 14,136,211 |
| - Business banking | 5,540,658 | 214,647 | 220,341 | 129,540 | 6,105,186 |
| - Private/personal | 1,599,411 | 49,103 | 110,972 | 92,975 | 1,852,461 |
| Financial investments - held-to-maturity | 5,071,692 | - | - | - | 5,071,692 |
| Other assets (excluding prepayments, accrued income and stock) | 209,411 | - | - | - | 209,411 |
| | 70,765,742 | 593,212 | 850,522 | 1,148,134 | 73,357,610 |
| 30 June 2014 | | | | | |
| Cash and balances with the Central Bank | 2,019,625 | - | - | - | 2,019,625 |
| Due from banks | 18,251,138 | - | - | - | 18,251,138 |
| Derivative financial instruments | 76,088 | - | - | - | 76,088 |
| Financial investments - held-for-trading | 1,911,412 | - | - | - | 1,911,412 |
| Loans and advances to customers | 15,811,340 | 419,893 | 953,417 | 469,751 | 17,654,401 |
| - Corporate lending | 10,307,217 | 206,935 | 841,822 | 419,965 | 11,775,939 |
| - Business banking | 4,133,727 | 106,128 | 52,981 | 31,324 | 4,324,160 |
| - Private/personal | 1,370,396 | 106,830 | 58,614 | 18,462 | 1,554,302 |
| Financial investments - held-to-maturity | 6,836,837 | - | - | - | 6,836,837 |
| Other assets (excluding prepayments, accrued income and stock) | 142,866 | - | - | - | 142,866 |
| | 45,049,306 | 419,893 | 953,417 | 469,751 | 46,892,367 |

It is the Group's and the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(b) Credit risk (Continued)**

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

**THE GROUP AND THE BANK**

| | Amount in arrears | | | | |
|---|---|---|---|---|---|
| | **More than 91 days** | **61 to 90 days** | **31 to 60 days** | **Less than 30 days** | **Total** |
| **30 June 2016** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **Loans and advances to customers** | | | | | |
| **- Corporate lending** | **346,391** | **26,361** | **896** | **5,907** | **379,555** |
| **- Business banking** | **252,248** | **5,502** | **1,576** | **44,943** | **304,269** |
| **- Private/personal** | **40,801** | **4,583** | **27,176** | **24,244** | **96,804** |
| | **639,440** | **36,446** | **29,648** | **75,094** | **780,628** |
| 30 June 2015 | | | | | |
| Loans and advances to customers | | | | | |
| - Corporate lending | 320,512 | 19,886 | 17,007 | 161,805 | 519,210 |
| - Business banking | 141,322 | 56,319 | 5,133 | 17,566 | 220,340 |
| - Private/personal | 70,499 | 4,050 | 8,142 | 28,281 | 110,972 |
| | 532,333 | 80,255 | 30,282 | 207,652 | 850,522 |
| 30 June 2014 | | | | | |
| Loans and advances to customers | | | | | |
| - Corporate lending | 483,699 | 100,257 | 34,254 | 221,754 | 839,964 |
| - Business banking | 36,101 | 2,721 | 8,882 | 7,135 | 54,839 |
| - Private/personal | 41,974 | 6,708 | 4,343 | 5,589 | 58,614 |
| | 561,774 | 109,686 | 47,479 | 234,478 | 953,417 |

See Note 16 for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

The fair value of the collaterals that the Group and the Bank hold relating to loans that were past due but not impaired and loans individually determined to be impaired at 30 June 2016 amounts to MUR 4.7bn (2015: MUR 6.2bn and 2014: MUR 5bn) and MUR 2.3bn (2015: MUR 865.2m and 2014: MUR 167.4m) respectively .

**Collateral repossessed**

During the year, the Group and the Bank did not take possession of any collateral (2015: Nil and 2014: Nil).

**Impairment assessment**

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group and the Bank address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

**Individually assessed allowances**

The Group and the Bank determine the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

**Collectively assessed allowances**

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective impairment allowances are estimated by taking into consideration trends in the delinquency and loan loss history. Collective impairment is conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition'.

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(b) Credit risk (Continued)**

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

**Commitments and guarantees**

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| | **MUR'000** | MUR'000 | MUR'000 |
| **Financial guarantees** | **636,691** | 506,252 | 959,130 |
| **Letters of credit** | **172,676** | 602,223 | 26,596 |
| **Other undrawn commitments to lend** | **3,640,180** | 2,813,291 | 1,911,470 |
| | **4,449,547** | 3,921,766 | 2,897,196 |

**(c) Liquidity risk and funding management**

Liquidity risk is the risk that the Group and the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

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

The Group and the Bank maintain a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group and Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group and the Bank maintain a statutory deposit with the Bank of Mauritius. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the Group and the Bank.

**Analysis of financial assets and liabilities by remaining contractual maturities**

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

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Liquidity risk and funding management (Continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities (Continued)**

| THE GROUP | 30 June 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | Sub total less than 12 months | 1 to 5 years | Over 5 years | Sub total over 12 months | Total |
| **Assets** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 986,880 | 1,284,721 | - | 757,528 | 3,029,129 | - | - | - | 3,029,129 |
| Due from banks | 29,845,345 | 9,528,753 | 3,204,033 | 3,431,396 | 46,009,527 | - | - | - | 46,009,527 |
| Derivative financial instruments | - | 25,462 | 6,047 | 28,335 | 59,844 | 78,803 | - | 78,803 | 138,647 |
| Financial investments - held-for-trading | - | 745,573 | 548,668 | 1,489,287 | 2,783,528 | 2,110,213 | - | 2,110,213 | 4,893,741 |
| Loans and advances to customers | 1,917,450 | 5,013,841 | 1,581,675 | 2,218,808 | 10,731,774 | 7,411,679 | 3,814,888 | 11,226,567 | 21,958,341 |
| Financial investments - available-for-sale | - | - | - | 34,765 | 34,765 | 316,033 | - | 316,033 | 350,798 |
| Financial investments - held-to-maturity | - | 3,243,773 | 272,032 | 2,949,420 | 6,465,225 | 4,518,014 | 555,640 | 5,073,654 | 11,538,879 |
| Other assets (excluding prepayments, accrued income and stock) | - | - | - | 91,423 | 91,423 | - | - | - | 91,423 |
| Total | 32,749,675 | 19,842,123 | 5,612,455 | 11,000,962 | 69,205,215 | 14,434,742 | 4,370,528 | 18,805,270 | 88,010,485 |
| **Liabilities** | | | | | | | | | |
| Due to banks | - | - | - | - | - | 173,510 | - | 173,510 | 173,510 |
| Derivative financial instruments | - | 84,565 | 38,791 | 30,758 | 154,114 | 78,803 | - | 78,803 | 232,917 |
| Deposits from customers: | | | | | | | | | |
| -Current account | 50,720,475 | - | - | - | 50,720,475 | - | - | - | 50,720,475 |
| -Savings account | 4,356,908 | - | - | - | 4,356,908 | - | - | - | 4,356,908 |
| -Term deposits | - | 12,439,155 | 2,899,695 | 5,808,567 | 21,147,417 | 3,454,281 | 333,187 | 3,787,468 | 24,934,885 |
| | 55,077,383 | 12,439,155 | 2,899,695 | 5,808,567 | 76,224,800 | 3,454,281 | 333,187 | 3,787,468 | 80,012,268 |
| Debts issued | - | - | 3,893 | 91,085 | 94,978 | 1,394,965 | - | 1,394,965 | 1,489,943 |
| Other liabilities | - | - | 101,628 | 1,014,189 | 1,115,817 | 655,059 | - | 655,059 | 1,770,876 |
| Total | 55,077,383 | 12,523,720 | 3,044,007 | 6,944,599 | 77,589,709 | 5,756,618 | 333,187 | 6,089,805 | 83,679,514 |
| Net liquidity gap | (22,327,708) | 7,318,403 | 2,568,448 | 4,056,363 | (8,384,494) | 8,678,124 | 4,037,341 | 12,715,465 | 4,330,971 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Liquidity risk and funding management (Continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities (Continued)**

| THE GROUP | 30 June 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | Sub total less than 12 months | 1 to 5 years | Over 5 years | Sub total over 12 months | Total |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 780,791 | 463,942 | 182,602 | 835,374 | 2,262,709 | 251,504 | - | 251,504 | 2,514,213 |
| Due from banks | 27,495,961 | 9,087,782 | 4,743,377 | 119,896 | 41,447,016 | - | - | - | 41,447,016 |
| Derivative financial instruments | - | 30,999 | 19,692 | 65,207 | 115,898 | 101,485 | - | 101,485 | 217,383 |
| Financial investments - held-for-trading | - | 299,704 | 593,155 | 1,481,633 | 2,374,492 | 665,053 | 5,929 | 670,982 | 3,045,474 |
| Loans and advances to customers | 1,728,657 | 4,344,535 | 1,962,273 | 2,611,667 | 10,647,132 | 9,375,625 | 1,749,978 | 11,125,603 | 21,772,735 |
| Financial investments - available-for-sale | - | - | - | - | - | 41,049 | - | 41,049 | 41,049 |
| Financial investments - held-to-maturity | - | 623,245 | 942,728 | 916,744 | 2,482,717 | 2,033,863 | 555,112 | 2,588,975 | 5,071,692 |
| Other assets (excluding prepayments, accrued income and stock) | - | - | - | 182,385 | 182,385 | - | - | - | 182,385 |
| Total | 30,005,409 | 14,850,207 | 8,443,827 | 6,212,906 | 59,512,349 | 12,468,579 | 2,311,019 | 14,779,598 | 74,291,947 |
| Liabilities | | | | | | | | | |
| Due to banks | 7 | - | - | - | 7 | 196,568 | 30,843 | 227,411 | 227,418 |
| Derivative financial instruments | 351,463 | 30,519 | 5,877 | 65,750 | 453,609 | 101,485 | - | 101,485 | 555,094 |
| Deposits from customers: | | | | | | | | | |
| -Current account | 35,868,516 | - | - | - | 35,868,516 | - | - | - | 35,868,516 |
| -Savings account | 3,689,848 | - | - | - | 3,689,848 | - | - | - | 3,689,848 |
| -Term deposits | - | 14,322,997 | 2,949,289 | 5,399,876 | 22,672,162 | 3,823,104 | 384,086 | 4,207,190 | 26,879,352 |
| | 39,558,364 | 14,322,997 | 2,949,289 | 5,399,876 | 62,230,526 | 3,823,104 | 384,086 | 4,207,190 | 66,437,716 |
| Debts issued | - | - | - | 976,854 | 976,854 | 678,384 | - | 678,384 | 1,655,238 |
| Other liabilities | - | - | - | 591,538 | 591,538 | 1,036,333 | - | 1,036,333 | 1,627,871 |
| Total | 39,909,834 | 14,353,516 | 2,955,166 | 7,034,018 | 64,252,534 | 5,835,874 | 414,929 | 6,250,803 | 70,503,337 |
| Net liquidity gap | (9,904,425) | 496,691 | 5,488,661 | (821,112) | (4,740,185) | 6,632,705 | 1,896,090 | 8,528,795 | 3,788,610 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Liquidity risk and funding management (Continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities (Continued)**

**THE GROUP**

| | 30 June 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | Sub total less than 12 months | 1 to 5 years | Over 5 years | Sub total over 12 months | Total |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 1,100,246 | 358,346 | 152,075 | 146,439 | 1,757,106 | 264,166 | - | 264,166 | 2,021,272 |
| Due from banks | 11,349,397 | 5,195,248 | 1,662,809 | 57,855 | 18,265,309 | - | - | - | 18,265,309 |
| Derivative financial instruments | - | 3,178 | 4,566 | 66,116 | 73,860 | 786,985 | - | 786,985 | 860,845 |
| Financial investments - held-for-trading | - | 489,740 | 623,019 | 1,424,244 | 2,537,003 | 99,142 | - | 99,142 | 2,636,145 |
| Loans and advances to customers | 1,315,530 | 3,107,545 | 1,389,537 | 138,448 | 5,951,060 | 8,095,585 | 3,180,810 | 11,276,395 | 17,227,455 |
| Financial investments - available-for-sale | - | - | - | - | - | 341,340 | - | 341,340 | 341,340 |
| Financial investments - held-to-maturity | - | 1,252,051 | 1,175,990 | 1,421,155 | 3,849,196 | 2,433,048 | 554,593 | 2,987,641 | 6,836,837 |
| Other assets (excluding prepayments, accrued income and stock) | - | - | - | 161,601 | 161,601 | - | - | - | 161,601 |
| Total | 13,765,173 | 10,406,108 | 5,007,996 | 3,415,858 | 32,595,135 | 12,020,266 | 3,735,403 | 15,755,669 | 48,350,804 |
| Liabilities | | | | | | | | | |
| Due to banks | - | 686,019 | 30,528 | 8,279 | 724,826 | 290,524 | - | 290,524 | 1,015,350 |
| Derivative financial instruments | - | 11,032 | 41,306 | 796,865 | 849,203 | 8,239 | - | 8,239 | 857,442 |
| Deposits from customers: | | | | | | | | | |
| -Current account | 22,183,591 | - | - | - | 22,183,591 | - | - | - | 22,183,591 |
| -Savings account | 2,709,423 | - | - | - | 2,709,423 | - | - | - | 2,709,423 |
| -Term deposits | - | 4,713,552 | 2,574,256 | 3,956,719 | 11,244,527 | 3,941,308 | 334,695 | 4,276,003 | 15,520,530 |
| | 24,893,014 | 4,713,552 | 2,574,256 | 3,956,719 | 36,137,541 | 3,941,308 | 334,695 | 4,276,003 | 40,413,544 |
| Debts issued | - | - | - | 274,152 | 274,152 | 583,535 | 250,830 | 834,365 | 1,108,517 |
| Other liabilities | - | - | - | 766,499 | 766,499 | - | 1,325,424 | 1,325,424 | 2,091,923 |
| Total | 24,893,014 | 5,410,603 | 2,646,090 | 5,802,514 | 38,752,221 | 4,823,606 | 1,910,949 | 6,734,555 | 45,486,776 |
| Net liquidity gap | (11,127,841) | 4,995,505 | 2,361,906 | (2,386,656) | (6,157,086) | 7,196,660 | 1,824,454 | 9,021,114 | 2,864,028 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Liquidity risk and funding management (Continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities (Continued)**

| THE BANK | 30 June 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | Sub total less than 12 months | 1 to 5 years | Over 5 years | Sub total over 12 months | Total |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 986,880 | 1,284,721 | - | 757,528 | 3,029,129 | - | - | - | 3,029,129 |
| Due from banks | 29,836,493 | 9,528,753 | 3,204,033 | 3,431,396 | 46,000,675 | - | - | - | 46,000,675 |
| Derivative financial instruments | - | 25,462 | 6,047 | 2,135 | 33,644 | - | - | - | 33,644 |
| Financial investments - held-for-trading | - | 742,060 | 447,039 | 894,989 | 2,084,088 | 1,457,982 | - | 1,457,982 | 3,542,070 |
| Loans and advances to customers | 1,917,450 | 5,013,841 | 1,581,675 | 2,218,808 | 10,731,774 | 7,411,679 | 3,814,888 | 11,226,567 | 21,958,341 |
| Financial investments - available for sale | - | - | - | - | - | 316,033 | - | 316,033 | 316,033 |
| Financial investments - held-to-maturity | - | 3,243,773 | 272,032 | 2,949,420 | 6,465,225 | 4,518,014 | 555,640 | 5,073,654 | 11,538,879 |
| Other assets (excluding prepayments, accrued income and stock) | - | - | - | 64,727 | 64,727 | - | - | - | 64,727 |
| Total | 32,740,823 | 19,838,610 | 5,510,826 | 10,319,003 | 68,409,262 | 13,703,708 | 4,370,528 | 18,074,236 | 86,483,498 |
| Liabilities | | | | | | | | | |
| Due to banks | - | - | - | - | - | 173,510 | - | 173,510 | 173,510 |
| Derivative financial instruments | - | 84,565 | 38,791 | 4,558 | 127,914 | - | - | - | 127,914 |
| Deposits from customers: | | | | | | | | | |
| -Current account | 50,980,951 | - | - | - | 50,980,951 | - | - | - | 50,980,951 |
| -Savings account | 4,356,908 | - | - | - | 4,356,908 | - | - | - | 4,356,908 |
| -Term deposits | - | 12,439,155 | 2,899,695 | 5,808,567 | 21,147,417 | 3,560,513 | 333,187 | 3,893,700 | 25,041,117 |
| | 55,337,859 | 12,439,155 | 2,899,695 | 5,808,567 | 76,485,276 | 3,560,513 | 333,187 | 3,893,700 | 80,378,976 |
| Debts issued | - | - | - | - | - | 1,111,032 | - | 1,111,032 | 1,111,032 |
| Other liabilities | - | - | - | 407,506 | 407,506 | - | - | - | 407,506 |
| Total | 55,337,859 | 12,523,720 | 2,938,486 | 6,220,631 | 77,020,696 | 4,845,055 | 333,187 | 5,178,242 | 82,198,938 |
| Net liquidity gap | (22,597,036) | 7,314,890 | 2,572,340 | 4,098,372 | (8,611,434) | 8,858,653 | 4,037,341 | 12,895,994 | 4,284,560 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Liquidity risk and funding management (Continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities (Continued)**

| THE BANK | 30 June 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | Sub total less than 12 months | 1 to 5 years | Over 5 years | Sub total over 12 months | Total |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 779,047 | 463,942 | 182,602 | 835,374 | 2,260,965 | 251,504 | - | 251,504 | 2,512,469 |
| Due from banks | 27,483,474 | 9,087,782 | 4,743,377 | 119,896 | 41,434,529 | - | - | - | 41,434,529 |
| Derivative financial instruments | - | 30,999 | 19,692 | 17,836 | 68,527 | - | - | - | 68,527 |
| Financial investments - held-for-trading | - | 299,703 | 593,155 | 711,116 | 1,603,974 | 363,150 | - | 363,150 | 1,967,124 |
| Loans and advances to customers | 1,663,790 | 4,344,535 | 1,962,273 | 2,611,667 | 10,582,265 | 9,375,625 | 1,749,978 | 11,125,603 | 21,707,868 |
| Financial investments - held-to-maturity | - | 623,245 | 942,728 | 916,744 | 2,482,717 | 2,033,863 | 555,112 | 2,588,975 | 5,071,692 |
| Other assets (excluding prepayments, accrued income and stock) | - | - | - | 209,411 | 209,411 | - | - | - | 209,411 |
| Total | 29,926,311 | 14,850,206 | 8,443,827 | 5,422,044 | 58,642,388 | 12,024,142 | 2,305,090 | 14,329,232 | 72,971,620 |
| Liabilities | | | | | | | | | |
| Due to banks | - | - | - | - | - | 196,568 | 30,843 | 227,411 | 227,411 |
| Derivative financial instruments | - | 30,518 | 5,877 | 18,380 | 54,775 | - | - | - | 54,775 |
| Deposits from customers: | | | | | | | | | |
| -Current account | 36,032,270 | - | - | - | 36,032,270 | - | - | - | 36,032,270 |
| -Savings account | 3,689,848 | - | - | - | 3,689,848 | - | - | - | 3,689,848 |
| -Term deposits | - | 14,364,281 | 3,028,122 | 5,466,850 | 22,859,253 | 3,963,194 | 384,086 | 4,347,280 | 27,206,533 |
| | 39,722,118 | 14,364,281 | 3,028,122 | 5,466,850 | 62,581,371 | 3,963,194 | 384,086 | 4,347,280 | 66,928,651 |
| Debts issued | - | - | - | - | - | 1,094,275 | - | 1,094,275 | 1,094,275 |
| Other liabilities | - | - | - | 531,787 | 531,787 | - | - | - | 531,787 |
| Total | 39,722,118 | 14,394,799 | 3,033,999 | 6,017,017 | 63,167,933 | 5,254,037 | 414,929 | 5,668,966 | 68,836,899 |
| Net liquidity gap | (9,795,807) | 455,407 | 5,409,828 | (594,973) | (4,525,545) | 6,770,105 | 1,890,161 | 8,660,266 | 4,134,721 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Liquidity risk and funding management (Continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities (Continued)**

**THE BANK**

| | 30 June 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | Sub total less than 12 months | 1 to 5 years | Over 5 years | Sub total over 12 months | Total |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 1,098,599 | 358,346 | 152,075 | 146,439 | 1,755,459 | 264,166 | - | 264,166 | 2,019,625 |
| Due from banks | 11,335,226 | 5,195,248 | 1,662,809 | 57,855 | 18,251,138 | - | - | - | 18,251,138 |
| Derivative financial instruments | - | 3,179 | 4,566 | 55,940 | 63,685 | 12,403 | - | 12,403 | 76,088 |
| Financial investments - held-for-trading | - | 489,739 | 623,019 | 699,512 | 1,812,270 | 99,142 | - | 99,142 | 1,911,412 |
| Loans and advances to customers | 1,349,051 | 3,107,545 | 1,389,537 | 30,448 | 5,876,581 | 8,339,664 | 3,180,810 | 11,520,474 | 17,397,055 |
| Financial investments - held-to-maturity | - | 1,252,051 | 1,175,990 | 1,421,155 | 3,849,196 | 2,433,048 | 554,593 | 2,987,641 | 6,836,837 |
| Other assets (excluding prepayments, accrued income and stock) | - | - | - | 142,866 | 142,866 | - | - | - | 142,866 |
| Total | 13,782,876 | 10,406,108 | 5,007,996 | 2,554,215 | 31,751,195 | 11,148,423 | 3,735,403 | 14,883,826 | 46,635,021 |
| Liabilities | | | | | | | | | |
| Due to banks | - | 686,019 | 30,528 | 8,279 | 724,826 | 290,524 | - | 290,524 | 1,015,350 |
| Derivative financial instruments | - | 11,032 | 41,306 | 12,108 | 64,446 | 8,239 | - | 8,239 | 72,685 |
| Deposits from customers: | | | | | | | | | |
| -Current account | 22,506,095 | - | - | - | 22,506,095 | - | - | - | 22,506,095 |
| -Savings account | 2,709,423 | - | - | - | 2,709,423 | - | - | - | 2,709,423 |
| -Term deposits | - | 4,713,552 | 2,574,256 | 3,956,719 | 11,244,527 | 4,295,215 | 334,695 | 4,629,910 | 15,874,437 |
| | 25,215,518 | 4,713,552 | 2,574,256 | 3,956,719 | 36,460,045 | 4,295,215 | 334,695 | 4,629,910 | 41,089,955 |
| Debts issued | - | - | - | - | - | 874,612 | 158,962 | 1,033,574 | 1,033,574 |
| Other liabilities | - | - | - | 599,510 | 599,510 | - | - | - | 599,510 |
| Total | 25,215,518 | 5,410,603 | 2,646,090 | 4,576,616 | 37,848,827 | 5,468,590 | 493,657 | 5,962,247 | 43,811,074 |
| Net liquidity gap | (11,432,642) | 4,995,505 | 2,361,906 | (2,022,401) | (6,097,632) | 5,679,833 | 3,241,746 | 8,921,579 | 2,823,947 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Liquidity risk and funding management (Continued)**

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

THE GROUP AND THE BANK

| | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|
| **30 June 2016** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **Contingent liabilities** | **418,521** | **375,177** | **15,669** | **809,367** |
| **Commitments** | **859,935** | **1,929,967** | **850,278** | **3,640,180** |
| **Total** | **1,278,456** | **2,305,144** | **865,947** | **4,449,547** |
| 30 June 2015 | | | | |
| Contingent liabilities | 865,648 | 116,258 | 126,569 | 1,108,475 |
| Commitments | 929,038 | 838,887 | 1,045,366 | 2,813,291 |
| Total | 1,794,686 | 955,145 | 1,171,935 | 3,921,766 |
| 30 June 2014 | | | | |
| Contingent liabilities | 259,072 | 668,327 | 58,327 | 985,726 |
| Commitments | 531,147 | 1,182,257 | 198,066 | 1,911,470 |
| Total | 790,219 | 1,850,584 | 256,393 | 2,897,196 |

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk.

**(i) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the interest rate gaps for stipulated periods.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, (all other variables held constant) of the Group's and the Bank's statement of profit or loss.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the financial assets and financial liabilities held at 30 June.

**THE GROUP**

| Currency | Change in Basis points | 2016 Sensitivity of profit or loss | 2015 Sensitivity of profit or loss | 2014 Sensitivity of profit or loss |
|---|---|---|---|---|
| | | MUR'000 | MUR'000 | MUR'000 |
| AUD | +50 | 851 | 137 | (97) |
| | - 50 | (851) | (137) | 97 |
| EUR | +50 | 52,696 | 1,341 | (1,482) |
| | - 50 | (52,696) | (1,341) | 1,482 |
| GBP | +50 | 15,606 | (3,890) | (2,733) |
| | - 50 | (15,606) | 3,890 | 2,733 |
| MUR | +50 | 5,744 | 16,002 | 11,422 |
| | - 50 | (5,744) | (16,002) | (11,422) |
| USD | +50 | 111,541 | (18,425) | (8,768) |
| | - 50 | (111,541) | 18,425 | 8,768 |

**THE BANK**

| Currency | Change in Basis points | 2016 Sensitivity of profit or loss | 2015 Sensitivity of profit or loss | 2014 Sensitivity of profit or loss |
|---|---|---|---|---|
| | | MUR'000 | MUR'000 | MUR'000 |
| AUD | +50 | 851 | 137 | (142) |
| | - 50 | (851) | (137) | 142 |
| EUR | +50 | 52,696 | 1,333 | (1,523) |
| | - 50 | (52,696) | (1,333) | 1,523 |
| GBP | +50 | 15,606 | (3,890) | (2,734) |
| | - 50 | (15,606) | 3,890 | 2,734 |
| MUR | +50 | 5,742 | 15,996 | 10,792 |
| | - 50 | (5,742) | (15,996) | (10,792) |
| USD | +50 | 112,432 | (17,538) | (8,986) |
| | - 50 | (112,432) | 17,538 | 8,986 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(d) Market risk (Continued)**

**(i) Interest rate risk (Continued)**

The table below analyses the Group's and the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

## THE GROUP

| | 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Non interest bearing |
| **Assets** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **Cash and balances with the Central Bank** | **3,029,129** | **-** | **51,128** | **-** | **757,528** | **-** | **-** | **2,220,473** |
| **Due from banks** | **46,009,527** | **29,845,345** | **9,528,753** | **3,204,033** | **3,431,396** | **-** | **-** | **-** |
| **Loans and advances to customers** | **21,958,341** | **1,917,450** | **5,013,841** | **1,581,675** | **2,218,808** | **7,411,679** | **3,814,888** | **-** |
| **Financial investments held-to-maturity** | **11,538,879** | **-** | **3,243,773** | **272,032** | **2,949,420** | **4,518,014** | **555,640** | **-** |
| **Total assets** | **82,535,876** | **31,762,795** | **17,837,495** | **5,057,740** | **9,357,152** | **11,929,693** | **4,370,528** | **2,220,473** |
| **Liabilities** | | | | | | | | |
| **Due to banks** | **173,510** | **-** | **-** | **-** | **-** | **173,510** | **-** | **-** |
| **Deposits from customers** | **80,012,268** | **55,077,383** | **12,439,155** | **2,899,695** | **5,808,567** | **3,454,281** | **333,187** | **-** |
| **Debts issued** | **1,489,943** | **-** | **-** | **3,893** | **91,085** | **1,394,965** | **-** | **-** |
| **Total liabilities** | **81,675,721** | **55,077,383** | **12,439,155** | **2,903,588** | **5,899,652** | **5,022,756** | **333,187** | **-** |
| **Total interest sensitivity gap** | **860,155** | **(23,314,588)** | **5,398,340** | **2,154,152** | **3,457,500** | **6,906,937** | **4,037,341** | **2,220,473** |

## THE GROUP

| | 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Non interest bearing |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 2,514,213 | - | - | - | - | - | - | 2,514,213 |
| Due from banks | 41,447,016 | 27,495,961 | 9,087,782 | 4,743,377 | 119,896 | - | - | - |
| Loans and advances to customers | 21,772,735 | 1,166,595 | 14,698,369 | 1,106,768 | - | 4,801,003 | - | - |
| Financial investments held-to-maturity | 5,071,692 | - | 623,245 | 942,728 | 916,744 | 2,045,053 | 543,922 | - |
| Total assets | 70,805,656 | 28,662,556 | 24,409,396 | 6,792,873 | 1,036,640 | 6,846,056 | 543,922 | 2,514,213 |
| Liabilities | | | | | | | | |
| Due to banks | 227,418 | - | - | - | - | 196,568 | 30,850 | - |
| Deposits from customers | 66,437,716 | 39,558,365 | 16,889,454 | 2,822,318 | 4,875,002 | 2,025,666 | 266,911 | - |
| Debts issued | 1,655,238 | - | - | - | - | 1,655,238 | - | - |
| Total liabilities | 68,320,372 | 39,558,365 | 16,889,454 | 2,822,318 | 4,875,002 | 3,877,472 | 297,761 | - |
| Total interest sensitivity gap | 2,485,284 | (10,895,809) | 7,519,942 | 3,970,555 | (3,838,362) | 2,968,584 | 246,161 | 2,514,213 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(d) Market risk (Continued)**

**(i) Interest rate risk (Continued)**

## THE GROUP

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Non interest bearing |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 2,021,272 | - | - | - | - | - | - | 2,021,272 |
| Due from banks | 18,265,309 | 11,769,070 | 4,775,575 | 1,662,809 | 57,855 | - | - | - |
| Loans and advances to customers | 17,227,455 | 1,134,337 | 13,690,791 | 147,719 | 183,939 | 1,938,785 | 131,884 | - |
| Financial investments held-to-maturity | 6,836,837 | - | 1,252,051 | 1,175,990 | 1,421,155 | 2,433,048 | 554,593 | - |
| Total assets | 44,350,873 | 12,903,407 | 19,718,417 | 2,986,518 | 1,662,949 | 4,371,833 | 686,477 | 2,021,272 |
| Liabilities | | | | | | | | |
| Due to banks | 1,015,350 | - | 686,019 | 30,528 | 8,279 | 290,524 | - | - |
| Deposits from customers | 40,413,544 | 24,847,488 | 7,668,354 | 2,373,778 | 3,476,957 | 1,831,738 | 215,229 | - |
| Debts issued | 1,108,517 | - | - | - | 274,152 | 583,535 | 250,830 | - |
| Total liabilities | 42,537,411 | 24,847,488 | 8,354,373 | 2,404,306 | 3,759,388 | 2,705,797 | 466,059 | - |
| Total interest sensitivity gap | 1,813,462 | (11,944,081) | 11,364,044 | 582,212 | (2,096,439) | 1,666,036 | 220,418 | 2,021,272 |

## THE BANK

| | **2016** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **On demand** | **Less than 3 months** | **3 to 6 months** | **6 to 12 months** | **1 to 5 years** | **Over 5 years** | **Non interest bearing** |
| **Assets** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **Cash and balances with the Central Bank** | **3,029,129** | **-** | **51,128** | **-** | **757,528** | **-** | **-** | **2,220,473** |
| **Due from banks** | **46,000,675** | **29,836,493** | **9,528,753** | **3,204,033** | **3,431,396** | **-** | **-** | **-** |
| **Loans and advances to customers** | **21,958,341** | **1,917,450** | **5,013,841** | **1,581,675** | **2,218,808** | **7,411,679** | **3,814,888** | **-** |
| **Financial investments held-to-maturity** | **11,538,879** | **-** | **3,243,773** | **272,032** | **2,949,420** | **4,518,014** | **555,640** | **-** |
| **Total assets** | **82,527,024** | **31,753,943** | **17,837,495** | **5,057,740** | **9,357,152** | **11,929,693** | **4,370,528** | **2,220,473** |
| **Liabilities** | | | | | | | | |
| **Due to banks** | **173,510** | **-** | **-** | **-** | **-** | **173,510** | **-** | **-** |
| **Deposits from customers** | **80,378,976** | **55,337,859** | **12,439,155** | **2,899,695** | **5,808,567** | **3,560,513** | **333,187** | **-** |
| **Debts issued** | **1,111,032** | **-** | **-** | **-** | **-** | **1,111,032** | **-** | **-** |
| **Total liabilities** | **81,663,518** | **55,337,859** | **12,439,155** | **2,899,695** | **5,808,567** | **4,845,055** | **333,187** | **-** |
| **Total interest sensitivity gap** | **863,506** | **(23,583,916)** | **5,398,340** | **2,158,045** | **3,548,585** | **7,084,638** | **4,037,341** | **2,220,473** |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(d) Market risk (Continued)**

**(i) Interest rate risk (Continued)**

## THE BANK

| | 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Non interest bearing |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 2,512,469 | - | - | - | - | - | - | 2,512,469 |
| Due from banks | 41,434,529 | 27,483,474 | 9,087,782 | 4,743,377 | 119,896 | - | - | - |
| Loans and advances to customers | 21,707,868 | 1,088,007 | 14,712,090 | 1,106,768 | - | 4,801,003 | | - |
| Financial investments held-to-maturity | 5,071,692 | - | 623,245 | 942,728 | 916,744 | 2,045,053 | 543,922 | - |
| Total assets | 70,726,558 | 28,571,481 | 24,423,117 | 6,792,873 | 1,036,640 | 6,846,056 | 543,922 | 2,512,469 |
| Liabilities | | | | | | | | |
| Due to banks | 227,411 | - | - | - | - | 196,568 | 30,843 | - |
| Deposits from customers | 66,928,651 | 39,722,118 | 16,930,738 | 2,901,151 | 4,941,976 | 2,165,757 | 266,911 | - |
| Debts issued | 1,094,275 | - | - | - | - | 1,094,275 | - | - |
| Total liabilities | 68,250,337 | 39,722,118 | 16,930,738 | 2,901,151 | 4,941,976 | 3,456,600 | 297,754 | - |
| Total interest sensitivity gap | 2,476,221 | (11,150,637) | 7,492,379 | 3,891,722 | (3,905,336) | 3,389,456 | 246,168 | 2,512,469 |

## THE BANK

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | On demand | Less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Non interest bearing |
| Assets | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cash and balances with the Central Bank | 2,019,625 | - | - | - | - | - | - | 2,019,625 |
| Due from banks | 18,251,138 | 11,754,899 | 4,775,575 | 1,662,809 | 57,855 | - | - | - |
| Loans and advances to customers | 17,397,055 | 1,167,941 | 13,885,091 | 147,719 | 183,939 | 1,880,481 | 131,884 | - |
| Financial investments held-to-maturity | 6,836,837 | - | 1,252,051 | 1,175,990 | 1,421,155 | 2,433,048 | 554,593 | - |
| Total assets | 44,504,655 | 12,922,840 | 19,912,717 | 2,986,518 | 1,662,949 | 4,313,529 | 686,477 | 2,019,625 |
| Liabilities | | | | | | | | |
| Due to banks | 1,015,350 | - | 686,019 | 30,528 | 8,279 | 290,524 | - | - |
| Deposits from customers | 41,089,955 | 25,215,518 | 7,733,889 | 2,373,778 | 3,476,957 | 2,074,584 | 215,229 | - |
| Debts issued | 1,033,574 | - | - | - | - | 874,612 | 158,962 | - |
| Total liabilities | 43,138,879 | 25,215,518 | 8,419,908 | 2,404,306 | 3,485,236 | 3,239,720 | 374,191 | - |
| Total interest sensitivity gap | 1,365,776 | (12,292,678) | 11,492,809 | 582,212 | (1,822,287) | 1,073,809 | 312,286 | 2,019,625 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(d) Market risk (Continued)**

**(ii) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MUR, with all other variables held constant on the statement of profit or loss (due to the fair value of currency sensitive non trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the MUR would have resulted in an equivalent but opposite impact.

**THE GROUP**

| | | **2016** | | |
|---|---|---|---|---|
| | **% Change in Currency rate** | **Effect of change in currency on** | | **Sensitivity of profit or loss** |
| **Currency** | | **Assets** | **Liabilities** | |
| | | **MUR'000** | **MUR'000** | **MUR'000** |
| **AUD** | **+5%** | **51,931** | **(51,990)** | **(59)** |
| | **-5%** | **(51,931)** | **51,990** | **59** |
| **EUR** | **+5%** | **805,867** | **(796,186)** | **9,681** |
| | **-5%** | **(805,867)** | **796,186** | **(9,681)** |
| **GBP** | **+5%** | **253,696** | **(251,309)** | **2,387** |
| | **-5%** | **(253,696)** | **251,309** | **(2,387)** |
| **USD** | **+5%** | **2,458,684** | **(2,458,567)** | **117** |
| | **-5%** | **(2,458,684)** | **2,458,567** | **(117)** |

| | | 2015 | | |
|---|---|---|---|---|
| | % Change in Currency rate | Effect of change in currency on | | Sensitivity of profit or loss |
| Currency | | Assets | Liabilities | |
| | | MUR'000 | MUR'000 | MUR'000 |
| AUD | +5% | 45,933 | (47,718) | (1,784) |
| | -5% | (45,933) | 47,718 | 1,784 |
| EUR | +5% | 676,955 | (669,708) | 7,247 |
| | -5% | (676,955) | 669,708 | (7,247) |
| GBP | +5% | 195,728 | (197,099) | (1,370) |
| | -5% | (195,728) | 197,099 | 1,370 |
| USD | +5% | 2,107,614 | (2,139,310) | (31,696) |
| | -5% | (2,107,614) | 2,139,310 | 31,696 |

| | | 2014 | | |
|---|---|---|---|---|
| | % Change in Currency rate | Effect of change in currency on | | Sensitivity of profit or loss |
| Currency | | Assets | Liabilities | |
| | | MUR'000 | MUR'000 | MUR'000 |
| AUD | +5% | 38,575 | (39,126) | (551) |
| | -5% | (38,575) | 39,126 | 551 |
| EUR | +5% | 390,333 | (383,612) | 6,721 |
| | -5% | (390,333) | 383,612 | (6,721) |
| GBP | +5% | 176,539 | (196,358) | (19,819) |
| | -5% | (176,539) | 196,358 | 19,819 |
| USD | +5% | 1,152,645 | (1,168,377) | (15,732) |
| | -5% | (1,152,645) | 1,168,377 | 15,732 |

# 37. FINANCIAL RISK MANAGEMENT (Continued)

**(d) Market risk (Continued)**

**(ii) Currency risk (Continued)**

**THE BANK**

| **Currency** | **% Change in Currency rate** | **2016 Effect of change in currency on Assets** | **Liabilities** | **Sensitivity of profit or loss** |
|---|---|---|---|---|
| | | **MUR'000** | **MUR'000** | **MUR'000** |
| **AUD** | **+5%** | **51,930** | **(51,989)** | **(59)** |
| | **-5%** | **(51,930)** | **51,989** | **59** |
| **EUR** | **+5%** | **805,855** | **(796,186)** | **9,668** |
| | **-5%** | **(805,855)** | **796,186** | **(9,668)** |
| **GBP** | **+5%** | **253,693** | **(251,309)** | **2,384** |
| | **-5%** | **(253,693)** | **251,309** | **(2,384)** |
| **USD** | **+5%** | **2,453,074** | **(2,444,084)** | **8,990** |
| | **-5%** | **(2,453,074)** | **2,444,084** | **(8,990)** |

| Currency | % Change in Currency rate | 2015 Effect of change in currency on Assets | Liabilities | Sensitivity of profit or loss |
|---|---|---|---|---|
| | | MUR'000 | MUR'000 | MUR'000 |
| AUD | +5% | 31,654 | (31,553) | 101 |
| | -5% | (31,654) | 31,553 | (101) |
| EUR | +5% | 664,379 | (657,827) | 6,551 |
| | -5% | (664,379) | 657,827 | (6,551) |
| GBP | +5% | 194,886 | (194,601) | 285 |
| | -5% | (194,886) | 194,601 | (285) |
| USD | +5% | 2,070,531 | (2,058,421) | 12,110 |
| | -5% | (2,070,531) | 2,058,421 | (12,110) |

| Currency | % Change in Currency rate | 2014 Effect of change in currency on Assets | Liabilities | Sensitivity of profit or loss |
|---|---|---|---|---|
| | | MUR'000 | MUR'000 | MUR'000 |
| AUD | +5% | 19,117 | (19,061) | 56 |
| | -5% | (19,117) | 19,061 | (56) |
| EUR | +5% | 386,881 | (379,834) | 7,047 |
| | -5% | (386,881) | 379,834 | (7,047) |
| GBP | +5% | 148,112 | (147,928) | 184 |
| | -5% | (148,112) | 147,928 | (184) |
| USD | +5% | 1,136,440 | (1,126,763) | 9,677 |
| | -5% | (1,136,440) | 1,126,763 | (9,677) |

**(e) Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices. The non-trading equity price risk exposure arises from available-for-sale investments. A 10 percent increase in the value of the Group's available-for-sale equities as at 30 June 2016 would have increased equity by MUR 3.5m (2015: MUR 4.1m and 2014: MUR 3.9m). An equivalent decrease would have resulted in an equivalent but opposite impact.

# 38. CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Group and the Bank. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

**Capital management**

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

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

**ELIGIBLE RISK-WEIGHTED CAPITAL**

| | | THE GROUP | | | THE BANK | |
|---|---|---|---|---|---|---|
| | **Basel III 2016** | Basel III 2015 | Basel II 2014 | **Basel III 2016** | Basel III 2015 | Basel II 2014 |
| | **MUR'000** | MUR'000 | MUR'000 | **MUR'000** | MUR'000 | MUR'000 |
| Tier 1 capital | **4,181,032** | 3,545,651 | 2,842,914 | **4,328,220** | 4,016,507 | 2,797,817 |
| Tier 2 capital | **758,113** | 971,082 | 997,650 | **663,332** | 896,799 | 699,662 |
| Total capital | **4,939,145** | 4,516,733 | 3,840,564 | **4,991,552** | 4,913,306 | 3,497,479 |
| **Risk-weighted assets** | **43,099,296** | 37,083,800 | 28,826,897 | **42,812,653** | 35,881,489 | 26,757,280 |
| | **%** | % | % | **%** | % | % |
| Capital adequacy ratio | **11.5** | 12.2 | 13.3 | **11.7** | 13.7 | 13.1 |

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings, foreign currency translation and other reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Mauritius. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt.

# 39. EVENTS AFTER REPORTING DATE

**(i) Rights Issue**

The Board of Directors gave an "in principle" approval for a rights issue of MUR 600m by end of December 2016 at a meeting held on the 28 July 2016.

**(ii) Dividend**

Approval from the Regulators was received in July 2016 for the June 2016 tranche of the Class A shares Series 1 and 2, payment of MUR 71.3m which was effected in the same month of approval received.

# 40. HEDGE ACCOUNTING

## (a) THE GROUP

**Hedge of net investment in foreign operations**

The Bank did not apply any hedge accounting during the year under review.

During the year ended 30 June 2015 the hedge was ineffective and MUR 82.3m has been recognised in profit or loss. No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss in 2014.

For the financial year 2014, the Group hedged part of the currency risk of its net investment in foreign operations using a portfolio of identified deposits from customers and debts issued.

As at 30 June 2014, deposit from customers and debts issued for an amount of MUR 438m (2013 and 2012: MUR 300m), was designated as a hedge of the Bank's net investment in its subsidiary, AfrAsia Holdings Limited, and was used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the retranslation of the identified portion of the deposit from customers and debts issued, due to exchange rate risk, were transferred to equity to offset any gains or losses on translation of the net investment in the subsidiary.

## (b) THE BANK

**Fair value hedges**

Fair value hedges are used by the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates. The assets and liabilities hedged for exchange rate risk include investment in subsidiary, deposits from customers and debts issued. The Bank's fair value hedge relationship is principally the retranslation difference of the portfolio of identified deposit from customers and debt to acquire the investment, used to hedge the foreign currency risk of the investment in subsidiary.

Gains or losses due to changes on fair value hedges for the year:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| **Gains/(losses) on:** | **MUR'000** | MUR'000 | MUR'000 |
| Hedged instruments | - | (82,316) | 7,008 |
| Hedged items attributable to the hedged risk | - | 82,316 | (7,008) |
| Hedge ineffectiveness recognised immediately in profit or loss | - | - | - |

# 41. OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

## THE GROUP

**2016**

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|---|---|---|---|---|---|
| | **Gross amount** | **Amount offset** | **Net amount reported** | **Cash collateral** | **Net amount** |
| | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **ASSETS** | | | | | |
| **Cash and balances with the Central Bank** | 3,029,129 | - | 3,029,129 | - | 3,029,129 |
| **Due from banks** | 46,009,527 | - | 46,009,527 | - | 46,009,527 |
| **Derivative financial instruments** | 105,003 | 33,644 | 138,647 | - | 138,647 |
| **Financial investments - held-for-trading** | 4,893,741 | - | 4,893,741 | - | 4,893,741 |
| **Loans and advances to customers** | 21,958,341 | - | 21,958,341 | (711,881) | 21,246,460 |
| **Financial investments - available-for-sale** | 350,798 | - | 350,798 | - | 350,798 |
| **Financial investments - held-to-maturity** | 11,538,879 | - | 11,538,879 | - | 11,538,879 |
| **Other assets** | 130,207 | - | 130,207 | - | 130,207 |
| | 88,015,625 | 33,644 | 88,049,269 | (711,881) | 87,337,388 |
| **LIABILITIES** | | | | | |
| **Due to banks** | 173,510 | - | 173,510 | - | 173,510 |
| **Derivative financial instruments** | 199,273 | 33,644 | 232,917 | - | 232,917 |
| **Deposits from customers** | 80,012,268 | - | 80,012,268 | (711,881) | 79,300,387 |
| **Debts issued** | 1,489,943 | - | 1,489,943 | - | 1,489,943 |
| **Current tax liabilities** | 84,510 | - | 84,510 | - | 84,510 |
| **Other liabilities** | 1,770,876 | - | 1,770,876 | - | 1,770,876 |
| | 83,730,380 | 33,644 | 83,764,024 | (711,881) | 83,052,143 |

# 41. OFFSETTING FINANCIAL INSTRUMENTS (Continued)

**THE GROUP (Continued)**

2015

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|---|---|---|---|---|---|
| | Gross amount | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| ASSETS | | | | | |
| Cash and balances with the Central Bank | 2,514,213 | - | 2,514,213 | - | 2,514,213 |
| Due from banks | 41,447,016 | - | 41,447,016 | - | 41,447,016 |
| Derivative financial instruments | 273,327 | (55,944) | 217,383 | - | 217,383 |
| Financial investments - held-for-trading | 3,045,474 | - | 3,045,474 | - | 3,045,474 |
| Loans and advances to customers | 21,772,735 | - | 21,772,735 | (800,735) | 20,972,000 |
| Financial investments - available-for-sale | 41,049 | - | 41,049 | - | 41,049 |
| Financial investments - held-to-maturity | 5,071,692 | - | 5,071,692 | - | 5,071,692 |
| Other assets | 263,743 | - | 263,743 | - | 263,743 |
| | 74,429,249 | (55,944) | 74,373,305 | (800,735) | 73,572,570 |
| LIABILITIES | | | | | |
| Due to banks | 227,418 | - | 227,418 | - | 227,418 |
| Derivative financial instruments | 611,038 | (55,944) | 555,094 | - | 555,094 |
| Deposits from customers | 66,437,716 | - | 66,437,716 | (800,735) | 65,636,981 |
| Debts issued | 1,655,238 | - | 1,655,238 | - | 1,655,238 |
| Current tax liabilities | 67,836 | - | 67,836 | - | 67,836 |
| Other liabilities | 1,627,871 | - | 1,627,871 | - | 1,627,871 |
| | 70,627,117 | (55,944) | 70,571,173 | (800,735) | 69,770,438 |

2014

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|---|---|---|---|---|---|
| | Gross amount | Amount offset | Net amount reported | Cash collateral | Net amount |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| ASSETS | | | | | |
| Cash and balances with the Central Bank | 2,021,272 | - | 2,021,272 | - | 2,021,272 |
| Due from banks | 18,265,309 | - | 18,265,309 | - | 18,265,309 |
| Derivative financial instruments | 894,952 | (34,107) | 860,845 | - | 860,845 |
| Financial investments - held-for-trading | 2,636,145 | - | 2,636,145 | - | 2,636,145 |
| Loans and advances to customers | 17,227,455 | - | 17,227,455 | (359,380) | 16,868,075 |
| Financial investments - available-for-sale | 341,340 | - | 341,340 | - | 341,340 |
| Financial investments - held-to-maturity | 6,836,837 | - | 6,836,837 | - | 6,836,837 |
| Other assets | 197,071 | - | 197,071 | - | 197,071 |
| | 48,420,381 | (34,107) | 48,386,274 | (359,380) | 48,026,894 |
| LIABILITIES | | | | | |
| Due to banks | 1,015,350 | - | 1,015,350 | - | 1,015,350 |
| Derivative financial instruments | 891,549 | (34,107) | 857,442 | - | 857,442 |
| Deposits from customers | 40,413,544 | - | 40,413,544 | (359,380) | 40,054,164 |
| Debts issued | 1,108,517 | - | 1,108,517 | - | 1,108,517 |
| Current tax liabilities | 53,040 | - | 53,040 | - | 53,040 |
| Other liabilities | 2,091,923 | - | 2,091,923 | - | 2,091,923 |
| | 45,573,923 | (34,107) | 45,539,816 | (359,380) | 45,180,436 |

# 41. OFFSETTING FINANCIAL INSTRUMENTS (Continued)

The Group and the Bank offsetting financial arrangement is summarised below.

**THE BANK**

**2016**

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|---|---|---|---|---|---|
| | **Gross amount** | **Amount offset** | **Net amount reported** | **Cash collateral** | **Net amount** |
| | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| **ASSETS** | | | | | |
| **Cash and balances with the Central Bank** | **3,029,129** | **-** | **3,029,129** | **-** | **3,029,129** |
| **Due from banks** | **46,000,675** | **-** | **46,000,675** | **-** | **46,000,675** |
| **Derivative financial instruments** | **-** | **33,644** | **33,644** | **-** | **33,644** |
| **Financial investments - held-for-trading** | **3,542,070** | **-** | **3,542,070** | **-** | **3,542,070** |
| **Loans and advances to customers** | **21,958,341** | **-** | **21,958,341** | **(711,881)** | **21,246,460** |
| **Financial investments - available-for-sale** | **316,033** | **-** | **316,033** | **-** | **316,033** |
| **Financial investments - held-to-maturity** | **11,538,879** | **-** | **11,538,879** | **-** | **11,538,879** |
| **Other assets** | **206,184** | **-** | **206,184** | **-** | **206,184** |
| | **86,591,311** | **33,644** | **86,624,955** | **(711,881)** | **85,913,074** |
| **LIABILITIES** | | | | | |
| **Due to banks** | **173,510** | **-** | **173,510** | **-** | **173,510** |
| **Derivative financial instruments** | **94,270** | **33,644** | **127,914** | **-** | **127,914** |
| **Deposits from customers** | **80,378,976** | **-** | **80,378,976** | **(711,881)** | **79,667,095** |
| **Debts issued** | **1,111,032** | **-** | **1,111,032** | **-** | **1,111,032** |
| **Current tax liabilities** | **84,379** | **-** | **84,379** | **-** | **84,379** |
| **Other liabilities** | **407,506** | **-** | **407,506** | **-** | **407,506** |
| | **82,249,673** | **33,644** | **82,283,317** | **(711,881)** | **81,571,436** |

2015

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|---|---|---|---|---|---|
| | **Gross amount** | **Amount offset** | **Net amount reported** | **Cash collateral** | **Net amount** |
| | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| ASSETS | | | | | |
| Cash and balances with the Central Bank | 2,512,469 | - | 2,512,469 | - | 2,512,469 |
| Due from banks | 41,434,529 | - | 41,434,529 | - | 41,434,529 |
| Derivative financial instruments | 124,471 | (55,944) | 68,527 | - | 68,527 |
| Financial investments - held-for-trading | 1,967,124 | - | 1,967,124 | - | 1,967,124 |
| Loans and advances to customers | 21,707,868 | - | 21,707,868 | (800,735) | 20,907,133 |
| Financial investments - held-to-maturity | 5,071,692 | - | 5,071,692 | - | 5,071,692 |
| Other assets | 288,150 | - | 288,150 | - | 288,150 |
| | 73,106,303 | (55,944) | 73,050,359 | (800,735) | 72,249,624 |
| LIABILITIES | | | | | |
| Due to banks | 227,411 | - | 227,411 | - | 227,411 |
| Derivative financial instruments | 110,719 | (55,944) | 54,775 | - | 54,775 |
| Deposits from customers | 66,928,651 | - | 66,928,651 | (800,735) | 66,127,916 |
| Debts issued | 1,094,275 | - | 1,094,275 | - | 1,094,275 |
| Other liabilities | 531,787 | - | 531,787 | - | 531,787 |
| Current tax liabilities | 51,327 | - | 51,327 | - | 51,327 |
| | 68,944,170 | (55,944) | 68,888,226 | (800,735) | 68,087,491 |

# 41. OFFSETTING FINANCIAL INSTRUMENTS (Continued)

**THE BANK (Continued)**

2014

| | Effect of offsetting on statement of financial position | | | Related amounts not offset | |
|---|---|---|---|---|---|
| | **Gross amount** | **Amount offset** | **Net amount reported** | **Cash collateral** | **Net amount** |
| | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| ASSETS | | | | | |
| Cash and balances with the Central Bank | 2,019,625 | - | 2,019,625 | - | 2,019,625 |
| Due from banks | 18,251,138 | - | 18,251,138 | - | 18,251,138 |
| Derivative financial instruments | 110,195 | (34,107) | 76,088 | - | 76,088 |
| Financial investments - held-for-trading | 1,911,412 | - | 1,911,412 | - | 1,911,412 |
| Loans and advances to customers | 17,397,055 | - | 17,397,055 | (359,380) | 17,037,675 |
| Financial investments - held-to-maturity | 6,836,837 | - | 6,836,837 | - | 6,836,837 |
| Other assets | 174,217 | - | 174,217 | - | 174,217 |
| | 46,700,479 | (34,107) | 46,666,372 | (359,380) | 46,306,992 |
| LIABILITIES | | | | | |
| Due to banks | 1,015,350 | - | 1,015,350 | - | 1,015,350 |
| Derivative financial instruments | 106,792 | (34,107) | 72,685 | - | 72,685 |
| Deposits from customers | 41,089,955 | - | 41,089,955 | (359,380) | 40,730,575 |
| Debts issued | 1,033,574 | - | 1,033,574 | - | 1,033,574 |
| Current tax liabilities | 44,739 | - | 44,739 | - | 44,739 |
| Other liabilities | 599,510 | - | 599,510 | - | 599,510 |
| | 43,889,920 | (34,107) | 43,855,813 | (359,380) | 43,496,433 |

The Bank entered into various forward-geared contracts with Firstrand Bank. On maturity of these contracts, the Bank will be required to pay only the net amount. Hence the fair value of all the forward geared contracts has been offset in the financial statements.

The Bank receives cash collaterals as security on various loan arrangements. The Bank has a right to offset these cash collaterals against the loan amounts on default of the Bank's clients.
As at 30 June 2016, 2015 and 2014 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

# 42. SEGMENTAL REPORTING

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

| | | Year ended 30 June 2016 | | | Year ended 30 June 2015 | | | Year ended 30 June 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| | **Notes** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Interest income | I | **970,380** | **770,231** | **1,740,611** | 913,803 | 695,350 | 1,609,153 | 839,321 | 514,037 | 1,353,358 |
| Interest expense | II | **(572,668)** | **(202,244)** | **(774,912)** | (581,823) | (166,741) | (748,564) | (558,281) | (136,057) | (694,338) |
| **Net interest income** | | **397,712** | **567,987** | **965,699** | 331,980 | 528,609 | 860,589 | 281,040 | 377,980 | 659,020 |
| Fees and commission income | III | **87,841** | **369,402** | **457,243** | 86,313 | 254,693 | 341,006 | 52,028 | 155,355 | 207,383 |
| Fees and commission expense | III | **(40,725)** | **(118,715)** | **(159,440)** | (21,268) | (51,500) | (72,768) | (12,155) | (25,888) | (38,043) |
| **Net fees and commission income** | III | **47,116** | **250,687** | **297,803** | 65,045 | 203,193 | 268,238 | 39,873 | 129,467 | 169,340 |
| Net trading income | IVa | **198,295** | **396,388** | **594,683** | 142,459 | 328,623 | 471,082 | 160,219 | 85,596 | 245,815 |
| Other operating income | IVb | **1,770** | **4,205** | **5,975** | 45,498 | 1,346 | 46,844 | 100,251 | 2,135 | 102,386 |
| **Total operating income** | | **644,893** | **1,219,267** | **1,864,160** | 584,982 | 1,061,771 | 1,646,753 | 581,383 | 595,178 | 1,176,561 |
| Net allowance for credit impairment | V | **(332,061)** | **(312,496)** | **(644,557)** | (63,221) | (437,058) | (500,279) | (7,343) | (168,368) | (175,711) |
| **Net operating income** | | **312,832** | **906,771** | **1,219,603** | 521,761 | 624,713 | 1,146,474 | 574,040 | 426,810 | 1,000,850 |
| Personnel expenses | | **(131,296)** | **(265,494)** | **(396,790)** | (131,357) | (162,687) | (294,044) | (166,055) | (122,822) | (288,877) |
| Depreciation of equipment | | **(20,497)** | **(7)** | **(20,504)** | (5,082) | (8,454) | (13,536) | (3,174) | (3,704) | (6,878) |
| Amortisation of intangible assets | | **(9,224)** | **-** | **(9,224)** | (3,277) | (5,452) | (8,729) | (3,057) | (3,567) | (6,624) |
| Other operating expenses | | **(93,254)** | **(176,310)** | **(269,564)** | (102,890) | (170,483) | (273,373) | (80,437) | (111,822) | (192,259) |
| **Total operating expenses** | | **(254,271)** | **(441,811)** | **(696,082)** | (242,606) | (347,076) | (589,682) | (252,723) | (241,915) | (494,638) |
| **Operating profit** | | **58,561** | **464,960** | **523,521** | 279,155 | 277,637 | 556,792 | 321,317 | 184,895 | 506,212 |
| Impairment loss on subsidiary | | **-** | **-** | **-** | - | (302,554) | (302,554) | - | (217,000) | (217,000) |
| **Profit/(loss) before tax** | | **58,561** | **464,960** | **523,521** | 279,155 | (24,917) | 254,238 | 321,317 | (32,105) | 289,212 |
| Tax expense | | **(68,021)** | **(21,864)** | **(89,885)** | (69,023) | (10,184) | (79,207) | (57,669) | (8,898) | (66,567) |
| **(Loss)/profit for the year** | | **(9,460)** | **443,096** | **433,636** | 210,132 | (35,101) | 175,031 | 263,648 | (41,003) | 222,645 |
| **Other comprehensive income** | | | | | | | | | | |
| Loss on available-for-sale investments | | **(579)** | **-** | **(579)** | - | - | - | - | - | - |
| **Total comprehensive (loss)/income for the year** | | **(10,039)** | **443,096** | **433,057** | 210,132 | (35,101) | 175,031 | 263,648 | (41,003) | 222,645 |

# 42. SEGMENTAL REPORTING (Continued)

| | | | 2016 | | | 2015 | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| | **Notes** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| **ASSETS** | | | | | | | | | | |
| Cash and balances with the Central Bank | **VI** | **3,025,755** | **3,374** | **3,029,129** | 2,507,172 | 5,297 | 2,512,469 | 2,017,642 | 1,983 | 2,019,625 |
| Due from banks | **VII** | **3,205,600** | **42,795,075** | **46,000,675** | 1,967,313 | 39,467,216 | 41,434,529 | 1,310,031 | 16,941,107 | 18,251,138 |
| Derivative financial instruments | **VIII** | **31,542** | **2,102** | **33,644** | 49,661 | 18,866 | 68,527 | 53,155 | 22,933 | 76,088 |
| Financial investments - held-for-trading | **IX** | **3,433,624** | **108,446** | **3,542,070** | 1,790,437 | 176,687 | 1,967,124 | 1,683,896 | 227,516 | 1,911,412 |
| Loans and advances to customers | **X** | **10,686,508** | **11,271,833** | **21,958,341** | 10,161,523 | 11,546,345 | 21,707,868 | 7,773,017 | 9,624,038 | 17,397,055 |
| Investment in subsidiaries | **XI** | **189,563** | **-** | **189,563** | 189,563 | - | 189,563 | 189,563 | 220,238 | 409,801 |
| Financial investments - available-for-sale | **XII** | **316,033** | **-** | **316,033** | - | - | - | - | - | - |
| Financial investments - held-to-maturity | **XIII** | **6,416,506** | **5,122,373** | **11,538,879** | 4,940,784 | 130,908 | 5,071,692 | 6,706,789 | 130,048 | 6,836,837 |
| Equipment | **XIV** | **135,119** | **872** | **135,991** | 98,955 | - | 98,955 | 66,310 | - | 66,310 |
| Intangible assets | **XV** | **111,831** | **10** | **111,841** | 48,018 | - | 48,018 | 37,667 | - | 37,667 |
| Deferred tax assets | | **52,251** | **8,190** | **60,441** | 12,504 | 7,103 | 19,607 | 6,820 | 2,077 | 8,897 |
| Other assets | **XVI** | **186,761** | **19,423** | **206,184** | 211,906 | 76,244 | 288,150 | 155,300 | 18,917 | 174,217 |
| **TOTAL ASSETS** | | **27,791,093** | **59,331,698** | **87,122,791** | 21,977,836 | 51,428,666 | 73,406,502 | 20,000,190 | 27,188,857 | 47,189,047 |
| **LIABILITIES AND EQUITY** | | | | | | | | | | |
| Due to banks | **XVII** | **173,510** | **-** | **173,510** | 227,411 | - | 227,411 | 1,015,350 | - | 1,015,350 |
| Derivative financial instruments | **VIII** | **78,803** | **49,111** | **127,914** | 21,735 | 33,040 | 54,775 | 31,566 | 41,119 | 72,685 |
| Deposits from customers | **XVIII** | **20,248,788** | **60,130,188** | **80,378,976** | 18,116,076 | 48,812,575 | 66,928,651 | 14,990,745 | 26,099,210 | 41,089,955 |
| Debts issued | **XIX** | **1,111,032** | **-** | **1,111,032** | 1,094,275 | - | 1,094,275 | 1,033,574 | - | 1,033,574 |
| Other liabilities | **XXI** | **318,885** | **88,621** | **407,506** | 193,789 | 337,998 | 531,787 | 118,715 | 480,795 | 599,510 |
| Current tax liabilities | | **84,379** | **-** | **84,379** | 41,112 | 10,215 | 51,327 | 40,538 | 4,201 | 44,739 |
| **TOTAL LIABILITIES** | | **22,015,397** | **60,267,920** | **82,283,317** | 19,694,398 | 49,193,828 | 68,888,226 | 17,230,488 | 26,625,325 | 43,855,813 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | | | | | | | | | |
| Ordinary Shares | | | | **2,595,363** | | | 2,590,959 | | | 1,747,639 |
| Class A shares | | | | **1,385,768** | | | 1,385,768 | | | 1,386,244 |
| Treasury shares | | | | **-** | | | - | | | (405,776) |
| Share application monies | | | | **-** | | | 17,261 | | | - |
| Retained earnings | | | | **493,283** | | | 107,086 | | | 332,174 |
| Other reserves | | | | **365,060** | | | 417,202 | | | 272,953 |
| **TOTAL EQUITY** | | | | **4,839,474** | | | 4,518,276 | | | 3,333,234 |
| **TOTAL LIABILITIES AND EQUITY** | | | | **87,122,791** | | | 73,406,502 | | | 47,189,047 |

# 42. SEGMENTAL REPORTING (Continued)

| | | 2016 Segment A | 2016 Segment B | 2016 Total | 2015 Segment A | 2015 Segment B | 2015 Total | 2014 Segment A | 2014 Segment B | 2014 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| I | **INTEREST INCOME** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| | Due from banks | **17,492** | **244,498** | **261,990** | 11,777 | 176,487 | 188,264 | 13,464 | 105,306 | 118,770 |
| | Loans and advances to customers | **710,603** | **513,423** | **1,224,026** | 629,143 | 501,142 | 1,130,285 | 546,816 | 389,941 | 936,757 |
| | Financial investments held-to-maturity | **230,460** | **12,310** | **242,770** | 270,610 | 17,721 | 288,331 | 279,041 | 18,790 | 297,831 |
| | Placements with Central Bank | **11,825** | **-** | **11,825** | 2,273 | - | 2,273 | - | - | - |
| | | **970,380** | **770,231** | **1,740,611** | 913,803 | 695,350 | 1,609,153 | 839,321 | 514,037 | 1,353,358 |
| II | **INTEREST EXPENSE** | | | | | | | | | |
| | Due to banks | **2,319** | **16,921** | **19,240** | 4,613 | 2,463 | 7,076 | 15,029 | 30 | 15,059 |
| | Deposits from customers | **489,712** | **185,323** | **675,035** | 498,453 | 164,278 | 662,731 | 467,560 | 136,027 | 603,587 |
| | Other | **80,637** | **-** | **80,637** | 78,757 | - | 78,757 | 75,692 | - | 75,692 |
| | | **572,668** | **202,244** | **774,912** | 581,823 | 166,741 | 748,564 | 558,281 | 136,057 | 694,338 |
| III | **NET FEES AND COMMISSION INCOME** | | | | | | | | | |
| | **Fees and commission income** | | | | | | | | | |
| | Credit related fees and commission income | **84,048** | **237,592** | **321,640** | 79,462 | 194,556 | 274,018 | 44,077 | 138,377 | 182,454 |
| | Custody fees income | **-** | **118,220** | **118,220** | - | 55,019 | 55,019 | - | 10,719 | 10,719 |
| | Other fees received | **3,793** | **13,590** | **17,383** | 6,851 | 5,118 | 11,969 | 7,951 | 6,259 | 14,210 |
| | **Total fees and commission income** | **87,841** | **369,402** | **457,243** | 86,313 | 254,693 | 341,006 | 52,028 | 155,355 | 207,383 |
| | **Fees and commission expense** | | | | | | | | | |
| | Custody fees expense | **(13,630)** | **(31,798)** | **(45,428)** | (5) | (1,614) | (1,619) | (103) | (639) | (742) |
| | Other fees | **(27,095)** | **(86,917)** | **(114,012)** | (21,263) | (49,886) | (71,149) | (12,052) | (25,249) | (37,301) |
| | **Total fees and commission expense** | **(40,725)** | **(118,715)** | **(159,440)** | (21,268) | (51,500) | (72,768) | (12,155) | (25,888) | (38,043) |
| | **Net fees and commission income** | **47,116** | **250,687** | **297,803** | 65,045 | 203,193 | 268,238 | 39,873 | 129,467 | 169,340 |
| IV(a) | **NET TRADING INCOME** | | | | | | | | | |
| | Financial investments held-for-trading | **83,218** | **14,270** | **97,488** | 32,235 | 7,536 | 39,771 | 18,902 | 20,920 | 39,822 |
| | Foreign exchange | **115,077** | **382,118** | **497,195** | 110,224 | 321,087 | 431,311 | 141,317 | 64,676 | 205,993 |
| | | **198,295** | **396,388** | **594,683** | 142,459 | 328,623 | 471,082 | 160,219 | 85,596 | 245,815 |
| IV(b) | **OTHER OPERATING INCOME** | | | | | | | | | |
| | Dividend income | **-** | **-** | **-** | 45,000 | - | 45,000 | 100,000 | - | 100,000 |
| | Transaction and other related fees | **1,770** | **4,205** | **5,975** | 498 | 1,346 | 1,844 | 251 | 2,135 | 2,386 |
| | | **1,770** | **4,205** | **5,975** | 45,498 | 1,346 | 46,844 | 100,251 | 2,135 | 102,386 |
| V | **NET ALLOWANCE FOR CREDIT IMPAIRMENT** | | | | | | | | | |
| | Portfolio and specific provisions on loans and advances to customers | **332,061** | **312,496** | **644,557** | 63,221 | 437,058 | 500,279 | 7,343 | 168,368 | 175,711 |
| | | **332,061** | **312,496** | **644,557** | 63,221 | 437,058 | 500,279 | 7,343 | 168,368 | 175,711 |
| VI | **CASH AND BALANCES WITH THE CENTRAL BANK** | | | | | | | | | |
| | Cash in hand | **6,051** | **3,374** | **9,425** | 13,589 | 5,297 | 18,886 | 4,372 | 1,983 | 6,355 |
| | Current account with the Central Bank | **2,211,048** | **-** | **2,211,048** | 1,868,416 | - | 1,868,416 | 2,013,270 | - | 2,013,270 |
| | Placements with the Central Bank | **808,656** | **-** | **808,656** | 625,167 | - | 625,167 | - | - | - |
| | | **3,025,755** | **3,374** | **3,029,129** | 2,507,172 | 5,297 | 2,512,469 | 2,017,642 | 1,983 | 2,019,625 |

# 42. SEGMENTAL REPORTING (Continued)

| | | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| **VII** | **DUE FROM BANKS** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| | Placements with other banks | **1,423,376** | **14,740,805** | **16,164,181** | 1,963,057 | 12,009,953 | 13,973,010 | 1,293,077 | 5,665,374 | 6,958,451 |
| | Current accounts with other banks | **1,782,224** | **28,052,776** | **29,835,000** | 2,960 | 27,455,785 | 27,458,745 | 15,787 | 11,274,409 | 11,290,196 |
| | Other amounts due | **-** | **1,494** | **1,494** | 1,296 | 1,478 | 2,774 | 1,167 | 1,324 | 2,491 |
| | | **3,205,600** | **42,795,075** | **46,000,675** | 1,967,313 | 39,467,216 | 41,434,529 | 1,310,031 | 16,941,107 | 18,251,138 |

**VIII DERIVATIVE FINANCIAL INSTRUMENTS**

| | 2016 | | | | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Segment A** | **Segment B** | **Total** | **Notional Amount** | Segment A | Segment B | Total | Notional Amount | Segment A | Segment B | Total | Notional Amount |
| **ASSETS** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| **Derivatives held-for-trading** | | | | | | | | | | | | |
| Foreign Exchange Option Contracts | **8,147** | **-** | **8,147** | **16,365,970** | 17,224 | - | 17,224 | 12,835,526 | - | 8,239 | 8,239 | 8,661,329 |
| Forward Foreign Exchange Contracts | **23,395** | **2,102** | **25,497** | **7,413,567** | 32,437 | 18,866 | 51,303 | 6,371,802 | 53,155 | 14,694 | 67,849 | 8,134,679 |
| | **31,542** | **2,102** | **33,644** | **23,779,537** | 49,661 | 18,866 | 68,527 | 19,207,328 | 53,155 | 22,933 | 76,088 | 16,796,008 |
| **LIABILITIES** | | | | | | | | | | | | |
| **Derivatives held-for-trading** | | | | | | | | | | | | |
| Foreign Exchange Option Contracts | **-** | **(8,147)** | **(8,147)** | **16,365,970** | - | (17,224) | (17,224) | 12,835,526 | (23,327) | (41,119) | (64,446) | 8,134,679 |
| Forward Foreign Exchange Contracts | **(78,803)** | **(40,964)** | **(119,767)** | **7,413,567** | (21,735) | (15,816) | (37,551) | 6,371,802 | (8,239) | - | (8,239) | 8,661,329 |
| | **(78,803)** | **(49,111)** | **(127,914)** | **23,779,537** | (21,735) | (33,040) | (54,775) | 19,207,328 | (31,566) | (41,119) | (72,685) | 16,796,008 |

| | | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| **IX** | **FINANCIAL INVESTMENTS - HELD-FOR-TRADING** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| | Government of Mauritius debt securities | **2,923,763** | **-** | **2,923,763** | 1,465,219 | - | 1,465,219 | 1,071,625 | - | 1,071,625 |
| | Bank of Mauritius bonds and notes | **344,663** | **-** | **344,663** | 234,518 | - | 234,518 | 585,736 | - | 585,736 |
| | Debt securities | **165,198** | **108,446** | **273,644** | 90,700 | 176,687 | 267,387 | 26,535 | 227,516 | 254,051 |
| | | **3,433,624** | **108,446** | **3,542,070** | 1,790,437 | 176,687 | 1,967,124 | 1,683,896 | 227,516 | 1,911,412 |

# 42. SEGMENTAL REPORTING (Continued)

| | | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| **X** | **LOANS AND ADVANCES TO CUSTOMERS** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| | **(a) Remaining term to maturity** | | | | | | | | | |
| | Within 3 months | **5,173,222** | **2,730,571** | **7,903,793** | 4,616,615 | 1,777,700 | 6,394,315 | 3,309,656 | 1,156,401 | 4,466,057 |
| | Over 3 to 6 months | **224,729** | **1,356,946** | **1,581,675** | 348,377 | 1,613,896 | 1,962,273 | 381,004 | 1,011,784 | 1,392,788 |
| | Over 6 to 12 months | **270,217** | **1,948,591** | **2,218,808** | 814,154 | 1,797,513 | 2,611,667 | 92,355 | 170,447 | 262,802 |
| | Over 1 to 5 years | **3,167,385** | **4,244,294** | **7,411,679** | 3,538,688 | 5,836,937 | 9,375,625 | 1,812,979 | 6,551,224 | 8,364,203 |
| | Over 5 years | **2,304,537** | **1,510,351** | **3,814,888** | 973,138 | 776,840 | 1,749,978 | 2,243,587 | 924,964 | 3,168,551 |
| | Gross core loans and advances to customers | **11,140,090** | **11,790,753** | **22,930,843** | 10,290,972 | 11,802,886 | 22,093,858 | 7,839,581 | 9,814,820 | 17,654,401 |
| | Less Allowances for impairment losses | **(453,582)** | **(518,920)** | **(972,502)** | (129,449) | (256,541) | (385,990) | (66,564) | (190,782) | (257,346) |
| | Net core loans and advances to customers | **10,686,508** | **11,271,833** | **21,958,341** | 10,161,523 | 11,546,345 | 21,707,868 | 7,773,017 | 9,624,038 | 17,397,055 |
| | **(b) Credit concentration of risk by industry sectors** | | | | | | | | | |
| | Agriculture and fishing | **352,327** | **203,584** | **555,911** | 730,236 | 197,500 | 927,736 | 505,455 | 170,052 | 675,507 |
| | Manufacturing | **573,894** | **1,342,847** | **1,916,741** | 595,445 | 2,040,568 | 2,636,013 | 640,153 | 2,028,890 | 2,669,043 |
| | Tourism | **2,960,458** | **52,242** | **3,012,700** | 2,763,202 | 37,769 | 2,800,971 | 2,033,075 | 64,633 | 2,097,708 |
| | Transport | **3,555** | **551,938** | **555,493** | 11,271 | 471,914 | 483,185 | 13,963 | 154,959 | 168,922 |
| | Construction, infrastructure and real estate | **2,333,856** | **581,435** | **2,915,291** | 1,662,342 | 625,923 | 2,288,265 | 1,528,829 | 800,915 | 2,329,744 |
| | Financial and business services | **1,883,717** | **2,384,472** | **4,268,189** | 1,509,196 | 2,347,038 | 3,856,234 | 701,871 | 1,968,833 | 2,670,704 |
| | Traders | **1,320,891** | **828,113** | **2,149,004** | 1,163,486 | 639,666 | 1,803,152 | 977,504 | 681,866 | 1,659,370 |
| | Personal | **1,305,078** | **474,273** | **1,779,351** | 1,459,918 | 387,293 | 1,847,211 | 1,216,242 | 331,833 | 1,548,075 |
| | Professional | **6,370** | **-** | **6,370** | 7,951 | - | 7,951 | 8,830 | - | 8,830 |
| | Global Business Licence Holders (GBL) | **-** | **3,655,303** | **3,655,303** | - | 3,618,017 | 3,618,017 | - | 2,155,428 | 2,155,428 |
| | Information, communication and technology | **96,694** | **-** | **96,694** | 98,089 | 63,372 | 161,461 | 61,902 | 128,704 | 190,606 |
| | Government | | **345,923** | **345,923** | - | 355,794 | 355,794 | - | 305,507 | 305,507 |
| | Other entities | **303,250** | **1,370,623** | **1,673,873** | 289,836 | 1,018,032 | 1,307,868 | 151,757 | 1,023,200 | 1,174,957 |
| | | **11,140,090** | **11,790,753** | **22,930,843** | 10,290,972 | 11,802,886 | 22,093,858 | 7,839,581 | 9,814,820 | 17,654,401 |
| | **(c) Allowance for credit losses** | | | | | | | | | |
| | At beginning of year | **121,521** | **264,469** | **385,990** | 66,564 | 190,782 | 257,346 | 59,865 | 22,413 | 82,278 |
| | Amount written off against allowance | **-** | **(58,045)** | **(58,045)** | (336) | (371,299) | (371,635) | (643) | - | (643) |
| | Charge for the year | **332,061** | **312,496** | **644,557** | 63,221 | 437,058 | 500,279 | 7,343 | 168,368 | 175,711 |
| | At end of year | **453,582** | **518,920** | **972,502** | 129,449 | 256,541 | 385,990 | 66,565 | 190,781 | 257,346 |

# 42. SEGMENTAL REPORTING (Continued)

**X LOANS AND ADVANCES TO CUSTOMERS (Continued)**

**(d) Allowance for credit losses by sector**

| | 2016 | | | | Total | | |
|---|---|---|---|---|---|---|---|
| | Gross amount of loans | Non performing loans | Specific provision | Portfolio provision | 2016 | 2015 | 2014 |
| | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Agriculture and fishing | 555,911 | - | - | 5,592 | 5,592 | 5,697 | 3,376 |
| Manufacturing | 1,916,741 | 654,986 | 265,731 | 16,129 | 281,860 | 24,218 | 12,740 |
| Tourism | 3,012,700 | 51,552 | 18,188 | 30,931 | 49,119 | 17,991 | 10,633 |
| Transport | 555,493 | 189,800 | 64,178 | 5,021 | 69,199 | 2,755 | 800 |
| Construction, infrastructure and real estate | 2,915,291 | 591,675 | 86,760 | 29,304 | 116,064 | 36,658 | 12,020 |
| Financial and business services | 4,268,189 | 250,265 | 22,606 | 41,137 | 63,743 | 132,156 | 12,723 |
| Traders | 2,149,004 | 217,987 | 128,141 | 20,817 | 148,958 | 29,514 | 26,727 |
| Personal | 1,779,351 | 252,226 | 63,116 | 24,217 | 87,333 | 22,710 | 14,494 |
| Professional | 6,370 | - | - | 62 | 62 | 47 | 42 |
| Information, communication and technology | 96,694 | 20,406 | 2,343 | 876 | 3,219 | 1,622 | 1,071 |
| Government | 345,923 | - | - | 3,133 | 3,133 | 2,033 | 1,439 |
| Global Business Licence Holders (GBL) | 3,655,303 | 182,383 | 73,372 | 31,676 | 105,048 | 79,334 | 155,776 |
| Other entities | 1,673,873 | 52,277 | 25,573 | 13,599 | 39,172 | 31,255 | 5,505 |
| | 22,930,843 | 2,463,557 | 750,008 | 222,494 | 972,502 | 385,990 | 257,346 |
| **Analysed by Segments:** | | | | | | | |
| **Segment A** | | | | | | | |
| Agriculture and fishing | 352,327 | - | - | 3,748 | 3,748 | 4,569 | 2,575 |
| Manufacturing | 573,894 | 225,752 | 22,106 | 5,603 | 27,709 | 5,379 | 3,183 |
| Tourism | 2,960,458 | 51,552 | 18,188 | 30,458 | 48,646 | 17,775 | 10,329 |
| Transport | 3,555 | - | - | 22 | 22 | 59 | 71 |
| Construction, infrastructure and real estate | 2,333,856 | 591,675 | 86,760 | 24,038 | 110,798 | 33,082 | 8,247 |
| Financial and business services | 1,883,717 | 250,265 | 21,441 | 19,541 | 40,982 | 19,152 | 3,449 |
| Traders | 1,320,891 | 217,987 | 128,141 | 13,408 | 141,549 | 25,888 | 23,586 |
| Personal | 1,305,078 | 242,347 | 52,736 | 20,624 | 73,360 | 20,652 | 13,289 |
| Professional | 6,370 | - | - | 62 | 62 | 47 | 42 |
| Information, communication and technology | 96,694 | 20,406 | 2,343 | 876 | 3,219 | 1,260 | 1,071 |
| Government | - | - | - | - | - | - | - |
| Global Business Licence Holders (GBL) | - | - | - | - | - | - | - |
| Other entities | 303,250 | 27,286 | 606 | 2,881 | 3,487 | 1,587 | 722 |
| | 11,140,090 | 1,627,270 | 332,321 | 121,261 | 453,582 | 129,450 | 66,564 |
| **Segment B** | | | | | | | |
| Agriculture and fishing | 203,584 | - | - | 1,844 | 1,844 | 1,128 | 801 |
| Manufacturing | 1,342,847 | 429,234 | 243,625 | 10,526 | 254,151 | 18,839 | 9,557 |
| Tourism | 52,242 | - | - | 473 | 473 | 216 | 304 |
| Transport | 551,938 | 189,800 | 64,178 | 4,999 | 69,177 | 2,696 | 730 |
| Construction, infrastructure and real estate | 581,435 | - | - | 5,266 | 5,266 | 3,576 | 3,773 |
| Financial and business services | 2,384,472 | - | 1,166 | 21,596 | 22,762 | 113,004 | 9,274 |
| Traders | 828,113 | - | - | 7,409 | 7,409 | 3,626 | 3,141 |
| Personal | 474,273 | 9,879 | 10,380 | 3,593 | 13,973 | 2,058 | 1,205 |
| Professional | - | - | - | - | - | - | - |
| Information, communication and technology | - | - | - | - | - | 362 | - |
| Government | 345,923 | - | - | 3,133 | 3,133 | 2,033 | 1,439 |
| Global Business Licence Holders (GBL) | 3,655,303 | 182,383 | 73,372 | 31,676 | 105,048 | 79,334 | 155,776 |
| Other entities | 1,370,623 | 24,991 | 24,966 | 10,718 | 35,684 | 29,668 | 4,782 |
| | 11,790,753 | 836,287 | 417,687 | 101,233 | 518,920 | 256,540 | 190,782 |

# 42. SEGMENTAL REPORTING (Continued)

| | | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| **XI INVESTMENT IN SUBSIDIARIES** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Cost | | | | | | | | | |
| At 30 June | **189,563** | **-** | **189,563** | 189,563 | - | 189,563 | 189,563 | 220,238 | 409,801 |

| | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| **XII FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE** | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| Bank of Mauritius bonds and notes | **316,033** | **-** | **316,033** | - | - | - | - | - | - |

| | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| **XIII FINANCIAL INVESTMENTS-HELD-TO-MATURITY** | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| **Unquoted investments** | | | | | | | | | |
| Government of Mauritius debt securities | **4,474,740** | **-** | **4,474,740** | 2,685,114 | - | 2,685,114 | 4,372,367 | - | 4,372,367 |
| Bank of Mauritius bonds and notes | **1,207,513** | **-** | **1,207,513** | 1,344,574 | - | 1,344,574 | 1,523,856 | - | 1,523,856 |
| Other debt securities | **734,253** | **5,122,373** | **5,856,626** | 911,096 | 130,908 | 1,042,004 | 810,566 | 130,048 | 940,614 |
| | **6,416,506** | **5,122,373** | **11,538,879** | 4,940,784 | 130,908 | 5,071,692 | 6,706,789 | 130,048 | 6,836,837 |

# 42. SEGMENTAL REPORTING (Continued)

## XIV EQUIPMENT

| Segment A | Improvement to buildings | Furniture and fittings | Office equipment | Motor vehicles | Computer equipment | Assets under work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| **COST** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| At 1 July 2013 | 10,647 | 13,227 | 9,093 | 671 | 11,184 | - | 44,822 |
| Additions | 8,154 | 23,312 | 3,473 | 63 | 9,732 | - | 44,734 |
| Disposals | - | - | (347) | - | (237) | - | (584) |
| At 30 June 2014 | 18,801 | 36,539 | 12,219 | 734 | 20,679 | - | 88,972 |
| At 1 July 2014 | 18,801 | 36,539 | 12,219 | 734 | 20,679 | - | 88,972 |
| Additions | 15,978 | 11,846 | 2,811 | 61 | 16,172 | - | 46,868 |
| Disposals | - | - | (945) | - | (387) | - | (1,332) |
| At 30 June 2015 | 34,779 | 48,385 | 14,085 | 795 | 36,464 | - | 134,508 |
| **At 1 July 2015** | **34,779** | **48,385** | **14,085** | **795** | **36,464** | **-** | **134,508** |
| **Additions** | **9,034** | **26,256** | **2,795** | **18,212** | **12,143** | **11** | **68,451** |
| **Disposals** | **-** | **(26)** | **(2,011)** | **(10,207)** | **(2,999)** | **-** | **(15,243)** |
| **At 30 June 2016** | **43,813** | **74,615** | **14,869** | **8,800** | **45,608** | **11** | **187,716** |
| **DEPRECIATION** | | | | | | | |
| At 1 July 2013 | 2,368 | 3,254 | 3,589 | 563 | 6,293 | - | 16,067 |
| Charge for the year | 1,214 | 1,832 | 1,482 | 115 | 2,235 | - | 6,878 |
| Disposals | - | - | (122) | - | (160) | - | (282) |
| At 30 June 2014 | 3,582 | 5,086 | 4,949 | 678 | 8,368 | - | 22,663 |
| At 1 July 2014 | 3,582 | 5,086 | 4,949 | 678 | 8,368 | - | 22,663 |
| Charge for the year | 2,725 | 4,055 | 2,013 | 10 | 4,733 | - | 13,536 |
| Disposals | - | - | (417) | - | (228) | - | (645) |
| At 30 June 2015 | 6,307 | 9,141 | 6,545 | 688 | 12,873 | - | 35,554 |
| **At 1 July 2015** | **6,307** | **9,141** | **6,545** | **688** | **12,873** | **-** | **35,554** |
| **Charge for the year** | **3,971** | **6,023** | **2,319** | **491** | **7,693** | **-** | **20,497** |
| **Disposals** | **-** | **(5)** | **(781)** | **-** | **(2,668)** | **-** | **(3,454)** |
| **At 30 June 2016** | **10,278** | **15,159** | **8,083** | **1,179** | **17,898** | **-** | **52,597** |
| **NET CARRYING AMOUNT** | | | | | | | |
| **At 30 June 2016** | **33,535** | **59,456** | **6,786** | **7,621** | **27,710** | **11** | **135,119** |
| At 30 June 2015 | 28,472 | 39,244 | 7,540 | 107 | 23,591 | - | 98,955 |
| At 30 June 2014 | 15,219 | 31,453 | 7,270 | 56 | 12,311 | - | 66,310 |

# 42. SEGMENTAL REPORTING (Continued)

XIV EQUIPMENT (Continued)

| Segment B | Improvement to buildings | Furniture and fittings | Office equipment | Motor vehicles | Computer equipment | Assets under work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| COST | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| At 1 July 2015 | - | - | - | - | - | - | - |
| Additions | 661 | 218 | - | - | - | - | 879 |
| Disposals | - | - | - | - | - | - | - |
| At 30 June 2016 | 661 | 218 | - | - | - | - | 879 |
| DEPRECIATION | | | | | | | |
| At 1 July 2015 | - | - | - | - | - | - | - |
| Charge for the year | 5 | 2 | | | | | 7 |
| Disposals | - | - | - | - | - | - | - |
| At 30 June 2016 | 5 | 2 | - | - | - | - | 7 |
| NET CARRYING AMOUNT | | | | | | | |
| At 30 June 2016 | 656 | 216 | - | - | - | - | 872 |
| At 30 June 2015 | - | - | - | - | - | - | - |
| At 30 June 2014 | - | - | - | - | - | - | - |

# 42. SEGMENTAL REPORTING (Continued)

| XV | INTANGIBLE ASSETS | Computer software | Banking software | Other | Assets under progress | Total |
|---|---|---|---|---|---|---|
| | **Segment A** | | | | | |
| | **COST** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** | **MUR'000** |
| | At 1 July 2013 | 14,057 | 17,120 | 7,742 | - | 38,919 |
| | Additions | 305 | 28,565 | - | - | 28,870 |
| | At 30 June 2014 | 14,362 | 45,685 | 7,742 | - | 67,789 |
| | At 1 July 2014 | 14,362 | 45,685 | 7,742 | - | 67,789 |
| | Additions | 3,237 | 13,660 | 2,184 | - | 19,081 |
| | At 30 June 2015 | 17,599 | 59,345 | 9,926 | - | 86,870 |
| | **At 1 July 2015** | **17,599** | **59,345** | **9,926** | **-** | **86,870** |
| | **Transfer from other assets** | **-** | **-** | **-** | **35,805** | **35,805** |
| | **Additions** | **2,910** | **18,960** | **-** | **15,362** | **37,232** |
| | **At 30 June 2016** | **20,509** | **78,305** | **9,926** | **51,167** | **159,907** |
| | **AMORTISATION** | | | | | |
| | At 1 July 2013 | 6,693 | 12,921 | 3,885 | - | 23,499 |
| | Charge for the year | 2,402 | 3,563 | 659 | - | 6,624 |
| | At 30 June 2014 | 9,095 | 16,484 | 4,544 | - | 30,123 |
| | At 1 July 2014 | 9,095 | 16,484 | 4,544 | - | 30,123 |
| | Charge for the year | 2,392 | 5,258 | 1,079 | - | 8,729 |
| | At 30 June 2015 | 11,487 | 21,742 | 5,623 | - | 38,852 |
| | **At 1 July 2015** | **11,487** | **21,742** | **5,623** | **-** | **38,852** |
| | **Charge for the year** | **2,076** | **6,271** | **877** | **-** | **9,224** |
| | **At 30 June 2016** | **13,563** | **28,013** | **6,500** | **-** | **48,076** |
| | **NET CARRYING AMOUNT** | | | | | |
| | **At 30 June 2016** | **6,946** | **50,292** | **3,426** | **51,167** | **111,831** |
| | At 30 June 2015 | 6,112 | 37,603 | 4,303 | - | 48,018 |
| | At 30 June 2014 | 5,267 | 29,201 | 3,198 | - | 37,667 |
| | **INTANGIBLE ASSETS** | | | | | |
| | **Segment B** | | | | | |
| | **COST** | | | | | |
| | **At 1 July 2015** | **-** | **-** | **-** | **-** | **-** |
| | **Additions** | **10** | **-** | **-** | **-** | **10** |
| | **Disposals** | **-** | **-** | **-** | **-** | **-** |
| | **At 30 June 2016** | **10** | **-** | **-** | **-** | **10** |
| | **AMORTISATION** | | | | | |
| | **At 1 July 2015** | **-** | **-** | **-** | **-** | **-** |
| | **Charge for the year** | **-** | **-** | **-** | **-** | **-** |
| | **At 30 June 2016** | **-** | **-** | **-** | **-** | **-** |
| | **NET CARRYING AMOUNT** | | | | | |
| | **At 30 June 2016** | **10** | **-** | **-** | **-** | **10** |
| | At 30 June 2015 | - | - | - | - | - |
| | At 30 June 2014 | - | - | - | - | - |

# 42. SEGMENTAL REPORTING (Continued)

| | | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Segment A** | **Segment B** | **Total** | Segment A | Segment B | Total | Segment A | Segment B | Total |
| **XVI** | **OTHER ASSETS** | **MUR'000** | **MUR'000** | **MUR'000** | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 | MUR'000 |
| | Accrued income | **3,820** | **918** | **4,738** | 409 | 5,536 | 5,945 | 1,772 | 4,814 | 6,586 |
| | Prepayments | **5,240** | **6,202** | **11,442** | 3,019 | 2,669 | 5,688 | 2,498 | 1,774 | 4,272 |
| | Share application money | **-** | **-** | **-** | **-** | - | - | 2,525 | - | 2,525 |
| | Dividend receivable | **112,000** | **-** | **112,000** | 145,000 | - | 145,000 | 100,000 | - | 100,000 |
| | Other receivables | **65,701** | **12,303** | **78,004** | 63,478 | 68,039 | 131,517 | 48,505 | 12,329 | 60,834 |
| | | **186,761** | **19,423** | **206,184** | 211,906 | 76,244 | 288,150 | 155,300 | 18,917 | 174,217 |
| **XVII** | **DUE TO BANKS** | | | | | | | | | |
| | Deposits with other banks | **-** | **-** | **-** | 227,411 | - | 227,411 | 1,015,350 | - | 1,015,350 |
| | Borrowings from the Central Bank | **173,510** | **-** | **173,510** | - | - | - | - | - | - |
| | | **173,510** | **-** | **173,510** | 227,411 | - | 227,411 | 1,015,350 | - | 1,015,350 |
| **XVIII** | **DEPOSITS FROM CUSTOMERS** | | | | | | | | | |
| | **Personal** | | | | | | | | | |
| | - Current and savings accounts | **4,404,013** | **7,167,618** | **11,571,631** | 3,748,703 | 6,248,612 | 9,997,315 | 2,256,965 | 4,122,876 | 6,379,841 |
| | - Term deposits | **4,330,977** | **1,907,006** | **6,237,983** | 3,746,304 | 2,014,187 | 5,760,491 | 3,509,931 | 1,569,862 | 5,079,793 |
| | **Business** | | | | | | - | | | - |
| | - Current and savings accounts | **6,456,746** | **37,299,324** | **43,756,070** | 4,295,024 | 25,419,962 | 29,714,986 | 3,067,482 | 15,763,420 | 18,830,902 |
| | - Term deposits | **5,046,893** | **13,756,240** | **18,803,133** | 6,289,437 | 15,129,814 | 21,419,251 | 6,071,815 | 4,643,052 | 10,714,867 |
| | **Government institutions** | | | | | | - | | | - |
| | - Current and savings accounts | **10,159** | **-** | **10,159** | 9,817 | - | 9,817 | 4,775 | - | 4,775 |
| | - Term deposits | **-** | **-** | **-** | 26,791 | - | 26,791 | 79,777 | - | 79,777 |
| | | **20,248,788** | **60,130,188** | **80,378,976** | 18,116,076 | 48,812,575 | 66,928,651 | 14,990,745 | 26,099,210 | 41,089,955 |
| **XIX** | **DEBTS ISSUED** | | | | | | | | | |
| | Unsecured subordinated bonds | **1,111,032** | **-** | **1,111,032** | 1,094,275 | - | 1,094,275 | 1,033,574 | - | 1,033,574 |
| **XXI** | **OTHER LIABILITIES** | | | | | | | | | |
| | Other payable and sundry creditors | **318,885** | **88,621** | **407,506** | 193,789 | 337,998 | 531,787 | 118,715 | 480,795 | 599,510 |

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